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Faculty of Economics and Management
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Diploma Thesis

**Analysis of e-business start-up project in food industry of the Czech
Republic**

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Declaration

I declare that my diploma thesis ‘Analysis of e-business start-up project in food industry of the Czech Republic’ I have written on my own under the supervision of my academic adviser. All academic literature and information sources that are used in the work are listed in bibliography. Furthermore, I declare that, as the author of diploma thesis, I did not infringe the copyright of third parties.

Prague

Ekaterina Khorkina

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Analysis of e-business start-up project in food
industry of the Czech Republic

Analýza e-business start-up projektu v potravinářském
průmyslu České republiky

Abstract

The diploma thesis is connected with a creating of a website in the Czech Republic, which will become an Internet shop based on selling different traditional food from countries all over the world. This work contains a complex of different tools like business plan, marketing plan (market research, target customer analysis, analysis of potential competitors), strategic techniques (SWOT, PEST and Marketing Mix analyses), operations plan, deductive reasoning, observations, sector and horizontal analyses, forecasting, which will be a part of a comprehensive analysis of e-business start-up project in food industry of the Czech Republic.

Key words:

e-business, start-up project, market research, business plan, marketing plan, Internet shop, SWOT, PEST, Marketing Mix analysis, food trade, food industry, internet economy, the Czech Republic.

Anotace

Diplomová práce souvisí s vytvořením webové stránky v České republice, která se stane internetovým obchodem založeným na prodeji různých tradičních potravin z zemí po celém světě. Práce obsahuje komplex různých nástrojů, jako je podnikatelský plán, marketingový plán (průzkum trhu, analýza cílových zákazníků, analýza potenciálních konkurentů), strategické techniky (SWOT, PEST a marketingové analýzy), operační plán, deduktivní zdůvodnění, horizontální analýzy, prognózy, které budou součástí komplexní analýzy projektu start-up e-business v potravinářském průmyslu České Republiky.

Klíčová slova:

e-business, start-up projekt, průzkum trhu, obchodní plán, marketingový plán, internetový obchod, SWOT, PEST, Marketing Mix analýza, obchod s potravinami, potravinářský průmysl, internetová ekonomika.

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1. INTRODUCTION

This paper explores the use of Internet technologies in commercial activities, in particular for the purpose of organizing e-commerce, the issues of organizing virtual stores and their place in the Internet trading system, as well as the advantages and disadvantages of online stores in comparison with traditional stores. At present, computer and network technologies play an increasing role in various fields of activity. The processes of introduction of new information technologies have an impact on all spheres of activity of a single enterprise and the economy as a whole.

The history of electronic business is rooted in the beginning of the revolution in information technology in the 1960s and 1970s. The rapid development of ICT - the collective name of the sectors of microelectronics, computer technology and telecommunications - made it possible to simplify and reduce the cost of data exchange between and within enterprises. Paperless electronic data interchange technologies began to be introduced by large corporations in order to reduce the workload and costs of documentary work, as well as to increase the exchange rate.

Electronic business develops as a specific feature of the current stage of globalization and begins to occupy an increasingly prominent place both in world trade in goods and services and in intrastate trade. The use of modern information and communication technologies, especially the Internet, in trade and procurement is now becoming the main factor, ensuring a significant reduction in the costs of conducting trade operations and rationalizing export-import activities by simplifying trade and transport procedures.

Through trade in the virtual space, sellers reduce the time of turnover of stocks and get real access to new markets, while buyers - have no less real opportunity to buy goods at reduced prices. The popularity of e-business and commerce is growing. By reducing the duration of business cycles, reducing costs in the process of basic economic activity, improving the quality of services provided to customers, and, consequently, increasing the market share, e-business has a significant impact on the company's performance. Before the majority of the new ways of growth and improvement open. This improvement is achieved by changing the concept of operating activities, establishing closer relationships

with customers. The economic basis of e-business is to radically expand the audience, increase marketing efficiency, and accelerate the processes of buying and selling all types of goods and services.

This type of business begins to grow rapidly and gain popularity among entrepreneurs wishing to realize new profitable methods of profit making and help their potential customers to make purchases easier and more comfortable. Currently, we can face a type of companies that have only online stores and do not have any physical premises for their stores. The most suitable and well-known examples of these companies all over the world are "Ebay.com", "Walmart.com" and "Amazon.com". Moreover, they can offer almost every kind of goods and services: starting with a cover for a phone or an old book and ending with expensive cars or a scuba dive certificate in the Caribbean Sea.

For this project, the researcher has chosen a branch of electronic business related to the food industry in the Czech Republic. It's not difficult to answer the question of why the topic related to food was chosen. Food is the most important requirement for human survival in real life. Consequently, there is no need to doubt that this is the most desirable product on the world market. Also one of the most valuable functions of this kind of business that we don't need to divide our potential customers into layers, because literally everybody needs food so it is very good for the world economy and for the profitability of the firm. Then we can conclude that this is a good direction for starting an e-business.

2. GOALS AND METHODOLOGY

2.1. GOALS

The main goal of the thesis is to learn on the base of all knowledge the author obtained in the Czech University of Life Sciences how to create an independent and effective model of online store with the help of the Internet in the Czech Republic, which will be specialized on selling food products from the world market. On the basis of which it would be real to build the existing online store with possibility to make it profit in the future. In short - to create an e-business start-up project and try to develop it in such a way it will be prosperous in real future life.

The second goal is, with the help of literature review, to explore what is foreign trade, how it's changing, to evaluate the global food market and foreign trade of the Czech Republic, to determine the main factors affecting price and quantity of food in the global market, tendencies of developing the Internet economy in the Czech Republic and its' future perspectives.

The next goal is to create an accurate and appropriate business plan for the e-shop, which will help the company to implement its ideas and outlines, perform them in the real world of business successfully and to work out comprehensively all parts of this business plan, such as operations plan with detailed project schedule and personnel plan, financial plan with detailed analysis of initial investments, capital resources, budgeting, and marketing plan, which will include such parts as market analysis, target customer analysis, market segmentation, competitor analyses and strategy tools (SWOT, PESTEL and Marketing Mix analysis).

All these tools mentioned above are strong basis of the business plan, especially when they are deeply thought-out and worked. So the main goal is to prove that it is possible to create such a business plan, which will prosper and help to create the real online store with future opportunity to open a physical store in Prague.

2.2. METHODOLOGY

The methodological and theoretical base of research in the thesis is the complex of various methods, which were implemented in the course of work. These are literary research, deductive reasoning, observation, sector and horizontal analyses, forecasts, business plan, which includes comprehensive analysis of financial plan, marketing plan and different strategic techniques (SWOT, PEST and Marketing Mix analyses), which were performed with the help of studying internet resources, scientific works, textbooks and so forth. Below there will be listed some of the techniques, which are used in the thesis, with descriptions, history of its' origins, authors and so forth.

Issues of developing a business plan are discussed in detail in the works of Russian authors such as I. Zharov, V. Spivak, V. Savchuk, A. Netesova, V. Kandalintsev and others, as well as foreign ones, such as E. Siegel, L. Schultz, R. Hizrich, M. Peter.¹ In this literature, you can find descriptions of various business plan structures, various methods of collecting and analysing the information necessary for its development, as well as the various goals of this development. To assess the effectiveness of the application of this theoretical framework is possible only in practical activities to develop a business plan.

In the economic literature there are no practically uncovered questions of the methodology for developing a business plan for forming a business plan, whereas these questions are currently the most relevant from the point of view of improving its quality. Thus, the aim of this thesis project is to develop a business plan for creating electronic store selling food products that meets the needs of modern citizens, their desire for accessibility and quality of services.

The practical part of the thesis is all about creating the business plan, which includes such parts as market research with detailed analysis of target customers and competitors, market segmentation, marketing plan with using 'SWOT', 'PEST' and 'Marketing Mix' tools to evaluate some important internal and external factors and forces, which can impact on

¹ Bernstein, et al., (1996), *Internet Security for Business*

² Fine, L., (2009), *The SWOT analysis: Using your Strength to overcome Weaknesses, Using Opportunities to*

further development of this type of e-business, also with using operations plan, personnel plan and financial plan.

