

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

**Economic evaluation of business opportunities in fashion
industry in the CR**

Daria Chervonaya

© 2015 CULS

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Department of Economics

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Daria Chervonaya

Economics and Management

Thesis title

Economic evaluation of business opportunities in fashion industry in the CR

Objectives of thesis

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.

Methodology

Literature review is done using appropriate methods such as deduction, induction, synthesis, abstraction and extraction. Practical part is done among others using methods of data analysis (empirical) and observation methods.

The proposed extent of the thesis

35 pages

Keywords

Business plan, Frozen yogurt, Market, Reporting, Valuation

Recommended information sources

Abrams R. (2014) Successful Business Plan: Secrets & Strategies 464 p
Beall A. (2010) Strategic Market Research 496 p
Yelp Inc. (2014) Database of local businesses <http://www.yelp.com/praha>

Expected date of thesis defence

2015/06 (June)

The Bachelor Thesis Supervisor

Ing. Petr Procházka, Ph.D., MSc

Electronic approval: 10. 3. 2015

prof. Ing. Miroslav Svatoš, CSc.

Head of department

Electronic approval: 10. 3. 2015

Ing. Martin Pelikán, Ph.D.

Dean

Prague on 15. 03. 2015

Declaration

I declare that I have worked on my diploma thesis titled “Economic evaluation of business opportunities in fashion industry in the CR” by myself and I have used only the sources mentioned at the end of the thesis.

In Prague on 16.03.2015

Daria Chervonaya

Acknowledgement

I would like to thank Ing. Petr Procházka, Ph.D., Msc for his advice and support during my work on this Thesis.

Ekonomické vyhodnocení obchodních příležitostí v módním průmyslu v ČR

Souhrn

Tato bakalářská práce se zabývá módním průmyslem v České republice. První část se týká teoretických aspektů, popisuje hlavní rysy módního průmyslu, ekonomické charakteristiky České republiky a základy podnikatelského plánu, který je součástí ekonomického zhodnocení. Druhá část je skutečný obchodní plán pro on-line obchod s rodinným oblečením, který funguje v české ekonomice, dále zahrnuje analýzu trhu, marketingový plán a finanční plán.

Klíčová slova: módní průmysl, podnikatelský plán, analýza trhu, marketingový plán

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

Content

1. Introduction.....	3
2. Thesis objective and methodology	4
3. Literature Review	5
3.1. Fashion and Fashion Marketing.....	5
3.2. Transformation of the Fashion Industry.....	7
3.3. Economy of the Czech Republic.....	10
3.4. Evaluation of business opportunities by creating a business plan	13
3.5. Business plan content.....	16
4. Practical part	22
4.1. Introducton.	22
4.2. Analysis of the situation in the industry.....	22
4.3. Description of proposed project	24
4.4. Market analysis	25
4.4.1. Customer.....	26
4.4.2. Competitors	29
4.5. Marketing plan	29
4.5.1. Product.....	30
4.5.2. Price	33
4.5.3. Place	34
4.5.4. Promotion	35
4.6. Production plan	35
4.7. The organizational plan.....	36
4.7.1. Organizational structure	36
4.7.2. Basic information about founders	37
4.8. Risks.....	38
4.9. Financial plan	39
Conclusion	42
References.....	45
Supplements.....	48

1. Introduction

All people wear clothes whether they are made by famous fashion designers or ordinary people. Certain people are responsible for what society is wearing today. Certain people provide the facilities for making the clothing. Without these facilities or facilitators, everybody will be wearing what our fore-fathers wore back in time. Therefore, this shows the **importance** of fashion industry in modern society.

The fashion industry deals with several issues. It produces clothing, creates jobs, makes inter-relationships in the job market, brings **creativity and innovation** as well as creates entrepreneurs.

There is no problem in variety of clothes in CR, though it is mostly imported. By one way or another, somebody's income comes from the fashion industry: reviewers, photographers, designers, both skilled and unskilled labor. The **problem** is that Czech Republic is not a leader in particular area, so there are missing opportunities that could be developed.

This bachelor thesis will not only describe the main aspects of fashion market but it also shows the practical use of evaluated business opportunities. The new era of family fashion will be introduced in the form of business plan.

The **reason** why the topic was chosen is the lack of information about the fashion and clothing production in Czech Republic and personal interest of the writer in the business opportunities in fashion for CR.

2. Thesis objective 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.

3. Literature Review

3.1. Fashion and Fashion Marketing

Fashion is an ongoing changing process which in regular cycles brings new trends into practically any human activity; from medicine to music.¹ It is a product of the time and 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.²

For fashion as a continual change two abilities are crucial; creative design skills and identification with customer preferences. While design skills are a matter of talent, identification with consumers is a matter of marketing which is capable to provide additional knowledge and the skills needed to ensure that the creative component is used to the best gain, allowing business to succeed and grow. Easey¹ argues that because of the nature of fashion industry, where change is crucial, practices of fashion marketing are slightly different from other marketing areas. Fionda and Moore³ further develop Easeys theory and claim that marketing and branding fashion goods is more complex than in other sectors because of the velocity and vastness of this industry; brands and designers must twice a year produce brand new collections, containing variety of items (many brands do not focus just on clothing but also on accessories and shoes, and often do not only produce female lines but also male and children) which are often distributed worldwide. It is important to add that Fionda and Moore's study focuses on major international brands such as Tom Ford and Gucci which production and distribution is very extensive, and thus their marketing is far more complex than marketing of emerging designers or local brands.

Beside the factors mentioned above (creative design skills and precise knowledge of niche customers), another essential component is a strong brand image. As Lee et al.⁴ argue why people talk about particular brands in a certain way and why they buy (or do not buy) its products is to some extent a matter of brand image. Image is more than a name, logo, slogan and design. It is the whole concept containing symbolic meaning, induced associations, ideas and attitudes of the brand. For instance: "A jeans brand Levi's is not just an eye-catching red label; it has developed

¹ Easey, M. (2009). *Fashion Marketing*. Chichester: John Wiley & Sons.

² English, B. (2009). *Fashion*. London: A. & C. Black.

³ Fionda, A. and Moore, C. (2009). The anatomy of the luxury fashion brand. *J Brand Manag*, 16(5-6), pp.347-363.

⁴ Leung, C., Zhang, Z. and Lee, T. (2000). Brand-image Marketing: Salient Benefits Sought by Fashion Consumers for Needs Fulfillment. *Journal of the Textile Institute*, 91(2), pp.107-113.

core urbanhip user imagery in youngsters' minds" claim Lee et al.⁵ and further argue that fashion market strongly depends on creating or maintaining a distinctive, desirable and constant image, bringing additional value and brand differentiation. Hitt, Ireland and Hoskisson⁶ complement that the key task for fashion marketing is to achieve competitive advantages by the differentiation of the brand from their straight competitors. Differentiation in general can be based on products, services, channels or people but in fashion it is most likely based on the overall brand image, comprising general qualities of the brand and determining its initial position at the market.

Another reason why brands and designers need to create strong image is the lack of copy rights security. As Blankley⁷ states there is no intellectual property protection in fashion industry, which means that anybody can copy any design from anybody and present that as his own. The result of the lack of legislative coverage of this matter together with an ongoing difficulty of establishing collection after collection is the collaborative character of fashion industry - haute couture designers generally search for the inspiration at other culture fields (especially at music and film industry), at street fashion or at vintage collections old several decades, and are subsequently copied by mainstream brands. According to Blankley this mechanism determines the emergence of new global trends, and leads into democratization of fashion. However she further notes that as designers cannot rely on legislative support they can solve this issue by copying themselves and directly cooperating with mainstream brands, or by creating strong image characteristic for particular brand which copy would be perceived as an obvious fake (as for instance red sole typical for Christian Louboutin or checkered pattern typical for Burberry).

Under the circumstances in a few words demonstrated above, fashion marketing can be clarified as a management process concerned with anticipating, identifying and satisfying actual customer needs in order to meet the long-term goals of an organization, and continuously building or maintaining strong corporate image characterizing the brand in the market. In order to reach those goals fashion marketing uses common techniques of advertising and market research with the addition of the tools specialized for fashion industry such as product development, branding,

⁵ Leung, C., Zhang, Z. and Lee, T. (2000). Brand-image Marketing: Salient Benefits Sought by Fashion Consumers for Needs Fulfillment. *Journal of the Textile Institute*, 91(2), pp.107-113.

⁶ Hitt, M., Hoskisson, R. and Ireland, R. (2009). *Strategic management*. Mason, Ohio: South-Western/Cengage Learning.

⁷ *Lessons from fashion's free culture..* (2010). [video].

pricing or forecasting.⁸ On the other hand based on the theoretical knowledge of social media, they should be included in this list as their features have the potential to be assisting in managing basic task of fashion marketing and brand management which were demonstrated above. Furthermore there are several relatively new issues which even increase the significance of use of social media and blogs in fashion industry as it will be discussed in following section.

3.2. Transformation of the Fashion Industry

Fashion, its trends and developments have always mirrored current lifestyle and trends among society determined by technological inventions. For instance; in the 30's the emergence of cinematography caused the advent of fashion trends copying Hollywood icons such as Katharine Hepburn or Marlene Dietrich simultaneously with the frugality in designs required by world economic situation after the Great Depression.⁸ In the 50's fashion was strongly influenced by the Rock and roll music, Jacqueline Kennedy as a prototype of modern sophisticated lady, and Marilyn Monroe as a sex symbol. In the 70's the birth of lifestyle magazines caused the turn from fashion trends dictated by major designers to the individual selective styles, combining haute couture with mainstream and vintage fashion. Currently the character and development of fashion industry is influenced by the global demographic structure, concern for the environment, and the further adoption of new digital technologies.

With the gradual removal of trade barriers on a global scale and growth of the Internet, the fashion industry has become a global business. As Figure 1 demonstrate, while in 2004 major fashion events were centralized in the US, UK, France, Italy and newly emerged Japan powered by the 'youth culture', in 2010 major fashion events took place also in South Africa, Brazil, Russia, UAE, Singapore and India.

⁸ Easey, M. (2009). *Fashion Marketing*. Chichester: John Wiley & Sons.

