

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

Department of Economics



Diploma Thesis

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

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DIPLOMA THESIS ASSIGNMENT

Bc. Simona Řezáčová

Economics and Management

Thesis title

Business plan of establishing an international preschool in Prague

Objectives of thesis

The aim of this thesis is to design a business plan for the establishment of an international preschool in Prague, to prepare all the documents for its foundation and its functioning, to find its economic profitability and to ensure potential customers.

The thesis is divided into two parts, theoretical and practical.

The theoretical part is focused on the literature review of Basic concepts related to business, legal forms of business, marketing mix and other literature related to this business.

The practical part is focused on the processing analysis such as SWOT analysis, PESTLE analysis, Porter's analysis of the competitive environment, financial analysis of the budget, calculation of financials of the project and the evaluation of market of the international preschool.

Methodology

Literature background will be conducted using methods of induction and deduction. Information will be gain through the appropriate books and through the internet.

The practical section will be devoted to the analysis of the current situation of preschool education, analysis of macro-environment such as demographic factors, statistics, social factors, financial plan, evaluating project efficiency using net present value, risk assessment and subsequent evaluate the return of the investment.

The proposed extent of the thesis

60 pages

Keywords

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

Recommended information sources

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Declaration

I declare that I have worked on my diploma thesis titled "Business plan of establishing an international preschool in Prague" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any third person.

In Prague on

Bc. Simona Řezáčová

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

Podnikatelský plán založení
mezinárodního předškolního zařízení
v Praze

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

Souhrn

Tato diplomová práce je anlyzou vytvoření mezinárodní školky v Praze. První částí této práce – teoretická část, je přehled literatury, kde jsou popsány základní pojmy, druhy školky, vzdělávací systém, obchodní, marketingový a finanční plán a jejich podmínky. Druhá část – praktická část, zahrnuje analýzu PESTLE, Porterovu analýzu pěti sil, analýzu konkurence a analýzu demografických faktorů jako je věkové složení, populace a míra porodnosti. Na základě těchto důkladných analýz je podnikatelský plán vytvořen. Následně je vypracován finanční plán, který zahrnuje analýzu bodu zvratu, výkaz zisku a ztrát a peněžní toky. Čistá současná hodnota a index ziskovosti se porovnávají se třemi různými finančními scénáři. Závěrem je provedeno hodnocení rizik. Hlavním cílem je vytvořit funkční, samofinancující a ziskovou společnost.

Klíčová slova: Školka, mateřská škola, předškolní, Podnikatelský plán, finanční plán, marketingový plán, mezinárodní, založení, výchova, Praha

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1 INTRODUCTION

The business project involves an area with a great interest today - it is an establishing a private kindergarten; in this case, opening a private international preschool. With strong population ages for the past ten years, pre-school education institutions, especially nursery schools or just kindergartens, have been experiencing an influx of children every year. Increasing number of children has put pressure on the capacity of existing facilities and has prompted the emergence of new, often private preschools. The trend of establishing new private preschools is still growing, but little less than in previous years. This growth trend can be observed mainly in Prague, capital city of the Czech Republic.

The word “*international*“ can be explained in different ways. For this thesis, international means an extensive approach to education that prepares children to be engaged in an interrelated world where the communication will be primarily in foreign languages. Because it is a private sector, the syllabus may differ from the general syllabus (Framework educational program, Czech abbreviation RVP) that all state schools and kindergartens have to follow.

This diploma thesis focuses on a business plan of establishing private international preschool and its most important market and financial analysis. Its final evaluation should be comprehensible, systematic and practically useful for instance for investors.

Theoretical part focuses on the theoretical background of the business plan as the basic concept of nursery, types of nurseries, educational system. Then the basic terms of the business plan, its structure and analysis needed for evaluation of the entire market, are described in this thesis. Very important part is the business plan structure in which all key areas are logically and factually connected.

Practical part consists of two parts. The first part analyses the overall market through demographic factors, PESTLE analysis and Porter's 5 forces analysis. An ex-post forecast is used to assess the future market, which is the key-factor of the business plan. In the second part, the business plan itself is implemented on the basis of the acquired

analyses from the previous chapter. The most important parts are the marketing plan and its mix, as well as the financial plan, which is an integral part of each business plan and where the income statement is elaborated.

Based on the financial plan, its evaluation and results will be discussed and the final conclusion, whether the project is feasible and profitable is declared.

2 GOALS AND METHODOLOGY

2.1 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?

2.2 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.

3 THEORETICAL PART

3.1 BASIC CONCEPTS

Preschools also known as kindergartens, nursery schools, pre-primary schools etc. (In the following text all the above expressions have the same meaning, for the purpose of this thesis), have a very long tradition dating back to the last century. The emergence of the Preschools was conditioned by the industrial revolution in the 19th century. The reason for that was that the people could not care enough about their children, the children could be injured and they suffered from restriction of their socialization.

Nowadays, kindergartens also fulfil several other functions among them important social functions - especially the already mentioned process of socialization of a child. The concept of pre-school education is based on the same principles as other education systems and levels of education. It is guided by common goals which are geared to a child so that he/she learns basics of key competences from an early age and thus gains prerequisites for his/her lifelong education. It is not possible to believe that the kindergartens can completely replace the process of socializing the child in the family. It is rather a complementary function. [35]

Objectives of pre-school education in accordance with the Act No. 561/2004 Coll § 33 [24] *"Preschool education promotes the development of a pre-school child's personality, contributes to his / her healthy emotional, intellectual and physical development, and adopts basic rules of behaviour, basic living values and interpersonal relationships. Pre-primary education creates basic preconditions for continuing education. Pre-school education helps to compensate for the uneven development of children before entering basic education and provides special pedagogical care to children with special educational needs. "*

Preschool education is organized for children aged from 3 to 6 years, but at the earliest for children aged from 2 and more. The preschool education is obligatory from the beginning of the school year following the day the child reaches the fifth year of age until the beginning of the compulsory primary schooling, unless otherwise specified. [24] § 34, article 1

3.2 TYPES OF NURSERIES

We distinguish various types of preschools according to different criteria:

- A. According to the founder:
 - a) Public nursery school
 - b) Private nursery school
- B. According to the training/education programme:
 - a) Church kindergartens
 - b) Forest nurseries
 - c) Montessori kindergartens
 - d) Dalton kindergartens
 - e) Waldorf kindergartens
 - f) Language/International preschool
- C. Others:
 - a) Private children clubs
 - b) Children groups
 - c) Day-care nursery [32]

A a) Public nursery schools

Public nursery schools are established by the state, municipalities, the county, the union of municipalities (public) and they are covered by the School Act and the related binding regulations. The basic features are the enrolment of the school in the school register (Register of Ministry of Education, Youth and Sports - abbreviation in the Czech language is MŠMT – Ministerstvo školství, mládeže a tělovýchovy) and the related entitlement to funds. They are regulated under the Act No. 561/2004 Coll., The School Act.

The Regional Authority allocates the amount of funds (calculated by multiplying the normative by the number of children) to the schools and school facilities they established and to the schools established by the municipalities.

Education and attendance in the last year of a nursery school (last year before the compulsory primary schooling) are obligatory for all children and they are provided free of

charge for a maximum of 12 months. The tuition fee is about 330 CZK up-to 1000 CZK / month. [24] § 123

A b) Private nursery schools

Private nursery schools are established by church legal entities or other legal entities (in general School Legal Entities) whose subject matter is the provision of education or educational services according to the School Act and the related regulations. The most important features of regulations are to register of School Legal Entities in the Register of MŠMT and to get related entitlement to funds. [32]

The financing of private schools is regulated by School Act §162 [24] and more detailed Act No. 306/1999 Coll. - subsidies to private schools, pre-school and school facilities. [21]

MŠMT provides grants from the state budget to private schools through regional authorities. These grants are provided only for financing of non-investment expenditure. Expenditure on investments is covered by tuition fees and other private sources.

Registered private nursery schools must meet the same hygiene requirements as public nursery schools. The tuition fee is about CZK 3000 up-to 5000 / month for all-day attendance.[32]

B a) Church kindergartens

As it was already mentioned above in the sector of Private nursery schools, the Church kindergartens are a subset of private or public nurseries established either by church legal entities or by a city or municipality. In most of the cases, they have the legal form of a school legal entity or contributory organization and they are usually registered in the Register MŠMT and thus fall under the School Act. [32]

In this case, church kindergartens are entitled to receive subsidies, which are provided in accordance with §7 par. f) Act No. 218/2000 Coll. [20]

B b) Forest nurseries

Forest nurseries are an alternative to classical pre-school education, a subset of private nursery schools. It is defined by the School Act: "A Forest nursery school is a kindergarten in which the education takes place mainly in the outdoors outside of the kindergarten. It serves only for occasional stay. The basement of the kindergarten must not be a building ". [24] § 34

Education is the same as for standard kindergartens in accordance with the MŠMT, so-called Framework Educational Program. [30]

B c) Montessori kindergartens

The Montessori kindergartens adapt to the needs of the child. Teachers respect the fact that each child is "tuned" to a certain activity for a different time, so the child can choose whether to work alone, in a couple or in a group. Children are led to self-confidence and independence. [1]

B d) Dalton kindergartens

Dalton kindergartens have similar teaching principles as the Montessori program. Fundamental principles are freedom, autonomy and cooperation. The main idea of Dalton teaching is to support the active work of children. Emphasis is placed on developing autonomy and responsibility for their work. [32]

B e) Waldorf kindergartens

In Waldorf kindergartens children learn about the world by observation and imitation. Emphasis is placed on the moral and emotional development of the child. This type of kindergarten does not burden children's memory unnecessarily - playing and experimenting is preferred. [1]

B f) Language preschool

Language preschools are the schools, where the child can master a foreign language already at pre-school age. As a rule, teachers talk to children only in a foreign language. These preschools tend to be more expensive. [32]

These preschools are understood also as International preschools.

C a) Private children clubs

Private children clubs not registered in the MŠMT are private establishments operated under the regime of Act No. 455/1991 Coll. on Trades Licensing which do not provide recreational and educational activities carried out in the framework of education and training in schools, pre-school and school facilities. Clubs are without subsidies. [32]

C b) Children groups

This is a flexible form of child care, advantageous for parents who will be able to place their children in the children's group both daily and/or only on specific days of the week. Establishing a children's group is not too much costly and hygienically demanding as establishing standard nursery.

C c) Day-care nurseries

Child day-care nurseries, in the Czech language often referred to as "jesle", are a type of nurseries that aim to care for very young children - usually up to three years of age. This "jesle" allow the parents to engage in activities other than childcare, such as employment, self-education, health and fitness, etc. [32]

3.3 BASIC TERMS OF BUSINESS PLAN

3.3.1 Business

Business means a continuous activity carried out independently by the entrepreneur in his/her own name and on his/her own responsibility for the purpose of achieving profit. [15]

3.3.2 Entrepreneur

“Anyone who independently carries out on his / her own account and responsibility for gainful employment in a trade or similar manner with the intention of doing it consistently for the purpose of making a profit, it is considered to be the entrepreneur's business.”

“For the purposes of consumer’s protection and for the purposes of § 1963, Public Act, any person, who concludes contracts related to his/her own business, production or similar activity or in the independent pursuit of his/her profession or a person acting in the name or on behalf of the entrepreneur, is also considered as an entrepreneur.” [25] § 420

Entrepreneur - it is considered, to be:

- A legal or physical entity registered in the Commercial Register
- A legal or physical entity who has a trade license or other authorization under another law [25] § 421

3.3.3 Legal forms of business

Choosing a legal form of business usually follows a thorough business plan when the entrepreneur already knows what and how he wants to do it. The first step is to decide whether business will be conducted through a legal or physical entity. Furthermore, the entrepreneur has to answer questions about the manner and extent of the liability, the authorization to manage the number of founders, the claims for initial capital, the administrative burdens, the profit participation, the tax burden and eventually the disclosure obligation. [10]

3.3.4 Business of physical entities

Business of physical entities means business under the so-called trade license. Trade license is a systematic activity of the entrepreneur operated independently, on its own

behalf, under its own responsibility, for the purpose of making a profit and under the conditions laid down by the Trade Act. [23] § 2

General Terms of Trade license:

- reaching the age of 18,
- legal capacity,
- Integrity. [23] § 6

The special conditions of the operation of the trade licenses are professional or other capacity, if this law or special regulations require it. [23] § 6a

3.3.5 Business of legal entity

Very popular legal form in the Czech Republic is a limited liability company (LLC), where the main advantage is only the capital participation of the owner(s) on the company. In addition, in the context of the change in Czech legislation, where the requirement for minimum core capital has disappeared, and so the main frequent barrier to choosing of suitable form of SME (Small and medium-sized enterprises) business has been removed. [11]

The Commercial Corporations Act says that business corporations are companies and cooperatives. [26]

Business companies are divided into:

- a personal company - a public company and a limited partnership,
- a capital company - a limited liability company and a Joint-stock company,
- European society,
- European Economic Interest Grouping.

Cooperatives are:

- Cooperative,
- European cooperative society. [26] § 1

Limited liability Company (s.r.o.)

The law states, that the limited liability company is the company where all partners are liable on the company's debts up to the amount of their deposit. The company must have designation of a "limited liability company", which can be also replaced by a "limited company". According to the Czech new law, the minimum deposit is 1 CZK – the higher amount of the deposit can be determined in the social contract. The amount of the deposit may also be set differently for each share. The partner's contribution may be cash and non-cash. A non-cash deposit must be valued by a selected expert and his reward is paid by the company. Another change in the law is that the social contract may allow the emergence of different kinds of shares. The shares with which the same rights and obligations are attached and a share with no special rights and obligations attached is an essential share.

The statutory body of the company is one or more directors. The principal responsibility of the executive is the management of the company. If a company has more than one director that does not form a collective body, the majority, of the consortium is required to decide on the management of the company. The manager also ensures proper record keeping and accounting, manages the list of shareholders and, on request, informs the shareholders about the company's affairs. The General Assembly is the supreme body of the company. By law, it must be summoned at least once per accounting period. Its main competencies include decision-making on the change of the content of a social contract, decisions on changes in the amount of registered capital, election and dismissal of the manager, election and dismissal of the liquidator and other decisions concerning the company. The quorum is only in the presence of partners who have at least half of all votes. [26] § 132 – § 142

Founding Limited liability Company (s.r.o.)

For the establishment of a limited liability company, the following steps must be taken:

- Conclude a Social contract in the form of a notarial record,
- The composition of the company's capital or its parts
- Obtain trade licenses
- Registration of the company to the Commercial Register,
- Company registration with the tax office. [16]

Writing and signing a social contract

The social contract must be newly written in the form of a notarial record.

Elements of the social contract:

- Company and registered office,
- designation of the company by the name of the company or the name and registered office of the legal person or the name and address of the physical person,
- subject of business (activities),
- the amount of the registered capital and the amount of the contribution of each shareholder, including the manner and term of the repayment of the contribution,
- the names and addresses of the company's first directors and the way they act on behalf of the company,
- the names and addresses of the members of the first supervisory board, if established,
- Determining the deposit manager,
- Other information required by the Commercial Code.

Composition of deposits

The composition of deposits is determined by social contracts, usually deposits are deposited into a bank account. The simplest is to set up a new bank account in the name of the deposit manager.

Getting Trade license

The application for registration of the company in the Commercial Register must be accompanied by appropriate business authorizations, which are trade licenses, concessions, etc.

Proposal for registration of the company in the Commercial Register

This proposal is filed with the Registrar Court, the official forms are newly prescribed. Proposals are signed by all executives and their signatures must be officially (notary) verified.

Company registration in the Commercial Register

The company's registration deadline is up to six months from the date of application. You will receive registration of the company in the Commercial Register from the Registration Court, which is sent to the registered office of the registered company. By entering the Commercial Register, a limited liability company in fact is created and this is the day when the company is responsible to keep accounting.

Company registration with the tax office

The obligation of a newly created company is to register it at the local financial office. [16]

3.4 EDUCATIONAL SYSTEM IN THE CZECH REPUBLIC

For each area of education in primary and secondary education and for pre-school, and artistic and language education, the framework education programs are issued. The Framework Educational Programs define the mandatory content, scope and conditions of education; they are mandatory for the creation of school educational programs, the assessment of the results of children's and pupils' education, the creation and assessment of textbooks and teaching texts. They are also the binding basis for the determination of the amount of funds allocated under § 160 to 162. [24] § 3

3.4.1 Framework education programs for preschool education

The Framework Educational Programs specify in particular the specific objectives, forms, length and obligatory content of education, both general and vocational. They must correspond to the specific subject of the education, its organizational structure, professional profile, course conditions and termination of education. They must also follow the principles for the creation of school educational programs, for the education of pupils with special educational needs and the necessary material, personnel and organizational conditions and conditions of safety and health protection. Health conditions for providing the education are determined by the MŠMT in agreement with the Ministry of Health. [24]

Framework education programs for preschool education include 14 chapters.

1. Definition of the Framework Educational Program for Preschool Education in the Curriculum Documents System
2. Pre-primary education in the education system and its organization
3. The concept and aims of pre-school education, which includes: Tasks of pre-school education, Specifics of pre-school education, methods and forms of work, Objectives of pre-school education
4. Educational content in the Framework Educational Program for Preschool Education
5. Educational areas that include:
 - a) Child and his body
 - b) Child and his psyche
 - c) Child and the other

- d) Child and company
 - e) Child and the world
6. Educational content in the school curriculum
 7. Pre-school education conditions
 8. Education of children with special educational needs
 9. Education of gifted children
 10. Education of children from two to three years
 11. Self-evaluation of kindergarten and assessment of educational outcomes
 12. Principles for processing the school education program
 13. Criteria for compliance of the Framework and School Educational Program
 14. Obligations of nursery school teacher(s) [35]

The obligation to adhere to the principles in the creation of a school educational program in accordance with the Education Act and the requirements of the Framework Educational Program and other subordinate documents, especially the own evaluation of the school, puts extraordinary demands on the teachers of the kindergarten and consequently raises the need for qualitatively higher self-control abilities of the school.