For the first time, the SWOT analysis model emerged in the years 1960-1970. The theory was founded by Albert Humphey, a management consultant from the United States. He studied the causes of failures in the strategic planning of the company and in the process of studying he invented a technique called “SOFT analysis” (S- satisfactory, O- opportunities, F- fails, T- threats). The term “SWOT” itself first appeared in Zurich in 1964 at one of the planning workshops. The concept was voiced at the seminar, in which “F - fails” was replaced by “W – weaknesses”. Some other information about SWOT analysis and using it in practice can be found in such books by authors Lawrence G Fine (“The SWOT analysis: Using your Strength to overcome Weaknesses, Using Opportunities to overcome Threats”)² and Alan Sarsby (“SWOT analysis”).³

PEST analysis is a great way to analyse political, economic, sociocultural and technological changes in the business environment. It will help to see the overall picture of the situation and draw the right conclusions from it. This model was developed by Harvard University professor Francis Agillar in 1967, but it does not lose its popularity and relevance to this day. There are also some authors, who describe in their works the PEST analysis, like Paul Newton (“ What is PESTLE analysis?”), Rashain Perera (“The PESTLE analysis”), and Thomas del Marmol, Brigitte Feys and Carly Probert (“PESTLE analysis”).⁴

The author of the concept of 4P (Marketing Mix) is Edmund Jeromy McCarthy. McCarthy developed the methodology of his teacher, Professor Richard Cluitt, “product, price, distribution and promotion”. In 1960, McCarthy publishes the textbook “Basic Marketing. A Managerial Approach ”, in which he described the concept of 4P. A separate chapter is devoted to each of the elements of the marketing mix. The marketing mix is understood as a set of tools that a company can use to increase its competitiveness. By changing the

² Fine, L., (2009), *The SWOT analysis: Using your Strength to overcome Weaknesses, Using Opportunities to overcome Threats*

³ Sarsby, A., (2016), *SWOT analysis*

⁴ Marmol, T., Feys, B., and Probert, C., (2015), *PESTLE analysis*

characteristics of the product, setting a suitable price, organizing sales and promotion, it tries to best meet the needs of target markets.

The first to introduce the concept of “market segmentation” was Wendell R. Smith. In 1956, in the *Journal of Marketing*, he published the article "Product differentiation and market segmentation as alternative marketing strategies." The main idea of segmentation, as expressed by the author, was the division of clients into categories. At the same time, there is an opportunity to influence them in different ways, and to offer goods to different segments corresponding to their preferences. In 1958, Pierre Martino, a scientist from the University of Chicago publishes his view on the idea of segmentation. In his article “Social Classes and the Structure of Expenditures,” he examines how representatives of various social groups perceive the world around them. The conclusion, to which he arrived - the behavior of the buyer and how he spends money, is determined by his belonging to a particular social group. His loyalty to the brand and willingness to spend or save are also connected with this. Due to these differences, sellers need different ways to influence buyers belonging to different social groups.

Financial planning is a process of developing a system of financial plans and indicators to ensure the development of an enterprise with the necessary financial resources and increase its effectiveness in the coming period. It's the document, which reflects the amount of cash inflows and expenditures that fix the balance of income and expenditure areas of a company, including payments to the budget for the planned period. In this specific financial plan will be described and analyzed such parts as initial investment, capital resources, operating costs, expected revenues, financial statements and capital budgeting. More about financial planning it's able to find in books by authors Amar Pandit (“The only financial planning book that you will ever need”)⁵, Steven Bragg and Edwin Burton (“Accounting and Finance for your small business”)⁶, and Ing. Michaela Havlikova, Ph.D. (workbook on “Selected chapters from Economics of Entrepreneurship”, CULS, FEM).⁷

⁵ Pandit, A. (2014). *The Only Financial Planning Book That you will ever Need*.

⁶ Bragg, S. and Burton, E. (2000). *Accounting and Finance for Your Small Business*.

⁷ Havlikova, M. (2018). *Selected Chapters From Economics of Entrepreneurship (Workbook)*.

3. LITERATURE REVIEW

3.1. FOREIGN TRADE

Foreign trade is a relationship of the state with other foreign states about the movement of goods and services across national borders.

Foreign trade allows the state: to receive additional income from the sale of national goods and services abroad; saturate the domestic market; to overcome the limitations of national resources; increase labour productivity, specializing in world trade in the supply of certain products to the world market.

Foreign trade is characterized by the concepts of export and import: the first involves the export of goods and services abroad and the receipt of foreign exchange in exchange, and the second - their importation from abroad with the appropriate payment.

Export, like investments, increases aggregate demand in the country and activates the multiplier of foreign trade, creating primary, secondary, tertiary, etc. employment. The increase in imports limits the effect of this effect due to the outflow of financial resources abroad.

Foreign trade is organized on the principles developed and enshrined in the General Agreement on Trade and Tariffs (GATT). It was replaced by the World Trade Organization (WTO), which more broadly considers foreign trade, including the exchange of commodity services and the purchase and sale of intellectual property.⁸

Export in foreign trade, according to A. Smith, becomes profitable if the costs for the production of goods inside the country are much lower than those of other states.

In this case, goods produced by the national economy have absolute advantages over foreign competitors and can be easily sold abroad. On the other hand, no state can have an absolute advantage over all manufactured goods; therefore, it is necessary to import those

⁸ IntradeBlog. (2019). *What is foreign trade and international trade*. [online]

that are more expensive inside the country and cheaper - abroad. Then, at the same time, direct benefits come from both exports and imports.

On the basis of Adam Smith's absolute advantages, D. Ricardo formulated the theory of comparative costs (advantages), according to which, in determining the profitability of foreign trade, one should compare not the absolute but the relative effect, and not the costs themselves, but their ratios.

At the same time, one should take into account that when producing certain goods in the conditions of limited resources, the country is deprived of the opportunity to produce other goods that are no less necessary for it, therefore, in accordance with the theory of comparative advantages of D. Ricardo, it is quite possible that the country benefits from importing goods, even if their production inside the country is cheaper.

In this case, A. Smith's theory of absolute costs becomes a special case of the theory of comparative costs. The theory of comparative costs of D. Ricardo in modern conditions is supplemented by the theory of Heckscher-Olin, named after two Swedish economists, who proved that countries aspire to export not only those goods that possess absolute and relative advantages, but also in production of which relatively excessive factors of production are intensively used, but import goods for the production of which there is a deficit of factors in the country. In contrast to A. Smith and D. Ricardo, their modern followers believe that both sides - both the given country and the rest of the world - benefit from foreign trade.⁹

Foreign trade is the trade relations of a given country with other countries, which include both imports and exports of goods, and their export, or import. The totality of foreign trade relations between different countries forms international trade.

As part of this trade over time, the international division of labour has formed, which underlies international trade relations.

⁹ Your Article Library. (2019). *Comparative Costs Theory: Assumptions and Criticisms | Economics*.

Foreign trade arose even in times of natural production, and developed rapidly in the precapitalist era, entering new forms with the advent of capitalist relations.¹⁰

3.1.1. Czech foreign trade

Particular importance for the Czech Republic, as a relatively small state with a diversified and at the same time specialized economy that needs to import many types of raw materials, are foreign economic relations. The successful development of foreign economic relations largely determines the maintenance of sustainable economic growth rates; implemented progressive structural changes, increasing the efficiency of the national economy.

The development of economic cooperation of the Czech Republic with neighbouring countries is favoured by the fact that in their sectoral structure, the economy of the Czech Republic and each of these countries to a certain extent complement each other, it is also important to their geographical proximity, the main railways and highways connecting them. The profitability of economic cooperation with these countries is also determined by the fact that the majority of enterprises in key sectors of heavy industry are concentrated near their borders, so the distance between suppliers and consumers is not very small and is sometimes measured in only a few dozen kilometres, which significantly reduces transportation costs. Thus, the peculiarities of the sectoral and territorial structure of the national economy, combined with close proximity, create great opportunities for cooperation in various areas of economic life.