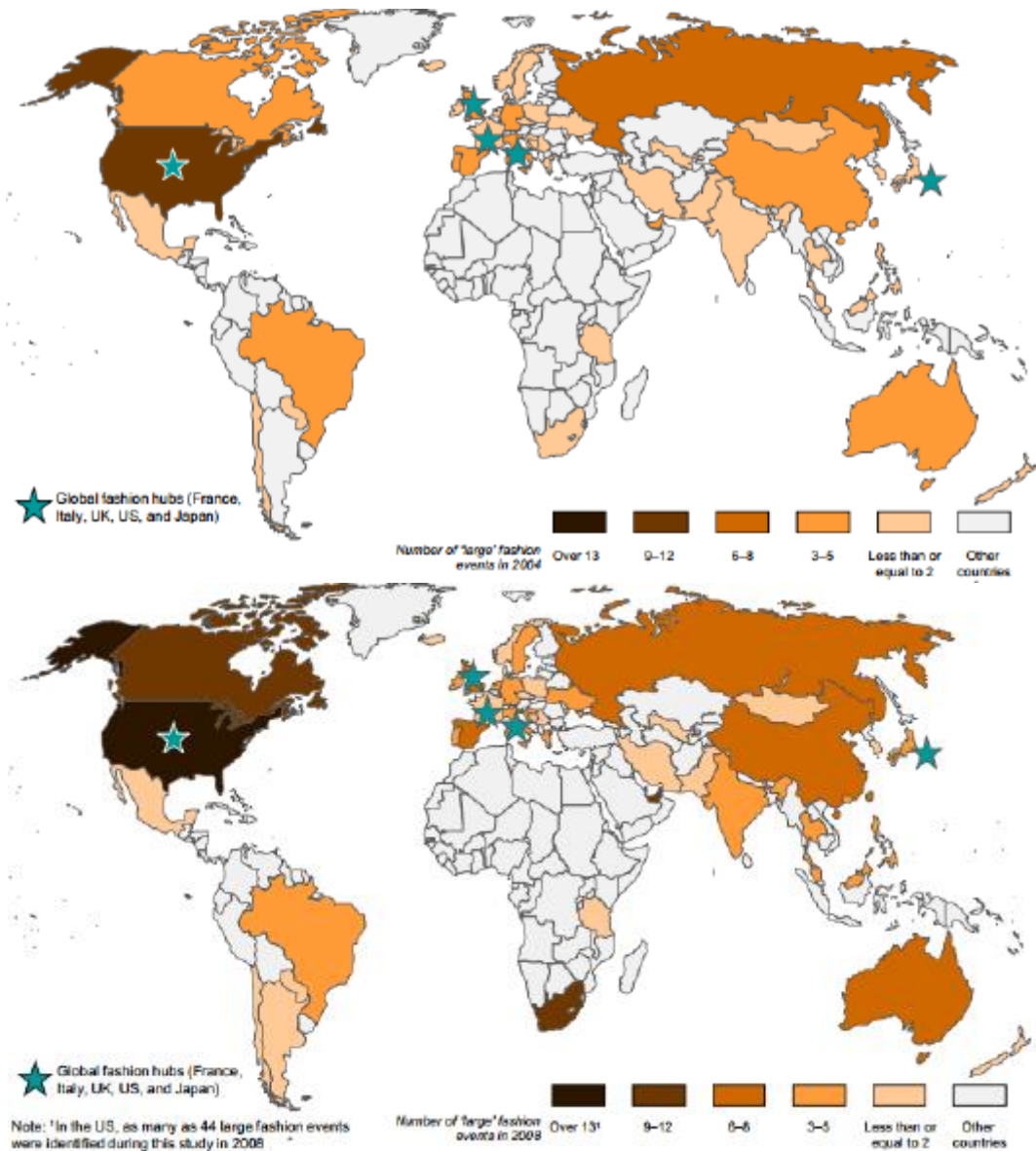


Figure 1 Global Fashion Event Map in 2004 and 2010 ⁹

This shows the recent emergence of new centers of fashion and the global character of present fashion business which demands international brands to use adequate marketing techniques with the ability to operate at an international level and to deal with a assortment of sociocultural differences between local markets. For instance; Seidel¹⁰ in her analysis focuses on Western

⁹ <http://www.integreon.com>, I. (2011). Integreon. [online] Integreon. Available at: <http://www.grailresearch.com/> [Accessed 11 Apr. 2014]

¹⁰ Seidel, A. (2010). *The Business of Fashion - BoF*. [online] The Business of Fashion. Available at: <http://www.businessoffashion.com/2010/01/in-india-luxury-brands-need-localised-strategies.html> [Accessed 11 Jan. 2015].

luxury brands operating in India and argues that regardless of the high potential of the Indian market, the profit of those brands is low, especially because of the lack of satisfactory knowledge of the Indian market, and because of the use of uniform mass marketing strategy which has not been localized. ‘Brands have to go further than just putting an Indian print on a bag or collaborating with a local celebrity. A multitude of cultures, languages, religions, festivals, colors and tastes make up this land of 1.1 billion people. So, it is about understanding the difference between the flamboyant nature of a Punjabi customer and the more reserved nature of a Gujarati, and speaking to each of them in the specific cultural register that they respond to’.⁹ It is important to admit that there are certain brands which started to localize their communication strategies to local markets (Eastern markets foremost). For instance Louis Vuitton has localized their approaches, identifying important events and celebrations among potential clients and arriving with personalized gifts.¹¹ In 2011 H&M has for the first time ever adjusted his promotional pictures used in the Middle East to the clothing etiquette of Muslim culture – as Figure 2 illustrates, the Photoshop adjustments were done particularly to hide the uncovered chest and shoulders of the model (Ibid).



Figure 2 Adjustments of international H&M campaign in Middle East¹⁰

These examples briefly demonstrate the complexity of current fashion industry due to the advent of the global market, and the need of corresponding marketing practices. Okonkwo¹² concludes that traditional business used among the entire fashion industry used to be based mostly on

¹¹ Rawi, M. (2011). *Gisele Censored! Supermodel Photoshopped for H&M ads in Dubai*. [online] Mail Online. Available at: <http://www.dailymail.co.uk/femail/article-1369252/Supermodel-Gisele-censored-Middle-East-H-M.html> [Accessed 11 Apr. 2014].

¹² Okonkwo, U. (2007). *Luxury fashion branding*. Basingstoke, Hampshire [u.a.]: Palgrave Macmillan.

intuition, focusing exclusively on product development and advertisement, but the current rapid development and complexity of the global environment require modern and more sophisticated practices. Beside the global character of the contemporary fashion market, he additionally points out the technological innovations as one of the key components, shaping the nature of this industry, and claims that ICT's has transformed the landscape, altering customer behavior, business conduct and fashion management. Particularly the Internet developments have empowered consumers more than ever before and have raised their product and brand expectations. As a result, the task of retaining the attention and loyalty of consumers has become an increasing challenge. Guzelis¹³ expands Okonkwo's argument with the claim that because of the nature of the Web 2.0, tools such as social media and fashion blogs have changed the information flow among the fashion industry – fashion trends and news are no longer passively received, they are rather being commented, discussed, exchanged, and ultimately even recreated. Such an information flow where users are in an empowered position has a natural impact on the entire industry, which needs to learn how to operate in this new environment, and more over how to start profiting from its newly transformed character. It is assumed that in order to reach those goals the biggest adjustment would involve fashion public relations as it is the area directly relating with corporate communication and publicity.

3.3. Economy of the Czech Republic

Of the countries in central and Eastern Europe, the Czech Republic has one of the most developed industrialized economies. It is one of the most stable and prosperous of the post-Communist states of Central and Eastern Europe. GDP per capita at purchasing power parity was \$27,100 in 2011, which is 85% of the EU average.

The principal industries are heavy and general machine-building, iron and steel production, metalworking, chemical production, electronics, transportation equipment, textiles, glass, brewing, china, ceramics, and pharmaceuticals. Its main agricultural products are sugar beets, fodder roots, potatoes, wheat, and hops.

In 2009 and 2010, Czech Republic suffered strong economical crisis and GDP decreased by 4,5%. From 2009 to 2012, Czech Republic also experienced highest state budget deficits in

¹³ Guzelis, G. (2010). *Characterising successful fashion blogs and their evaluation metrics*. Saarbrücken: LAP Lambert Acad. Publ.

history of independent Czech Republic. From 2008 to 2012, debt of Czech Republic increased by 18,9%. Most decrease of industrial output was in construction industry (-25% in 2009, -15,5% in 2013). From 4Q 2009 to 1Q 2013, GDP decreased by 7,8%.

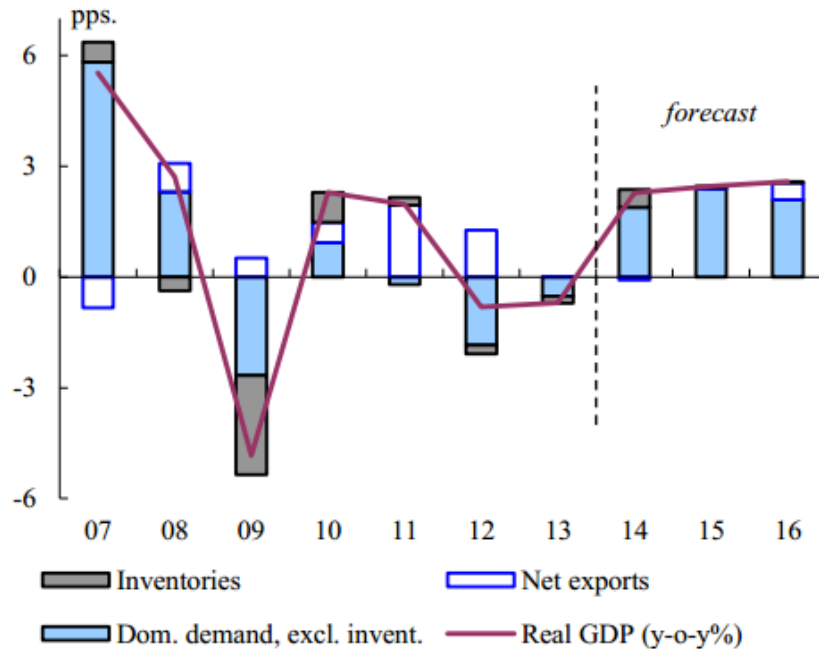


Figure 3 Real GDP growth and contributions¹⁴

In 2012, Czech government increased VAT. Basic VAT was increased from 20% in 2012 to 21% in 2013 and reduced VAT increased from 14% to 15% in 2013. Small enterprises sales decreased by 21% from 2012 to 2013 as result of increasing VAT.

In 2013, Czech National Bank, central bank, implemented controversial monetary step. To increase export and employment, CNB willfully deflated Czech Crown (CZK), which inflation increased from 0.2% in November 2013, to 1.3% in 1Q 2014.

The Czech Republic returned to growth in 2014 following two years in recession with a 2.0% expansion. Increasing exports, growing private consumption and a recovery in investment were behind the pickup. However, Q4 GDP growth marked a four-quarter low, resulting from slower growth of investment and declining inventories. More recent indicators suggest that the economy

¹⁴ European Commission, (2015). *European Economic Forecast Winter 2015*. [online] Brussels, pp.66-67. Available at: http://ec.europa.eu/economy_finance/publications/european_economy/2015/pdf/ee1_en.pdf [Accessed 3 Mar. 2015].

started 2015 on a solid footing. In February, the Manufacturing PMI rested comfortably in expansionary territory and economic sentiment was high again in the same month. The Czech government in February approved a constitutional amendment which sets a 55% of GDP ceiling on public debt to limit future state borrowing. If the debt brake is approved by parliament, it will bring legislation in line with the European Union's fiscal compact.¹⁵

European Economic Forecast Winter 2015				
Forecasts for Czech Republic	2013	2014	2015	2016
GDP growth (% , yoy)	-0,7	2,3	2,5	2,6
Inflation (% , yoy)	1,4	0,4	0,8	1,4
Unemployment (%)	7,0	6,1	6,0	5,9
Public budget balance (% of GDP)	-1,3	-1,3	-2,0	-1,5
Gross public debt (% of GDP)	45,7	44,1	44,4	45,0
Current account balance (% of GDP)	-2,2	-1,0	-0,3	0,1

Table 1 European Economic Forecast¹⁶

Recent soft data suggest ongoing strength in domestic demand, with confidence indicators continuing to rise across sectors. Real GDP is expected to have grown by 2.3% in 2014 and growth is forecast to rise to 2.5% in 2015 and 2.6% in 2016.

Leading indicators comprise the composite leading indicator (CLI) and standardised business and consumer confidence indicators. They provide qualitative information useful for monitoring the current economic situation and advance warning of turning points in economic activity.

The business confidence index (BCI) is based on enterprises' assessment of production, orders and stocks, as well as its current position and expectations for the immediate future. Opinions compared to a "normal" state are collected and the difference between positive and negative answers provides a qualitative index on economic conditions.

The consumer confidence index (CCI) is based on households' plans for major purchases and their economic situation, both currently and their expectations for the immediate future. Opinions

¹⁵ FocusEconomics | Economic Forecasts from the World's Leading Economists, (2015). *Czech Rep. Economic Report / Outlook, Statistics and Forecasts*. [online] Available at: <http://www.focus-economics.com/countries/czech-republic> [Accessed 11 Mar. 2015].