The school educational program must include information from the following 7 headings: identification data, general characteristics of the school, conditions of education, organization of education, characteristics of the educational program, educational content and evacuation system. [1]

In case of private International preschool, there is no need to follow this framework educational program. Private sector can set their own curriculum and may be inspired by this educational program. To be international preschool, the curriculum should comprise some of the elements of the IPC (International preschool curriculum). The basic area of IPC are Numeracy and Maths, Social Science, Physical Development, Motor Skills, Social skills, Emotional Skills, Technology and Science, Visual and Creative Arts.

3.5 DECREE ON HYGIENE REQUIREMENTS

This Decree No. 410/2005 Coll. sets out hygienic requirements for space conditions, equipment, operation, lighting, heating, microclimate conditions, water supply and cleaning of kindergartens, elementary and secondary schools, conservatories, higher vocational schools, art schools and others.

In order to establish pre-school facilities, paragraphs of this decree are set out concerning only kindergartens. [22]

Spatial conditions § 3, § 4

The unoccupied area of the parcel for facilities for education and training, as well as facilities for education and training intended for the stay and play of preschool children, including the grassy area, must be at least 4 m² per child. Land must be fenced for children's health and safety.

Spatial conditions and indoor arrangements in facilities for education and training, and facilities for the education and training of preschool children must allow teaching, free play of children, their rest, personal hygiene with stiffening, physical exercise and provision of meals if this is not ensured in another catering facility.

As it was mentioned above, for 1 child, the daily room area used as a playroom and bedroom must be at least 4 m². If the bedroom, dining room or gym is structurally separate, the playroom area must be at least 3 m² per child. The area per 1 sleeping bed must be at least 1.7 m² per child. The deck or bed must provide a firm back support. The storage area for beds and bedding must allow proper ventilation and separate bedding for each child. Each child must have individually marked bedding.

Furnishings and furniture distribution § 11

Equipment for education and training must be equipped with furniture that correspond to the different height of children and pupils and promotes proper posture. Chairs and desks for children and pupils must meet the norms of the Czech technical standard governing the size of furniture 9c) and must allow for the observance of the ergonomic principles of working seated pupils as set out in Annex 2 of this Decree. [22]

Lighting § 12

Inside the buildings and facilities for education and training intended for the long-term stay of pupils, daytime running lights must comply with the standard requirements of ČSN 730580-1, 2, 3.

Microclimatic conditions § 18

Premises of education and training facilities and facilities for education and training intended for residence must be directly ventilated. Requirements for fresh air ventilation (air exchange) at the time of use of the interior are set out in Annex 3 to this Decree.

When the temperature of air in classrooms intended for children and pupils drops in three consecutive days below 18 ° C but not less than 16 ° C or when the air temperature in those classrooms falls below 16 ° C in one day, the operation of facilities for education and training, and facilities for education and training have to be stopped.

During extreme outdoor temperatures where the maximum outdoor air temperature is higher than 30 ° C or when the resulting ball temperature is max above 31 ° C, teaching and other alternative arrangements for children must be made to stay outside of the building including provision of drinking regime.

Water supply § 20

Facility for education and training must provide supply of flowing drinking water according to a special legal regulation (§ 3 of Act No. 258/2000 Coll.). Due to capacities, supply must meet the following requirement: at least one child of pre-school age must have at least 60 l of water per day.

Operating conditions § 21

In facilities for education and training for preschool children, the daily period of stay outside is usually 2 hours in the morning; the afternoon is managed by the length of stay of the children in the facility. In the winter and summer season, outdoor time can be adjusted with respect to outside temperatures. Outdoor stay can be shortened or omitted altogether only in extremely unfavourable climatic conditions and in the event of a smog or other dangerous situation.

Cleaning and changing of bedding § 22, § 23

Cleaning at the facilities of the education and training is carried out:

- a) Daily wiping of all floors and surfaces on wet, carpets by vacuum cleaner,
- (b) Daily taking out the garbage
- (c) Daily using detergents with a disinfectant effect by washing wash basins, urinal shells and lavatories,
- (d) At least once a week, washing the washable parts of the sanitary ward walls and disinfecting washrooms and lavatories,
- (e) At least twice a year by washing windows, including frames, luminaires and light sources,
- (f) At least twice a year, the total cleaning of all facility and fittings,
- (g) Painting once every three years or, if necessary, more frequently,
- (h) Regular maintenance of forced ventilation or air conditioning and cleaning of air-conditioning equipment according to the manufacturer's or supplier's instructions.

Exchange of bedding in childcare and education facilities for preschool children is provided at least once every 3 weeks, change of towels once a week; if necessary immediately. [22]

Attachment for the decree - Requirements for sanitary facilities

The number of sanitary facilities in childcare and education facilities for preschool children is determined as follows: for 5 children, 1 child toilet and washbasin must be installed. Instead of 2 toilet seats, children's urinals that are usually placed at 40 cm can be installed. The washbasins are usually placed at a height of 50 cm, with a 60 cm outlet valve above the floor. The washroom is equipped with 1 to 2 showers designed to allow children to enter the showers without help. [22]

3.6 BUSINESS PLAN

The business plan is the first and most important step in establishing of any new, business - oriented company including the international preschool in Prague. Without such business plan, it is not possible to imagine a successful functioning of any business establishment – because the plans, figuratively said, build bridges between where we are “today” and where we would like to be “tomorrow”. Unfortunately, many entrepreneurs, especially SMEs, completely underestimate the preparation of the plans and believe that they can do the business without thorough preparation and proper considerations of all factors and aspects substantially influencing the feasibility and viability of any new business. But the reality is different. [8]

A business plan is a prerequisite for obtaining:

- bank loans,
- Equity from venture capital, private and other investors,
- Support from state funds and EU funds. [4]

3.6.1 Structure of the business plan

Cover page

It is a concise content of the business plan. The most common are the data such as the name and registered office of the company, the names of the entrepreneurs and contacts, description and nature of the business and method and structure of financing.

Executive summary

Summary of the important points is the most important part of the whole work. It provides an overview of key objectives, issue of ownership, services, competitive advantages, marketing strategy, budget and overall financial plan. Many readers especially investors read this section first, so it is necessary to be concise and to the point.

Market analysis

This includes the analysis of competition, including weaknesses and strengths, as well as the possibilities of compromising the market success of the new venture. Detailed analysis of the education system in terms of current and historical trends and results.

Another important part is formed by natural factors, political situation, and legislative conditions. Customer analysis is also performed on the basis, of market segmentation.

Company Summary

This is a detailed description of the company, where the idea of the size of the business is mediated. The data contained in the company's summary should be verifiable regarding the establishment and results/records of the company. The strategy, goals and the possibilities of their achievement are defined.

- Key factors are:
- Provided services
 - Location / location and size of the company
 - Staff / organizational chart
 - All office and other equipment
 - Entrepreneurship training - previous experience, knowledge or references.

Production plan

Production plan can be replaced by Education and training plan. The production plan is unnecessary for this diploma thesis.

Marketing plan

This section explains how the rendered services will be marketed, valued and promoted. Key factors in this section is our target market segments, competition and differentiation of services. It is often considered to be the most important part of the business plan, ensuring the success of the business.

Organizational plan

As part of the business plan, it is necessary to determine the access to the operation, as well as the competitive advantage of the company in the given area. An example may be that the company owns know-how that no one else has, or that the company is able to provide the same or similar service on the market, but at a lower cost. It is entirely appropriate to consider outsourcing some service if the company knows in advance that it is unable to provide the service in the required quality or if it is known that the competitor can provide the same service at a lower price. [9]

Financial plan

It determines the amount of investment needed and also shows how much the business plan is economically feasible.

The most important are the following criteria:

- Assumptions of revenue and expenditure over at least three years, including expected revenues and estimated costs;
- Cash flow development over the next three years;
- An estimate of the balance sheet that provides information about the financial and commercial situation at a particular date

Risk assessment

It is necessary to describe the greatest risks/threats that may arise from:

- The reaction of competitors;
- The weaknesses of the company, the provided services or the management team;
- The “technological” development;
- Unexpected changes in the legislation

Risk/threats analysis is desirable for preparing an alternative strategy how to eliminate them. It is necessary for the entrepreneur to be aware of these risks/threats and to be ready to face them.

Appendix

The last part of the business plan is rather supportive, there are various attachments, listings from the registers, survey results, photographs, etc. The documents are also attached to the document, which is referred to in the business plan text. [4]

3.7 MARKET ANALYSIS

Before setting up a business, it's important to know the possibilities and environment an entrepreneur wants to enter. This environment can be divided into:

Macro-environment - external environment - the circumstances affecting the microenvironment of the company (demographic, economic, natural, technological, political and cultural factors),

Microenvironment - Inner surroundings - these are factors that affect the ability of an entrepreneur to meet the needs and wishes of the customers, to consider the possibilities of the suppliers and to defeat the competitors.

[34]

For the analysis of the external and internal environments and for the identification of the strengths and weaknesses of the business the most commonly used are:

- PESTLE analysis - external environment analysis,
- Porter's Analysis of Competitive Forces
- SWOT analysis - strategic analysis (analysis of the external and internal environment).

[17]

3.7.1 PESTLE analysis

This analysis is often used as a tool of analysing environmental changes - macro-environment. It allows to evaluate the possible consequences of changes to the project (business) that come from a certain area.

Political area - political trends and attitudes towards entrepreneurship. How the government interferes with the companies (taxes, trade restrictions, etc.)

Economic area – the most important are macroeconomic assumptions and indicators, direct and indirect taxes, market trends, state/government subsidy. Very essential is GDP development, which shows, among other parameters, the standard of living. Another important part is the cycle of the economy and the trends of the currency development, i.e. inflation rate and the development of interest rates.

Social area – The relevant is the labour market, demographic indicators (age, gender, habits, etc.) as well as the influence of trade unions, the level of eventual corruption, and the regional practices. It is important to focus on labour costs, unemployment rates, but also non-financial benefits.

Education and Training “Technology” area - The main are “technological” trends, barriers to entry, support “technologies” and applications and their availability.

Legislative area - Interpretation of laws, their applicability and the work of courts or the registry court.

Environmental area - This area is mainly about waste management, the use of renewable resources, perceptions of climate change and environmental protection. [17]

3.7.2 Porter’s analysis of competitive forces

Michael Porter has identified 5 basic forces that influence a business and represent not only possible threats, but also opportunities. It also serves to determine the company’s strengths and weaknesses. Individual forces may operate concurrently, but only some of them. The individual forces, that shape every business project, are as follows:

Industry Rivalry/Competition analysis – these factors include the structure of the sector (the position of the individual companies/institutions – state owned, competition, oligopoly or monopoly), demand conditions and the size of output barriers (property that cannot be subsequently sold, does not have alternative uses, emotional / sentimental reasons, strategic relationships within the company, etc.)

Threat of New Entrants - all companies that are not part of the respective competitive environment yet, but can enter it at any time. The strength of the new competitors’ entry risk influences barriers to entry into the business and increases costs to overcome them.

Threat of Substitutes - any possibility to create close substitutes for the provided services is to be considered as a major threat, which is, in most of the cases caused by price competition.

Supplier Power - increases if there is only very small number of substitutes on the market.

Buyer Power - the customers have to answer several questions – how are they placed in the buyer’s market, what size and volume of the services is demanded by them, whether they have a choice between low-priced businesses, if they can buy from multiple vendors at once. And last, whether buyers can arrange the demanded services some other way. [17]

3.7.3 SWOT analysis

This is the abbreviation of the initial letters of STRENGTH, WEAKNESSES, OPORTUNITIES, and THREATS.

This analysis serves to identify the current situation in the company. It shows the basic factors affecting the effectiveness of business activities and influences the achievement of the planned goals.

The SWOT analysis consists of two parts:

Internal - it concerns the company itself. On the one hand, it describes in what the company is good at and on the other hand, in what is not good. Simply, it is a classic list of pros and cons.

External - it concerns the surroundings of the business, which can hardly influence itself but which significantly affects the company. On the one hand, it describes the opportunities that are offered to the company from its surroundings and, on the other, the threats which threaten the company from the surroundings. [33]



Source: <https://canvanizer.com/new/swot-canvas>

3.8 MARKETING PLAN

Marketing is the basis for any strategic decision in today's hyper-competitive time. Of course, given the complexity of this issue, there are a number of marketing definitions. According to the world-famous Kotler, marketing is a "social process in which individuals and groups acquire what they need and demand through creation, offers and exchanges of valuable products and services with others ". [6]

Marketing mix

The marketing mix is the initial step for any marketing plan. Without a well-thought-out marketing mix, it is impossible to imagine an efficient business. It is even stated that it is no longer as important as what product or service the company offers, but rather how it promotes it, and whether it has correctly created its marketing mix.

The marketing mix serves as a conceptual framework that helps prepare a good approach for every marketing process. The marketing mix has four basic components - 4P, which are:

PRODUCT - product - **for the subject of this thesis product = services** (the core of the product), but also the product range, quality, design, company's image, brand, guarantees and other factors that determine the product to meet its requirements and expectations.

It should be noted that the product is not only a physical product, but it is a far wider concept. Keller expands products on the basis of their utility and talks about the so-called "basic utility, basic product, expected product, expanded product and eventually a potential product" [3]

The first type of product is introduced to the primary purpose of the product - perhaps in the case of clothing it may be an attempt to get rid of the feeling of cold. It is a product layer that is easily measurable in the form of physical indicators: weight, weight, noise, and so on.

The expected product is what one expects after consuming the product or service, it is its internal need and desire. In contrast, for an enhanced product, the features of the product are already distinguished from other products offered by competitors.

The potential product already meets the expectations the consumer is not aware of.
PRICE - the value expressed in money for which the services are sold. It also includes discounts, terms and conditions of payment, refund or credit options.

This marketing element is most often determined by demand, own costs or competition prices. The first approach, takes into account the price that the buyer is able to pay. However, this approach does not include the cost and price at which the services are offered by the competition.

The second approach is based only on its own costs, which are then assigned a certain profit margin. This approach is very simple and easy to understand, but neglects the market. This approach is particularly applicable in markets where competition is high. Of course, in practice it is difficult to meet the approaches that are based on one of the above elements. Their mix is predominant. In addition, companies may use other approaches - based, (for example in the industrial production), on the product lifecycle, with the price set at the very beginning and gradually decreasing. [5]

PLACE - where and how the product will be sold, or services provided/sold. For industrial products - distribution routes, distribution network availability, sales assortment, supply and shipping. For the services provided – environmentally friendly places (no smog, less noise, fresh air, gardens, play grounds etc.) with friendly atmosphere, location near the public transport and medical services, parking facilities for customers and for suppliers.

This component is more important for the production enterprise, but it is to be somehow considered also in case of providing the education and training services.

Location is everything. For building a new preschool facility, the location is very important. Investigation all of the options are needed before signing purchase agreement or an agreement for rent. [7]

PROMOTION - as customers learn about the services - direct sales, public relations, advertising and sales promotion.

What is key to kindergarten is promotion, which consists of: advertising, sales promotion, public relations, personal sales, event marketing and direct marketing. [2]

Most businesses build their communication on advertising, which is a mass impersonal form of marketing communication that serves to reach a large number of people. Sales promotion is no less important component, it is a wide range of tools that attract the attention of the customer provide him/her with information and can bring him/her to buy the services.

Public Relations can usually afford very large companies, this type of communication is defined as activities related to building mutual understanding between the company and its environment, target and interest groups. [2]

Event marketing is a communication that is primarily directed toward inducing positive emotional experiences in an individual. Personal sales are "direct communication and the cultivation of a personal relationship between two or more people, in order to sell/provide services while creating a long-term positive relationship that would contribute to creating the desired image of the firm and the provided services. It is a form of communication that is relatively expensive because it requires direct communication with the customer. [5]

When providing services, it is necessary to work with the 7P model where the other P stands for:

- People,
- Physical evidence,
- Processes. [13]

The above-mentioned approach that divides the marketing mix is not final - economic practice and academics are creating new approaches taking into account the marketing mix. An example is the 4C concept, which gives customers and their wishes a focus rather than a product. Here are other ingredients – customer costs and comfort. The

only component that remains the same is marketing communication. As can be seen, this approach is based mainly on the customer and his needs, not on the needs of the company.

The recommended content of the marketing implementation plan is as follows: executive summary, current marketing situation, SWOT analysis, goals and problems, marketing strategy, activity programs, budgets and control mechanisms. [5]

3.9 FINANCIAL AND ECONOMIC PLAN

Financial planning is an essential part of strategic business management. Financial planning brings financial planning to corporate planning. These should result from the company's strategic intentions or be determined by the company's owners for the relevant period. The financial plan is based on both asset structure and revenue and cost prediction. Besides the strictly controlling function, the financial plan fulfils as well as the control function, as it allows to evaluate the achieved status with the required. [12]

A financial plan for newly established businesses plays a very important role, in this case, the financial plan is usually made for several years ahead - most often for three years. It is also to be assumed that the preparation of financial statements is also ordered by law:

"In the cases provided by this Act, the accounting units shall prepare financial statements. The financial statements are an integral part of the balance sheet, profit and loss account, and attachment"

"The financial statements may also include a cash flow statement or an overview of changes in equity. Selected entities compile a cash flow statement and a change in equity if they meet both criteria as set out in Section 20 (1) (a) and (b) (a) points 1 and 2." [27]

3.9.1 Balance sheet

Balance sheet is the first output of financial planning. The term balance sheet refers to an accounting statement informing about the company's assets and sources of financing. The given financial statement is compiled for a certain period. When compiling the balance sheet, it is important to remember the rule that liabilities are equal to assets. Assets are most often represented in the balance sheet by long-term and current assets.