Fuel and raw materials predominate in the import of the Czech Republic in the main oil and gas complex. Crude oil and natural gas come to the Czech Republic mainly from the Russian Federation through pipelines built in the framework of the Council for Mutual Economic Assistance of the socialist countries. In large quantities also imported machinery and equipment. Import of progressive technology contributes to the accelerated development of industrialization of the country.¹¹

¹⁰ Ortiz-Ospina, E., Beltekian, D. and Roser, M. (2019). *Trade and Globalization*. [online]

¹¹ Foreign trade of the Czech Republic 1-12/2018 - preliminary data 2018 | MPO. Mpo.cz. [online]

After the collapse of the socialist camp, the Czech government took a new political course and made a major stake in the development of bilateral relations with the countries of Western Europe and in attracting foreign investment in the Czech economy (mainly Germany, France and Italy). Many Czech companies were sold to foreign corporations, which made it possible to integrate the Czech economy more closely into the general economy of Western Europe.

In 1993, exports amounted to 12.6 billion US dollars, imports totalled 12.4 billion dollars. Among the main trade partners of the country are Germany, Slovakia, Australia, Russia, Italy, Poland, and France. Their share in the foreign trade turnover is 70%.¹²

Strengthening the position of the Czech koruna also led to the expansion of commodity supplies from the United States. Automobiles, office equipment, radio receivers, computers and software are in particular demand among Czechs.

It is expected that in the near future, the Czech Republic will expand imports of telecommunications equipment, equipment for monitoring the level of environmental pollution, systems for generating electricity, food production lines, building materials and medical equipment.

It should be noted that a large-scale program of export and import liberalization operates in the foreign trade of the Czech Republic. However, the national interests of the country, the need to maintain a balance between supply and demand in the market and to ensure the sale of domestically produced goods required the introduction of licensing of some goods. This measure is temporary, and the number of licensed goods is gradually decreasing.

Despite the widespread liberalization of foreign trade, there are certain products for the export and import of which requires the consent of the Ministry of Industry and Trade.

¹² Czech foreign trade in figures - Santandertrade.com. En.portal.santandertrade.com. [online]

Table 1: Foreign Trade Indicators

Foreign Trade Indicators	2013	2014	2015	2016	2017
Imports of Goods (million USD)	144,259	154,375	140,479	142,215	161,963
Exports of Goods (million USD)	162,274	175,095	158,164	162,797	180,126
Imports of Services (million USD)	20,857	22,456	19,767	19,777	21,709
Exports of Services (million USD)	24,578	25,202	22,838	23,759	26,661
Imports of Goods and Services (Annual % Change)	0.1	10.1	6.8	3.4	5.8
Exports of Goods and Services (Annual % Change)	0.2	8.7	6.0	4.5	6.5
Imports of Goods and Services (in % of GDP)	71.1	76.2	75.1	72.1	72.2
Exports of Goods and Services (in % of GDP)	76.9	82.5	81.0	79.5	79.5
Trade Balance (million USD)	8,527	10,721	7,644	10,086	10,125
Trade Balance (Including Service) (million USD)	12,124	13,436	10,817	14,490	15,363
Foreign Trade (in % of GDP)	148.0	158.7	156.1	151.6	151.7

(Source: WTO- World Trade Organization; World Bank, Latest Available Data) ¹³

«Czech Republic’s economy is very open to the outside world. According to the World Bank, trade accounted for 152% of GDP in 2017. Becoming a member of the EU has allowed the Czech Republic to enter the Common Market and solidify its position as a low-cost production base. The country now accounts for 80% of its trade with OECD countries (80% of which with the EU) and its most important trading partners are Germany, Slovakia, Poland and the United Kingdom. A number of agreements facilitate trade with neighbouring countries (CEFTA).¹⁴

The country has had a structurally positive trade balance since entering the EU, a trend that is expected to continue. Exports benefit from the good performance of the German economy, which accounts for one-third of the country's trade. The automotive sector plays a leading role in the trade surplus, however its exports are on the decline, which automatically leads to a drop in the surplus. External trade surplus was CZK 11.9 billion in January 2018 (CZK 9.4 billion y-o-y decrease) as imports rose by 6.2% (y-o-y) while exports grew only by 2.4%.» (Santandertrade.com, 2018)¹⁵

3.1.2. Food foreign trade

Currently, the global food market is developing rapidly and intensely, as it is constantly affected by the worsening of food safety in many countries. The sectoral structure of the

¹³ Wto.org. (2019). *WTO | Search facility*. [online]

¹⁴ En.wikipedia.org. (2019). *Central European Free Trade Agreement*. [online]

¹⁵ Czech foreign trade in figures - Santandertrade.com. En.portal.santandertrade.com. [online]

food industry is quite complicated. It includes all enterprises producing any food. The food industry has achieved great success in developed countries. Western European countries and the United States are leaders in the food production market. The increase in the production of fruits and vegetables is associated with an increase in demand for them. In the world, the growth rate of the population is increasing, especially in Asian countries, which contributes to an increase in the supply of domestic production. The leader in the production of vegetables in the world can be called China. Its share in world production accounts for 51.8%, it is followed by India, the USA, Turkey, Egypt, Russia and Ukraine. The most popular product on the vegetable market is potato. It occupies a leading position and is of great importance in solving the world food problem. By increasing the production of potatoes, the nutrition problem is being solved in the countries of Asia, especially India and China, also in the countries of Africa and South America. Leaders in the development of the food market are such countries as the USA, Spain, the Netherlands and others. These countries are also leaders in food exports.

As everybody knows, the global food and beverage market is controlled by a total of ten multinational companies. And it is these ten monopolists that form the food basket and determine the working conditions of the majority of the world's population.

Nestle, PepsiCo, Coca-Cola, Unilever, Danone, General Mills, Kellogg's, Mars, Associated British Foods and Mondelez - each has thousands of employees, and revenues of this top ten make billions of dollars annually. However, many of these companies in the past, and some today, are associated with loud scandals in the field of human rights and in matters of environmental pollution.¹⁶

We use the products of these corporations every day, and this, of course, cannot but surprise: with such a huge amount of choice, from which, looking at the supermarket windows, eyes just run up, we deal with only a few manufacturers. Whatever you choose, for example, Mars or Snickers, the manufacturers will not be upset: the same corporation will get a profit.

¹⁶ Olanubi, S. (2019). *Top Ten Food and Beverage Companies in the World - Tharawat Magazine*. [online]

Mars, Inc., is the only privately owned company. Annual revenue is \$ 33.0 billion. It is one of the most famous chocolate manufacturers, owning such well-known brands like M & Ms, Milky Way, Snickers and Twix. She also owns Uncle Ben's and a manufacturer of chewing gums and sweets Wrigley.

Coca-Cola is one of the most expensive brands in the world. Aggregate sales in fiscal 2013 in value terms exceeded \$ 47 billion. Coca-Cola Co. - the world's largest manufacturer and supplier of concentrates, syrups and soft drinks.

Unilever, whose revenues amounted to more than \$ 50 billion, owns such brands as Lipton, Brooke Bond, Calve, Rama, Creme Bonjour and others. True, most of its product line is represented by personal hygiene products and household chemicals. However, more than a third of revenue is spent on food and beverages.

Kellogg is an American company that earns the least among the food giants. Its profit in 2016 was only \$ 15 billion. Kellogg is one of the world's largest baker and cookie maker. Kellogg is also known for its breakfast cereals and fast food.

Associated British Foods, which earned \$ 16.8 billion last year, is a food producer who managed to build a global network through acquisitions. Now ABF produces almost all types of food, from sugar to corn oil and tea.

General Mills, whose last year's revenues reached \$ 16.6 billion, owns a number of some of the most famous American brands, such as Pillsbury, Colombo Yogurt, Betty Crocker, Green Giant. The company's production facilities are located in 15 countries, but the products are sold in more than 100. It produces breakfast cereals, yogurt, frozen dough, canned soups, pizza, ice cream, soy products, vegetables, flour, etc.

Groupe Danone is a French company that sells its products in almost every corner of the world, but Russia is its largest sales market. The company is the world's largest seller of fresh dairy products, more than half of the total sales of these products in the world in 2013 accounted for Groupe Danone. Last year's profit was \$ 27.3 billion.

Mondelez emerged from the separation of the food giant Kraft Foods. During the division, global brands (Oreo, TUC, Cadbury, Milka, Alpen Gold, Jacobs) went to Mondelez, while American brands went to Kraft Foods Group. Last year, the company's revenues amounted to \$ 25.9 billion.