¹⁶ Ec.europa.eu, (2015). *Czech Republic - European Commission*. [online] Available at: http://ec.europa.eu/economy_finance/eu/countries/czech_republic_en.htm [Accessed 8 Mar. 2015].

compared to a “normal” state are collected and the difference between positive and negative answers provides a qualitative index on economic conditions.¹⁷

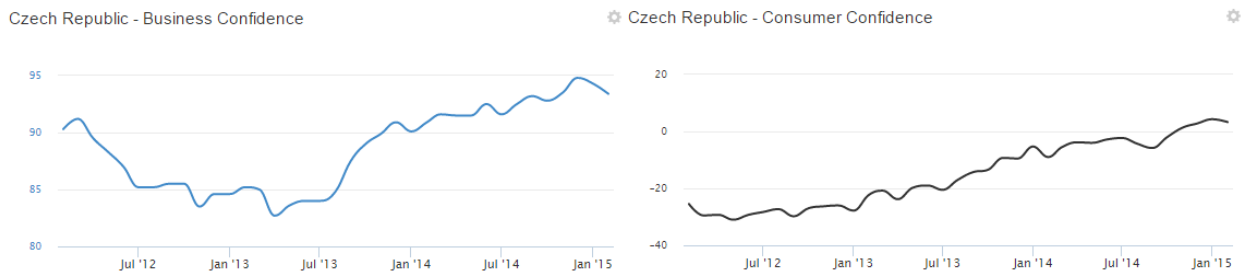


Figure 4 BCI and CCI for Czech Republic¹⁸

3.4. Evaluation of business opportunities by creating a business plan

A written document that describes in detail how a new business is going to achieve its goals. A business plan will lay out a written plan from a marketing, financial and operational viewpoint. Sometimes a business plan is prepared for an established business that is moving in a new direction.¹⁹

A business plan includes a description of a company or small business, its services and/or products and how the business will achieve its goals. The plan includes the overall budget, current and projected financing, a market analysis and its marketing strategy approach. In a business plan, a business owner projects revenues and expenses for a certain period of time and describes operational activity and costs related to the business.

The idea behind putting together a business plan is to enable owners to have a more defined picture of potential costs and drawbacks to certain business decisions and to help them modify accordingly before implementing these ideas.

The business plan describes the aims and objectives that need to be solved by a company both in the nearest future and for the long-term outlook. It consists of an assessment of the current

¹⁷ Data.oecd.org, (2015). *Leading indicators - Composite leading indicator (CLI) - OECD Data*. [online] Available at: <http://data.oecd.org/leadind/composite-leading-indicator-cli.htm#indicator-chart> [Accessed 11 Mar. 2015].

¹⁸ Ieconomics.com, (2015). *IECONOMICS | Search & Visualization of Economic Indicators*. [online] Available at: <http://ieconomics.com/> [Accessed 11 Mar. 2015].

¹⁹ Investopedia, (2010). *Business Plan Definition | Investopedia*. [online] Available at: <http://www.investopedia.com/terms/b/business-plan.asp> [Accessed 11 Jan. 2015].

situation, strengths and weaknesses of the project, market analysis and information about consumers of goods or services.²⁰

The value of a business plan is determined by the fact that it:

- Makes it possible to determine the viability of the project in a competitive environment;
- Has a guideline about how the project (the company) should be developed;
- Is an important tool for financial support from external investors.

Drawing up a business plan it is necessary to assess the opportunities and challenges that may arise in the future. This process is called the definition (or evaluation) in general position. Having such an evaluation it is appropriate to begin setting aims and objectives.²¹ This process, in turn, consists of two parts. Firstly, product of the project has to be chosen (what business the company will carry on), and secondly, quantitatively reasonable goals for the future have to be identified.

The establishment of such goals is the easiest task. Then it is necessary to identify ways to achieve these goals. To do this, it is necessary to develop a strategy and plan, which form the core of the business plan. Well-written business plan, as a rule, is essential for long term survival of the enterprise and its profitability.

A business plan helps to solve the issues of funding, which means it can be an opportunity to raise capital necessary for the project realization (development of the enterprise). Drawing up a business plan it is important to understand, what obstacles might arise on the way to success. It may happen that these obstacles are too serious and proposed idea must be given up. Of course, this conclusion is not the most pleasant, but it is better to do so when the project is still on paper, but not when time and money has been already spent for its creation.

Thus, the business plan makes it possible to understand the general state of business at the moment, to make clear picture of the level, that the project (the company) can reach, to plan the transition from one state to another.

²⁰ Ec.europa.eu, (2014). *Business Plan I: key elements - European Commission*. [online] Available at: http://ec.europa.eu/enterprise/sectors/tourism/tourism-business-portal/business/starting/defining/index_en.htm [Accessed 11 Jan. 2015].

²¹ Sahlman, W. (2008). *How to write a great business plan*. Boston, Mass.: Harvard Business School Press.

Nowadays, the business plan becomes more and more important document for an entrepreneur. No company will be able to express their goals or obtain financing without properly developed business plan. If a competent business plan is not submitted, no one will seriously consider the idea.

Investors want to see a business plan proving that the idea was well worked and the owner carefully thought through all the steps that has to be taken to implement the idea and to turn it into a well-performing program.

A business plan is a document that clearly demonstrates company's ability to produce and (most importantly) to sell enough goods and services, so that the profit margin and return on investment would satisfy potential investors (lenders).

Thus, the business plan is not just a set of managerial decisions in marketing, production, sales strategy, organization and finance. It also allows selling business successfully to the person, for whom the plan was made, whether it is bank, investment company or the potential partner (customer).

A business plan is created for banker or investor; it also brings a huge benefit to its writer. Detailed and thoughtful business plan is probably the best tool helping to achieve long-term goals.

A business plan helps to:

- make important business decisions
- familiarize yourself with the financial side of the business
- receive important information about industry and marketing
- anticipate and avoid obstacles that are often found in a similar business
- set specific objectives, the implementation of which will indicate the progress made
- expand into new emerging industries
- be more persuasive when searching for financing.

Creating a business plan, entrepreneur will be able to learn a lot about the industry and market sector, to control the firm better and to increase its competitiveness.

Any business plan should have readers interested in business success. There are eight different causes that determine the nature of the business plan, depending on to whom it is intended.

1. Business plan for yourself. This is kind of self-control: is it necessary to open a business? Is the idea realistic enough?
2. The business plan for the loan. In most cases, banks require a well-researched business plan for a loan.
3. A business plan to attract funds of external investors. Investors are: venture capital funds, private investors or public issue of shares. If you raise funds through public issue of shares, the business plan with information about the company, strategy of marketing, sales, production and financial prospects, will help to sell the company to investors successfully.
4. Business plan for a joint venture or strategic alliance with a foreign partner. Competent business plan gives confidence to the foreign partner in the severity of particular case.
5. Business plan for an important contract.
6. Business plan to attract new employees. Nowadays, it is hard gain over professionals from other companies, even promising them higher wages. Description of the future activities of the company gives employees the potential viability and stability of the proposed work.
7. Business plan for merging with another company. It helps to see utility of deal: positive and negative aspects of joint activities.
8. The business plan for the reorganization of business and optimization of operations. As soon as a small company starts growing, there is a need to establish a strategic development concept.

3.5. Business plan content

The composition of the business plan and its detailed elaboration depends on the size and related area of future project.

For example, if someone intends to set up production of a new type of a product, the plan must be designed highly detailed, dictated by the complexity of the product and the complexity of the market. If we are talking only about the retail sale of any product, the business plan can be simpler.

Thus, the composition and detailing of business plan depends on the nature of undertaking - whether it is in the service sector or the manufacturing sector. If the enterprise is manufacturing, then the composition and detailing of the business plan will be affected by the type of goods and whether the goods are released for consumers or producers.

The composition of the business plan also depends on the size of the intended market, the presence of competitors and growth prospects of an undertaking.

The approximate composition of a business plan:

1. Introduction
2. Analysis of the situation in the industry
3. Description of proposed project
4. Market Analysis
5. Marketing Plan (4P's)
6. Production plan
7. The organizational plan
8. Risk (Sensitivity or Risk Analysis)
9. Financial Plan
10. Applications²²

Introduction

The introductory part is usually written after the whole plan is done. It should be brief (no more than 2-3 pages) and treated as an independent promotional document because it contains all the basic theses of the business plan. It states the name and address of the undertaking, names and addresses of founders, the basic theses of the proposed project, its essence and purpose, the project cost and the need for finance.

²² Abrams, R. (2014). *Successful business plan: secrets & strategies*. 6th ed.

Analysis of the situation in the industry

This section describes the guidelines and objectives of the future project. It is important to present the idea of a new project in the context of the existing state of affairs in the industry. It is necessary to demonstrate a deep understanding of the company and the industry where it will operate and compete because one of the criteria for winning the competition is the situation on the market of products of this type.

It is recommended to include to the business plan the analysis of the current state of the industry and information on growth tendency. Also the founder should summarize the latest innovations, make list of potential competitors, indicate their strengths and weaknesses. It is also necessary to examine all the forecasts for the industry and, as a result, answer the question who exactly is the customer of goods or services.

Description of proposed project

This section should provide a clear definition and description of the types of products or services that will be offered to the market. It is necessary to point out some aspects of the technology needed for production.

Describing the main characteristics of products the emphasis should be placed on the benefits that this product has for the potential buyers, rather than the technical details. Details of the process can be given in the appendix.

It is important to emphasize the uniqueness and distinctive features of products or services. This can be expressed in different forms: a new technology, product quality, low cost, or some special dignity, satisfying the demands of customers. It is also necessary to emphasize the possibility of improving the product.

This section should describe patents, copyrights or other reasons that could prevent the invasion of competitors in the market. Such reasons may be, for example, the exclusive distribution rights or trademarks.

Market analysis

Market and marketing are key factors for all companies. The most ingenious technologies are useless if they do not find their customers. Therefore, this section is the most difficult to write. It

is necessary to convince investors of the existence of demand for products and show that the founder understands and can sell the products on this particular market. To do this, it is important to identify the segment of the market, which the enterprise will aim. Usually, one fairly narrow segment of the market is enough for new businesses to compete successfully. The choice of this segment may also depend on the severity of competition, which may be weaker for one product and stronger for another.²³

The next step is to describe the buyers within the segment.

Every business sooner or later faces the problem of competition. Therefore it is very important to determine the direct competitors, their strengths and weaknesses, and to assess the potential market share of each competitor. The founder must show that products can compete in terms of quality, price, distribution, advertising and other indicators.

Marketing plan

This section should show why customers will buy products. It describes the way a new product or service will be sold, a price for it, and how to conduct advertising policy. Specific details of the marketing strategy are often difficult, complex and affect areas such as marketing arrangement, pricing policy, trade policy, advertising, etc.

Usually marketing plan drawn up for the year ahead. Its implementation is monitored and monthly or even daily corrected, taking into account the changing market conditions.

This section provides a marketing arrangement (ensuring competitiveness of products), and identifies the main characteristics of products or services in comparison with competing ones. Such issues are considered as prices, pricing policies, trade policies, distribution channels, advertising and promotion of products on the market, policy support products, expression of interest from possible buyers and the forecast of new products.

Production plan

This section should describe all production processes. It also deals with all issues related to facilities, their location, equipment, and personnel. If creating company treated as a manufacturing, it is important to have a complete description of the whole manufacturing

²³ Beall, A. (2010). *Strategic market research*. New York: iUniverse.

process: how the system of production is organized, how production is controlled, what are the main elements of direct cost (for example, the cost of labor and materials), where the machinery will be located. If some operations will be made by subcontractors it is necessary to provide the business plan with information about them, including the name of the subcontractor, its address, the reasons he was selected, prices and information on signed contracts. Operations that will be made on its own must be provided with a scheme of production, the list of equipment and raw materials including suppliers details (name, address, delivery terms), the estimated cost and list of equipment, which may be needed in the future. Finally, this section should reflect the questions how quickly output can be increased or reduced.

Organizational plan

This section identifies ownership of an undertaking whether it will be a sole proprietorship, private limited company or joint-stock company. In case of private limited company it is necessary to bring the conditions under which it is built. In case of joint-stock company it is needed to provide information on the number and type of issued shares.

The organizational structure of the future enterprise must be provided as well as information about the number of staff and its educational training, need in consultants, advisers and managers.

This section deals with the administration and management of the enterprise. Explains how organized management team, and describes the role of each member. There is brief biographical information about all members of the Board of Directors and analysis of the knowledge and skills of the team as a whole.

The same section must report on the managers of the main departments, their capabilities and experience, as well as their obligations. Detailed personal data and specifications are listed in the annex. This chapter deals with the mechanism of motivation of top leaders, why they will be interested in achieving business plan objectives, how they will be paid for the work (salary, bonus, equity in earnings). It is recommended to provide an organizational chart showing where each manager in the organizational hierarchy.