The difference is whether it is a property that the company will use for more than one year or not, or whether the property is consumed or just worn.

Understandably, each company will have its own property structure. The company's liabilities are divided into debt and equity, which the company either generated itself or

received from its owners. It is a source of funding for business activities of the company. Many companies also have a time deviation in their liabilities.

3.9.2 The profit and loss account

The profit and loss account already provides an overview of the revenues and costs of businesses. This is a statement that focuses on flow variables. The result of the income statement is profit, while remembering that the profit and loss account can be compiled on both a generic and a cost-based basis. In addition, the income statement may be compiled for operating, financial or extraordinary activities. [12]

Based on the data reported in the income statement and the balance sheet, the basic financial analysis - profitability, activity, indebtedness, etc. is already formed. For this work, it is important to define the profit and loss account in the assigned cost. In other words, it will be an approach that emphasizes managerial accounting.

3.9.3 Sources of financing

As it regards the sources of funding, the left side of the balance sheet can be denoted to liabilities. It is a business capital structure that finances the company's assets. Liabilities can be divided into the following groups, namely:

Own sources of financing - the following are considered as own sources of financing:

- Registered capital - which represents the monetary expression of the sum of the cash and non-monetary contributions of the shareholders in the company
- Capital funds - representing the debit card, the difference between the market value and the nominal value of the shares
- Donations, subsidies
- Profit funds - representing the statutory reserve fund, the indivisible fund and other funds
- The profit or loss of the past years
- The profit or loss of the current period - the reported profit or loss from the accounting period

There is a saying that warns borrowing money from a family member. But if there is someone who has business smarts, this possibility is very positive. [8]

Foreign sources of financing - debts of a company that must be paid for a different period.

It includes:

- Reserves - they are divided into statutory and others,
- long-term liabilities - they are liabilities that have at the time of preparation of the financial statements maturity of more than one year and deferred tax liability,
- short-term liabilities,
- Bank loans.

It is important to note that in most cases short-term capital is cheaper than long-term.

Other sources of funding to this group include:

- accruals and deferred income
- estimated accounts [12]

4 PRACTICAL PART

4.1 ANALYSIS OF CURRENT MARKET SITUATION

This diploma thesis deals with the preparation of a business plan - the establishment of an international preschool. This kindergarten will be founded by a private person and the legal form of business will be a limited liability company. The name of the nursery is Munchkins preschool s.r.o. (Ltd). The kindergarten will be in Prague. The reason for choosing this city is mainly the large purchasing power of the local population resulting from average wages, as well as a number of opportunities that originated in a larger number of born children thanks to the so-called strong years.

The main strategy of the nursery is to focus on developing the English language, Montessori elements education and supporting the talents and talents of children. The planned opening of the school is in the school year 2018/2019.

4.1.1 Analysis of macro-environment

The chosen locality, where the kindergarten will be located, is the capital city of Czech Republic – Prague. Prague covers an area of 496 km², population is 1,267,449 according to the census 2015.

Figure 1: Map of the Czech Republic



Source: <https://en.wikipedia.org/wiki/Prague>

Prague, although a big city with many of the kindergartens, still occupies a very advantageous strategic location. It is a major traffic junction for both tram and train and other public means of transport so there is no problem with anywhere.

The following tables show the number of nursery schools, the number of classes and the number of children in each school year, overall in the territory of the Czech Republic and number of Private preschools on the territory of Prague. It is clear from the tables that the number of nurseries and children placed in them is increasing.

Table 1: Total preschools in Czech Republic

Years	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Number of preschools	4 880	4 931	5 011	5 085	5 158	5 209	5 209
Number of classes	13 988	14 481	14 972	15 390	15 729	15 848	15 856
Number of children	328 612	342 521	354 340	363 568	367 603	367 361	362 653

Source: Own processing, Czech Statistical Office

It is clear from this table that in 2012 there was a large increase in the number of preschools in total, when the number of pre-school facilities jumped from the previous year from 4 931 to 5011 preschools (80 preschools more).

Table 2: Number of private Preschool enrolled in the Register of school, their capacity and number of children over time in Prague

<i>Year</i>	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Number of private preschools	11	11	11	13	18	25
Number of children in preschools	443	465	488	607	810	1 047
Capacity of preschools	831	831	831	928	1116	1366
Occupation of private preschools (in %)	53,3	56	58,7	65,4	72,5	76,6
<i>Year</i>	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Number of private preschools	37	50	73	87	90	107
Number of children in preschools	1 376	1 814	2 363	2 835	2 932	3 286
Capacity of preschools	1879	2310	3037	3505	3580	3926
Occupation of private preschools (in %)	73	78,5	77,8	80,8	81,8	83,7

Source: own processing, Performance reports of MŠMT, Register of schools and school facilities

The table number 2 clearly shows that the development of the private preschools has rapidly changed. In 2006, Prague had only 11 private preschools enrolled in the register of school, whilst in 2017, Prague had almost 10 times more private preschools. This huge increase was influenced by many factors. The most important were the enormous increase of new-born children and insufficient capacity in pre-school facilities including the state own pre-schools. Increasing the number of children has put pressure on the capacity of existing facilities and has prompted the emergence of new, usually private facilities. The big boom of acquisition of private preschools is evident from 2012/2013.

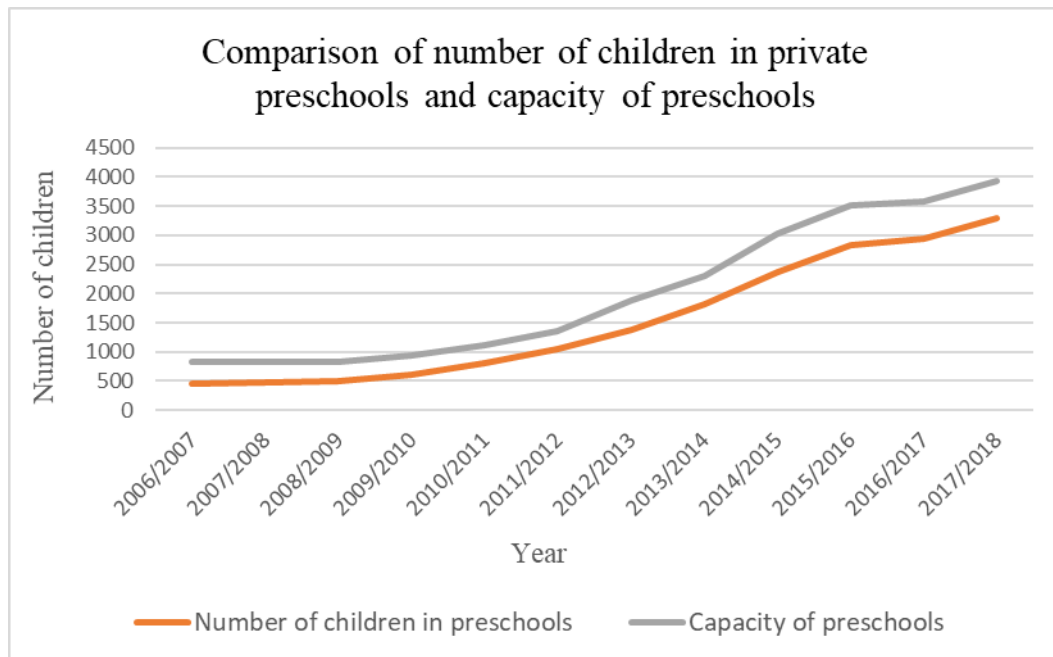
The number of private preschool's capacity is still increasing as well as the percentage occupation. From the previous years, it is seen that the occupation of private preschools was approximately about 60%. It is clear from the table that since 2010 there

was a great interest in private preschools and since that year, the number of children in private preschools still has been rising. Although private kindergartens still account for a relatively small proportion of preschools, their number increases each year.

However, it is necessary to mention that the data from the table above shows only private preschools enrolled in Register of schools, but not those, which are not enrolled. Since my intention to establish a preschool in Vinohrady region (Prague 2).

According to the websites: soukrome-skolky-praha.cz and expats.cz, there are 15 private and international preschools around Vinohrady region. Analysis of some these preschools is in the chapter 2.4.3 Competition analysis.

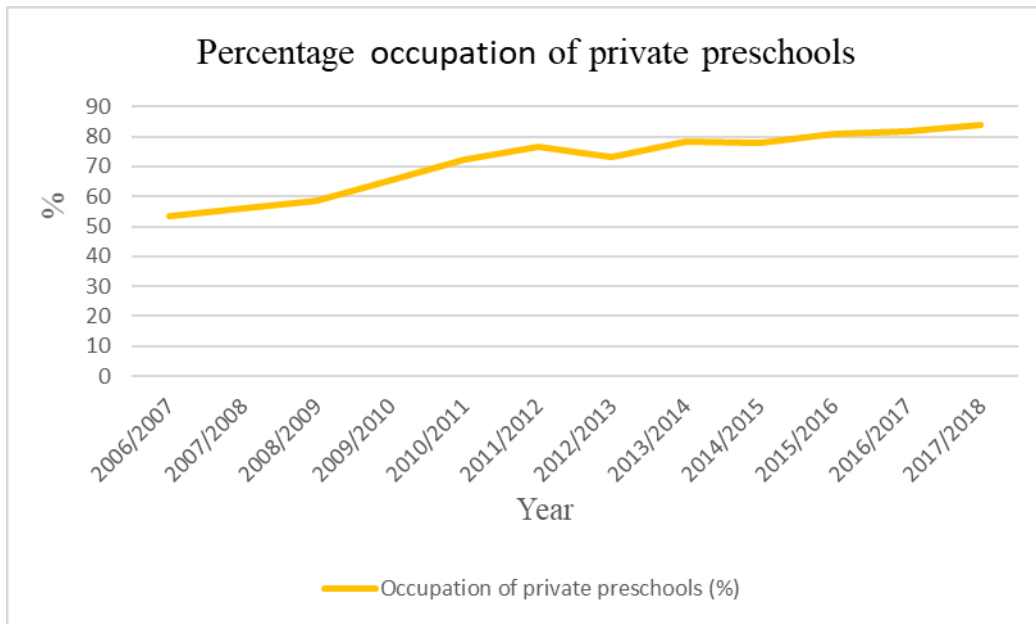
Figure 2: Comparison of number of children in private preschool and capacity of preschool



Source: Own processing, Register of school

The graph captures the number of children in preschools of private founders in the territory of Prague as well as the total capacity of preschools in the selected period. The data are shown in Table 2. This is the maximum number of children enrolled in each school year. There is a clear trend in capacity growth due to the entry of new entities in the chosen territory and period. The marked increase in enrolled capacities starts in the school year 2010/2011, and this trend does not seem to change. From the previous value of 831 children in 2006, the capacity of private preschool in Prague grew to 3926 children. That's more than a fourfold increase.

Figure 3: Percentage occupation of private preschools

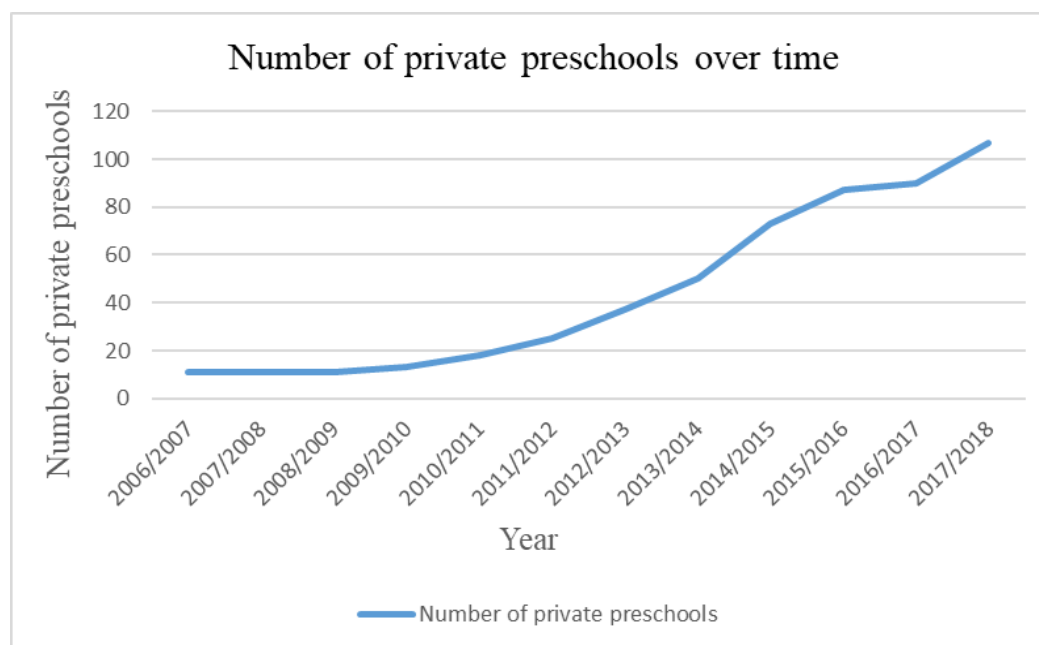


Source: Own processing; Register of school

The yellow curve of the number of children and the registered capacity is the result of the occupation of nurseries which from 2010 fluctuates between 72% and 83%. It can be stated that the capacities of nursery schools of private founders are relatively utilized (on average 77%).

It is obvious that the occupation of private nurseries and public nurseries is fundamentally different. The basic reason is the amount that the parent must pay for the child.

Figure 4: Number of private preschools over time



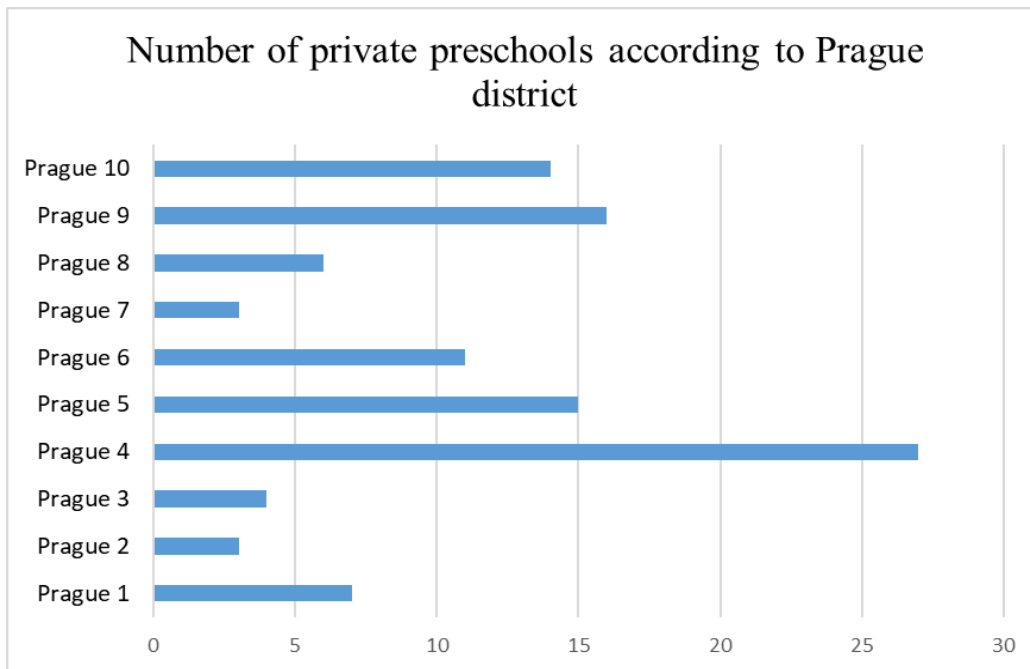
Source: Own processing, Register of school

The blue curve shows the number of kindergartens - the trend clearly correlates with the increase in capacities and the number of children. The boom of private nursery schools does not finish yet.

The school year 2010/2011 can be defined as a break point when all of the above indicators begin to rise. This is undoubtedly related to the demographic development of the period - see Table 3 in a chapter of Age composition and population. The number of children aged 0-14 (the age group is defined by Czech Statistical Office) in the region of Prague has grown from 2010 to 2016 about 33,000 children. It is an increase of over 20%.

Another aspect is enough space for doing business in this area. While the establishment of a public nursery school is conditioned by time-consuming political processes, the creation of a private kindergarten registered in schools and school facilities is a matter of demand, entrepreneurial intent and management.

Figure 5: Number of private preschools according to Prague district



Source: Own processing, Register of school

In figure 5 there is a fundamental overview of the number of places of the performance of preschools (registered in the register of schools and school facilities) active in the selected period in individual districts of Prague.

In the graph we can see that the number of places of performance corresponds in particular to the number of inhabitants in individual districts - the highest number (27) were in Prague 4 and the least (3) in Prague 2 and 7. The reason is, that the Prague 4 has the highest population. Strategically, this business plan should be applied in Prague 2, because of lack private preschools enrolled in Register of school.

