

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

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ABSTRACT OF DIPLOMA THESIS

**Business plan of establishing an international preschool in
Prague**

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Summary

This diploma thesis is the analysis of the establishing an international preschool in Prague. The first part of this thesis – theoretical part, is a literature review, where the basic concepts, types of nurseries, educational system, business, marketing and financial plan and related conditions are described. The second part – practical part, includes the market analysis performed through PESTLE analysis, Porter's five forces analysis, competition analysis and analysis of demographic factors such as age composition and population and birth-rate. Based on these thorough analyses, the business plan is implemented. Subsequently, a financial plan is elaborated, including break-even point analysis, profit and loss account/income statement and cash flow. The net present value and profitability index is compared to three different financial scenarios. Finally, the risk assessment is performed. The main goal is to establish a functional, self-financing and profitable company.

Keywords: Preschool, nursery, kindergarten, business plan, financial plan, marketing plan, international, establishing, education, Prague

GOALS

The main goal of this thesis is to create a feasible business plan for establishing new international preschool, operating in Prague, founded by a private person in a legal form of limited liability Company; Czech abbreviation s.r.o. Partial aim is to develop a financial plan, which includes all important financial information for potential investors.

This business plan should have its substance and its idea. It should provide the most important and most comprehensive information for potential investors to allow them to assess whether the project is feasible and so interesting for them. Based on the information provided, they will be able to evaluate whether the invested capital will be returned and how quickly.

The outcome of the diploma thesis is to answer following research questions:

1st: Will this business be profitable in 3-4 years?

2nd: Do demographic trends allow to open the preschool?

METHODOLOGY

Data for theoretical part were collected from various sources as literature and internet sources with help of methods of induction, deduction and extraction.

With regard to Practical part, the methodology was to conduct a thorough analysis of macro environment as the geographic and demographic analysis (age composition, population, birth-rate), current market situation as the PESTLE analysis, Porter's analysis of five forces, analysis of potential customers, competition analysis and SWOT analysis. An ex-post forecast analysis was used to identify future market changes.

Data from Czech Statistical Office (CSO), Register of school and school facilities, Ministry of education youth and sports of the Czech Republic were processed into spreadsheets.

Based on the results of these analyses, the marketing and financial plan were compiled. The marketing plan was worked out on marketing mix - product (in our case service), price, place, and promotion. The financial plan was elaborated from the balance sheet, income statement, cash flows, net present value and break-even point.

CONCLUSION

The aim of this diploma thesis was to develop a business plan to establish a private international kindergarten. During the elaboration of the diploma thesis, it was necessary to study the subject of establishing a limited liability company and the subject of private international preschool. It has been discovered that there are certain legislative conditions, conditions for operation of a private kindergarten, such as hygienic conditions, space requirements, entitlement to the programme of children in kindergarten, which must be observed.

In order to answer the research questions concerning this project, given at the beginning of this thesis, there was a need to perform various analyses. The performed analyses such as population development, birth-rate and also factors of PESTLE analysis and their forecasting showed that there are still favourable conditions and space to establish the new preschool facility. Based on these demographic trends, prognosis and analyses, the most important part of this project – Financial plan, was elaborated. Yearly break-even point analysis indicated that the kindergarten must be occupied at least by 12 children, which is 50% of the whole planned capacity. The different scenarios of income statements were calculated and compared. Pessimistic model simulation revealed that if the kindergarten is attended by only 12 children for the following next years, the company will generate losses. Optimistic and conservative scenarios brought the best results. The realistic scenario simulation indicates that the debt financing has to increase in order to survive insufficient cash inflows in the following years. Average payback period of all of these scenarios except the pessimistic one is approximately 3 years.

The aim of the company will be to reach maximum occupation of preschool and, of course, to generate profit although it is very likely that the business will not be at its maximum in the first year. In order to avoid any financial difficulties it is very important to start the business responsibly, build a reputation for good quality services, quality staff. Eventual, unlikely shortcomings have to be solved and settled in time to the full satisfaction of the clients.

The final diploma thesis could serve as a simple guide for people interested in this field to actually start a business. After the thorough studies, deep analyses of various factors including competition, forecast for developments, which I have done in this thesis, I am convinced that the subject of this diploma thesis is viable and feasible and it will be interesting for potential investors.

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