Risk analysis

Each new project is facing difficulties that threaten its implementation. It is very important for the entrepreneur to be able to anticipate such difficulties and predetermine strategies to overcome them. It is necessary to assess the risk and to identify the problems that may encounter business.

The main points related to the risk of the project should be described simply and objectively. The threat may come from competitors, from personal mistakes in marketing and production policy or in the selection of leading cadres. Danger might be a technological progress, which is capable of instantly "wear out" any novelty.

The best way to do risk analysis is to conduct a SWOT analysis.

Financial plan

The financial plan is an important part of the business plan. Key indicators of the financial plan: sales, profits, turnover, cost and etc. The financial plan should be made for 3-5 years and include: income statement, cash flow sheet, balance sheet for the first year, the break-even point.

Consolidated revenue and expenditure forecast is at least for the first three years, the data for the first year shall be submitted in the monthly breakdown. It includes such factors as the expected sales, cost of goods sold and the various items of expenditure. Knowing the tax rate, it is possible to get a forecast net profit after tax of the enterprise.

4. Practical part

4.1. Introduction.

Hans is a brand new company of clothing for parents and children in family look style. Family look is the combination of clothes for children and their parents that look alike, same or created in one style. The company's location is Prague, Czech Republic but the sales will be realized through the internet, so the market area is the whole country, the focus group is parents with children up to 11 years old with low and medium income. The name was given in honor of the famous Dutch writer of fairy tales for children and adults Hans Christian Andersen and represents a unity of family interests.

Hans is owned by two equal partners and decision-making process happens by consensus.

The cost of project is 189 134 CZK, the payback period is 6 months. This money will be spent for tailoring, advertising campaign, web-site creation.

The company address: Zdoňovská 1521/5, Praha 9, 19300.

The founders' names:

- Bc. Daria Chervonaya (Zdoňovská 1521/5, Praha 9, 19300);
- Mgr. Patrik Hron (Malkovského 652, Praha 9, 19300).

This document contains confidential information and is owned by the founders of the company listed above. It is intended only for persons who received it with the knowledge and consent of the owners. Copy or disclosure of its content without the prior written consent of the company is not allowed.

4.2. Analysis of the situation in the industry

Many celebrities nowadays prefer family look. Any mother and daughter would call smiles from passers-by walking in similar dresses; any couple with a kid will attract the people's attention, if they show up in public in the T-shirts with the same motive.

Hans clothing is a completely new look not only at the style but also at the philosophy of the whole family.

The buying process goes nice and easy. It starts with introduction to the idea by means of stylish web site created according to standards for comfortable use. That follows by the wide spectrum of colors and sizes. Finally, customer from any part of Czech Republic can have a delivery right to the door.

The industry of family clothing in Czech Republic is stable. Clothing is the most basic need according to Maslow’s hierarchy of needs and every single person needs it. According to Czech Statistical Office the population of children from birth to 14 years old for the last six years grows at the average 16800 people per year, projection for future is presented in graph below. That signifies auspicious conditions for the company Hans.

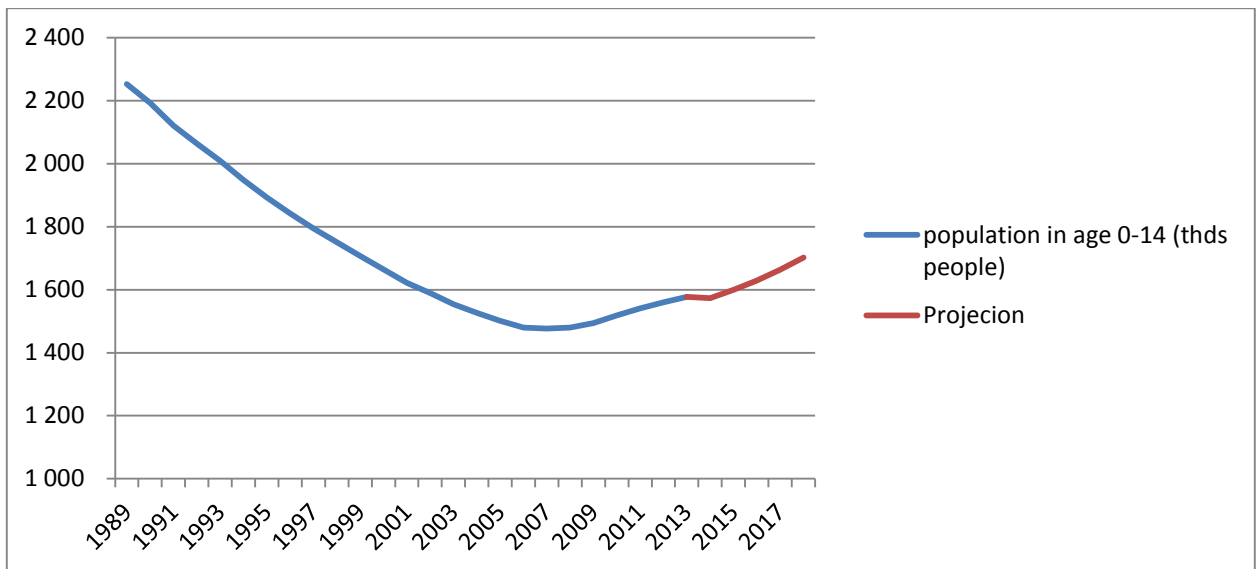


Figure 5 Population 0-14 y.o. Actual and projection (thds people)

Giants of world family clothing market are located in Czech Republic as well. The biggest ones like H&M, Zara, C&A, Benetton does not have an e-shop in the country, but H&M plans to launch an e-shop on the Czech market this year²⁴.

The biggest family clothing online stores are www.mall.cz, www.nakupni-dum-praha.cz, www.ok-moda.cz, www.blackcomb.cz. There are also e-shops that focus only on children’s or only on men’s or women’s fashion.

²⁴ <http://www.cijjournal.com/en/encompassme/8354/h-amp-m-to-launch-e-shop-on-czech-market>

Thus the conclusion is that family clothing market in Czech Republic can be described as a perfect competition. The reason why Hans will be successful is absolutely new look for family fashion that may create a new subset of fashion market.

Management of Hans recognizes that the company must establish concrete goals that assist management in determining whether or not the company is achieving corporate objectives. The chance of implementing those goals depends upon management's ability to track progress toward goals and to measure results in conjunction with those goals. To ensure implementation of the company's goals, management has established the following corporate **objectives**:

- Securing start-up funding and subsequent funding through a combination of investment and debt strategies.
- Establishing marketing and sales initiatives to expand the company's clothing line and capture 10% of the branded urban apparel industry.
- Based upon market growth projections, generating very healthy sales revenues in Years 1, 2 and 3.
- Reinvesting corporate profits for market share growth in the international apparel industry.

4.3. Description of proposed project

The store will consist of the groups like T-shirts, long sleeves, sweat shirts, dresses, skirts, sportswear and accessories.

T-shirts for the whole family will have prints designed by founders, who have strong skills working with the program Adobe Illustrator. The main idea that distinguishes Hans from other companies printing T-shirts will be that the prints will be different but keeping the same motive. For example, adult's print shows apple tree and kid's print is apple. This motive represents the saying "Like tree, like fruit" or "The apple never falls far from the tree", which is also understandable in Czech and other languages.

Potential customer will be able to buy the different set of T-shirts like for woman and child, for man and child, for both parents and child or for both parents and both children. The separate T-shirts are also available so quick growth of children is not a problem; customer can buy one extra T-shirt for their children.

The same prints are available for long sleeves and sweat shirts. Extra prints will be designed in October for sweat shirts with winter and Christmas motive.

Some dresses and skirts are made only for girls and mothers. All patterns were created by teamwork of one of the founders and designer with ten years experience. There are combinations of adult's dress and child's skirt from the same modern fabric, black dress with wide yellow stripe on the bottom for mother and yellow dress with wide black stripe for child and others. Bow ties and vests for boys will be available for some sets as well.

Sportswear is T-shirts, long sleeves, windjammers, shorts and sweatpants made by such companies as ProAct and Fruit of the Loom. Sets are exactly same colors or with the same inset which is hard to find separately in adults' and children's stores. Some combinations are available only for father and child.

Accessories are ties, bow ties, winter hats and jewelry.

The company will be operating according to limited liability company license (s.r.o.) that takes about 30 days to register. Trademark registration for Czech Republic costs 11500 Kc that includes price of the service, the administrative fees and price for the trademark search service

4.4. Market analysis

General facts.

Inhabitants:	10.512 million
including children 0-14 y/o:	1.577 million ²⁵
GDP per capita:	26.456,79 USD ²⁶
Average wages and salaries:	25.219 CZK ²³
Official language:	Czech

²⁵ Czso.cz, (2015). *Statistics / CZSO*. [online] Available at: <http://www.czso.cz/eng/redakce.nsf/i/statistics> [Accessed 24 Feb. 2015].

²⁶ Tradingeconomics.com, (2015). *Czech Republic GDP per capita PPP | 1990-2015 | Data | Chart | Calendar*. [online] Available at: <http://www.tradingeconomics.com/czech-republic/gdp-per-capita-ppp> [Accessed 11 Mar. 2015].

Currency: Czech Koruna

The negative economic development in the country was one of the main reasons why the category's volume sales only stagnated in 2013. However, Czech parents want the best for their children and look for higher quality clothes, preferring to save money on their own attire. This caused value sales of childrenswear to increase by 2% in 2013.²⁷

Also, as a developed country Czech Republic shows a rapid growth in online sales. According to the latest data of Czech Statistical Office the retail sale via mail order houses or via Internet increased in the last month of 2014 by 23.8%. The overall growth in retail sale of clothing and footwear and leather goods in specialized stores was 2.9% for the same period.

4.4.1. Customer

The potential consumer of Hans is woman or man, who has a child from 2 to 11 years old and an Internet access. The potential consumer has low or medium income and lives in or visits Czech Republic.

According to Czech Statistical Office²⁸ 91% of households with children have Internet access and this number increases every year at the average 3%.

Since the business is based on people who have children, it is reasonable to analyze how much money households with children spend on clothing.

²⁷ Euromonitor.com, (2014). *Childrenswear in the Czech Republic*. [online] Available at: <http://www.euromonitor.com/childrenswear-in-the-czech-republic/report> [Accessed 9 Mar. 2015].

²⁸ Czso.cz, (2015). *Statistics / CZSO*. [online] Available at: <http://www.czso.cz/eng/redakce.nsf/i/statistics> [Accessed 24 Feb. 2015].

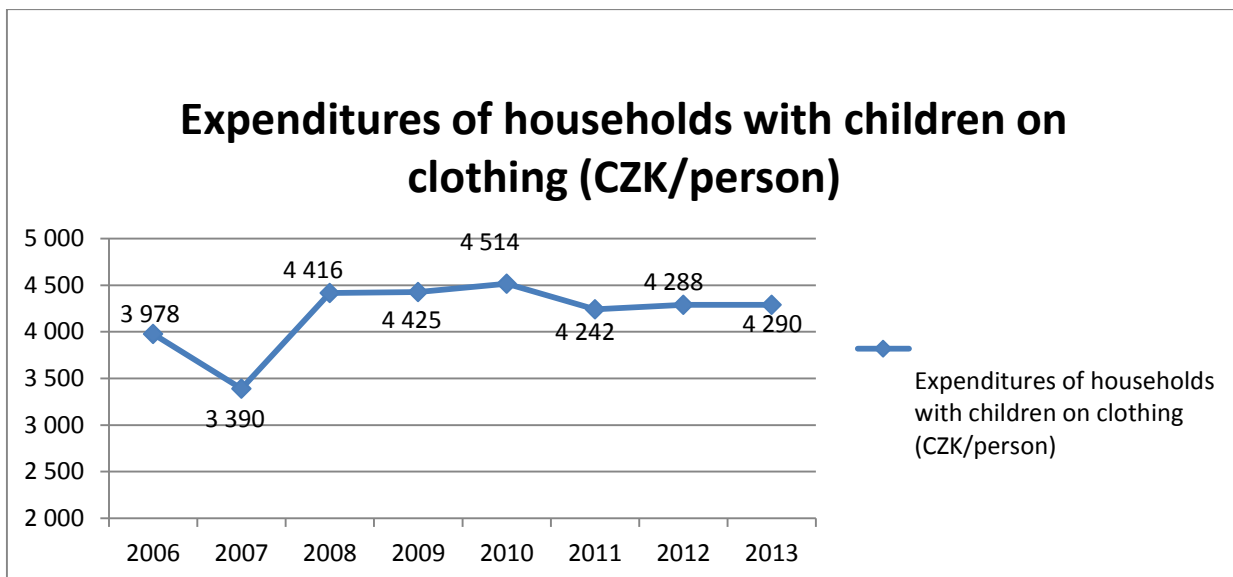


Figure 6 Expenditures of households with children on clothing²⁹

According to data given above it is possible to make a prognosis. The next three year expenditures for clothing are expected to be increased. Projected expenditures on clothing are 4600 CZK for 2015, 4675 CZK for 2016 and 4749 CZK for 2017.