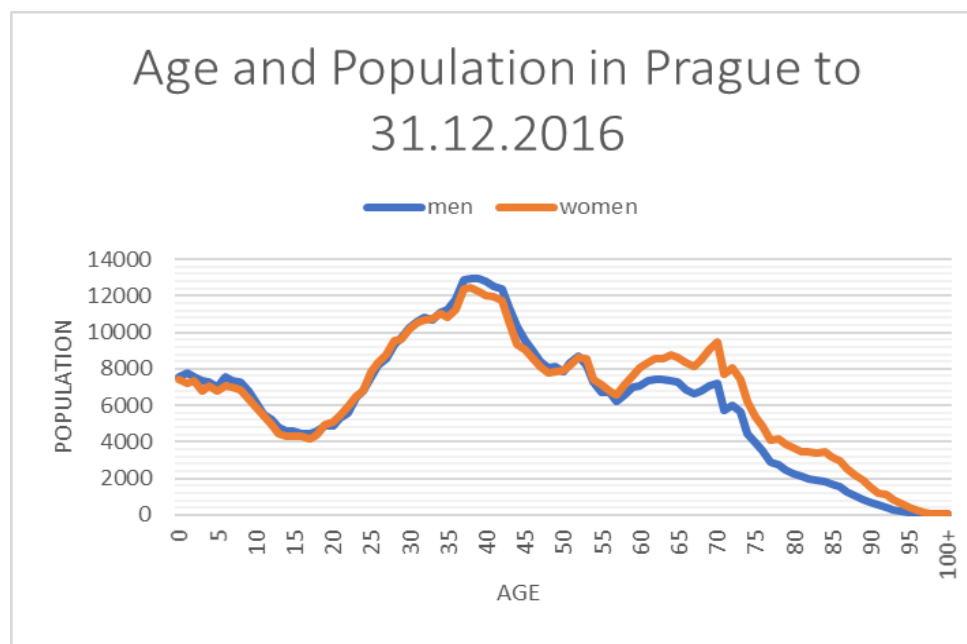
4.1.2 Demographic factors

Demographic factors analyse the population's development, which will certainly affect the future private kindergarten, therefore the following factors need to be assessed:

- Age composition and population
- Birth-rate

4.1.2.1 Age composition and population

Figure 6: Age and population in Prague to 31.12.2016



Source: own processing, Czech statistical office

This chart shows, that the highest population is in the age group of 30-45 and, also in the age group 60-70, but this group is not interesting for the subjected type of company.

This age group of 30-45 years is for our project important, because according to the Czech statistical office magazine from 2014, the age of women's first childbirth is still increasing especially in Prague. In 2001 the average age of mothers during first childbirth was up to 29,4 years. In the following years, Prague was a region where the average age of mothers was the highest in comparison with other regions in the Czech Republic. Even in 2012, Prague retained its leadership when women gave first birth at an average age of 31.4 years. [29]

Based on these facts, there is a high probability that the birth rate will be high in Prague during the following years and therefore the number of children placed in kindergartens will not decrease.

Table 3: Population development in 2010 - 2016 in Prague

	AGE	2010	2011	2012	2013	2014	2015	2016
MEN	0-14	82 830	85 555	87 337	89996	93 643	97 037	99 899
	15-64	446 499	431 798	428 481	420 646	422 562	421 594	423 374
	65+	82 743	86 634	89 666	91 971	94 171	96 038	98 292
	total	612 072	603 987	605 484	602 613	610 376	614 669	621 565
WOMEN	0-14	78 464	80 104	82 916	85 357	88 857	91 795	94 998
	15-64	443 475	431 699	428 013	422 160	424 399	423 338	423 606
	65+	123 147	126 874	130 367	133 071	135 447	137 647	140 339
	total	645 086	638 677	641 296	640 588	648 703	652 780	658 943

Source: Own processing, Czech Statistical Office

The table shows the population growth in individual years in Prague, the number of men and women. The data show that the population is increasing and the number of women exceeds the number of men. The age group 0-14 is for this kind of business significant and this age group indicates that the number of children is still increasing. In 2016 the value of group 0-14 is counting about 194 897 children.

4.1.2.2 Birth-rate

This indicator is one of the fundamental information for the founder – investor. The birth rate shows the potential number of children who will be placed in pre-school facilities in the future. Therefore, it can be concluded that high birth rates and a low number of pre-school facilities are a great opportunity and advantage for newly-formed nurseries because there will be enough clients on the market to search for these services.

The following table shows the number of live births in the PRAGUE.

Table 4: Number of live birth children in Prague according to age of mother

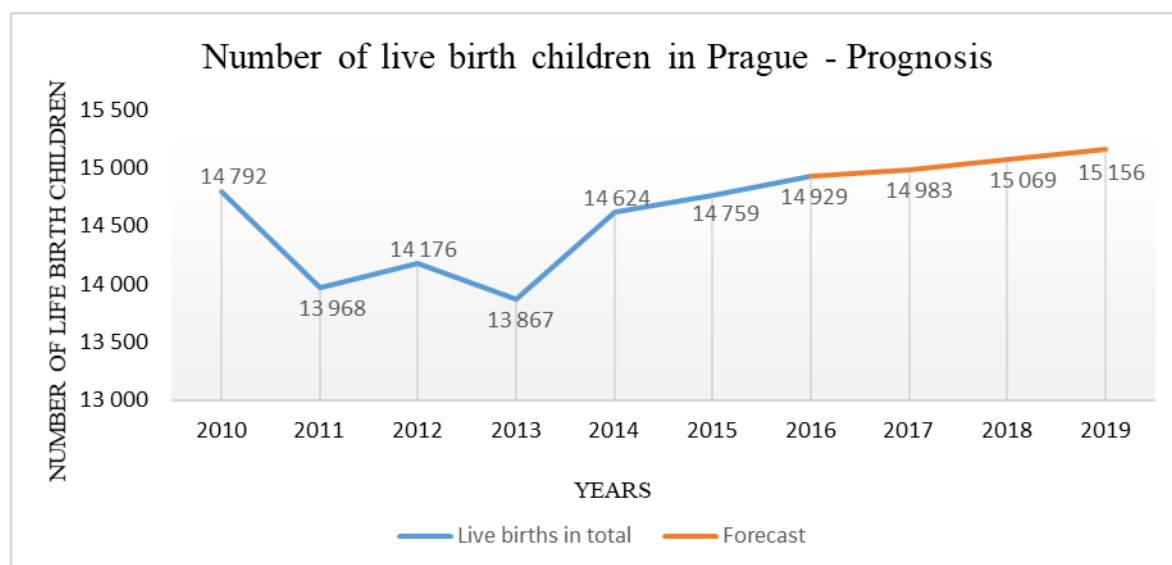
YEAR	2010	2011	2012	2013	2014	2015	2016
Life births, Total	14 792	13 968	14 176	13 867	14 624	14 759	14 929
Age of mother:							
- 14	-	2	-	-	-	-	-
15 - 19	161	164	166	123	121	124	137
20 - 24	1 061	948	902	882	849	879	815
25 - 29	3 652	3 303	3 138	3 120	3 320	3 322	3 357
30 - 34	6 740	6 308	6 380	5 914	6 130	6 014	6 018
35 - 39	2 808	2 819	3 125	3 329	3 577	3 731	3 823
40 +	370	424	465	499	627	689	779

Source: own processing, Czech statistical office – demographic yearbook

The table above shows, that the most babies are born to mother aged 30-34. According to the fact, that this group is also the most numerous in terms of women population, there is high probability that the birth rate will not decrease in the future. In the year 2010, it can also be seen, that the birth-rate was the highest and in the following years the birth-rate slightly decreased. It could be caused by the economic crisis or the postponement of Planned Parenthood. Other factors that might influenced the decline in 2013 could be an increasing emphasis on gender equality, limited access to housing, economic uncertainty, unemployment and job insecurity.

In 2014, birth rate rises again. This can result in a high migration of the population. People move to big cities for work, so it is possible that the language school will also be attended by children from other regions.

Figure 7: Number of live birth children in total in Prague and prognosis



Source: Own processing, Czech Statistical Office

The prognosis indicates that we can expect a slight increase in new-born babies in Prague in the following years, which is desirable for this project. More children may guarantee a greater increase in demand for nurseries.

Table 5: Average age of mother's first childbirth in Prague over time

year	2002	2003	2004	2005	2006	2007	2008
	29,5	29,7	30	30,2	30,6	30,8	31
year	2009	2010	2011	2012	2013	2014	2015
	31	31,2	31,2	31,4	31,4	31,5	31,6

Source: Own processing, Czech Statistical office

This table proves, that the women's first childbirth age is still increasing. It is caused by the all the mention factors as increasing emphasis on gender equality, limited access to housing, economic uncertainty, unemployment and job insecurity.

New actuality

According to the latest news from iDnes.cz (3.10.2017); it should be mentioned that Czechs have more children, but they are getting older. The population of the Czech Republic has grown by almost three hundred thousand in the last ten years. This may be due to higher birth rates and especially migration from abroad.

The population is growing mainly due to migrants - since 2012 the number of immigrants has risen by about 67 thousand to almost half a million. They are mainly coming from Slovakia - currently have reached more than 107 thousand. The number of the Ukrainians has increased from almost three and a half thousand to approximately 110 thousand. For the last four years, the Vietnamese lost about a thousand to the total number slightly less than 60,000.

The birth rate has been slowly growing for the third year. Last year nearly two thousand children were born. It is more than in 2015, a total of nearly 113 thousand - for one woman there are 1.63 children. This is significantly more than ten years ago when there were 1.33 children per woman, but the necessary coefficient for the society not to begin to die is at least 2.1. [37]

4.1.3 PESTLE analysis

POLITICAL

Political factors significantly shape, touch and affect, among other parts of the society life naturally also the business in the Czech Republic By the end of 2017, after the general elections, Mr. Andrej Babis was appointed as the new Prime Minister and subsequently he introduced his new government. This new Mr. Babis government asked the Chamber of Deputies for confidence, but they did not received it and resigned at the end of January. [19]

However, the said government, at present in resignation, declared in its Program Statement that the most fundamental objective is to fight for the interests of Czech citizens in the European Union and to refuse existing refugee quota arrangements.

With such program, the government wants to shift the economy and society to a new trajectory that should guarantee our country wide possibilities for active participation in the European economy and in the fast changing world.

The government's declaration focuses on implementing the six major strategic programmes:

- Digital Czech Republic - Internet available for everyone
- European Issues - Protecting the Interests of the Czech Republic.
- Strategic and investment plan of the country
- Pension reform - separation of pensions from the state budget
- State Reform - maintaining a balanced state budget, adopting new laws
- Enhance security - Increase defence, energy, food and resource security

Other government priorities interesting for this thesis are:

- Supporting the concentration of electronic communication between the state and entrepreneurs in to one place;
- Aligning the deadlines for the effect of legislative changes, clear information about business support obligations and tools;
- Fair working and business conditions;
- Promoting long-term economic growth;
- Labour market regulation - a new workforce;
- Ensuring adequate capacity of kindergartens. [38]

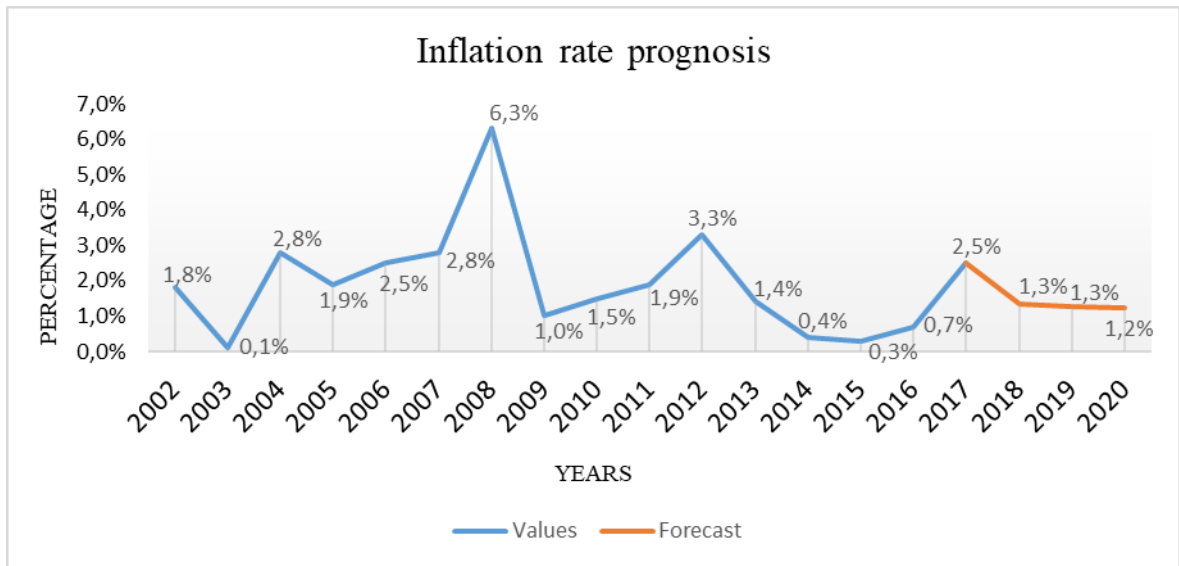
ECONOMIC

Among the basic economic factors that affect the whole society are especially inflation rate, GDP development, tax rates etc. The current market situation is to some extent still affected by the impacts of the global economic crisis.

- **Inflation rate**

The average inflation rate is expressed as a percentage. This figure indicates, how much the price level has increased or dropped in twelve months, i.e. against the same period of the previous year.

Figure 8: Inflation rate in the Czech Republic and prognosis



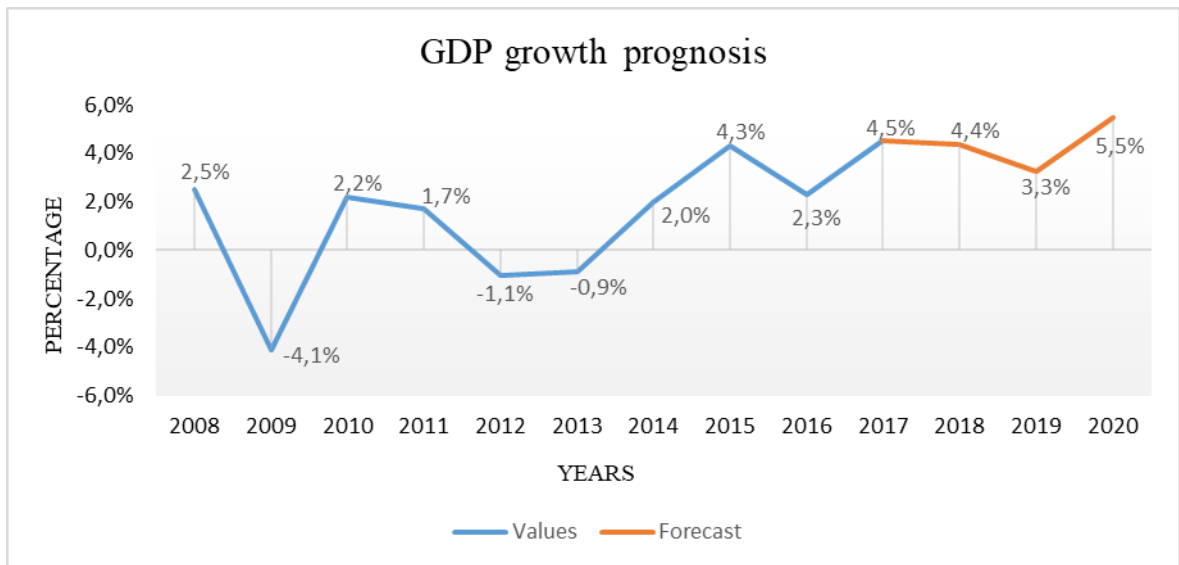
Source: Own processing; Czech Statistical Office

The graph shows inflation in the Czech Republic in the years 2002-2017 and its forecast. It indicates that in 2008 there was a large increase of 6,3%, due to the impact of the economic crisis. A further rise in inflation occurred in 2012 to 3.3%. This increase was due to changes in indirect taxes and GDP growth.

We are recording growth again in 2015 - 2017. It can be seen from the prognosis that the inflation is going to decrease. The main reason can be a decrease of money available in the economy. Therefore, the inflation rate is affected to some extent by the Central Bank, which is responsible for money emission.

- **GDP development**

Figure 9: GDP growth in the Czech Republic and prognosis



Source: Own processing, Czech Statistical Office

The graph above shows that GDP is increasing in 2017, which leads to a better state economy and greater stability. There is high probability that parents of preschool children will have higher incomes, more security at work, and may choose more private facilities to educate their children. As forecasted, GDP is expected to grow up to 5.5% in 2020. This phenomenon is desirable for this project.

