Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics

Diploma Thesis

Economic evaluation of business opportunities in fashion industry in the CR

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Abstract

Economic evaluation of business opportunities in fashion industry in the CR

Summary

This bachelor thesis deals with fashion business in Czech Republic. First part covers such theoretical aspects as fashion industry features, economical characteristics of Czech Republic and fundamentals of business plan as a part of economic evaluation. The second part is an actual business plan for online store of family clothing constructed in Czech economy that includes analysis of the market, marketing plan and financial plan.

Keywords: fashion industry, business plan, market analysis, marketing plan

Thesis objectives and methodology

Main aim of the thesis is to investigate the fashion market in the Czech Republic, evaluate business prospects and determine factors that influence this market. Consequently, create a business plan for a specific idea in the fashion industry.

To achieve this aim, the following objectives are needed to be attained:

- Identify the peculiarities of fashion industry
- Consider the economic aspects of Czech Republic, that are important for selected area
- Conduct a clothing market analysis
- Apply a theoretical overview on Czech market by creating a business plan

The bachelor thesis involves the use of theory. Literature review is done using appropriate methods such as deduction, induction, synthesis, abstraction and extraction. Specific phenomena are viewed from a theoretical point of view here.

Practical part is done among others using methods of data analysis (empirical) and observation methods.

Conclusion

Czech Republic is a developed country and as the most of them, it goes through the hard international competition in production with China and similar countries with cheap labor. The giants in clothing industry like H&M, Zara, Reserved, C&A, Promod, New Yorker, etc. are operating in the Czech market and cause damage to local business. Nevertheless the bachelor thesis pointed to real opportunities in fashion business in the country.

The most important features of fashion business were identified as well as trends for Czech economy.

To run fashion business many things have to be taken into consideration. Fashion must be viewed within a broader cultural context such as designers´ ethnic and social background, social mores and attitudes, technological innovations, and the economic and political conditions.

The most important activities in fashion are:

- creative design skills, which are a subject of talent
- identification with customer preferences (can be reached through the knowledge of marketing)
- strong brand image, which is important feature of copy rights protection.

Czech Republic was suffering a hard time since the world economy crisis but recent data confirm an ongoing economic recovery driven largely by domestic demand. While consumption and investment are expected to have been the main sources of growth in 2014 and this trend forecast to continue, export growth, which was strong last year, is expected to ease. The general government deficit is expected to deteriorate in 2015, largely due to discretionary measures and increased public investment.

The business and consumer confidence indexes show the growing tendency that allows to make positive projection for fashion development in CR.

To have the literature review findings proven, the business plan was conducted. The idea of business plan is creative and innovative. The new company named Hans is going to produce and sell family clothing in Czech Republic. The idea is to create the same or similar design of clothes for children and their parents so the family members match and look harmonious.

It is important to have a good business plan to make business successful. Its structure consist of introduction to business, analysis of the situation in the industry, description of proposed project, market analysis, marketing plan (4P's), production plan, organizational plan, SWOT analysis and financial plan.

Market analysis is one of the most important parts. It revealed that overall amount of potential customers is expected to be growing. The reasons for that are:

- increase of average wage due to resent economic growth, which is CZK 21 521 according to the latest data;
- increase of number of households with children, who has internet access at home, which today is 91% of all households from this group;
- growing population of children from 0 to 14 years old at the average 16800 people per year;
- growing monthly expenditures on clothing by households with children (4290 CZK according to the latest data).

Another important point of conducted business plan is financial part. The calculations include:

- Start up expenses that are 189 344 CZK
- Sales forecast
- Prices of products and costs of production
- Projected net profit (monthly data for the first year) which is 558 580 CZK for the first year, 742 185 CZK for the second and 929 168 CZK for the third year
- Payback period (6 months)
- Break-even point which is three items per month.

Czech Republic is a country with specific tastes in fashion. The recommendations for further research are to make surveys and group interviews to analyze the preferences of Czech customers, to study specific aspects of online marketing of clothing in Czech Republic like Sklik, Adwords, Facebook, etc. and to analyze online market of fashion.

Fashion will always be interesting topic amongst women, especially when fashion trends change quite often and people's attitudes towards trends and style change within. Therefore the future of Hans looks promising and the company recognizes this as well in its expansion strategy.

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