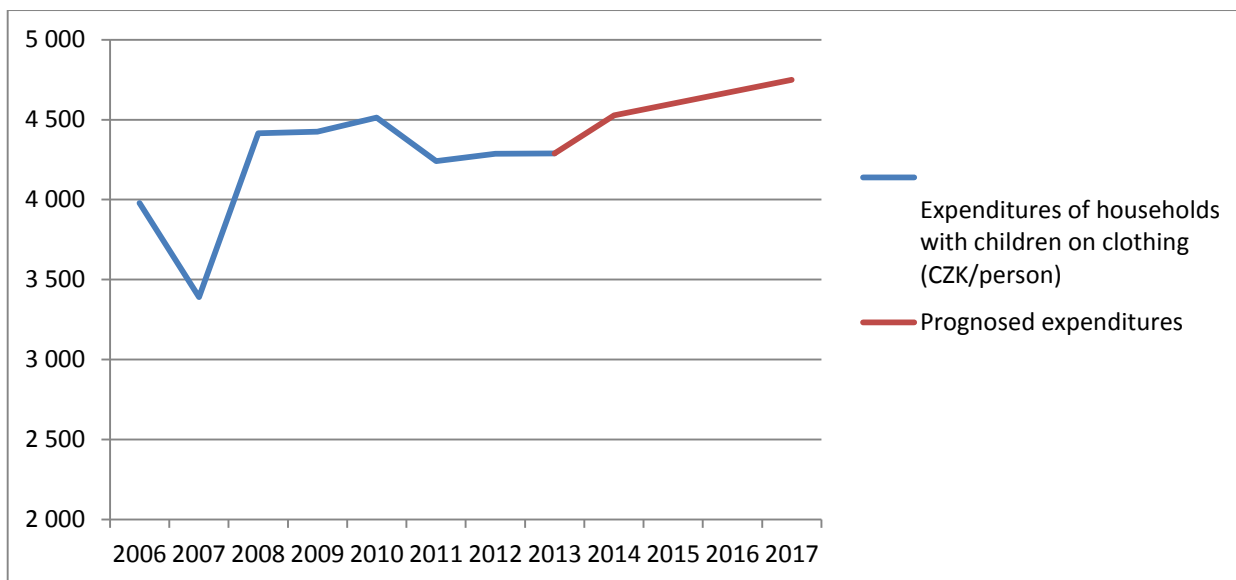


Figure 7 Prognosis of expenditures for clothing³⁰

²⁹ Czso.cz, (2015). *Statistics / CZSO*. [online] Available at: <http://www.czso.cz/eng/redakce.nsf/i/statistics> [Accessed 24 Feb. 2015].

³⁰ Own computation

In Q3 2014 the median wage was CZK 21 521, which is by CZK 321 more (by 1.5%) than in the same period of the previous year. The median wage demonstrates a wage of the employee in the middle of the interval that is the common wage level. Thus the wage level of the middle employee has increased a bit less than the arithmetic average wage and indicates the growth in earnings is disproportional.

The wage interval remained quite wide as eighty per cent of employees earned wages within the interval of CZK 10 457 and CZK 40 326. Concerning sexes the increase in wages was more pronounced in males, who have the middle wage level higher than females by CZK 4 300 anyway. Eighty per cent of males earned wages within a wide span from CZK 11 210 to CZK 45 034, while eighty per cent of females earned from CZK 9 937 to CZK 34 214; the highest wage disparity between sexes was found in the group with the highest earnings.

Concerning cumulation in the period of Q1 to Q3 2014 the average wage grew nominally by 2.5%, which combined with a significantly low inflation rate (0.3%) meant a real increase in purchasing power of earnings by 2.2%. This, however, does not hold to both the spheres, the nominal growth in the business sphere was higher (2.6%), where the average wage increased by 2.3% in real terms. The non-business sphere demonstrated a worse result – the real growth of the average wage attained mere 1.6% here.

The monthly amount of the minimum wage since 1 January 2015 is CZK 9 200.³¹

Producer price index (PPI) indicates trends in production and can predict future consumer price index (CPI).

If manufacturers will raise prices for their products, this difference is likely to be reflected in the final price to the consumer, which will affect the performance of consumer price index (CPI). Since the CPI is one of the most important economic indicators, it is important to analyze preceding PPI, to get an idea about the future CPI.

³¹ Czso.cz, (2015). *Statistics / CZSO*. [online] Available at: <http://www.czso.cz/eng/redakce.nsf/i/statistics> [Accessed 24 Feb. 2015].

	2014			
	Q1	Q2	Q3	Q4
PPI	102,0	100,6	100,0	100,2
CPI	95,7	105,0	98,1	105,0

Table 2 Producer price indices for textiles, clothes, leather and leather products and consumer price indices for clothing and footwear for 2014³²

4.4.2. Competitors

To talk about competitors it is important to understand that Hans is not going to sell clothes. Hans offers the idea, family philosophy, life style. Strictly speaking, the company is not going to have competitors, but, of course, it is impossible to ignore online stores of family clothing. To analyze competitors, few shops were chosen;³³ the main online store's factors were weighted and the results of computation are presented in the table 3.

	Weight	Hans	Stilago	nej- obleceni.cz	Olšánek	obleceni- textil.cz	Morango
Price	25%	7	8	9	10	9	8
Quality	20%	9	8	8	9	8	9
Design	20%	10	10	3	4	8	5
Originality	15%	10	7	3	5	5	8
Buying process	10%	9	9	3	7	8	8
Customer service	5%	7	9	6	9	7	7
Web-design	5%	10	10	3	8	5	6
Score		8.8	8.5	5.65	7.4	7.6	7.45

Table 3 Competitor Index

The conclusion is that Hans clothing has a great chances for success because of originality of idea, design of cloths and web site and relatively low price.

4.5. Marketing plan

The company is named “Hans”. This stands for creativity, harmony and a new idea of creating a business that may turn into the whole ideology of family fashion.

Family look is a family style of clothing when parents and children are dressed same or harmonize in colors or model of one or more clothing items. Family look style originates in USA

³² Czso.cz, (2015). *Statistics / CZSO*. [online] Available at: <http://www.czso.cz/eng/redakce.nsf/i/statistics> [Accessed 24 Feb. 2015].

³³ Yelp.com, (2015). *Prague Restaurants, Dentists, Bars, Beauty Salons, Doctors*. [online] Available at: <http://www.yelp.com/praha> [Accessed 5 Mar. 2015].

when celebrities, such as Madonna, Victoria Beckham, Angelina Jolie, Gwen Stefani and others, started to wear clothes of same colors or style as their children. The mass production starts in China few years ago and quickly spreads into Russian market where it has a magnificent success. Many family look stores have been opened there and all of them are growing during last 4-5 years. Europe, including Czech Republic, is still unfamiliar to this style but clothing is a necessary attribute of everyone's life so this lack of knowledge is not dangerous for business.

The marketing plan includes logo, slogan and then the 4P's will be explained.



Figure 8 Logo³⁴

The slogan is “Vyber si svůj Family Look“ („Choose your Family Look“)

4.5.1. Product

Every set of clothes in online store Hans has a name. Every item may be bought both as a part of set and as a separate item. There are four big groups that represented on web-site by sub-groups.

Dresses and skirts are for those who prefer to look elegant on everyday basis. They are also perfect to wear for restaurants, birthday parties and other celebrations or special events. So this group is basically for all potential customers. Some clothes are appropriate for cold periods because they have quite long sleeves or could be worn with long-sleeved roll-neck. Hans's dresses go both as casual and as a evening dress. Some sets have clothing items for boys.

Set Shift is a set of two sleeveless one-color dresses with bow-ties that can also be used as a band for hair. The dress color of mother is same as bow-tie for child and vice versa. Number of color combinations is six. This dress conceals all imperfections of body and sizes are versatile (size M

³⁴ Own creation

will fit for person of size S and L but will look differently). For cold period of the year dress looks good with long sleeve shirt or blouse. Dress is made from 100% cotton fabric that makes it hypoallergenic. The boys' option in this set is an extra bow-tie and vest.

Set Dream is the same dress as *Shift* with the difference that both dresses and both bow-ties are made from the same parti-colored fabric. Number of color combinations is six.

Set Charm and *set Juliet* is dress for mother with 3/4 sleeves and full circle skirt for daughter from parti-colored cotton fabric. The set is more elegant than previous one, conceals some imperfections as well. The boys' option is a bow-tie. *Set Juliet* is made from fabric with a higher sett and costs a little bit more expensive than *set Charm*. The number of fabric color is three for each set.

Set Violetta is a set of two sleeveless one-color elegant dresses with a wide stripe of different fabric on the bottom. The color of stripe on mother's dress is the main color of daughter's dress and vice versa. Number of color combinations is four. The vest is available for a boy.

Set Veronika is a set of two identical skirts from the same one-color fabric. The mother's skirt is from waist to the feet, daughter's skirt is shorter for her comfort. These skirts are better for summer but also look good with jumper or short jacket.

Set Tutu is a set of typical tutu skirts for extraordinary mothers and super cute children. Tutu skirts are very popular nowadays and many people are looking for them to buy.

T-shirts, long sleeves and sweatshirts are for those who prefer comfortable clothes. Customers can buy both the whole set and the separate item, so they are able to combine clothing from different sections.

All prints are modern and stylish. One set has the same or one theme print. The second one typically represents some idea. For example, mother and father have watering can and child's print is flower. This represents care that parents take about their child (figure 9).

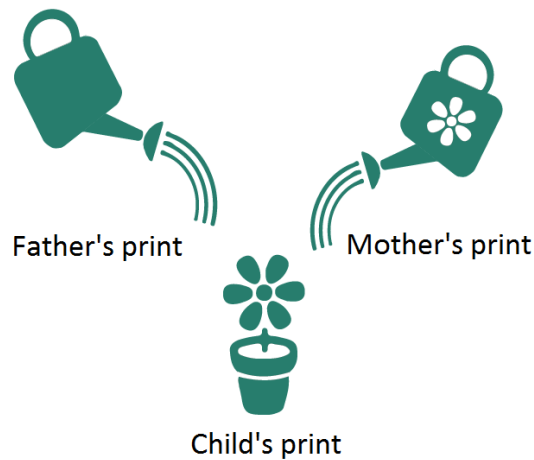


Figure 9 Example of print for T-shirts, long sleeves and sweatshirt³⁵

Kariban, Stedman and JHK are three brands producing promotional textile that will be used by Hans. Launched in 1998, French brand Kariban offers high quality promotional clothing requirements, stylishly designed. Today, Kariban styles are well known and trusted throughout Europe and the United States. All the styles have been designed to be easily decorated and personalized through screen printing, transfers, embroidery. Kariban's Best Sellers are available in a large range of colors and sizes over Men's, Ladies and Kids versions.

Established in 1953, in the USA, for the last six decades Stedman has built up a reputation for quality leisure wear.

JHK is a young and dynamic company with a great experience comparable to the biggest companies in the sector. The company founded in Spain in 2002 and since then increases the quality of its production every time.

The choice was based on limited offer of supplier (though the best in the county), price, quality and model fit. The table of used brands is shown below. All children's models and sweatshirt for man and woman are unisex.