- **Tax rates**

The most important tax factors include:

Childbirth subsidy - Claim on childbirth subsidy applies for the first and second child but only if the net income of members of the household (in the last quarter before the child's birth) does not exceed 2.7 times the living minimum. The amount of the birth grant for the first child is CZK 13,000, for the second child is CZK 10,000. [28]

Tax discount - Since 2018, the tax benefit for the first child has increased. For the 1. child the tax deduction is CZK 1,267 per month - 150 CZK more than in 2017. The tax deduction on the 2nd child is 1,617 CZK / month, for 3rd and more children CZK 2,017 / month. [36]

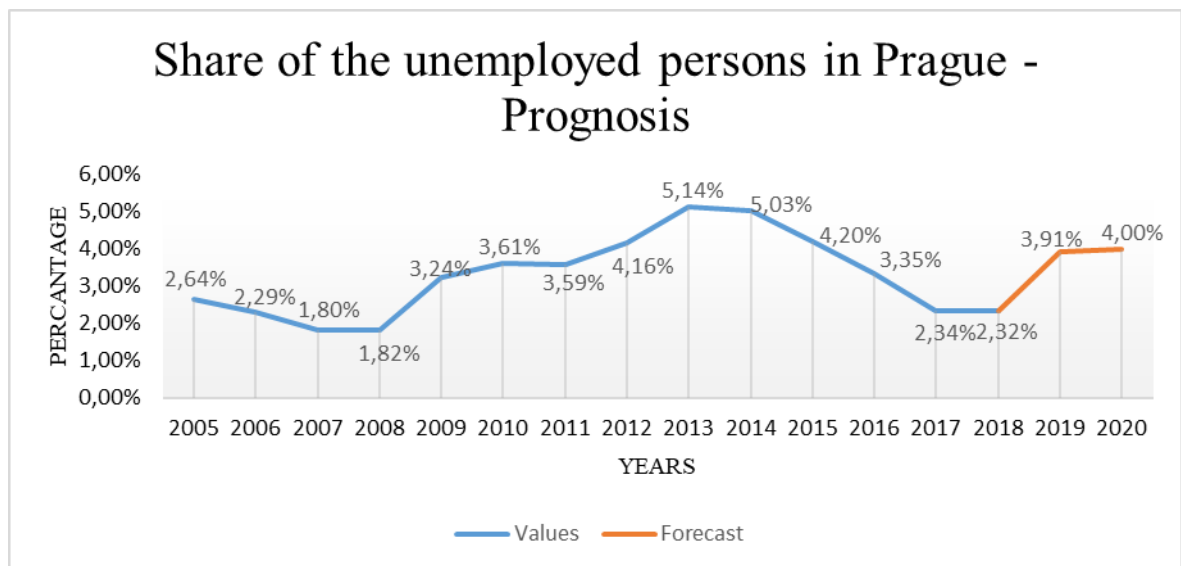
Deduction of kindergarten - Parents can lower the tax on the costs they spend on the child's stay in kindergarten or similar kind of pre-school childcare facility. The maximum annual discount per child is limited by the monthly minimum wage - for 2017 it increases to CZK 11,000. [14]

SOCIAL

One of the major social factors influencing the social area is the economic situation of the population conditioned, among other factors, by the unemployment rate and the standard of living.

- **Unemployment rate**

Figure 10: Share of the unemployed persons in Prague and prognosis



Source: Own processing, Czech Statistical Office

The total unemployment rate in the Czech Republic has been declining since 2013 to 3.89 % in January 2018.

In Prague, the unemployment rate has increased since 2008, when the highest value was 5.14%. From this year we can see a decline. In January 2018, the unemployment rate was only 2.32%, and led, to a reasonable improvement in the situation. In comparison with other regions, the value of this indicator in Prague was the lowest.

The forecast tells us that the unemployment rate will rise linearly to 4%. If unemployment will continue to rise then it may negatively influence the demand for private childcare services.

The Ministry of Labour and Social Affairs registered 44 220 vacancies in January 2018. The number of job seekers was 21,729, which means that there are 2 vacancies per job applicant. [18]

- **Standard of living**

The living standard of the population is an important factor not only for start-up of a private international preschool. The basic factor determining the standard of living is the average gross wage. This indicator is not so reliable, because it shows only the average value. It does not ensure that everyone has such high or low wage.

Table 6: Development of the average gross monthly wage in the Czech Republic and Prague

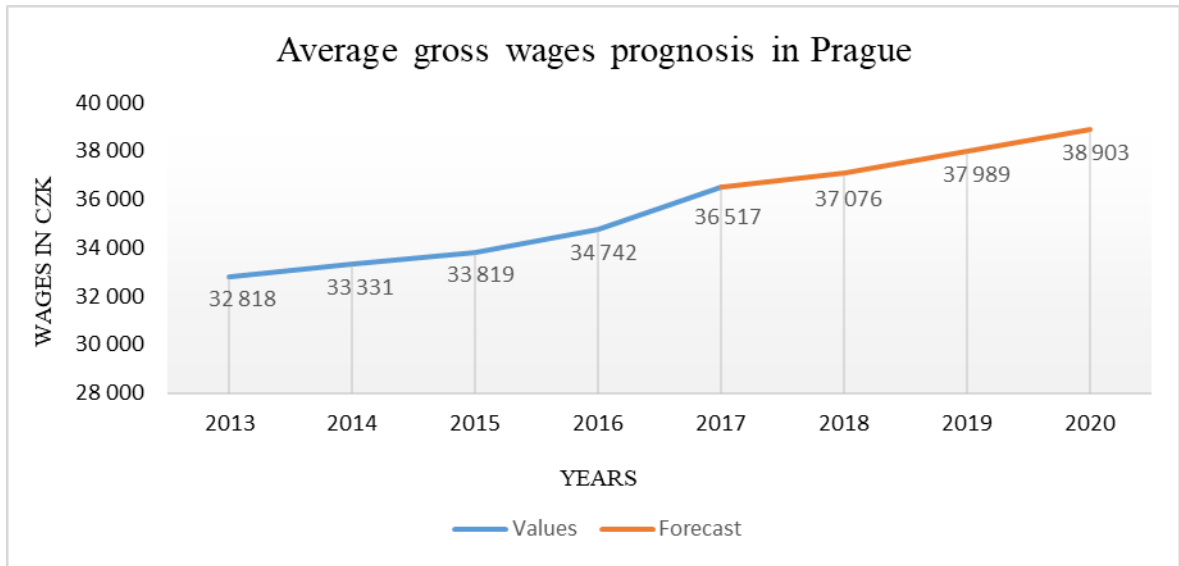
<i>Year</i>	2013	2014	2015	2016	2017
<i>Czech Republic</i>	25 122	25 681	26 454	27 579	28 761
<i>Prague</i>	32 818	33 331	33 819	34 742	36 517
<i>Change (%)</i>	30%	30%	28%	26%	27%

Source: Own processing, Czech Statistical Office

It is clear from the table that the gross monthly wage in Prague exceeds the national average by about 30%. In recent years, the difference has changed but is still very high. Comparing with other regions of the Czech Republic, the average monthly wage in Prague is the highest. From this perspective, Prague is the ideal place for business.

The following graph indicates future forecast for Average gross wages in Prague.

Figure 11: Average gross wages prognosis in Prague



Source: Own processing, Czech Statistical Office

It is visible, that the figures are increasing, therefore, it can be expected, that living standard will be rising in the following years. Gross wages will go up to approximately CZK 38 903.

TECHNICAL

Taking into consideration the topic of this thesis, namely the Business plan of establishing an international preschool in Prague, this factor is not too essential for the work. Nevertheless, it is necessary to mention that nowadays technology in general is developing very quickly and in certain details it can also affect pre-school children. Especially in the field of education (interactive aids, boards, etc.) as well as in the field of solving and learning of responsibility.

LEGISLATIVE

This chapter is related to the legislative factors influencing the establishment and operation of a private international preschool. In this case it is an international private preschool with legal regulations in the Czech Republic

The business-related laws are: Act No. 455/1991 Coll., On Trades Licensing,
 Act No. 90/2012 Coll., On Corporate Corporations,
 Act No. 89/2012 Coll., Civil Code.

Free Trade Licence

Out-of-school education, courses, training courses, including lecturing - the content of this trade is the education of children over three years of age in pre-school facilities, teaching in private schools and vocational training establishments, unless these are included in the register of schools and school facilities.

Bound Trade Licence

Care for a child under three years of age - in the case of children under three years of age, it is also necessary to have professional qualifications in addition to the generally required conditions. These general conditions are: minimum of 18 years, legal capacity and criminal integrity.

Professional qualification is profession of:

General Nurse (§ 5 of Act No. 96/2004) or a medical assistant (§ 29 No. 96/2004)

A social worker or a worker in social services under the Act on Social Services (Section 110, Section 116, Section 117 of Act No 108/2006)

If the founder does not have such education, he or she may use the responsible representative's institute.

Act No. 561/2004 Coll., School Act

The advantage of private nursery schools is that they do not have to strictly adhere to the educational framework of the Ministry of Education, Youth and Sports. However, the responsible people of these nurseries should know this framework and draw on it, adapt it to the children's needs as they would like to manage the nursery. [31]

563/2004 Coll., On Teaching Staff

This Act regulates the requirements for educational staff, their working time, training and career progression. It applies to teaching staff of schools and school facilities enrolled in the register of schools and school facilities and to teaching staff in social service facilities.

It is important to select pedagogical staff with care and diligence to ensure that their education corresponds to the requirements of this law.

Prerequisites for the director of school - The director of school may be a physical person who fulfils the requirements under § 3 (among others, the professional qualification for a direct pedagogical activity he or she performs).

Regulation No. 14/2005 Coll., Decree on pre-school education

This Regulation specifies the beginning of the school year. Preschool education has 3 years, but children of different grades can be included in one class. Preschool with one class has at least 15 children, with two or more classes having at least an average of 18 children in the class. Preschool class is up to a maximum of 24 children. In addition, it is possible to restrict or interrupt service in summer months.

Regulation No. 107/2005 Coll., Decree on school catering

This Regulation distinguishes between a school canteen (they provide meals that they prepare themselves) and a dispensary (they provide food prepared by another catering service provider). In other words, the kindergarten does not have to have its own kitchen. [31]

Regulation No. 268/2009 Coll., Decree on Technical Requirements for Buildings

This Decree regulates the requirements for buildings where the business activities take place. It is important for nursery schools to adhere to certain safety standards. For any Ministry or Controlling body inspection it is necessary to provide the project documentation, the budget of the construction, as well as the fire safety.

Regulation No. 410/2005 Coll., Decree on hygiene requirements for premises and operation of facilities and facilities for education and education of children and adolescents

Described in detail in Chapter 1.5 Decree on Hygiene Requirements

The laws governing communication with state institutions are:

Act No. 586/1992 Coll., On Income Taxes – Every legal entity must register for the payment of income tax

Act No. 563/1991 Coll., on accounting - Every legal entity must keep accounting

Act No. 262/2006 Coll., Labour Code

This Act regulates labour-law relationships between the employee and the employer, such as the length of the probationary period, the entitlement and drawing of the regular leave, the overtime etc.

ENVIROMENTAL

Environmental factors are usually related to weather and climate. These factors include a natural disaster or some “dramatic” climate changes such as long-lasting rain or hail-storms. This may create a high risk and cause consequences that are on economic, and also on a social level.

4.1.4 Porter’s 5 forces analysis

Competition analysis

The main competition for the preschool facility will be the private and international kindergartens located in Prague. The total number of kindergartens located in Prague, according to the <seznamskol.eu> database, is 324 and from that number 68 are private. According to expats.cz there are 86 international preschools. Official data on the Prague city hall website are slightly different - there are 405 nursery schools in Prague.

As can be seen from the number of nurseries, competition on the market is relatively large. 86 international nurseries in Prague is also a large number. Each of them offers communication in a foreign language and many other same as well as different specialized services. On the other hand, more and more parents prefer learning with Montessori elements. That is why the kindergarten of this business plan is slightly more competitive for this market – Day-to-day communication in English with Montessori elements.

The competitors of the kindergarten will be international and private kindergartens situated around and in Vinohrady region. They are listed in the appendix of this thesis.

Mayor direct competitors:

- You & Me - centre for children and family - Vilová 97/3, Praha 10
- Mateřská škola Duhovka, s.r.o. – Preschool, Cihelná Prague 1 - Malá strana
- Prague International Academy preschool - Dykova 543/31, Praha 10 – Vinohrady
- The little mole of international preschool of Prague - Riegrovy sady, Prague 2

- Jingle bells preschool – Korunni 4, Praha 2, Namesti Miru
- Kids company - Hradešínská 1931/58, Praha 10 – Vinohrady
- Bambíno nurseries and kindergartens - Šrobárova 14, Praha 10 – Vinohrady

Kindergarten *You and me* is the main competitor, since it is a nursery that is directly focused on Montessori education. Its main strength is to combine elements of Montessori with forest pedagogy and Czech English communication. Another advantage is a wide range of accompanying activities such as art workshop, music, cooking and more. The cost per stay varies between 6 900 to 14 900 CZK depending on the length of the child's stay - see the appendix of this thesis.

Another main competitor is undoubtedly the *Duhovka* kindergarten which is considered as very popular. It has been operating since 2008 and is a member of the AMS - American Montessori Society. This Montessori International Czech-English Nursery offers an educational program for children aged from 1.5 to 6 years. Its advantages are history of the preschool, many various activities such as music, dance, ceramics etc., speech therapy and the possibility of psychological counselling. The disadvantage is high tuition fees, where the price is between 15 000 – 19 500 CZK per month. Moreover, the boarding is not included in the price.

Prague International Academy Preschool focuses primarily on the development of language skills. Their morning programme is conducted in English by native speakers, and the afternoon programme is carried out by both Czech and English teachers. Tuition fee is from 7 990 to 13 990 CZK.

The little mole international preschool's programme is a day-to-day communication in English and other well-known activities such as cooking, yoga, sports. The interesting part of this kindergarten programme is that it celebrates holidays not only valid in the Czech Republic but all around the world. Tuition fees range from 15,000 to 18,500 CZK.

The British National Curriculum inspired preschool - *Jingle bells*, was established in 1999 and it excels in its services such as afternoon clubs, children's play centres and

summer camps. They also offer BIO food. Parents will pay for the stay price between 2 400 and 19,000 CZK depending on length of child's stay.

Kindergarten *KIDS Company* Praha is a pre-school facility with an educational programme focused on learning the Czech and German language from the early age of the child using the so-called immersion method. The main advantage of this kindergarten is teaching German language. Its other strength is an individual attitude to the child. The tuition fee is from 15,000 to 19,400 CZK.

Bambino focuses mainly on a healthy lifestyle. Preschool also places a great emphasis on English language but also offers French language. This preschool supports a "smart, eco, bio" attitude. The tuition fee is in the range of 8,400 to 17,850 CZK.

Threat of Substitutes

In addition to direct competition, indirect competition, including private babysitting and private education have to be also taken in consideration. These are direct substitutes for the services being offered in the market. This competition cannot be accurately estimated, because many people provide this service without publishing them on the web.

Another option is the engagement of grandparents for babysitting. This option is the cheapest and safest one, but at present, the retirement age is prolonged and the majority of grandparents are still in the working process. This fact indicates that the threat of such substitute cannot significantly affect the subjected intention.

Threat of New Entrants

The threat of new competitors' entry is not as high as in previous years when there was a great "boom" in private and international preschools. However, new kindergartens are still emerging, dependent on the interest in higher-standard services.

There is a high probability that new entities will be established, but it cannot be assumed that they will be able to meet the 100% demand.

There are also certain barriers to entry into this sector, especially the financial difficulty of starting up a private international kindergarten (facility and its equipment,

teachers' wages, etc.) and the legislative factors, which every entrepreneur/investor must observe and manage.

Buyer power

The Buyer power in this business is reasonably high. Each parent tries to give their child the best corresponding to the child's own personality. In other words, which parent likes to give his/her child into "strange hands" unless he/she is convinced about the best quality of the services provided in the preschool? In addition, the cost of the service provider changing is low, because the competition in Prague is relatively high.

So the company must strive to build up a reputation and enhance parents' satisfaction. The business will be based primarily on quality services and not on low prices, it means that higher income families can afford it.

Supplier power

In this case, the supplier will be mainly a company delivering lunch and snack. There are several such companies around the area of kindergarten which could be used as supplier. The decisive factors for choosing the right supplier are the quality of food and the offered price. In this case, a wide choice of suppliers of equipment, office supplies and hygiene is also available on the market, so their contracted power is limited. The decision will again depend on the quality and offered price.

4.1.5 Potential customers

Potential customers for such business area will be especially parents of preschool children. They will be the people aged between 20 and 50 years who have children from 2 to 7 years. The private international preschool will be located in the capital city Prague with excellent accessibility also from the large and small towns of the Central Bohemian region. Potential customers are characterized by higher incomes, high workloads, but also the need for high quality and individual attitude to their children.

4.1.6 Analysis of suppliers

There will be several suppliers in newly established preschool. The suppliers can be divided into:

- Equipment supplier - in terms of kindergarten equipment, the emphasis will be placed on the quality, but also on the price of the purchased items. The main supplier will be IKEA, which will provide almost all the equipment from beds, tables, wardrobes and shelves as well as some toys.
- Foodstuff supplier - the main supplier of foodstuff will be a selected lunch and snacks delivery company.

Other services providers can gradually be: selected speech therapist, psychologist and tax advisor.

4.2 BUSINESS PLAN – PROJECT IMPLEMENTATION

Based on the theoretical review and conducted analysis the business plan will be elaborated.

The business plan will be realized in Prague. The reason for choosing this capital city is mainly the high purchasing power of the local population following from above-average wages, as well as a number of opportunities that originated in a larger number of new-born children and increasing trend in natality.

4.2.1 Cover page

Company name: Munchkins preschool s.r.o.

Legal form: Limited Liability Company

Founder: Bc. Simona Řezáčová

Head office: not yet identified.

Location: Prague 2 – Vinohrady, Slezská

Website: <https://munchkinspreschool-cz.webnode.cz/>

Contact e-mail: rezacova27@gmail.com

Contact phone: +420 732 278 806

Scope of business: 1) Out-of-school education and training
2) Operation of private preschool

Founding a business: 1. June 2018

Starting up: 1. September 2018

Accounting method: double-entry bookkeeping

Registered capital: 1 CZK.

Company Vision: Provide high-quality and above-standard services in preschool education for children aged from 2 to 7 with an emphasis on day-to-day communication in a foreign language, Montessori education, children's satisfaction and their overall development, individual attitude and communication.

Method of financing: Self-financing, bank loan

4.2.2 Executive summary

The market situation in private preschools clearly shows that the demand for services offered has been growing significantly in the Czech Republic during last decade. The reason lies in the constant rising of living standards of the Czech population.

Private international kindergarten will be oriented to children aged from 2 to 7 years (7 years in case of postponement of school attendance). They will be divided into 2 groups, 2-4 years and 4 - 7 years.

The main competitive advantages of the preschool will be day-to-day communication in English, Montessori education, individual attitude and the offer for food according to the childrens special needs or parents preferences - BIO food, vegetarian menu or menu for religious groups (in accordance with Islam, Judaism or Hinduism).