PepsiCo, in addition to the well-known “soda brands”, owns a number of food brands such as Tostitos, Doritos, Quaker. Revenue for the last year amounted to \$ 62.8 billion.

Nestle is undoubtedly the largest food company in the world. It produces instant coffee, mineral water, chocolate, ice cream, broths, dairy products, baby food Gerber, pet food, pharmaceutical products and cosmetics. More than 2 thousand trademarks are produced at 461 factories in 83 countries of the world. Over the year, the company earned \$ 90.2 billion.¹⁷

3.2. THE INTERNET AND THE INTERNET ECONOMY

We live in the era of one of the most significant leaps in human development. Our society has almost reached the stage when it can already be called informational with full confidence. Every day we surf the Internet for some information, to play online games or just chat with friends on social networks or on Skype. Many people practically live in it. But few can say with certainty what actually the Internet is. There are many definitions of what the Internet is. In my opinion, the simplest and most accurate is this: The Worldwide Information Computer Network, connecting together both users of computer networks and users of individual computers to exchange information.

In fact, the Internet is the world's largest computer network, which brings together tens of thousands of networks — large and small — around the world. The first day of his life can be considered October 29, 1969. It was on this day between the first two nodes of the network (University of California, Los Angeles and Stanford Research Institutes), which were 640 km away from each other, were held a communication session. Despite the fact that initially the roots of the Internet go into the military sphere, now the main goal is to provide anyone who wants permanent access to any information. Not even terabytes or

¹⁷ Olanubi, S. (2019). *Top Ten Food and Beverage Companies in the World - Tharawat Magazine*. [online]

petabytes, but probably Exabyte of information: books, documents, films, audio recordings are accumulated in its non-volatile distributed repositories. In addition, there is also a variety of entertainment for every taste and colour, the ability to communicate with different people, file transfer, e-mail and so on, so forth. The Internet provides not just a fundamentally different, new way of communication; it is a whole world within an already existing world. There are no analogues to it.¹⁸

In simple terms, home networks are connected to the provider, which, in turn, using high-speed optical channels laid across the bottom of the oceans, unite the whole world into one global network. Information in it is transmitted using special protocols, which, according to the OSI model, are as much as 7 levels. Each computer has its own numeric address. The servers hosting the sites also have names — the domain name or the hostname — rigidly bound to an IP address. They are symbolic and therefore much easier to remember by a person than a set of numbers. All this works very simply: when you enter the site address in the browser - for example: “google.com” - your computer asks the special server (DNS) what IP address of this site is and already sends requests to this address.

What can you do online? Now, even a schoolboy will be able to answer this question. In fact, the scope for activities is simply colossal.

Here are just the most basic activities on the global web:

- Browsing Websites and Retrieving Information;
- E-mail;
- Communication via instant messengers and on-line;
- Transmission and storage of files (documents, music, video, etc.);
- Electronic money turnover (electronic money, banking operations and transfers, exchanges);
- Entertainment and online games;
- Work and earnings on the Internet;
- Control computers and servers remotely, at a distance.

¹⁸ Shedden, D. (2019). *Today in Media History: The Internet began with a crash on October 29, 1969.* [online]

And this is not all, but only the most popular and widespread. As you can see, the World Wide Web offers tremendous opportunities to its users.

The Internet is global. The Internet is increasing its' audience 2 times faster than cable television, by 2.6 times - conventional television and 8 times- radio. The Internet is becoming available through an increasing number of devices: through computer networks, mobile phones, communication satellites, radio signals, cable television, special fibre-optic lines and electrical cables. The population, businesses, and the state use it.

Every year, 200 thousand new users, mainly at the expense of residents of the BRIC countries - Brazil, Russia, India and China, replenish the global Internet audience. In less than 10 years, the global number of Internet users has increased by 7 times. The leader in the share of the population using the Internet is the Netherlands (90% of the population), the least Internet penetration in Iraq (0.1% of the population) and Sierra Leone (0.2%).

The development of information technology has significantly affected the economy. So in the 50s, mailing 30 pages of text at a distance of 5,000 km. took about 10 days, in the 80s, it took about an hour by fax to send the document via modern communication networks of such a document require no more than 3 seconds. As a result, economic performance in modern economy is directly dependent on the intensity of the transformation information, and the apotheosis of the evolution of information and communication technology has become the emergence of the Internet in general and the Internet economy (e-economy) in particular.

In a narrow sense, under the Internet economy is taken to mean "The use of modern information technology in business." At the same time there are a number of related concepts, identified with above economic category: network economy, electronic commerce, e-business, "new economy".

If we assume that the network economy is "the use of modern information technology in business, namely the environment in which any company or person located anywhere in the economic system can contact easily and with minimal cost with any other company or

person for collaboration, for trade, for exchange data or just for fun ”, the terms“ Internet economy ”and“ network economy ”are interchangeable.

It should, however, distinguish the Internet economy as a collection of economic activities carried out on the basis of the Internet by electronic business or traditional companies applying in their online marketing tools, and the whole complex economic relations developing on the Internet between home farms, entrepreneurs and government agencies. From this point terms are essentially synonymous with the term “Internet economy” and “Network economics” in some contexts may have different semantic scope. Accordingly, the network economy will be “economy, associated with the production and distribution of network benefits. ” Electronic commerce (e-commerce) is usually interpreted as “the process sale, transfer or exchange of material products, services or information through computer networks and, in particular, through The Internet”. Based on this, we can conclude that the electronic commerce is only part of the Internet economy, one of the areas e-business. E-business, in turn, is convergence (on a commercial basis) of traditional information systems and the Internet, involving the connection of key technologies based on Web technologies business subsystems with its key target audiences — consumers, suppliers, employees and even, if required, with supervisory and regulatory authorities.

As for the term "new economy", which appeared in the early 80s, it should be noted that it was originally used for descriptions of economies based more on services than on the scope of material production. However, since the early 90s, this term has become consistently used to describe high-tech (special attention was paid to industries specializing in manufacturing information and communication equipment) post-industrial economy, in which low inflation is combined with high levels employment, and which has embarked on a supposedly crisis-free path of development through the use of new factors of economic growth - positive external network effects, non-decreasing scale effect and so on. Thus, the term "new economy" is more suitable for descriptions of the world economy in the last decade of the 20th century, and the notion of “brick and mortar economy” opposed to it, is now used as the opposite of online economics, sometimes referred to as “click economy computer mouse ” (click and brick economy). Therefore, hereinafter we will assume that

the “new economy” is “such an influence of high technology on the economic environment that leads to change individual macroeconomic parameters.”¹⁹

3.3. E-BUSINESS: HISTORY, CONCEPT AND BENEFITS

The whole e-business is a huge set of companies of various activities that have gone digital and now work on the Internet. The reckoning of a company to one or another type of electronic business is determined by the specifics of the activities of this company, and not by the technology used. Over time, more and more companies will go into electronic format, even if it seems unthinkable today. Technologies are rapidly improving, and thanks to them, tomorrow it will be possible what we are not able to imagine today.

The species listed below are chosen because they have proven their viability on the Internet. There are other types, but in order to achieve success, they must interact with the chosen ones. For example, commerce without marketing and streamlined information exchange simply does not make sense. These categories should work together both online and in traditional forms. The Internet offers tremendous opportunities for integrating types of e-business and automating interaction between them.²⁰

The term "Electronic Commerce" appeared almost immediately after the advent of computers in the 50s, 60s. This was the era of "Mainframe-based" applications. One of the first such applications were programs for transport - booking tickets, as well as data exchange between various services for preparing flights.

In the 1968 in the United States, a special committee of the Transportation Data Coordination Committee (TDCC) was formed, whose task was to harmonize the 4 existing industrial standards for various transport systems - aviation, rail and road transport. The results of this commission's activity formed the basis for a new standard for organizing electronic data interchange between organizations - EDI (Electronic Data Interchange). The standard is called ANSI X.12 (host-based).

¹⁹ Manzoor, A. (2010). *E-commerce*.

²⁰ Canzer, B. (2003). *E-business*.

In the 70s, at about the same time, the same processes are taking place in England - the search for standard solutions for data exchange. But here the main focus was on trade. There is a set of standards Tradacoms for international trade. It is his European Economic Commission - UNECE (United Nations Economic Commission for Europe) that accepts GTDI (General-purpose Trade Data Interchange standards) as international standards- thus, the situation of the coexistence of 2 standards systems - European and American. This could not suit the commercial business, which began active interpenetration across the ocean, so the movement began to unite EDI standards.