³⁵ Own creation

	Man	Woman	Child
T-shirt	Kariban	Kariban	Stedman
Longsleeve	Stedman	Stedman	JHK
Sweatshirt	JHK		JHK

Table 4 Brands used³⁶

Sportwear consists of ProAct, the special collection of Kariban. Proact is an excellent multisports collection combining quality and high-tech fabrics for extreme comfort during exercise.

First set consist of one-color man’s/woman’s plain T-shirt or longsleeve and child’s T-shirt. Customer can choose a set of six different unique colors, for example lime, sky blue, fluorescent orange, etc.

The next set consists of T-shirt or longsleeve for child and man with two-color inset on the right shoulder. The number of available color combination is 12.

Shorts for father and child are available in eight different colors. They are made from lightweight fabric, go perfectly for football.

The last set is trousers for running for father and child with side insets and two pockets. Available colors are white and navy.

Accessories are ties, bow-ties, jewelry and winter hats. First two items are made from fabric that fit for dresses and skirts as well as from other fashionable fabrics. Jewery is represented by two or three sets of necklaces for mother and child with different sizes. Winter hats are plain and with a little print.

4.5.2. Price

It is almost impossible to evaluate the average price for clothing because of huge amount of sellers and wide price range. For example, the prices for children’s T-shirts with print in online stores vary from 60 to 1700 CZK according to heureka.cz – the biggest shopping advisor and meta-search engine. The women’s T-shirts are from 70 to 2000 for unknown brands. The price

³⁶ Own computation

range of Hans (table 5) is below the average and reasonable for people with low and medium income.

	Lowest	Highest
T-shirts	790	890
Longsleeves	790	890
Sweatshirts	990	1190
Dresses	1290	2190
Skirts	990	1390

Table 5 Prices are for set of two items for adult and child in CZK³⁷

The quality of Hans clothing is high so the price is minimum for the products of similar quality. Moreover, the promotional prices will be also available for customers from time to time.

There is an additional price almost for every order which is delivery. Three options are available.

1. Česká Pošta is a Czech post service that make delivery in 2-3 days all over Czech Republic. The most comfortable but the most expensive option (119 CZK)
2. Uloženska is a company that provides delivery pickup in 314 points all over Czech Republic.
3. Personal pickup at the office of company. This is the cheapest option.

4.5.3. Place

The warehouse will be located by the company address. The property is owned by one of the founders and there are two buildings in the territory. One of them consists of two living quarters and one beauty salon. The second building is small and will be used by Hans. There are two floors, 12 m² each. The ground floor will be used as giving out point, second one is for keeping clothing.

The required temperature for keeping clothes is 10-30 C and air humidity is 50-70 % so the building needs a repair. The procedures that need to be done are the following:

- heat insulation
- conduction of electricity
- shelves setup
- redecoration.

³⁷ Own computation

4.5.4. Promotion

The enterprise is going to use the various sources of promotion, mostly on the Internet because all sells will be made online. Some of marketing methods are free but it doesn't make them worse, only better. Here is the marketing plan:

- Social networks (facebook, vkontkte and instagram)
- Search engines (google and seznam)
- Magazine articles
- Newsletters
- Fashion events

Social networks allow the most closely specify the targeted group. For example, facebook and vkontakte makes it possible to choose for promotion only parents of 3-12 years old children who live in Czech Republic. Instagram is used only for attracting people to web-site and increasing awareness about it.

Distinctive feature of **search engines** is that they have much more users and targeting is realizing by key words. For example, if potential customer will type “stejné oblečení pro děti a rodiče³⁸”, company Hans could be the first in list.

Writing the **article to magazine** is free but very useful source of promotion. Family Look is the interesting topic for magazines about children, fashion or more common ones that write about everything.

Newsletters are another free way to notify customers about new collections or sales. MailChimp is a program that helps to organize customer email addresses and send well-formatted email blasts informing customers about special deals. It is free for up to 2000 subscribers.

Another way to promote is participating in various **fashion events**, workshops, exhibitions or organizing a fashion show.

4.6. Production plan

There are two different manufacturing processes. One of them is related to production of dresses, skirts, vests, ties and bow-ties. The first step is to choose and buy fabric. There are two suppliers:

³⁸ “Same clothes for children and parents”

Latky Mraz and Flex Tex. These companies provide the biggest choice of fabric for the cheapest prices in the country and allow the wholesale purchase. Then, making patterns and sewing will be realized by subcontractors according to models designed by Hans's founders.

Another manufacturing process is related to T-shirts, longsleeves, sweatshirts and winter hats. The first step for producing these products is to buy plain items of product and the second step is to make a print. Both product and service will be provided by one of the biggest wholesale store of promotional textile. This company is located in town Ořechov u Brna and has a showroom in Prague.

The problem for both processes is necessity to have an inventory that satisfies the demand for sizes. If there is a suitable size for adult, he or she might not buy the set because there is no right size for child. The solution is the possibility to order an item in a single copy from both suppliers.

The need in warehouse was described in details in marketing mix section. The building needs heating, electricity, basic furniture and redecoration of the ground floor.

No additional high-priced equipment is needed.

4.7. The organizational plan

Hans is owned by 2 equal partners and the decision-making process happens by consensus. The structure is a simple line-structure but the opinion of their employees is taken into consideration.

4.7.1. Organizational structure

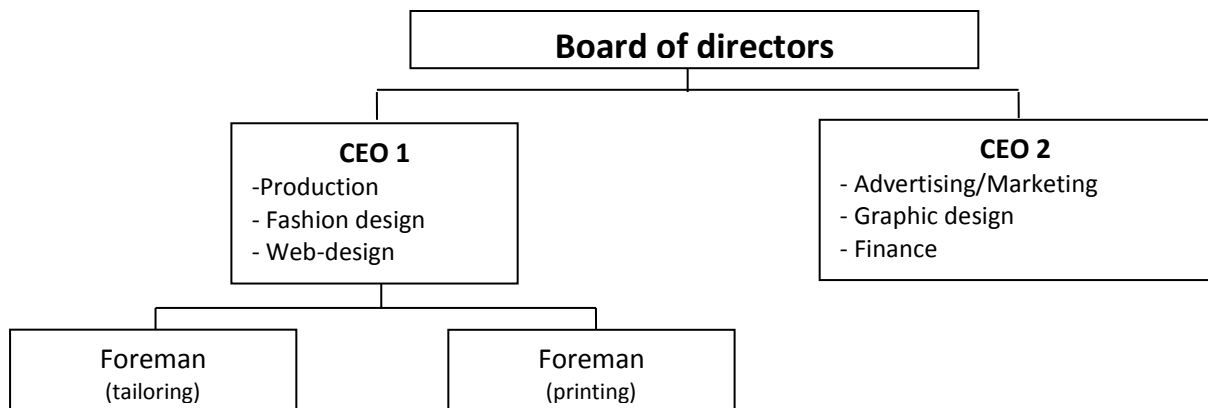


Figure 10 Organizational structure ³⁹

³⁹ Own computation

The legal structure of the future company will be Private Limited Company (Společnost s ručením omezeným or s.r.o.). It can be established with a registered capital starting at CZK 1, have several owners and does not necessarily have to have any employees. Approximate duration of establishment is one month.

4.7.2. Basic information about founders

Daria Chervonaya

Date of birth: 5.8.1991

Nationality: Russian

Languages: Russian, English, Czech

Education: Specialist in Customs Affairs and Logistics at the National Research University of Information Technologies, Mechanics and Optics, St. Petersburg, Russia; Bachelor in Economics and Management at the Czech University of Life Science, Prague, Czech Republic; Erasmus program at ISVOUGA, Santa Maria da Feira, Portugal.

Work experience: staff supervisor at the Berkshire Hills Emmanuel Camps, Copake, NY, USA; department store supervisor at the H&M Company, St. Petersburg, Russia

Patrik Hron

Date of birth: 20.10.1990

Nationality: Czech

Languages: Czech, English

Education: Master in Economics and Management at the Czech University of Life Science, Prague, Czech Republic; Erasmus program at ISVOUGA, Santa Maria da Feira, Portugal.

Work experience: Project manager at the Financial literacy into schools, Prague, Czech Republic; Graphic designer, freelance.

4.8. Risks

In this chapter a SWOT-analysis of Hans will be executed. Internal strengths and weaknesses will be analyzed. Furthermore, an external analysis of opportunities and threats will be carried out.

	Strengths	Weaknesses
Internal factors	Ownership of real estate where business is located	Insufficient financial resources to fund any changes company would like to make
	* Innovative business	Unrecognizable brand
	Well educated, goal-directed managers	No relationship with customers
	Competitive prices	Poor relationship with supplier
	** Multinational team	Unwillingness to buy clothes via Internet
	*** Suitable for most of preferences in clothes	
	Opportunities	Threats
External factors	Possibility to expand product range	** Appearance of family look collections from market leaders **
	Expanding customer base (geographically)	
	Government policy on fertility rate	
	Favorable economic outlook (households are more likely to have enough money because of increasing average age of mother having a baby)	

Table 6 SWOT analysis⁴⁰

Some of the points are clear but some of them require explanations. Here they are:

* The innovative business is usually hard to promote because potential customers do not know about the existence of the product or they are not sure that they need it. The business idea of Hans is innovative and theoretically it must be hard to promote but the idea is correlated to family clothing which is one of the basic needs of population. So the idea is touching and customer will recall Hans next time he or she will need to do shopping.

** Multinational team allows company to look deeper to typical national characteristics and do marketing appealing on these advantages. Russian nationality of one of the founders helps with Russian-speaking citizens, while the experience of both founders helps to understand many other

⁴⁰ Own computation

people coming to the country. Meanwhile, Czech Republic counts almost half million foreigners, including more than 143,1 thousands people from Ukraine, Russia and Kazakhstan.⁴¹

*** Hans clothing produce dresses and skirts for fashion lovers and more casual T-shirts and sweatshirts for those who prefer comfort.

**** Family look fashion trend increases rapidly. The last example was found out on March 1, 2015 from one of the most famous luxury brand Dolce&Gabbana that presented mommy-and-me look on the fashion show “Viva la mamma!” If the similar collections appears from stores like H&M, Zara, Benetton or others, Hans clothing can incur sizeable losses.

4.9. Financial plan

Financial plan is presented in appendices. The cost of project is 189 134 CZK, the payback period is 6 months. The plan describes variable costs and price for production, fixed costs, price for marketing, etc.

Start-up costs include start-up supplies (85 364 CZK) and services (89 770 CZK), expenses for the first month (14 210 CZK). The detailed calculations are represented in supplements A and B.

The financial plan also includes the **forecast of sales** by months. To do so, the following steps were made:

1. Estimation of number of units sold for each item or group of items (supplement C)
2. Arrangement of average unit prices and direct unit costs (supplements F and G)
3. Calculation of gross sales and direct costs of sales (supplements D and E)
4. Calculation of net sales (supplement E)

The graphical summary of sales forecast is represented on the figure 11. Gross margin is 49%.

⁴¹ Czso.cz, (2015). *Statistics / CZSO*. [online] Available at: <http://www.czso.cz/eng/redakce.nsf/i/statistics> [Accessed 24 Feb. 2015].