The legal form of the business will be a limited liability company (Czech abbreviation - s.r.o.). Own funds and bank loan will be used for financing the company. The total investment of the project will be approximately CZK 750 000. The Return on investment of the project is approximately 3-4 years.

4.2.3 Company Summary

4.2.3.1 Offered services

The Munchkins preschool s.r.o., will offer its services to children aged between 2 and 7 years and also to their parents. The aim is to educate children with elements of Montessori pedagogy and creating a pleasant atmosphere for the natural development of children. Children will gradually learn basic values, self-reliance and independence. Parents will have the possibility of private meetings with the owner/director, regular meetings of all parents and they will participate in activities and events of preschool in case of interest.

The Munchkins preschool is an international school where the daily communication will be mainly in English language. The children will have qualified Czech teachers and native speakers from English speaking countries like England and USA.

As it was mentioned, the main competitive advantages of the preschool will be day-to-day communication in English, Montessori elements education and special food offer according to the parents' needs.

Services provided:

- Providing pre-school education to children from 2 to 7 years of age (daily attendance)
- Morning and afternoon activities and club
- Daily communication in a foreign language
- Psychological counselling
- Individual attitude

4.2.3.2 Location

The preschool will be located in a renovated building in the city centre. The lease agreement will be signed for indefinite term. The gardens called “Riegrovy sady” that can be used for walks and games with children are located near the place of preschool. The building itself will be adapted for the preschool operation (construction of toilets and washrooms). The premises will require minor modifications amounting approximately 200,000 CZK. Public transport i.e. metro, tram and bus is available in the surrounding area called “Náměstí Míru”.

4.2.3.3 Capacity

From the beginning of the business, the capacity is expected to be around 12 children (to ensure the individual attitude of the teacher and the assistant), but the maximum capacity will be limited to 24 children, because it must comply with prescribed hygiene standards (number of children per 1 toilet, playing area for 1 child, etc.). Children will be in one group at the beginning. In the future, it is planned to divide children into 2 classes.

The nursery building will be divided into two separate classrooms, where the place for sleeping and eating will be provided as well as place for playing and other activities. The other facilities will be toilets and a bathroom. Important parts of the preschool will be a cloakroom, and also small kitchen for preparing snacks.

4.2.3.4 Operation time

Opening time will be from 7am to 5pm every working day, except state holidays. This opening time is designed to help parents to reconcile work and family life. According to the needs of majority of parents, the opening time can exceptionally vary - between 6:30 and 18:00.

4.2.3.5 Meals

The preschool premises are not adapted for lunch preparation, so lunches will be outsourced from a selected company (not yet selected).

Snacks will be prepared directly in the preschool with fresh eventually BIO ingredients, taking into account the children needs and parents preferences (allergies, religious habits etc.).

Drinking regime will, in principal, allow children to consume unlimited quantities of drinks. Children will have a choice of water, fresh juices, tea or milk. The preschool will not support consumption of sugars contained in large quantities in syrups, canned juices and other sweetened drinks.

The price of meals is included in the tuition fee. It is possible to unsubscribe the child from boarding in advance, no later than 9:00 am at the same day. Price of meals and snacks will be 150 CZK per day. There will be 3 different meals (for lunch selection) that parents can choose in advance. The list of selections will be found on the website.

4.2.3.6 Tuition fees

The price for the kindergarten stay will be at the average level of 18 000 CZK per month. The price calculation will be specified in more details in the next part of this thesis. (Marketing plan – price)

4.2.3.7 Staff

There will be 2 primary education teachers, two assistants of the teachers, and if necessary, the company's director will assist in the education programme. In case of sickness, leave of teachers and/or assistants (never both teachers or both assistants), a

student of a college of pedagogical specialisation (working under supervision of the teacher) is ensured, so that the qualified, responsible staff is always available. The number of teachers and assistants can vary according to the number of children attending the preschool. As it was mentioned above, the expected initial capacity will be around 12 children for the first year (for this thesis it is last 4 calendar months).

The owner of the company (director) will take care of administrative activity, preparation of accounting documents and records of attendance of children, etc.

The maintenance of the preschool equipment will be done by all employees and the maintenance of the building and any repairs will be done by the owner of the building. Mayor repairs will be provided by a professional external company. Cleaning will be provided daily by a cleaning lady.

4.2.4 Marketing plan

In this chapter, marketing mix is described as well as how the particular elements influence the interest of potential clients.

4.2.4.1 Product

Product = the service provided by the international private preschool will be mainly pre-school education for children aged between 2 and 7 years (in case of postponing admission to school). Children will be placed into one class in the beginning, without any division, with a teacher and assistant of a teacher with appropriate education and experience. The portfolio of services will be very similar to those provided by other private nurseries. However, this preschool will provide an individual attitude to each child and its parents, above-standard childcare services, daily communication in English and special offer of food according to the children needs and parents preferences - BIO food, vegetarian menu or menu for religious groups.

In addition, the preschool will offer a wide range of activities, sports and arts and other leisure activities. Certain part of one room will be adapted for these activities - singing, playing the flute, art club, creative workshops and everything will be gradually integrated into the programme.

4.2.4.2 Price

The price or tuition fee will depend on the number of days of child's stay in the preschool. There will be only one offer – full day stay, due to relatively small capacity and due to the intention to make children more socially adaptable. Full day stay will be from 7am to 5pm and in addition, the price will be different for three, four or five days of child's stay in the kindergarten. The prices of 15 competitors (see the appendix of this diploma thesis) have been also taken into consideration within the calculation of Munchkins preschool prices.

The pricelist shows monthly rates 5, 4 and 3 days.

Table 7: Price list in CZK

	3 days	4 days	5 days
Full day	16 300	19 900	20 500

Source: Own processing

5% discount for sibling

Tuition fee for respective month must be paid by the 20th of the previous month at the latest (for example, for October, payment must be done 20th September).

In case of termination of the child's attendance, the notice period is one month. Payment for tuition fee is fixed, so if the child is absent, the payment is not refunded. Only in case of long-term illness is it possible to negotiate individually.

The price of the tuition fee include:

- Price of premises lease
- Furniture and toys
- Price of fresh/BIO food (Full-day CZK 150)
- Teacher, assistant, cleaning lady wages
- Psychological counselling
- Morning and afternoon activities

There will be a possibility of babysitting after or before the regular opening hours in the kindergarten's place on individual agreement. The price will be CZK 300 per hour.

4.2.4.3 Place

The business will be located in the Prague city centre. Thanks to this, its catchment area is very large - essentially it is Prague 2. Many children of parents working in this area of Prague can easily attend the preschool. In addition, the preschool territory is perfectly suitable for the families from other parts of Prague, too. Although it is not possible to specify exactly how many people work in the area of Prague 2 the number of potential clients is quite high.

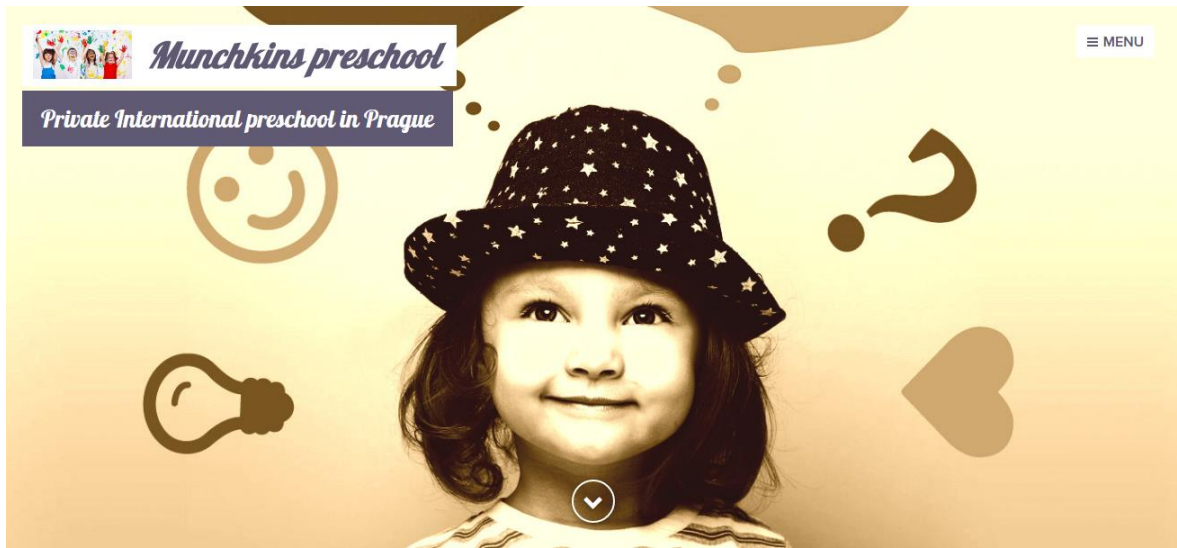
All information about the place where the private preschool will be established is given in chapter 4.2.3.2 Company summary - Location.

4.2.4.4 Promotion

Since it is a newly opened preschool, it is necessary to choose the right elements of marketing promotion. The main goal is to get into the awareness of potential clients, to inform the public about the services offered and to engage the target group. The preschool will start its activity on 1. September 2018, but it is necessary to have a clientele till that date = to start the marketing promotion much earlier.

The main distribution channel will be the website. It will contain basic information about the preschool and its offered programme and services, staff information, published pricelist, conditions of admission, form of application and other information which may attract the attention of potential clients. In the future, the website will be registered to the cz domain. In addition, it is planned to ensure distribution of marketing promotion through other network and other public media.

Figure 12: Web suggestion



Source: Own processing

The promotion will focus on social networks that are currently very popular and widely visited. This will be mainly the Facebook social network and Google AdWords. Social networks have been chosen because they allow optimization of the promotion campaign entirely for the target customers. Advertising will be secured via PPC (Pay-per-click).

The preschool will be registered in the company catalogue at www.firmy.cz, where registration is free of charge. This catalogue will provide basic information about the preschool, services offered, contact information, and a link to the website and profile on Facebook network.

It is also possible to consider classic advertising tools - such as handing out leaflets in shopping centres and other places of interest. Advertising will focus on July and August periods when most parents decide whether and where to place their child for preschool education.

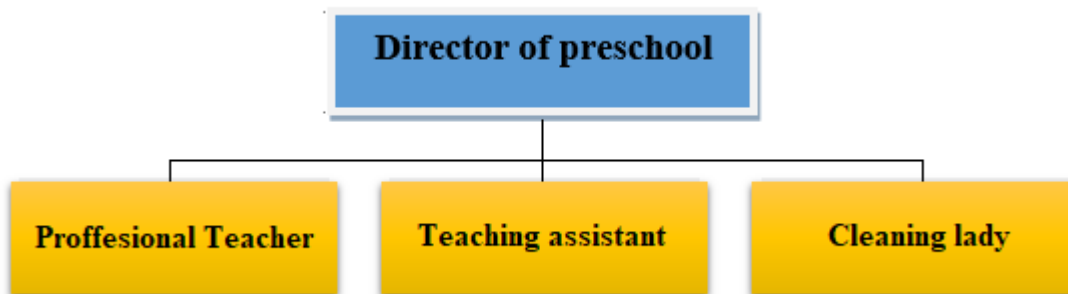
Once a month, the kindergarten will organize open-door days, where potential customers can visit the kindergarten's premises, to talk to teachers, and to get acquainted with the educational program. One of the best promotion means is the positive reference about the preschool of the present clients which is spreaded quickly among other parents.

4.2.5 Organizational plan

Organizational structure

The organizational structure of the preschool is very simple. The head of the preschool is the director/owner who will also be in the preschool as a teaching assistant (educator), if necessary. Then professional teacher (at the beginning of the business only one) and the teaching assistant (educator). And the last member of the staff will be a cleaning lady. They will be directly subordinate to the director/owner of the preschool.

Figure 13: Organizational structure



Source: Own processing

Labour relations

From the beginning of the business, it is planned to employ one pedagogical teacher and teaching assistant who will have a fixed-term contract for one year with a three-month probationary period and a two-month notice period. After one year, in the case of satisfactory results, the contract can be extended for an indefinite period. The agreement will be concluded with a cleaning lady for 300 working hours in one year.

Working time

The opening hours of the kindergarten are 7:00 – 17: 00 i.e. 10 hours a day. Therefore, it is absolutely necessary to provide the staff services during the opening hours. The working hours of each employee are shown in the following table number 8:

Table 8: Working time of employees

Employee	Weekly work	Working time	
		From	To
Director	25	7:00	9:00
		15:00	18:00
Teacher	40	8:00	16:00
Assistant	40	9:00	17:00
Cleaning lady	5	18:00	19:00

Source: Own processing

The additional staff – 1 Teacher and 1 Teaching Assistant, will be recruited when the second class will be opened so that there will always be two employees for a maximum of 12 children, thus to maintain an individual attitude and above-standard childcare.

Wages

Monthly gross wages for individual employees are determined as follows:

Table 9: Monthly gross wages

	Monthly Gross Wages		
	1. year	2. year	3. year
Teacher	30 000	31 000	32 000
Teaching Assistant	25 000	26 000	27 000
Director/owner	35 000	36 000	37 000
Cleaning lady	1 500 CZK	1 500 CZK	1 500 CZK

Source: Own processing

On the basis of company prosperity, it is possible to increase monthly gross wages, add personal valuations and other benefits.

Wages will be paid every 15th day of month.

Qualification requirements

Each employee will be selected according to strict rules and criteria.

Teaching staff requirements:

- University education in pedagogical direction,
- Language skills: Active English (native speaker)
- At least 1 year of experience
- Knowledge of Montessori education

- Positive relationship with children and parents
- Criminal integrity, accountability and reliability,
- Creativity, own initiative,
- Time flexibility and willingness to learn.

Requirements for teaching assistant:

- Secondary education in Pedagogical direction, or University education in Pedagogical direction,
- Language skills: Active English
- Knowledge of Montessori education
- Positive relationship with children and parents
- Willingness to help teacher manage the class
- Criminal integrity, accountability and reliability
- Creativity, own initiative,
- Time flexibility and willingness to learn.

Cleaner Requirements:

- Cleaning skills
- Ability to work alone
- Criminal integrity, reliability and accountability.

Daily schedule (tentative programme)

7:00 - 8:00 welcoming to children to kindergarten, free activity, fairy-tales

8:00 - 9:00 warm-up - motion and music program

9:00 - 9:30 hygiene, morning snack, familiarization with the schedule of the day

9:30 - 10:30 creative activity - painting, manufacturing, etc.

10:30 - 11:30 outdoor stay - walk, games in the garden, etc.

11:30 - 12:30 hygiene, lunch, preparation for rest

12:30 - 14:00 brushing teeth, rest, education of older children, pre-school preparation

14:00 - 14:30 hygiene, afternoon snack

14:30 - 16:00 outdoor stay, sports activities, collective activities (musical, dramatic, dance program).

16:00 - 17:00 free activities, games, Children's leaving

This tentative programme may change according to weather and other conditions.

Part of the program will be the excursions - zoo, planetarium, breeding farms, museums, castles and chateaus, etc., and also various performances: theatre, concerts, exhibitions, etc.

4.2.6 SWOT analysis

S (Strengths)	W (Weaknesses)
<ul style="list-style-type: none"> • Individual attitude, maximum 12 children per teacher and assistant • Every-day communication in English language • Working time adapted to the workload of parents 7-17 • Year-round operation • Focus on the natural development of children – Montessori style • Good accessibility 	<ul style="list-style-type: none"> • New preschool • No history • No clientele • High initial investment • Inexperience of doing business in this field • High demand on staff • Financial difficulty for parents - tuition fees
O (Opportunities)	T (Threats)
<ul style="list-style-type: none"> • Still insufficient capacities of nurseries • The wish of parents to give their children high-quality education • Activities for children (Christmas, Easter, Halloween, Sports Olympics etc.) • Expansion of services 	<ul style="list-style-type: none"> • High competition in neighbourhood • Stricter legislative conditions • Birth reduction, lack of clients - children • Lack of interest in the services offered, lack of trust in clients • Lack of funds and complicated search for foreign sources • Customers' sensitivity to the tuition fee • Lack of suitable staff • Bad marketing strategy

4.3 FINANCIAL PLAN

Based on the analyses and forecasts from the previous chapters, we can elaborate the financial plan.

One of the most important aspects we have to consider when setting up a business are the initial costs that are spent at the beginning of the venture. The owner has an amount of 570 000 CZK, which will be invested into the project.

The Company's registered capital of CZK 1 will be transfer to the Company's account. First year of operation is considered for this thesis as the last 4 months of calendar year 2018.

Initial costs

In this particular case, the initial costs consist mainly of the cost of setting up the company, the reconstruction of the kindergarten area, the equipment, but also the financial reserve and other items listed in the following table.

Table 10: Initial costs in CZK

Advertising Cost (Business Web, Hosting, Domain, leaflets)	10 000
Reconstruction, construction adjustments	200 000
Printer, TV, telephone	30 000
Establishment expenses (notary book, stamps etc.)	12 000
Kitchen equipment (dishwasher, fridge, microwave, dishes, etc.)	40 000
Room equipment (cloakroom, furniture for toys, tables, chairs, beds for children, mattresses, duvets and pillows, bed linen, towels, etc.)	100 000
Toys and educational materials	40 000
Cleaning agents, toilet paper, soap, etc.	5 000
Unexpected expenses 10%	43 700
Total initial costs	480 700

Source: Own processing

Operating costs

The company's operating costs include regular monthly payments. It is mainly rent payments, energy backups, marketing and advertising, office and cleaning means. It also includes fees for telephone and internet connection. Furthermore, there will be costs of waste and insurance. The individual amounts are shown in the table, both monthly and annual payments.