In the 80s and 90s, based on the GTDI standards, the international standard EDIFACT (Electronic Data Interchange for Administration, Commerce and Transport), adopted by ISO (ISO 9735), appears. EDIFACT uses the X.400 e-mail standard (a subset of X.435) as the transport medium. The milestones of the development of the standard X.400 - versions 1984, 1988, 1992, became the stages of development of EDIFACT. But in the US, X.12 is still the main standard for corporate interaction through EDI. In 1997, the final merger of EDIFACT and X.12 was scheduled, but in reality this did not happen, because another, more pressing problem has emerged on the agenda for EDI - the possibility of conducting E-Commerce operations over the Internet.

In the 90s, the rapid growth of the Internet, associated with the advent of Web-technology, has forced EDI analysts to radically reconsider their plans for the further development of Electronic Commerce. A new type of business has emerged - online retail. And since the Internet was (and still is) a cheaper medium for transmitting information than the concept of e-mail through overlaid private networks (VAN), the EDIINT (EDIFACT over Internet) standard was created based on the standards for e-mail Internet - SMTP / S- Mime.

In 1996-1997, the Commerce Net community (www.commerce.net) (a very well-known and influential organization for promoting business on the Internet) conducted a series of tests to verify the compatibility of various commercial implementations of EDIINT. Testing was successful, but a number of shortcomings of the proposed standard were identified (mainly due to the compatibility issues of the S-MIME standard) and it has not yet been adopted.

In 1997, another standard appeared - OBI (Open Buying on the Internet). The standard declares the principles that e-commerce software must comply with, supporting open Internet standards. OBI relies on EDIINT, but it involves a much larger class of questions of standardization of all forms of interaction between organizations involved in the full purchase-sale-supply cycle.²¹

The use of modern Internet technologies in business is not limited to the creation of a Web site or an electronic catalogue with the possibility of ordering, but involves the use of technology and accumulated experience for a deep restructuring of the methods of doing business using the Internet and related network computer technologies. E-commerce is the process of making money using Internet technologies.

The success of the implementation of the e-commerce model on the Web is determined by three components:

- Choosing the right technology platform;
- Availability of a competitive product;
- Availability of the necessary infrastructure and business processes.²²

If at least one of these links is missing, then the introduction of modern technologies will not lead to success.

First of all, the use of online trading technologies is necessary for companies with a developed regional partner network, as it will significantly reduce the cost of processing orders.

Many companies have already felt the benefits of doing business over the Internet. This has become particularly relevant in the conditions of the economic crisis and is associated with the benefits that the company will receive after the use of Internet technologies. Until recently, e-commerce was a bit like the popular game “Monopoly” - a lot of players at the table, but no guarantee that they will remain in the game.

²¹ Miva Blog. (2019). *The History Of Ecommerce: How Did It All Begin?* - Miva Blog. [online]

²² Manzoor, A. (2010). *E-commerce*

Some companies, such as Dell Computer, are already announcing significant e-commerce success. Dell uses the Web server not only to organize sales, but also to reduce the cost of technical support. Other successful e-commerce companies include Federal Express and Cisco Systems. But, like Monopoly, e-commerce has its own rules. Next, I will try to consider some of them and how they can contribute to financial success in both the consumer and corporate sectors of the market.

There are many advantages of e-commerce; here are just a few of them:

1. Significantly increases the efficiency of obtaining information, especially in international operations;
2. The production and sales cycle is significantly reduced, since there is no need to enter received documents each time;
3. Significantly reduced costs associated with the exchange of information through the use of cheaper means of communication;
4. The use of Internet e-commerce technology allows the company to become more open to customers;
5. Allows you to easily and quickly inform partners and customers about products and services;
6. Allows you to create alternative sales channels, for example, through an electronic store on the corporate website.

3.3.1. Forms of e-business organizations

Diverse business activity, with the use of the Internet, in order to transform the company's internal and external communications - this can be called electronic business. All this works in the Internet mode. This may seem impractical. We have every opportunity for improvement.

Auctions and exchanges

Possibilities for conducting and participating in online auctions: first, there is a saving. Regular auction takes place in the auction room. Must pay for bidding by phone. With the

help of the Internet, you can find in the auction room, literally several times by clicking the mouse. Secondly, it takes less time to bid. If the price is normal, the price is in the online version, the price is offered immediately. Large sites participate in auctions. Everyone on his or her sites can put the property for sale. Many sites are suitable for sharing in various ways. On this site can be anyone.

Training and info-business

Consider this type of e-business as learning. How can you earn by teaching someone on the Internet? About this you will learn from this article.

The global network is developing at an unbelievable rate. Nowadays, you can quickly change the profession and start earning completely in the new industry. Last year, he had more opportunities for man to cultivate. All of these features are directly related to the Internet. After all, progress is not in place.

For training, special programs and video courses are used. This is a big drawback. The number of courses on the video system, where the teacher and the student are engaged online, has recently begun to grow.

This type of business is very popular among those who organize their business on the Internet. Why not try? For this, it will be very convenient for you to record your lessons, with a detailed explanation of the assignment. Such video tutorials will certainly be popular. "How to make money on the Internet." Many enterprising people in this training (info-business) have earned and earn huge amounts of money on the truth.

E-mail platform

Not everyone remembers email - data exchange. Postal services are inferior to their communications markets on the Internet, and especially mail. Email has many benefits. It is easy to use, fast and convenient. A large number of companies communicate by exchanging emails. For example, for e-mail, you can send not only text, but also the ability to attach any desired file — presentation, documents with “great weight”, image, and sounds. It’s many times easier. E-mail has changed, for example, in the way contacts

communicate. You can write a lot of different, with different themes. E-mail is focused on instant answers, and assumes that you are writing a message and expect an online response.

Marketing


Ordinary marketing is based on creating a positive image of a product, or a company. Previously, information was transmitted only on the one hand, Internet marketing allows you to use only advertising resources. Individual marketing. And this list will expand.²³

3.3.2. E-business models

In the e-commerce system, there are four main models of the organization of commercial activities:

- Business-to-business or company-to-company or B2B;
- Business-to-consumer or consumer-to-company or B2C;
- Business-to-administration or B2A;
- Consumer-to-administration or C2A.

Table 2: Business Models

<p>B2B Business to Business</p> <ul style="list-style-type: none"> • PayPal (and B2C, "B2B2C") • Optize (and B2C) • Alibaba Group 	<p>B2C Business to Consumer</p> <ul style="list-style-type: none"> • Amazon • FreshDirect • Zynga (and C2C) 	<p>B2G Business to Government</p> <p>"E-Procurement"</p>
<p>C2B Consumer to Business</p> <ul style="list-style-type: none"> • Zonzoo • Fotolia • Google Adsense 	<p>C2C Consumer to Consumer</p> <ul style="list-style-type: none"> • Prosper ("P2P") • eBay • Facebook 	<p>C2G Citizen to Government</p> <ul style="list-style-type: none"> • Agencia Tributaria (Tax agency online)
<p>G2B Government to Business</p> <p>"E-Government"</p> <ul style="list-style-type: none"> • AEPM • Certificado Digital 	<p>G2C Government to Citizen</p> <p>"E-Government"</p> <ul style="list-style-type: none"> • eDNI • USA.gov (also G2B) 	<p>G2G Government to Government</p> <ul style="list-style-type: none"> • Government Gateway • Schengen Information System 

(Source: slideshare.net, 'Creating a social media strategy for a tourism business' presentation)²⁴

²³ Canzer, B. (2003). *E-business*

Recently, a consumer-to-consumer model (Consumer-to-Consumer or C2C) has been recommended to specialists.

Model Business-to-business (B2B) is a sector focused on the organization of practical work between companies in the production of goods and services. This sector of e-commerce, in addition to the sale by corporate clients of each other raw materials, semi-finished products, components for the production of products or the provision of services, is also engaged in the development and operation of special systems for the electronic collection and transmission of information, ensuring the necessary integration of commercial partners.

The business-to-business model implements a scheme of fully automated interaction of business processes of two firms (companies) that use the Web for orders to suppliers, receiving bills and payment. With the help of gateways, automatic communication of business processes with the Internet system (external environment) is provided.