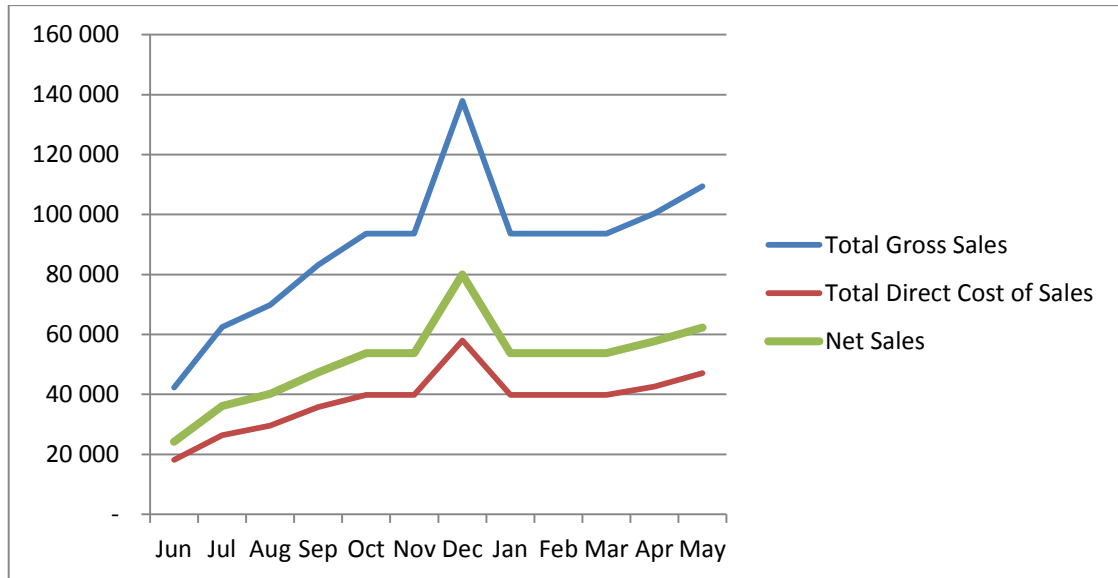


Figure 11 Monthly sales forecast for 2015/16⁴²

Income projection statement is detailed for the first year (supplement I). Net profit is expected to be from the first month but very low. The highest sales should be in December because of Christmas season and in April/May because of demand for dresses. The expenses are relatively high in the first month because of high advertising campaign at the start. In general, the net profit in the end of the year is expected to be 558 580 CZK. Projections for the next two years could be found in supplement J.

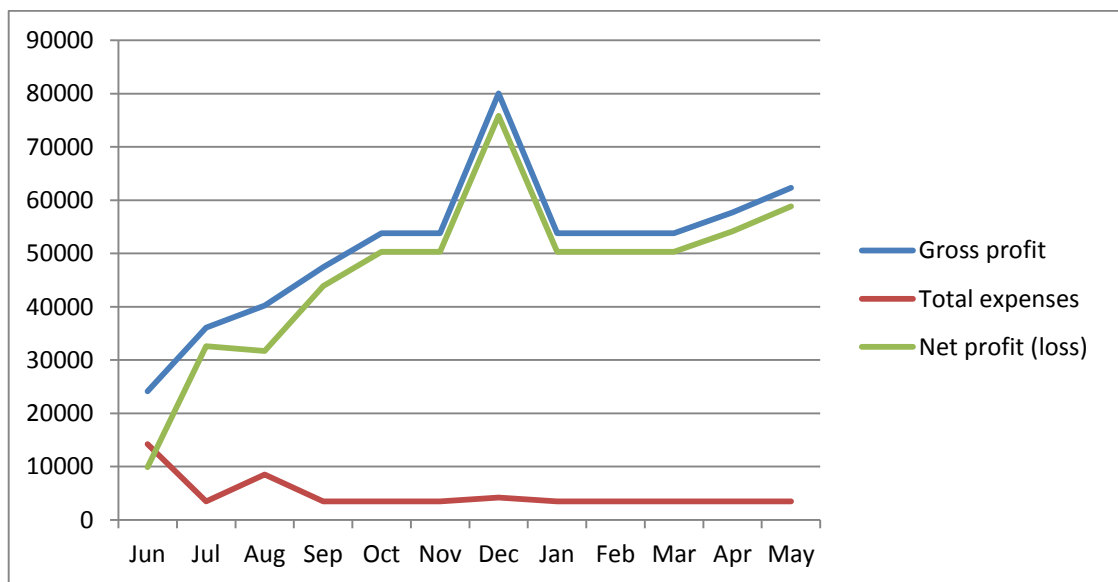


Figure 12 Income projection statement for 2015/2016³⁶

⁴² Own calculations

The regular advertising campaign cost approximately 1500 CZK per month (supplement H). This money are going to be spent for search engines and Facebook (pay per click, daily limit). Other marketing activities are free.

The break-even point (BEP) is low because of quite high margin and low fixed costs. It is necessary to sell only three items per month to cover expenses.

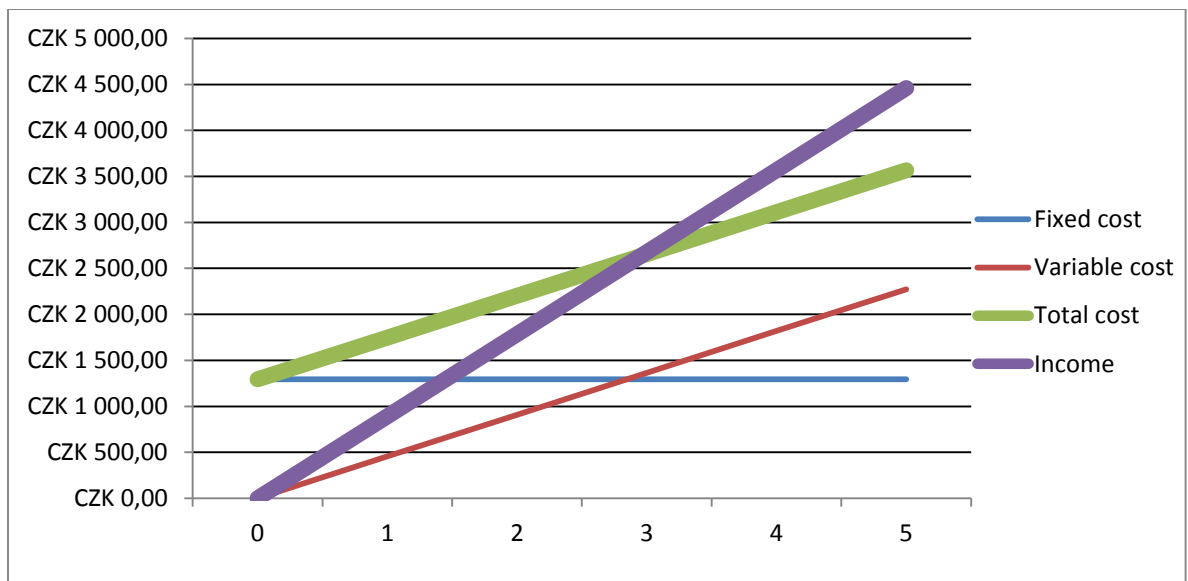


Figure 13 Break-even point⁴³

The overall financial plan summary is that payback period is short, fixed costs are low so the risks, that investors or banks are taking, are not high.

⁴³ Own calculations

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.

References

1. Abrams, R. (2014). *Successful business plan: secrets & strategies*. 6th ed.
2. Beall, A. (2010). *Strategic market research*. New York: iUniverse.
3. Czso.cz, (2015). *Statistics / CZSO*. [online] Available at: <http://www.czso.cz/eng/redakce.nsf/i/statistics> [Accessed 24 Feb. 2015].
4. Data.oecd.org, (2015). *Leading indicators - Composite leading indicator (CLI) - OECD Data*. [online] Available at: <http://data.oecd.org/leadind/composite-leading-indicator-cli.htm#indicator-chart> [Accessed 11 Mar. 2015].
5. Easey, M. (2009). *Fashion Marketing*. Chichester: John Wiley & Sons.
6. Ec.europa.eu, (2014). *Business Plan I: key elements - European Commission*. [online] Available at: http://ec.europa.eu/enterprise/sectors/tourism/tourism-business-portal/business/starting/defining/index_en.htm [Accessed 11 Jan. 2015].
7. Ec.europa.eu, (2015). *Czech Republic - European Commission*. [online] Available at: http://ec.europa.eu/economy_finance/eu/countries/czech_republic_en.htm [Accessed 8 Mar. 2015].
8. English, B. (2009). *Fashion*. London: A. & C. Black.
9. Euromonitor.com, (2014). *Childrenswear in the Czech Republic*. [online] Available at: <http://www.euromonitor.com/childrenswear-in-the-czech-republic/report> [Accessed 9 Mar. 2015].
10. European Commission, (2015). *European Economic Forecast Winter 2015*. [online] Brussels, pp.66-67. Available at: http://ec.europa.eu/economy_finance/publications/european_economy/2015/pdf/ee1_en.pdf [Accessed 3 Mar. 2015].
11. Fionda, A. and Moore, C. (2009). The anatomy of the luxury fashion brand. *J Brand Manag*, 16(5-6), pp.347-363.

12. FocusEconomics | Economic Forecasts from the World's Leading Economists, (2015). *Czech Rep. Economic Report / Outlook, Statistics and Forecasts*. [online] Available at: <http://www.focus-economics.com/countries/czech-republic> [Accessed 11 Mar. 2015].
13. Guzelis, G. (2010). *Characterising successful fashion blogs and their evaluation metrics*. Saarbrücken: LAP Lambert Acad. Publ.
14. Hitt, M., Hoskisson, R. and Ireland, R. (2009). *Strategic management*. Mason, Ohio: South-Western/Cengage Learning.
15. <http://www.integreon.com>, I. (2011). *Integreon*. [online] Integreon. Available at: <http://www.grailresearch.com/> [Accessed 11 Apr. 2014].
16. Ieconomics.com, (2015). *IECONOMICS | Search & Visualization of Economic Indicators*. [online] Available at: <http://ieconomics.com/> [Accessed 11 Mar. 2015].
17. Investopedia, (2010). *Business Plan Definition | Investopedia*. [online] Available at: <http://www.investopedia.com/terms/b/business-plan.asp> [Accessed 11 Jan. 2015].
18. *Lessons from fashion's free culture..* (2010). [video].
19. Leung, C., Zhang, Z. and Lee, T. (2000). Brand-image Marketing: Salient Benefits Sought by Fashion Consumers for Needs Fulfillment. *Journal of the Textile Institute*, 91(2), pp.107-113.
20. Okonkwo, U. (2007). *Luxury fashion branding*. Basingstoke, Hampshire [u.a.]: Palgrave Macmillan.
21. Rawi, M. (2011). *Gisele Censored! Supermodel Photoshopped for H&M ads in Dubai*. [online] Mail Online. Available at: <http://www.dailymail.co.uk/femail/article-1369252/Supermodel-Gisele-censored-Middle-East-H-M.html> [Accessed 11 Apr. 2014].
22. Sahlman, W. (2008). *How to write a great business plan*. Boston, Mass.: Harvard Business School Press.

23. Seidel, A. (2010). *The Business of Fashion - BoF*. [online] The Business of Fashion. Available at: <http://www.businessoffashion.com/2010/01/in-india-luxury-brands-need-localised-strategies.html> [Accessed 11 Jan. 2015].
24. Tradingeconomics.com, (2015). *Czech Republic GDP per capita PPP | 1990-2015 | Data / Chart / Calendar*. [online] Available at: <http://www.tradingeconomics.com/czech-republic/gdp-per-capita-ppp> [Accessed 11 Mar. 2015]
25. Yelp.com, (2015). Prague Restaurants, Dentists, Bars, Beauty Salons, Doctors. [online] Available at: <http://www.yelp.com/praha> [Accessed 5 Mar. 2015].