Table 11: Operating costs in CZK

Operating Costs	Monthly	Annually
Rent	38 000	456 000
Energy backups	8 000	96 000
Marketing	1 000	12 000
Telephone, Internet	1 200	14 400
Work equipment, cleaning products, hygiene needs	3 000	36 000
Food for children	72 000	864 000
Waste collection	300	3 600
Insurance	1 000	12 000
Total	124 500	1 494 000

Source: Own processing

Work equipment, cleaning products hygiene needs, as well as food for children, are variable costs. It means the costs may change according to the number of children. These costs are calculated for the whole capacity of 24 children.

Wage costs

Wage costs include the salary of one teacher, teacher's assistant, the salary of the preschool owner, and the cleaning lady's salary. In the case of the teacher, the gross wage will be CZK 30,000, the gross wage of the assistant will be CZK 25,000, and director's gross wage will be 35 000. The cleaning lady will be employed for an agreement to work for 300 hours a year, at an hourly rate of 60 CZK / hour. Since the cleaning lady will work with earnings up to CZK 10 000, the employer will not be obliged to pay social and health insurance.

Table 12: Calculation of wage costs in CZK - Teacher

Calculation of wage costs – Teacher				
Gross salary CZK 30 000	Employee		Employer	
Health Insurance	4,5%	1 350	9%	2 700
Total social insurance	6,5%	1 950	25%	7 500
Total pay-outs	11%	3 300	34%	10 200
Super gross wage	40 200			
Basis for calculation of the tax deposit	40 200			
Deposit on income tax 15%	6 030			
Discount on taxpayer	2 070			
Tax (tax deposit – discounts)	3 960			
Net wage	22 740			
Employer wage costs per employee	40 200			

*Source: Own processing***Table 13: Calculation of wage costs in CZK - Teaching assistant**

Calculation of wage costs in CZK – Teaching assistant				
Gross salary CZK 25 000	Employee		Employer	
Health Insurance	4,5%	1 125	9%	2 225
Total social insurance	6,5%	1 625	25%	6 250
Total pay-outs	11%	2 750	34%	8 475
Super gross wage	33 475			
Basis for calculation of the tax deposit	33 500			
Deposit on income tax 15%	5 025			
Discount on taxpayer	2 070			
Tax (tax deposit – discounts)	2 955			
Net wage	19 295			
Employer wage costs per employee	33 475			

*Source: Own processing***Table 14: Calculation of wage costs in CZK - Director**

Calculation of wage costs – Director				
Gross salary CZK 35 000	Employee		Employer	
Health Insurance	4,5%	1 575	9%	3 150
Total social insurance	6,5%	2 275	25%	8 750
Total pay-outs	11%	3 850	34%	11 900
Super gross wage	46 900			
Basis for calculation of the tax deposit	46 900			
Deposit on income tax 15%	7 035			
Discount on taxpayer	2 070			
Tax (tax deposit – discounts)	4 965			
Net wage	26 185			
Employer wage costs per employee	46 900			

Source: Own processing

Table 15: Calculation of wage costs in CZK - Cleaning lady

Calculation of wage costs in CZK – Cleaning lady		
	Employee	Employer
Gross salary CZK 1500 / 25 hours		
Deposit on income tax 15%	225	
Discount on tax payer	2 070	
tax (tax deposit – discounts)	0	
Net wage	1 500	
Employer wage cost per employee	1 500	

Source: Own processing

Table 16: Total monthly wage costs of the employer in CZK

Total monthly wage costs of the employer in CZK	
Employee	Wage costs
Teacher	40 200
Teaching assistant	33 475
Director/owner	46 900
Cleaning lady	1 500
Total	122 075

Source: Own processing

Founding budget

The budget of the required capital for the first year (for this thesis it is last 4 calendar months) of operation of the preschool is calculated in the following table:

Table 17: Capital budget for the First year in CZK

Expected capital budget for the first year in CZK		
Initial costs		-480 700
Operating costs	$124\,500 \times 4$	-498 000
Rental costs (July, August)	$38\,000 \times 2$	-76 000
Wage costs	$122\,075 \times 4$	-488 300
Unexpected expenses 12%	$29\,828 \times 4$	-119 312
Expected Earnings	$220\,572 \times 4$	+ 882 288
Total		-780 024

Source: Own processing

In September 2018, the preschool is expected to start the operations but before the opening, however, it will be necessary to reconstruct the premises. It means the rental costs will be paid for 2 months before opening. The necessary capital budget is decreased by the estimated income from the first four months of operations (12 children only). Therefore, the total amount of capital required for the first year will be 780 024 CZK. The registered capital of the company is CZK 1, and the owner has financial means of CZK 570 000 (CZK 70 000 will be held as pure „cash“ because it has the highest liquidity). The additional 211 000 CZK will be secured by a bank loan with 7% interest rate p.a.

Estimated monthly earnings

The main income of the project will be the income from the stay of children in the kindergarten. Of course, it cannot be predicted in advance what kind of income distribution will be, based on children's attendance. On average, the price will be: 3 days for CZK 16 300, 4 days for CZK 19 900 and 5 days for CZK 20 500.

So the calculation is: $0,33 \times 16\,300 + 0,33 \times 19\,900 + 0,33 \times 20\,500 = 18\,381$ CZK
The Demand for services is expected to rise during the summer holidays, when the state kindergartens have a limited operation.

Table 18: Expected monthly earnings for different capacities in CZK

Overview of monthly earnings for different capacities				
Capacity	25%	50%	75%	100%
	6 children	12 children	18 children	24 children
Monthly earnings	110 286	220 572	330 858	441 144

Source: Own processing

The maximum capacity of the preschool is 24 children and it is planned to fill the whole capacity 100% (24 children). Thus, the total monthly sales will be CZK 441 144. Of course, in the first year there will be much less children. For that reason, it is planned that only 50% of capacity will be reached in the first year, so 12 children x 18 381 CZK x 4 months = **882 288** CZK in the first year.

Table 19: Monthly costs of the company in CZK

Monthly costs of the company in CZK	
Operating costs	124 500
Wage costs	122 075
Total	246 575

Source: Own processing

Total operating costs for the 1. year of business: $246\,575 \times 4 = 986\,300$ CZK.
We have to take into account that we need to make a construction adjustments, so for that reason it is necessary to pay rental costs at least 2 months before opening kindergarten.
 $(246\,575 \times 4) + (38\,000 \times 2) = \mathbf{CZK\ 1\ 062\ 300}$

4.3.1 Break-even point analysis

Break-even point analysis reveals the minimum number of children placed in kindergarten to equate income and expenses. Break-even point will show how many children should be in the kindergarten to get into positive numbers and generate profit.

The total monthly operating costs are counted to CZK 246 575 when the vast majority of costs are fixed (FC). It means, FC must be paid every month despite the number of children. Variable costs (VC) are dependent on the number of children in the kindergarten. These VC are hygienic needs and work material for children (papers and other aids) and of course food for children. The variable costs are estimated at CZK 3 000/food and CZK 150/material month, at total it is CZK 3 150/month. With maximum capacity of 24 children, it is CZK 75 000.

P – price, FC – Fixed costs, VC – variable costs, Q – quantity

$$P = 18\,381 \text{ CZK}$$

$$FC = 246\,575 - 75\,000$$

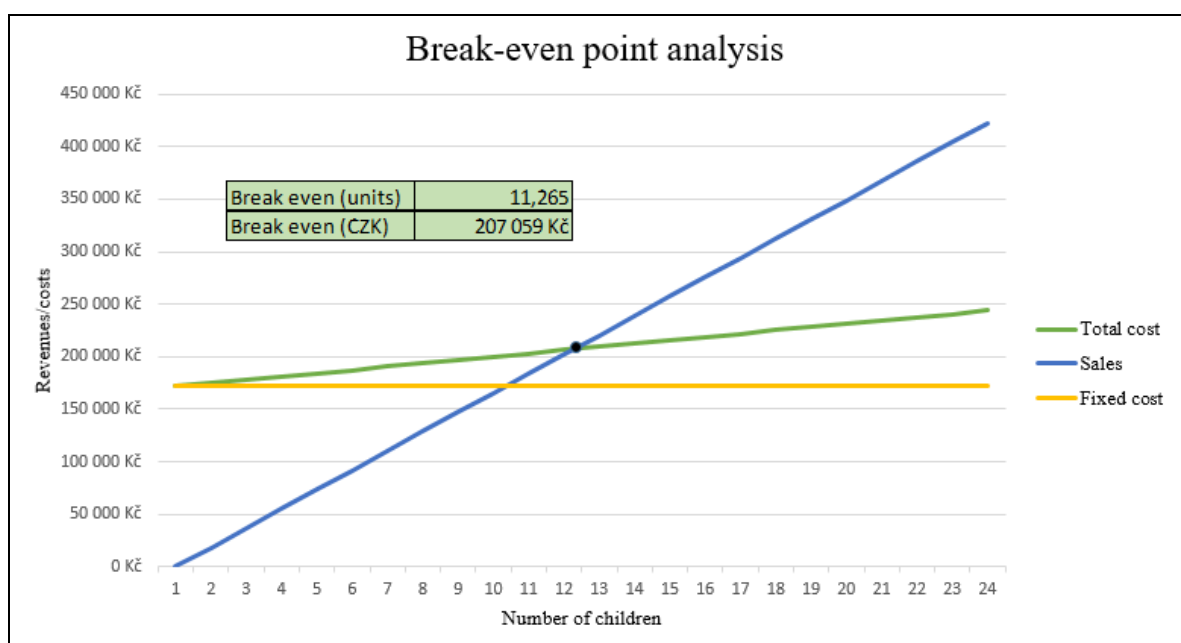
$$FC = 171\,575 \text{ CZK}$$

$$VC = 3\,150 \text{ CZK}$$

$$Q = ?$$

$P \times Q = FC + VC \times Q$
$18\,381 \times Q = 171\,575 + 3\,150 \times Q$
$15\,231 \times Q = 171\,575$
$Q = 11,26 \Rightarrow \mathbf{12 \text{ children}}$

Figure 14: Break-even point analysis



Source: Own processing

From the calculation and graphical representation of the break-even point, it is clear that the kindergarten will cover its costs when the capacity will be filled by 12 children, which is 50% of capacity.

In the following tables, calculations for different mix of attendance are represented:

Table 20: Calculations for different mix of attendance - 1. mix

How many children are in a given MIX	10,32
--------------------------------------	-------

Variant	P (CZK)	MIX	Q	Revenue	VC
3 days	16 300 Kč	10%	1,03	16 837 Kč	3 251 Kč
4 days	18 900 Kč	20%	2,06	39 046 Kč	6 502 Kč
5 days	20 500 Kč	70%	7,22	148 231 Kč	22 756 Kč

Source: Own processing

In this model, if the kindergarten will be filled with the given mix, there is need to have **11** children to cover costs.

Table 21: Calculations for different mix of attendance - 2. mix

How many children are in a given mix	12,17
--------------------------------------	-------

Variant	P (CZK)	MIX	Q	Revenue	VC
3 days	16 300 Kč	70%	8,52	138 942 Kč	26 851 Kč
4 days	18 900 Kč	20%	2,44	46 030 Kč	7 672 Kč
5 days	20 500 Kč	10%	1,22	24 963 Kč	3 836 Kč

Source: Own processing

In this model, if the kindergarten will be filled with the given mix, there is need to have **13** children to cover costs.

4.3.2 Pro-forma balance-sheet of the company

The opening balance sheet must be created at the beginning of July, because in July and August, there will be already some payments.

After taking into account own funds and assets (Cash includes the unexpected expenses CZK 70 000), the opening balance sheet of the enterprise will be as follows:

Table 22: Opening balance-sheet of the company 1.7.2018

Assets		Equity/liabilities	
Equipment		Equity	570 000,00 Kč
		Registered cap.	1,00 Kč
Bank account	500 000,00 Kč	Earnings/losses	
Receivables		Loan/l-t payables	
Cash	70 001,00 Kč	S-t payables	
Σ	570 001,00 Kč	Σ	570 001,00 Kč

Source: Own processing

Table 23: Balance-sheet of the company 1.9.2018

Assets		Equity/liabilities	
Equipment	227 000,00 Kč	Equity	570 000,00 Kč
		Registered cap.	1,00 Kč
Bank account	346 000,00 Kč	Earnings/losses	-276 000,00 Kč
Receivables	0,00 Kč	Loan/l-t payables	211 000,00 Kč
Cash	70 001,00 Kč	S-t payables	138 000,00 Kč
Σ	643 001,00 Kč	Σ	643 001,00 Kč

Source: Own processing

On the balance-sheet of the company to 1.9.2018, it is already seen some movements. It is caused due to starting a business in July, when it is necessary to pay rental costs, costs connected with reconstruction and purchasing the equipment.

Since it is not a non-profit based facility, it is not possible to receive subsidies from the Ministry of Education.

4.3.3 Income statement

Based on the information provided and calculation, it is possible to create an income statement table for the next five years. Break-even point shows, that there is need to fill kindergarten from 50% (at least 12 children) to cover costs. In the first year (4 months) it is expected to have these 50%. Annual depreciation and bank-loan payment is included. Calculations are stated in the chapter of cash-flow 3.3.4.

(Average price 18 381 CZK / 1 child)

In total, four profit & loss statements were compiled; for optimistic, conservative, pessimistic and realistic scenarios.

- **Optimistic scenario**

First year 50% (12 children). For the following years, it is planned the preschool will be at maximum capacity. (24 children).

Table 24: Profit calculation in CZK- Optimistic

	2018	2019	2020	2021	2022
Revenues	882 288	5 293 728	5 293 728	5 293 728	5 293 728
Unexpected costs	50 000				
Operating costs	1 262 300	3 888 400	3 888 400	3 888 400	3 888 400
Financial costs	4 923	13 661	10 257	6 614	2 717
Profit before tax	0	1 391 667	1 395 071	1 398 714	1 402 611
Tax 19%	0	264 417	265 064	265 756	266 496
Profit/loss after tax	-434 935	1 127 250	1 130 008	1 132 958	1 136 115

Source: Own processing

Revenues in the first year will be only for four months since the opening of the kindergarten is scheduled for September 2018. Unexpected costs in first four months were only CZK 50 000. Therefore, the operating costs in 2018 include costs for rent (July, August), cost of construction and also wage costs and regular operating costs for 4 months. As it is planned to fulfil the kindergarten from 100%, it is need to hire another 1 teacher and 1 teaching assistant to maintain individual attitude. So the operating costs will rise about CZK 73 675 in 2019. The tax rate is expected to remain unchanged at 19%.

- **Conservative scenario**

First year 50% (12 children), Following years - 75% (18 children)

Table 25: Profit calculations in CZK- Conservative

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Revenues	882 288	3 970 296	3 970 296	3 970 296	3 970 296
Unexpected costs	50 000				
Operating costs	1 262 300	3 486 700	3 486 700	3 486 700	3 486 700
Financial costs	4 923	13 661	10 257	6 614	2 717
Profit before tax	0	469 935	473 339	476 982	480 879
Tax 19%	0	89 288	89 934	90 627	91 367
Profit/loss after tax	-434 935	380 647	383 405	386 355	389 512

Source: Own processing

In this case, there will not be necessary to have 2 teaching assistants, because the individual attitude of 18 children will be maintained with 2 teachers and 1 assistant. The operating costs for following years will rise only by about CZK 40 200/ month.

- **Pessimistic scenario**

First year 50% (12 children), Following years - 50% (12 children)

Table 26: Profit calculation in CZK - Pessimistic

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Revenues	882 288	2 646 864	2 646 864	2 646 864	2 646 864
Unexpected costs	50 000				
Operating costs	1 262 300	3 004 300	3 004 300	3 004 300	3 004 300
Financial costs	4 923	13 661	10 257	6 614	2 717
Profit before tax	0	-371 097	-367 693	-364 050	-360 153
Tax 19%	0	-70 508	-69 862	-69 170	-68 429
Profit/loss after tax	-434 935	-300 589	-297 831	-294 881	-291 724

Source: Own processing

Provided the kindergarten will be filled only with 12 children for the following years, the company will get into losses and bankruptcy.

- **Realistic scenario**

This is the scenario which may be similar to reality: 1.year 12 children, 2.year 12 children, 3. year 14 children, 4.year 18 children, 5.year 24 children

Table 27: Profit calculation in CZK– Realistic

	12 children	12 children	14 children	18 children	24 children
	2018	2019	2020	2021	2022
Revenues	882 288	2 646 864	3 088 008	3 970 296	5 293 728
Unexpected costs	50 000				
Operating costs	1 262 300	3 004 300	3 004 300	3 486 700	3 888 400
Financial costs	10 757	29 847	22 410	14 451	5 936
Profit before tax	0	0	61 298	469 145	1 399 392
Tax 19%	0	0	11 647	89 138	265 885
Profit/loss after tax	-440 769	-387 283	49 652	380 007	1 133 508

Source: Own processing

According to this realistic simulation, profit will be generated in the 3rd year. In this case, however, will have to increase the debt financing by 250 000 CZK in order to survive insufficient cash inflows in the first three years (which is shown in the realistic cash flow statement below).

4.3.4 Cash flow

In this chapter, only optimistic, conservative and realistic scenarios are simulated, because pessimistic from the previous calculation do not generate any profit.

In the following simplified cash-flow statements, it is seen the bank loan is involved (CZK 211 000). Bank loan is for 4 years with the interest rate of 7% p.a. (2018 – only 4 months)

Table 28: Annual bank loan payment and depreciation of equipment in CZK

	2018	2019	2020	2021	2022
Annual interest:	4 923	13 661	10 257	6 614	2 717
Annual repayment:	15 841	48 632	52 036	55 679	38 812
Total:	20 764	62 293	62 293	62 293	41 529
Annual depreciation of equipment	15 133	45 400	45 400	45 400	45 400

Source: Own processing

Initial investment is 570 000 CZK.