Distinctive features of business-type business models are as follows:

- The presence of a gateway that provides automatic access to the Internet from the business system.
- Direct integration of data input / output into the business process and from the business process of a firm (company).
- Using a common standard for transmitted messages - EDI (Electronic Data Exchange).
- Equal nature of the firms participating in the e-commerce system (there is no hierarchy of the type of distributor - dealer, manufacturer - supplier).

The Business-to-Consumer (B2C) model characterizes the sector focused on the work of companies with individual consumers of goods and services. The difference of this model of commerce from the traditional trade in catalogues with delivery is that the customer can make purchases or receive services without leaving their home or office, using only a computer and an electronic credit card. The implementation of this model opens up new

²⁴ Slideshare.net. (2019). *Creating a social media strategy for a tourism business* | Block 3: E-.... [online]

opportunities for potential buyers. Customizing is one such feature. This is such an opportunity provided to the buyer, the essence of which is to independently design the future subject of purchase. In particular, on the territory of the online store www.nike.com, buyers are able to design the shoe option that suits them: choose a sole from a specific material, colour of the finish, place any inscription up to 8 characters long. In this case, the option created by the buyer can be immediately seen on the computer screen.

The features of the second e-commerce organization model - business-to-consumer - are the following:

- The seller (company 1) does not trade using an automated trading system integrated with the Internet interface, but “manually” through its managers.
- There is no complete integration between the business process of the trading company and the external interface of the online store.

Through the Internet, you can successfully sell any goods or provide certain types of services. It has been established that the business-to-business market does not depend on the name and range of goods and services sold through the Internet. Meanwhile, for the business-to-consumer market, there are types of goods and services that do not bring sufficient economic benefits.

The third type of e-commerce model, business administration, includes all types of transactions between firms and government organizations. For example, in the United States, information on planned government purchases is published on the Internet. All companies can send their offers electronically. In addition to procurement announcements, administrative authorities may also offer the possibility of electronic exchange during operations such as, for example, the return of value added tax. This model of organization of the e-commerce system is at the initial stage of development.

The fourth model of the organization of the functioning of the e-commerce system - consumer-administration - is currently under development. Its implementation will allow expanding electronic interaction in such areas as, for example, social security.

An additional model - Consumer-to-Consumer (C2C) - is a sector in which consumers interact with each other, united by visiting one website. It is believed that any electronic store can be attributed to this area of electronic commerce. A certain community of people united by the same interests is formed around a certain web site. An example of a more or less stable community may be electronic auctions. Moreover, all visitors are usually divided into fairly clear subgroups of "interest": someone often attends car auctions, someone book. According to experts in the field of e-commerce, the effectiveness of advertising on sites that have united around themselves a certain and permanent community of potential buyers is relatively higher.

The participation of the state (Government) in the process of electronization of commercial activity has led to the emergence of new types of models: Business-to-Government (B2G), Government-to-Citizens (G2C) and Government-to-Government (G2G). Thanks to the implementation of the B2G model, costs are reduced and taxpayers save money on maintaining and financing the activities of the state apparatus. Thus, the Decree of December 17, 1999, adopted by the US Federal Government, states: "The heads of departments should promote the use of electronic commerce, where possible, for a faster, cheaper supply of federal services with necessary goods and materials, which will reduce costs taxpayers. The US government spends more than \$ 225 billion annually on the purchase of necessary goods. Increasing the openness and transparency of government, ensuring free access of citizens to all necessary US state information is associated with the introduction of the G2C type e-commerce model."²⁵

3.4. E-BUSINESS IN THE CZECH REPUBLIC AND PERSPECTIVES OF DEVELOPMENT

The Czech e-commerce market is growing rapidly - over the past years it has become the most successful in history. For the first time in the history of retail sales online retail revenues exceeded by 10%. In this light, it is not surprising that the domestic market is becoming too small for many of the more than 40 thousand existing Czech online stores (the highest per capita population in Europe).

²⁵ Manzoor, A. (2010). *E-commerce*

According to a study conducted by the Czech consulting company Acomware, published by TyInternety magazine, 16 % of online stores put expansion to foreign markets as their business goal this year, and 18 % of them consider this an opportunity for investment.

“Czech e-commerce is one of the most advanced in the world. This is due to the huge level of competition in the domestic market. The expansion possibilities are enormous, ” said Jan Vohrishek, Google Export and Development Manager, for the E15 Economic Magazine.

“Online stores have the perfect chance to penetrate foreign markets. Alza or Zoot started this business trend a couple of years ago, and now another wave of expansion is expected, ” said Jan Kvasnichka, an expert in improving the performance of online stores.

“We belong to world-class companies in this area - we can personalize, segment, work with data. Three years ago, many companies could not enter the Polish or German market, now they are more mature and able to analyse competition and local business practices, ” Kvasnichka added.

The best growth areas are Hungary and the former Yugoslavia (apart from Slovakia, which is often considered a single market with the Czech Republic for many online stores as a result of language and cultural similarities).

Electronic commerce in the former Yugoslavia accounts for only 2% of the total retail market, while sales grew by 20% year-on-year. This provides significant potential for rapid growth for Czech companies, as well as companies from neighbouring countries. Segments that offer the simplest expansion options are contact lenses, perfume and etc.

For Alza.cz, the e-commerce leader in the Czech Republic, Hungary is the largest foreign market and remains a key priority this year. The company is thinking of opening a branch in Germany, and also pays special attention to the Austrian market, info.cz. Notino, a perfume and cosmetics seller, plans to expand its operations in two other countries this

year. The company does not disclose specific areas, but it is already recognized as a major international player, present in 22 markets around the world, including the United States.

Another company, Vemzu.cz, is currently focusing on consolidating the Czech and Slovak markets, but in the near future plans to expand its operations to three more countries. “We choose between Poland, Hungary, Romania, Bulgaria and Croatia. We want to establish ourselves through our retail stores. There will be one flagship store in each of these countries,” said the founder of the company Michal Do Viet.

Much more is expected to follow. The Czech e-commerce market will continue to grow, and retailers will innovate even more, seeking to attract as many customers as possible. High concentration of competition may also lead to increased efforts to maintain customer satisfaction. In this area, foreign online stores will have to be especially attentive when Czech representatives appear on their markets.²⁶

3.5. BUSINESS PLAN

To achieve victory in any undertaking, you need to carefully weigh each decision made—similarly, in the field of entrepreneurship. A well-developed document - a business plan will help you obtain the desired result with minimal risk of losing your investment.

A business plan is a comprehensive justification of the project and the environment in which it is implemented, as well as an assessment of the effectiveness of management methods that contribute to the achievement of goals.

A business plan is an economic program of step-by-step execution of business operations at the stage of implementing a new project. The document contains the main points of the future commercial enterprise: its scope, list of products or services, market management strategy, marketing policy, and the expected level of profitability of production.

²⁶ eShopWorld. (2019). *Czech Republic eCommerce Insights | 5.34 Million Online Shoppers By 2021*. [online]

The main purpose of a business plan is short-term or long-term planning of the company's business and financial activities according to market demand and the ability to tap the necessary resources.²⁷

3.5.1. Main tasks of a business plan

An impeccably composed and structured business plan is needed to solve certain tasks:

- **To formulate** the main objective of the project, its strategic direction, to predict the development of events in the short and long term;
- **To identify** market segments that are acceptable to the products of the company, and the target audience of consumers;
- **To assess** the competitiveness of the enterprise, based on the indicators of the share of the target market or its segment;
- **To develop** an assortment policy and characterize the indicators of the intended products and services;
- **To calculate** the permissible value of the potential costs of production and non-production orientation;
- **To determine** the tactics of marketing policy in the field of pricing, efficiency of sales promotion, analysis of developed market segments and potential target audiences;
- **To evaluate** the optimal ratio of the real capabilities of the enterprise and the goals set for the implementation.

3.5.2. Functions of a business plan

In addition to solving problems at the stage of pre-investment planning, the business plan has specific functions:

²⁷ Harvard Business School Press (2007). *Creating a business plan: expert solutions to everyday challenges*

- The business plan is used to assess the actual performance of the company for a specific period in comparison with the planned;
- Is a tool for the implementation of the main strategic directions of the enterprise;
- Development of leading business process concepts;
- Acts as a tool for attracting additional financial resources.