Supplements

Supplement A

Start-up Plan		
Start-up Supplies	Use of Funds	Amount
Man's T-shirt	Adoco s.r.o.	CZK 6,667.10
Woman's T-shirt	Adoco s.r.o.	CZK 7,187.40
Child's T-shirt	Adoco s.r.o.	CZK 4,008.43
Man's long sleeve	Adoco s.r.o.	CZK 4,553.96
Woman's long sleeve	Adoco s.r.o.	CZK 7,033.00
Child's long sleeve	Adoco s.r.o.	CZK 6,380.63
Man's sweatshirt	Adoco s.r.o.	CZK 19,609.74
Child's sweatshirt	Adoco s.r.o.	CZK 12,104.60
Cotton fabric (one color type 1)	Látky Mráz s.r.o.	CZK 1,039.50
Cotton fabric (one color type 2)	Látky Mráz s.r.o.	CZK 1,732.50
Cotton fabric (colorful type 1)	Látky Mráz s.r.o.	CZK 1,541.70
Cotton fabric (colorful type 2)	Látky Mráz s.r.o.	CZK 4,693.50
Chiffon fabric	Látky Mráz s.r.o.	CZK 4,962.30
Tulle	Látky Mráz s.r.o.	CZK 3,850.00
	Total Start-up Supplies	CZK 85,364.36
Start-up Services		
S.r.o. opening		CZK 40,000.00
Rebuilding the office		CZK 1,120.00
Accounting set-up and training		CZK 1,400.00
Tailoring		CZK 33,000.00
Printing	Adoco s.r.o.	CZK 11,750.00
Color change	Adoco s.r.o.	CZK 2,500.00
	Total Start-up Services	CZK 89,770.00
Start-up expenses for the first month		
Variable expenses	(excl. manufacturing process)	CZK 9,700.00
Fixed expenses		CZK 4,510.00
	Total First Month Expenses	CZK 14,210.00
	Total Start-up Expenses	CZK 189,344.36
Funding Sources		
Personal Equity	From personal savings	CZK 70,000.00
Bank loan		CZK 119,344.36
	Total Funding Sources	CZK 189,344.36

Supplement B

Start-up Expenses and Assumptions			
Supplies	Quantity	Cost Each	Total Cost
Man's T-shirt	40	166.68	CZK 6,667.10
Woman's T-shirt	55	130.68	CZK 7,187.40
Child's T-shirt	75	53.45	CZK 4,008.43
Man's long sleeve	40	113.85	CZK 4,553.96
Woman's long sleeve	55	127.87	CZK 7,033.00
Child's long sleeve	75	85.08	CZK 6,380.63
Man's sweatshirt	70	280.14	CZK 19,609.74
Child's sweatshirt	60	201.74	CZK 12,104.60
Cotton fabric (one color type 1)	13.5	77.00	CZK 1,039.50
Cotton fabric (one color type 2)	22.5	77.00	CZK 1,732.50
Cotton fabric (colorful type 1)	13.5	114.20	CZK 1,541.70
Cotton fabric (colorful type 2)	45	104.30	CZK 4,693.50
Chiffon fabric	51	97.30	CZK 4,962.30
Tulle	100	38.50	CZK 3,850.00
Total Equipment			CZK 85,364.36

Professional Services	Quantity	Cost Each	Total Cost
S.r.o. opening	1	40,000	CZK 40,000.00
Rebuilding the office	16	70	CZK 1,120.00
Accounting set-up and training	2	700	CZK 1,400.00
Tailoring	1	33,000	CZK 33,000.00
Printing	470	25.00	CZK 11,750.00
Color change	10	250.00	CZK 2,500.00
other			
Total Services			CZK 89,770.00
Start-up Funds Requested			CZK 175,134.36

Supplement C

SALES FORECAST 2015/2016

Unit Sales - # Items	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Total
Set Shift	2	3	4	3	3	3	4	3	3	3	4	6	41
Set Dream	2	3	4	3	3	3	4	3	3	3	4	6	41
Set Charm	2	3	4	3	3	3	5	3	3	3	4	6	42
Set Violetta	2	3	4	3	3	3	4	3	3	3	4	6	41
Set Tutu	2	3	4	3	3	3	4	3	3	3	4	6	41
T-shirt set	10	15	15	15	15	15	25	15	15	15	15	15	185
Long sleeve set	5	10	10	15	20	20	30	20	20	20	20	15	205
Sweatshirt set	5	5	5	15	20	20	30	20	20	20	20	20	200
Sport T-shirt	2	3	3	4	4	4	5	4	4	4	4	4	45
Sport T-shirt (w/inset)	2	3	3	4	4	4	5	4	4	4	4	4	45
Long sleeve (w/inset)	2	3	3	4	4	4	5	4	4	4	4	4	45
Sport shorts	2	3	3	4	4	4	5	4	4	4	4	4	45
Running trouthers	2	3	3	4	4	4	5	4	4	4	4	4	45
Ties	3	4	5	5	5	5	8	5	5	5	5	5	60
Bow-ties	3	4	5	5	5	5	8	5	5	5	5	5	60
Jewelry	1	2	2	2	2	2	4	2	2	2	2	2	25
Total Unit Sales	47	70	77	92	102	102	151	102	102	102	107	112	1166

Supplement D

SALES FORECAST 2015/2016													
Gross Sales	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Total
Set Shift	2,580	3,870	5,160	3,870	3,870	3,870	5,160	3,870	3,870	3,870	5,160	7,740	52,890
Set Dream	2,980	4,470	5,960	4,470	4,470	4,470	5,960	4,470	4,470	4,470	5,960	8,940	61,090
Set Charm	3,980	5,970	7,960	5,970	5,970	5,970	9,950	5,970	5,970	5,970	7,960	11,940	83,580
Set Violetta	1,980	2,970	3,960	2,970	2,970	2,970	3,960	2,970	2,970	2,970	3,960	5,940	40,590
Set Tutu	1,980	2,970	3,960	2,970	2,970	2,970	3,960	2,970	2,970	2,970	3,960	5,940	40,590
T-shirt set	8,900	13,350	13,350	13,350	13,350	13,350	22,250	13,350	13,350	13,350	13,350	13,350	164,650
Long sleeve set	4,450	8,900	8,900	13,350	17,800	17,800	26,700	17,800	17,800	17,800	17,800	13,350	182,450
Sweatshirt set	5,950	5,950	5,950	17,850	23,800	23,800	35,700	23,800	23,800	23,800	23,800	23,800	238,000
Sport T-shirt	980	1,470	1,470	1,960	1,960	1,960	2,450	1,960	1,960	1,960	1,960	1,960	22,050
Sport T-shirt (w/inset)	1,380	2,070	2,070	2,760	2,760	2,760	3,450	2,760	2,760	2,760	2,760	2,760	31,050
Long sleeve (w/inset)	1,380	2,070	2,070	2,760	2,760	2,760	3,450	2,760	2,760	2,760	2,760	2,760	31,050
Sport shorts	1,380	2,070	2,070	2,760	2,760	2,760	3,450	2,760	2,760	2,760	2,760	2,760	31,050
Running trouthers	2,380	3,570	3,570	4,760	4,760	4,760	5,950	4,760	4,760	4,760	4,760	4,760	53,550
Ties	1,200	1,600	2,000	2,000	2,000	2,000	3,200	2,000	2,000	2,000	2,000	2,000	24,000
Bow-ties	600	800	1,000	1,000	1,000	1,000	1,600	1,000	1,000	1,000	1,000	1,000	12,000
Jewerly	200	400	400	400	400	400	800	400	400	400	400	400	5,000
Total Gross Sales	42,300	62,500	69,850	83,200	93,600	93,600	137,990	93,600	93,600	93,600	100,350	109,400	1,073,590

Supplement E

SALES FORECAST 2015/2016													
Direct Cost of Sales	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Total
Set Shift	1080	1620	2160	1620	1620	1620	2160	1620	1620	1620	2160	3240	22140
Set Dream	1300	1950	2600	1950	1950	1950	2600	1950	1950	1950	2600	3900	26650
Set Charm	2000	3000	4000	3000	3000	3000	5000	3000	3000	3000	4000	6000	42000
Set Violetta	660	990	1320	990	990	990	1320	990	990	990	1320	1980	13530
Set Tutu	660	990	1320	990	990	990	1320	990	990	990	1320	1980	13530
T-shirt set	2620	3930	3930	3930	3930	3930	6550	3930	3930	3930	3930	3930	48470
Long sleeve set	1310	2620	2620	3930	5240	5240	7860	5240	5240	5240	5240	3930	53710
Sweatshirt set	2710	2710	2710	8130	10840	10840	16260	10840	10840	10840	10840	10840	108400
Sport T-shirt	290	435	435	580	580	580	725	580	580	580	580	580	6525
Sport T-shirt (w/inset)	1128	1692	1692	2256	2256	2256	2820	2256	2256	2256	2256	2256	25380
Long sleeve (w/inset)	1104	1656	1656	2208	2208	2208	2760	2208	2208	2208	2208	2208	24840
Sport shorts	670	1005	1005	1340	1340	1340	1675	1340	1340	1340	1340	1340	15075
Running trouthers	1380	2070	2070	2760	2760	2760	3450	2760	2760	2760	2760	2760	31050
Ties	840	1120	1400	1400	1400	1400	2240	1400	1400	1400	1400	1400	16800
Bow-ties	300	400	500	500	500	500	800	500	500	500	500	500	6000
Jewelry	100	200	200	200	200	200	400	200	200	200	200	200	2500
Total Direct Cost of Sales	18152	26388	29618	35784	39804	39804	57940	39804	39804	39804	42654	47044	456600

Supplement F

SALES FORECAST 2015/2016	
Unit Prices (Averages)	
Set Shift	1290
Set Dream	1490
Set Charm	1990
Set Violetta	990
Set Tutu	990
T-shirt set	890
Long sleeve set	890
Sweatshirt set	1190
Sport T-shirt	490
Sport T-shirt (w/inset)	690
Long sleeve (w/inset)	690
Sport shorts	690
Running trouthers	1190
Ties	400
Bow-ties	200
Jewerly	200

Supplement G

SALES FORECAST 2015/2016	
Direct Unit Costs	
Set Shift	540
Set Dream	650
Set Charm	1000
Set Violetta	330
Set Tutu	330
T-shirt set	262
Long sleeve set	262
Sweatshirt set	542
Sport T-shirt	145
Sport T-shirt (w/inset)	564
Long sleeve (w/inset)	552
Sport shorts	335
Running trouthers	690
Ties	280
Bow-ties	100
Jewerly	100

Supplement H

Marketing & Advertising	2015/2016
------------------------------------	------------------

	Media	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Total
Search Engines	Google	4800	500	500	500	500	500	500	500	500	500	500	500	10300
	Seznam	2000	500	500	500	500	500	500	500	500	500	500	500	7500
Social Networks	Facebook	1000	500	500	500	500	500	500	500	500	500	500	500	6500
	Vkontakte	0	0	0	0	0	0	0	0	0	0	0	0	0
	Instagram	0	0	0	0	0	0	0	0	0	0	0	0	0
Newsletters		0	0	0	0	0	0	0	0	0	0	0	0	0
Magazines		0	0	0	0	0	0	0	0	0	0	0	0	0
Fashion events		0	0	0	0	0	0	0	0	0	0	0	0	0
Business cards		200	0	0	0	0	0	0	0	0	0	0	0	200
Total Advertising & Marketing		8000	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	24500

Supplement I

INCOME PROJECTIONS STATEMENT												YEAR: 2015/2016	
Revenue Projected	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Annual Total
Total net sales (revenues)	42300	62500	69850	83200	93600	93600	137990	93600	93600	93600	100350	109400	1073590
Costs of sales	18152	26388	29618	35784	39804	39804	57940	39804	39804	39804	42654	47044	456600
Gross profit	24148	36112	40232	47416	53796	53796	80050	53796	53796	53796	57696	62356	616990
Variable expenses													
Legal/accounting			5000										5000
Marketing **	8000	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	24500
Transportation	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12000
Office supplies	700						700						1400
Total controllable expenses	9700	2500	7500	2500	2500	2500	3200	2500	2500	2500	2500	2500	42900
Fixed expenses													
Utilities, propane	300	300	300	300	300	300	300	300	300	300	300	300	3600
Telephone	700	700	700	700	700	700	700	700	700	700	700	700	8400
Web site	3510												3510
Total fixed expenses	4510	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	15510
Total expenses	14210	3500	8500	3500	3500	3500	4200	3500	3500	3500	3500	3500	58410
Net profit (loss)	9938	32612	31732	43916	50296	50296	75850	50296	50296	50296	54196	58856	558580

Supplement J

INCOME PROJECTIONS STATEMENT		
Revenue Projected	2016/2017	2017/2018
Total net sales (revenues)	1404260	1737020
Costs of sales	603665	749442
Gross profit	800595	987578
Variable expenses		
Legal/accounting	5000	5000
Marketing **	24500	24500
Transportation	12000	12000
Office supplies	1400	1400
Total controllable expenses	42900	42900
Fixed expenses		
Utilities, propane	3600	3600
Telephone	8400	8400
Web site	3510	3510
Total fixed expenses	15510	15510
Total expenses	58410	58410
Net profit (loss)	742185	929168