- **Optimistic scenario**

The discount rate for CF will be 15% p.a. with inflation included.

Table 29: Cash flow in CZK – Optimistic

	2018	2019	2020	2021	2022
Operating CF	-292 804	1 524 403	1 186 311	1 185 664	1 184 972
Investment CF	-227 000				
CF from financing	190 236	-62 293	-62 293	-62 293	-41 529
TOTAL	-329 568	1 462 110	1 124 018	1 123 371	1 143 444

Period	Cash flow	Cash flow accumulated	Cash flow discounted
2018	-329 568	-329 568	-329 568,00 Kč
2019	1 462 110	1 132 542	1 105 565,00 Kč
2020	1 124 018	2 256 560	739 060,00 Kč
2021	1 123 371	3 379 831	642 291,00 Kč
2022	1 143 444	4 523 275	568 493,00 Kč
Total			2 725 841,00 Kč

Source: Own processing

If the kindergarten will be at 100% of capacity, the project will be paid back in 2019.

NET PRESENT VALUE

$$NPV = 2\,725\,841 - 570\,000 = 2\,155\,841,00 \text{ CZK}$$

Net present value is very positive, so the investment should be considered.

PROFITABILITY INDEX

$$PI = 2\,725\,841 / 570\,000 = 4,78$$

Profit from the investments is enormous, PI is higher than 1, so the investment in Optimistic scenario is very satisfying.

- **Conservative scenario**

The discount rate for CF will be 15% p.a. with inflation included.

Table 30: Cash flow in CZK - Conservative

	2018	2019	2020	2021	2022
Operating CF	-292 804	569 196	439 708	439 062	438 369
Investment CF	-227 000				
CF from financing	190 236	-62 293	-62 293	-62 293	-41 529
	0				
TOTAL	-329 568	506 903	377 415	376 768	396 841

Period	Cash flow	Cash flow accumulated	Cash flow discounted
2018	-329 568	-329 568	-329 568,00 Kč
2019	506 903	177 335	383 291,00 Kč
2020	377 415	554 750	248 156,00 Kč
2021	376 768	931 518	215 418,00 Kč
2022	396 841	1 328 359	197 300,00 Kč
Total			714 597,00 Kč

Source: Own processing

In this case, the project will be paid back in the 4th quarter of 2020.

NET PRESENT VALUE

$$NPV = 714\,597 - 570\,000 = 144\,597 \text{ CZK}$$

Net present value is positive, so the investment is possible.

PROFITABILITY INDEX

$$PI = 714\,597 / 570\,000 = 1,253$$

Profit from the investment is 25% and PI is higher than 1, so in this case, the investment is also possible.

- **Realistic scenario**

For this scenario, new discount rate 8% p.a. is determined (inflation included).

Also, the bank provides the business with 461 000 CZK loan instead of 211 000 CZK loan as stated above (7% interest rate p.a.)

Table 31: New annual bank loan payment in CZK

	2018	2019	2020	2021	2022
Annual interest:	10 757	29 847	22 410	14 451	5 936
Annual repayment:	34 610	106 253	113 691	121 649	84 798
Total:	45 367	136 100	136 100	136 100	90 733

Source: Own processing

Table 32: Cash flow in CZK – Realistic

	2018	2019	2020	2021	2022
Operating CF	-292 804	-312 036	129 016	483 874	1 361 590
Investment CF	-227 000				
CF from financing	415 663	-136 100	-136 100	-136 100	-90 733
	0				
TOTAL	-104 170	-448 136	- 7 083	347 774	1 270 857

Period	Cash flow	Cash flow accumulated	Cash flow discounted
2018	-104 170	-104 170	-104 170
2019	-448 136	- 552 306	-384 204
2020	-7 083	-559 389	-5 622
2021	347 774	-211 615	255 624
2022	1 270 857	1 059 242	864 923
Total			626 551

Source: Own processing

NET PRESENT VALUE

$$NPV = 626\,551 - 570\,000 = 56\,551 \text{ CZK}$$

Net present value is positive, so the investment can be considered.

PROFITABILITY INDEX

$$PI = 626\,551 / 570\,000 = 1,09$$

Profit from the investments is low (9%), albeit PI is higher than 1. Investment may be considered.

4.4 RISK ASSESSMENT

In the process of each business activity, a relatively large number of risks to business may occur. It can be risks associated with the bad decision of the entrepreneur, but there are also risks that cannot affect it in any way. It is therefore important to recognize the individual risks, prevent them from occurring and eventually eliminate their consequences. According to this project, the risks are as follows:

- Inufficient addressing of potential clients

Lack of addressing potential clients may have a liquidation impact on the entire business. This risk can be eliminated by a well-chosen marketing strategy and sophisticated advertising. However, the next question is whether the price will not dissuade the potential clients.

- Inappropriately determined price

There are two situations. Too high price will dissuade clients and will cause an unfulfilled capacity of kindergarten, which can lead to bankruptcy. On the contrary, the too low price will cause loss of profit.

- Risk of competition

This risk is very significant. Preschool will need to differentiate by the quality of the services offered, the rising of reputation of the kindergarten and a position on the market.

- Lack of funds

The establishment of kindergartens involves high initial costs, but the owner has the financial resources to self-finance its business, therefore the risk of lack of funding is relatively small. Anyway, it is important to be aware of it.

- Sudden changes in legislation

The entrepreneur cannot influence this risk. The only way to cope with it is to adapt.

- Bad selection of employees

In the case of any doubts when selecting an employee about the authenticity of the data, it is advisable to check this information or potentially not accept a potential employee and choose a more suitable candidate.

Following tables are defined to find out how the probability and impacts of risks can affect the company' performance.

Table 33: Probability of risks

Probability	
Certain	4-5
Likely	3-4
Possible	2-3
Unlikely	1-2
Remote	0-1

Source: Own processing

Table 34: Impact of risks

Impact	
Negligible	0-1
Minor	1-2
Moderate	2-3
Major	3-4
Catastrophic	4-5

Source: Own processing

Table 35: Significance of risks

Risks	Probability	Impact	Significance
Insufficient addressing of potential clients	4	5	20
Inappropriately determined price	3,5	4,5	15,75
Risk of competition	2,8	3,3	9,24
Lack of funds	1	2	2
Sudden changes in legislation	1	0,5	0,5
Bad selection of employees	3	4	12

Source: Own processing

From the following table, it can be defined how significant the impacts will be.

Table 36: Significance of risks - template

Probability	Certain	5	10	15	20	25
	Likely	4	8	12	16	20
	Possible	3	6	9	12	15
	Unlikely	2	4	6	8	10
	Remote	1	2	3	4	5
		Negligible	Minor	Moderate	Major	Catastrophic
		Impact				

Source: <http://www.systemico.ca/>

Based on the calculations, the following risks may have a devastating impact:

- insufficient addressing of potential clients,
- inappropriately determined price,
- bad selection of employees.

In case of inappropriately determined prices, I will be as a director forced to lower prices of the stay of children to attract potential clients. In another way, I will be forced to change marketing strategy and hire some specialists to make a suitable marketing plan to address more potential clients. The third and last thing I could do is, that I will change the meal offer from BIO food to standard food to lower overall price.

5 RESULTS AND DISCUSSION

Based on the financial plan and its calculation, the 3 various scenarios were compared. In the chapter of Income statement and Cash flow, the optimistic model was found to be the most advantageous, where the initial cost will be paid back in the second year of operation. Net present value was calculated to amount of 2 155 841 CZK with the discount rate of 15%, at a maturity of five years, where the inflation is included. Profitability index PI was calculated to 4,78. Profitability index is higher than 1 ($PI > 1$), which is evidence of economic acceptability.

Conservative scenario was found to be still positive, because the initial costs will be paid back in the third year of operation. Net present value was calculated to 144 597 CZK with 15% of interest rate, at a maturity of five years, which is still economically satisfying. Profitability index is 1,25, which means, that the profit from the investment is 25%. Conservative model is also acceptable.

Pessimistic scenario indicated, that any of the following years will not generate a profit. Consequently, it was not necessary to make cash flow for this model. Apparently, if the kindergarten will be attended by 12 children and less, under the specified conditions, the nursery can be completely closed.

Subsequently, the realistic scenario was developed. In this model is a mix of the number of children according to a particular year. Basically, the number of children is increasing linearly every year. However, as it was already discussed in the chapter of income statement, it is necessary to raise the debt financing by 250 000 CZK. Net present value was computed to 56 551 CZK with interest rate of 8% (inflation included) and with the maturity of five years. Although the profitability index is $PI = 1,09$, where the profit from the investment is 9% only, the investment can be also considered.

6 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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10 LIST OF ABBREVIATION

MŠMT - Ministry of education youth and sports

LLC – Limited Liability Company

Ltd – Limited company

SME – Small and medium-sized enterprises

ČSN - Czech system of standards (Česká soustava norem)

EU - Europe

CR – Czech Republic

USA – United states of Amerika

BIO - organic

CZK – Czech crown

FC – fixed costs

VC – variable costs

GDP – Gross domestic product

CSO – Czech Statistical office

IPC – International preschool curriculum

11 APPENDIX

Price list of competitive international and private preschools around Prague 2

1. You & Me - centrum pro děti a rodinu

Vilová 97/3, Praha 10

Price list

	Programme Montessori
2 days	CZK 6 900
3 days	CZK 9 900
4 days	CZK 13 900
5 days	CZK 14 900

2. Mateřská škola Duhovka, s.r.o.

Cihelná Prague 1 - Malá strana

Morning program: 7:45 – 13:15

Full-day program: 7:45 – 18:00

Price list

	Morning program	Full-day program
3 days	15 000 CZK	17 500 CZK
5 days	17 500 CZK	19 500 CZK

Hours: 7:45 – 18:00

Meal Plan: 2 500 CZK/ month (meal is not included in tuition fee)

3. Prague International Academy preschool

Dykova 543/31, Praha 10 – Vinohrady, 101 00

Pricelist

Morning stay (7:30 - 12:30)		Other services:
3 x week	CZK 7990/ month	Registration fee: CZK 3000/ year
4x week	CZK 8 990/month	Full board: CZK 150/ day
5x week	CZK 9 990/ month	Morning diet: CZK 110/ day
All day (7:30 - 17:30)		Sibling discount: 20% first year
3 x week	CZK 11 990/ month	10% second year
4 x week	CZK 12 990/ month	
5 x week	CZK 13 990/ month	

4. The little mole of international preschool of Prague

Riegrovy sady 38, 120 00 Prague 2

Price list

Monthly payment 5 full days (8:00 - 17:00)	CZK 18 500
Monthly payment 5 half days (8:00 - 13:00)	CZK 15 000
Cost per hour starts from	CZK 103
Daycare available Monday to Friday from 8:00 - 17:00	
10% discount for sibling	
5% rebate on one year payment	

5. Jingle bells preschool

Korunni 4, Praha 2, Namesti Miru

Price list

	Full day	Full day+	Half day	Afternoon	Afternoon+	Late afternoon+
	8:00 - 17:00	7:45 - 18:30	8:00 - 13:00	12:00 - 17:00	12:00 - 18:30	15:00 - 18:30
1 day/week	CZK 3 300	CZK 3 900	CZK 2 600	CZK 2 600	CZK 2 900	CZK 2 400
2 days/week	CZK 6 500	CZK 7 700	CZK 5 100	CZK 5 100	CZK 5 700	CZK 4 700
3 days/week	CZK 9 700	CZK 11 500	CZK 7 600	CZK 7 600	CZK 8 500	CZK 7 000
4 days/week	CZK 12 900	CZK 15 300	CZK 10 100	CZK 10 100	CZK 11 300	CZK 9 300
5 days/week	CZK 16 000	CZK 19 000	CZK 12 500	CZK 12 500	CZK 14 000	CZK 11 500
Discount CZK 2 000 for more than one child						

6. Kids company Praha

Hradešinská 1931/58, 101 00 Praha 10 – Vinohrady

Price list

Registration fee (Payable once when enrolling in kindergarten)	15 000 CZK
Half-day program 7:30 – 13:00 or 13:30 – 18:00	15 000 CZK/ month + 1 000 CZK meal
All day program 7:30 – 18:00	19 400 CZK/ month + 1 200 CZK meal

7. Bambino Nurseries and Kindergartens

Šrobárova 14, 110 00 Praha 10 – Vinohrady

Price list

Non-refundable reservation 5 000 Kč

	5 days a week	4 days a week	3 days a week	2 days a week
Nursery and minikindergarten 0-3 years				
full day plus programme 7:30 - 18:00	18 900 Kč	17 350 Kč	15 250 Kč	12 600 Kč
full day programme 7:30 - 15:00	16 800 Kč	15 250 Kč	13 150 Kč	11 050 Kč
morning programme 7:30 - 12:30	14 200 Kč	13 150 Kč	11 550 Kč	9 450 Kč
Afternoon programme 12:30 - 18:00	14 200 Kč	13 150 Kč	11 550 Kč	9 450 Kč
Kindergarten over 3 years				
full day plus programme 7:30 - 18:00	17 850 Kč	16 300 Kč	14 700 Kč	12 600 Kč
full day programme 7:30 - 15:00	15 750 Kč	14 200 Kč	12 600 Kč	10 500 Kč
morning programme 7:30 - 12:30	13 150 Kč	12 100 Kč	10 500 Kč	8 400 Kč
Afternoon programme 12:30 - 18:00	13 150 Kč	12 100 Kč	10 500 Kč	8 400 Kč

Siblings' discount: 5% for 2nd child, 10% for 3rd and more sibling

Food: Full day 135 CZK/ day

Morning 115 CZK/ day

Afternoon 40 CZK/ day

8. Children's group Jahoda Vinohrady

Bruselská 16, Praha 2 – Vinohrady

Price list

Number of days/ week	6 - 10 hour/days	Diet / month	Total
5 days	9 200 Kč	1 995 Kč	11 195 Kč
4 days	8 000 Kč	1 615 Kč	9 615 Kč
3 days	7 200 Kč	1 235 Kč	8 435 Kč
2 days	5 600 Kč	855 Kč	6 455 Kč
1 day	3 800 Kč	380 Kč	4 180 Kč

Other services: Voucher babysitting (40 hours) CZK 4 200

Babysitting CZK 150/ hour

9. Jesle a školka Praha 2 – Vinohrady

Jana Masaryka 45, Praha 2, 120 00

Price list 7:00 – 17:30

Number of days/week	
5 days	CZK 7 250
4 days	CZK 6 000
3 days	CZK 4 800

Meal price: 90 CZK/ day

After 17:30 is to possible to stay longer with pre reservation nanny (70 CZK/ 30 min)

10. Dětské centrum Koala

Na Švihance 2, Praha 2

Price list

Full day stay (7:30 – 18:00)	CZK 10 500
Morning stay (7:30 – 13:00)	CZK 6 300
1 day (7:30 – 18:00)	CZK 690
1 morning (7:30 – 13:00)	CZK 390
Diets (snacks, lunch)/ day	CZK 100
Diets (snacks, lunch)/morning	CZK 80

Discount siblings: 50% for 2nd child

Babysitting outside opening hours CZK 100 – 150/ hours

Weekend babysitting CZK 2500

Kid's taxi : on request (It is necessary to call at least 1 hour in advance)

11. Kidspark

Polská 4, 120 00 Praha 2 Vinohrady

Price list

Day care, full day		Day care, half day morning	
8:00 - 18:00		8:00 - 12:30	
Frequency	Price per month	Frequency	Price per month
5 days/week	CZK 9 200	5 days/week	CZK 7 600
4 days/week	CZK 8 200	4 days/week	CZK 6 600
3 days/week	CZK 7 200	3 days/week	CZK 5 600
2 days/week	CZK 5 200	2 days/week	CZK 4 600
1 day/week	CZK 3 200		

One-time day care: CZK 900

One-time babysitting: CZK 140

12. Sugar cube

Salmovská 498/7, 120 00 Praha 2 – Nové město

Full day attendance (8:00 - 16:00)	CZK 9 900
Full day attendance (8:00 - 18:00)	CZK 12 300
Half day attendance (8:00 - 13:00)	CZK 6 200
Meals - lunch	CZK 53/ day
Meals - snack	CZK 15/ day
Babysitting	CZK 150/ hour
Weekends and night babysitting	By an agreement
Babysitting voucher 20 h	CZK 3 000
Babysitting voucher 40 h	CZK 6 000
Babysitting voucher 60 h	CZK 8 000

13. Indigo kids

Štulcova 69/3, Praha 2

Price list

	3 days	4 days	5 days
Half day 8:00 – 13:00/ 13:00 – 18:00	CZK 10 500	CZK 11 950	CZK 13 400
Short day 8:00 – 15:00	CZK 12 100	CZK 13 200	CZK 14 300
Full day 8:00 – 18:00	CZK 13 900	CZK 15 000	CZK 16 100

14. Lipa preschool Vinohrady

Na Třebešíně 1021/39, 108 00 Strašnice

Price list

Attendance	Half day	Full day	Afternoon
2× week	7 000 Kč	8 700 Kč	6 100 Kč
3× week	9 700 Kč	11 400 Kč	9 200 Kč
4× week	10 800 Kč	14 000 Kč	10 100 Kč
5× week	12 000 Kč	15 250 Kč	11 250 Kč

15. ABC Academy

Na Rovnosti 2246/1, 130 00 Praha 3-Žižkov

Price list

Attendance to 13:00	13,900 CZK
Attendance to 15.00	16.500 CZK
Attendance to 17:00	18,900 CZK
Arranged afternoon 13.00 - 17.00 hours	500 CZK
The registration fee for the first registration at the ABC Academy is CZK 2,500	