3.5.3. The role of the business plan in business development

Planning of business processes is the initial stage of implementation of business ideas. The business plan is necessary for the enterprise to attract additional financial resources in banking institutions or as an investment from partners. The document plays a particularly important role for the very founder of the company, since it represents a vivid analysis of the market situation, determines the conditions, prospects and possibilities for the company to function. The presence of a business plan allows you to think about further actions of the leadership and possible ways to quickly respond to unforeseen situations.

Depending on the purpose, business plans are divided into several types:

- ❖ "Internal" - is used for familiarization within the company, the document is required by the managers of the future enterprise for a comprehensive assessment of the company's activities, management decisions, development of business strategies and business development in the future.
- ❖ "External" - is made up for attracting financial investments, processing loans with a favourable interest rate, as well as for the successful development of an already functioning organization. A development plan is also required by the owner with the intention to interest potential buyers in the sale of the company.

3.5.4. Types of business plans

A business plan is made up to achieve specific goals. Depending on this, there are several types of documents:

- Investment business plan - compiled to attract potential investors. It describes in detail the data of the marketing analysis, formulated the goals, objectives and scope of the company;
- The business plan of the enterprise - contains the main points of the company's activity, describes the probable problems and methods for their solution, the organizational structure and strategy of the enterprise. Used by the management of the company in the implementation of the developed project;
- A business plan for a loan is drawn up for the purpose of issuing a cash loan on the most acceptable terms. For this, information is provided confirming the borrower's solvency and giving a guarantee of timely repayment of the loan;
- A business plan for a grant is formed to receive a loan or subsidy from charitable foundations or government agencies.

Who is responsible for developing a business plan? Active participation in the preparation of a business plan should be taken by the head of the company or the person planning to organize their own business. The function of the main protagonist of the enterprise is so great that otherwise potential partners may refuse to consider documentation and further cooperation.

Only the head of the company is able to carefully simulate the future activities of the company, correctly identify and evaluate the possible risks and think out methods to minimize them. Successful business depends on these factors. Consulting services of professionals can be used to give a presentable form to the document.

3.5.5. Business Plan Structure

A business plan does not impose strict requirements for drafting, but implies the presence of certain items that are mandatory in any case. Depending on the legal form of the business entity and the scope of activities, the structure of the business plan can be modified. In accordance with the standards of international economic institutions, the business plan should be:

1. Summary

A business plan summary is a brief description of a document that contains the key concepts of the entire business plan. The summary provides information on the loan amount, the purpose of lending, and the maturity of debt, investment partners, the availability of its own cash resources.

The section clearly describes the objectives of the enterprise being created - the scope of activities, the need for investment of funds, the estimated demand for goods, economic profitability indicators and possible risks.

2. Description of products or services

This section includes a description of all types of goods and services that will be offered to potential buyers. Here are general aspects and methods of technical production of products with a description of the main characteristics and advantages that the consumer gets when using a certain group of products.

The section contains information on the availability of patents or copyrights for inventions, the use of innovative technologies, high quality raw materials, low cost. This part of the business plan provides information on the possibility of improving technological production and the degree of readiness of products for sale.

3. Marketing and sales of products or services

A marketing plan is a document that is considered to be a fundamental part of a business plan, which identifies the company's market goals and describes how to achieve them. The

main objective of this section is to identify unsatisfactory demand and obtain data for the further formation of a sales scheme.

4. Production plan

In this section of the business plan, the scheme by which the firm plans to effectively produce products or services and deliver them to the target audience is described in detail. If the project is just getting ready for launch, then the production plan indicates everything that is required for production: the location of the enterprise, the presence and need for roads, special equipment, employees of appropriate qualifications, engineering communications. Expenditure and capital expenditure data are provided in tabular form.

5. Organizational plan

Section "Organizational Plan" contains information about the organizational structure of the enterprise, personnel and personnel policy of the company.

The organizational plan consists of the following items:

- The organizational structure of the company;
- Staffing, number of staff and work schedule; legal support of the company;
- Schedule of a whole project.

6. Financial plan

A financial plan is a section of a business plan that deals with issues related to the financial support of an enterprise. It contains information on the projected financial results of the company as a result of the introduction of new technologies in the next 3-5 years.

The financial business plan consists of the following parts:

- Financial performance forecast;
- Cash flow scheme;
- Projected balance sheet.

7. The focus and effectiveness of the project

In the section "Orientation and efficiency of the project", such important points are considered as: export deliveries, import of products, ways to reduce resource costs, environmental issues and others.

An assessment of the significance and scope of the project, indicators of the effectiveness of the implementation of the goals, as well as an analysis of the economic sensitivity of the enterprise are provided in the section of a business plan.

8. Risks and guarantees

Risk analysis is an important section of any business plan. In addition to identifying possible risks, it discusses methods for reducing the likelihood of their occurrence and minimizing losses after their impact. With large financial investments, expert assessments of the possibility of force majeure occurrences are cited.

9. Annexes

Annexes to the business plan include the necessary additional and reference documentation.

The business plan includes:

- Copies of registration documents;
- Documents describing the products; marketing analysis data;
- Documents confirming the financial viability of the company;
- Copies of insurance documents that reduce the likelihood of risks.

A business plan is a document containing a detailed strategy and tactics for the future activity of an enterprise. It is a fundamental document for the management of the enterprise, as well as for those interested in the successful implementation of the business idea.²⁸

²⁸ Williams, K. (2010). *Brilliant Business: What to know and do to make the perfect plan.*

4. PRACTICAL PART: BUSINESS PLAN

4.1. SUMMARY OF THE ORGANIZATION

4.1.1. Description of the organization

Trimtex CZ s.r.o. (LLC- Limited Liability Company) is an existing small business for a several years with legal address in the Czech Republic, having two official owners, but unfortunately these years it has not been exploiting by its' owners, it has just been existing without any movements. So the author of the diploma thesis decided to give it a chance and elaborate a business plan with further possibility to carry it out in practice.

The goal of this thesis is to create a business plan for the real company, which will be focusing on selling various kinds of foodstuff and beverages originally from some countries all over the world in the Czech Republic. The business has a real potential to 'live' in this country, as there are lots of immigrants from different places of our planet, they work, study here, and lots of them miss there home. And of course, one of the options to help people fight against this yearning, to create a place, where they could buy a piece of there native place, for example, a shop with miscellaneous food products.

4.1.2. Objectives, mission and keys to success

Objectives:

- The first objective is after maximum 1,5 years of being existing, and being attracted more in returning spent capital in opening the business, to start working on ourselves, that means to start making more profit;
- After the first year (max. second year) the second objective is to open the physical store in Prague;
- Depending on the situation, the next objective (2-3 years of conducting business)- after opening the first physical store is to open the second and possibly third one in

different locations in Prague; (3-4 years of conducting business)- to expand business to other cities of the CR;

- Also for the convenience of our clients we are planning to develop an application for smartphones with catalogue of our products;
- One more objective to mention is, after having enough base of clients, to organize a loyalty club for regular customers, where they will be getting information about new products, special offers and discounts.

Mission:

Our mission is not only to provide people with food using the online store, but also to help to feel they are home despite the fact it is far away, buying their favourite products, which are originally from their native places.

Keys to success:

- Professional leaders, educated staff members, customer-oriented service and fresh products from different corners of our planet;
- Online store, which is easy-to-use and with attractive interface and, of course, which is supported by a good programmer;
- Availability: price = quality;
- Strong marketing campaign, which will help to maintain the business on the first stage with further promotion;
- Providing periodically trainings for the staff members and management team, meetings every week to discuss results and further movements, rewards, benefits;
- Reliable partner companies.

4.1.3. Initial list of selling goods

Below you will find the initial list of products, which are going to be presented at our online shop. It will be supplementing in course of time. The list of products is based on the top countries, where are the most of immigrants in the Czech Republic from; for example:

Russia, Ukraine, Byelorussia, Kazakhstan, Vietnam, Poland, Romania, Slovakia and some other countries like USA, Mexico, France, Spain and Italy. We also will be collecting feedbacks and offers from our customers, with further possibility to expand the number of countries and products, which are still not on our list.

Russia, Ukraine and Byelorussia: traditional sweets, caviar (red and black), dumplings, herring, pickled vegetables, vodka, wines, canned goods, smoked sausages and fishes, baked products, cakes, gingerbread, zephyr, lard.

Poland: sausages, cheese, fish, dumplings, chocolate, gingerbread.

Romania: diary products, bread, cakes, wine, beer, porridges.

Slovakia: diary products, sauces and dressings, bread, meat products.

USA: sweets, canned soups, maple syrups, sauces and dressings, nuts, canned beans, cornflakes, puddings, and chips.

Mexico: guacamole, salsa, seasonings, nachos, canned soups, tequila, flapjacks.

France: wine, cheese, bakery products.

Spain: wine, cheese, jamon, olive oil, chorizo, sets for paella.

Italy: pasta, desserts, coffee, wine, cheese, olive oil.

4.1.4. Opening hours

Monday to Friday:

- 9 a.m. to 6 p.m. (office hours)
- 10 a.m. to 9 p.m. (stock opening)
- 11 a.m. to 9 p.m. (delivery time)

4. 2. OPERATIONS PLAN

4.2.1. Personnel plan

- **Manager** will be responsible for all the operations in the business, for cash operations, for hiring new employees, for daily planning, for supply of goods, for inventories and other stuff.
- **Manager's assistant** will be responsible for all administration stuff; will be speaking by name of the owner, when the owner is out of office or on business trip.
- **Stockroom workers** will be responsible for the operation of the stockroom, for keeping order, for tracking expiration date of products, for processing and gathering orders.
- **Couriers** will be responsible for delivering orders to buyers.
- **Services of an external accountant**
- **Services for administration of the online platform (e-shop)**

4.2.2. Project schedule

July-September 2017

- Developing business plan;

October-December 2017

- Obtaining health certificate;
- Get a certificate from completed courses about managing a business;

January-December 2018

- Working on manager/administrator position to get experience and knowledge;
- Making changes in business plan;

January 2019

- Make a contract with a professional programmer to develop an online store;
- Starting of developing an online store;

February-April 2019

- Searching for premises for rent (office and stock);
- Make a contract with real estate agency;
- To get a contract with bank for loan;
- To obtain a trade permission;
- To make a deal with tax office, health insurance;

May-June 2019

- Hiring new employees;
- Staff trainings;
- Make contracts with suppliers, accountant and website administrator;
- Buying all the furniture and equipment;
- Implementation of HACCP;

July 2019

- Finishing all the preparations and administration works;
- To run an online store.

4.3. MARKETING PLAN

4.3.1. Market analysis

The turnover of online food stores in the Czech Republic amounts to billions of crowns, and the number of those who order home delivery products is growing rapidly.

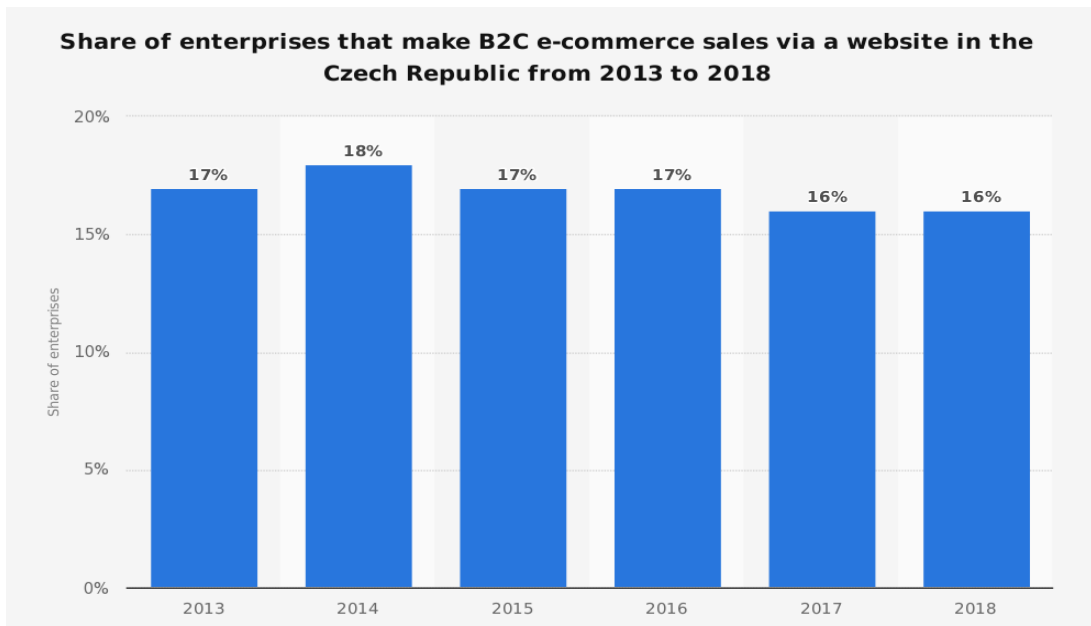
According to the 'GfK agency', hundreds of thousands of Czechs buy on the Web. A typical visitor to a grocery online store is a woman who lives in a large Czech city and makes an order on the eve of a weekend, on Sunday or Monday.

Last year, Czechs spent 28 billion crowns (1 billion euros) for fast-moving goods on the Internet and according to experts, this market segment still expects rapid growth.

"The new is the well forgotten old." This is what can be explained by another phenomenon in the field of marketing food products - shops on wheels. Once they regularly drove to every Czech village, then for a long time disappeared from sight. Back in 1991, 115 large-sized shops on wheels travelled through the Czech outback, only ten years later, only a few of them remained, recalls the magazine 'Vikend Dnes'. Now they are "experiencing the Renaissance", despite the fact that prices are often higher than in supermarkets.

The figures below are showing some statistical data about share of enterprises that make B2C e-commerce sales, production value of the food and beverages, number of retail chains, number of enterprises involves in manufacturing and consumer expenditures on food in the Czech Republic.

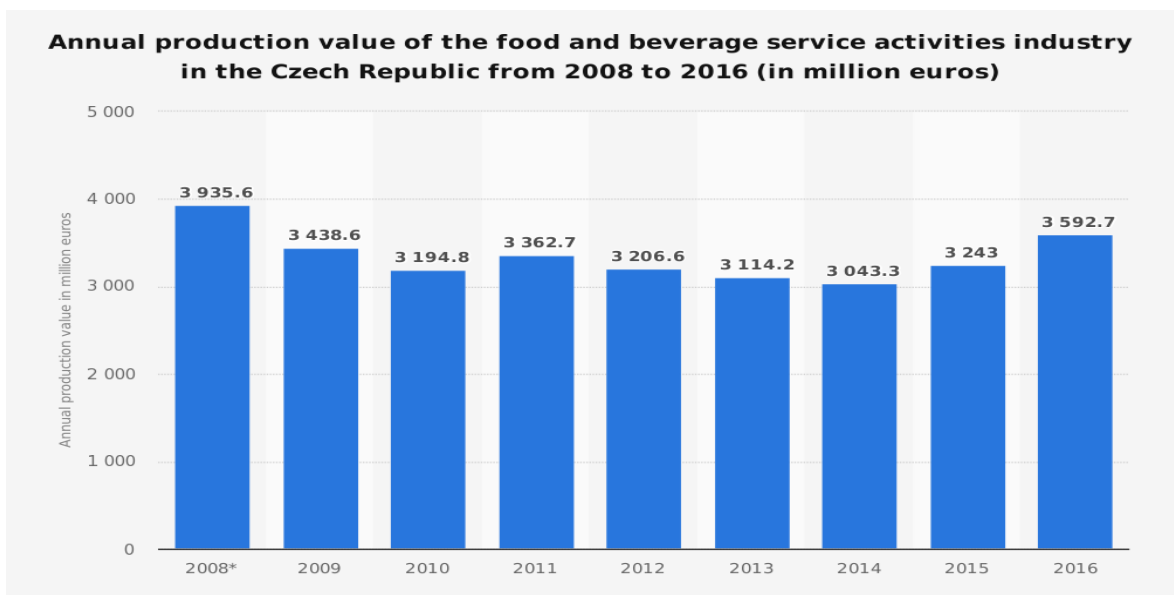
Figure 1: Share of Enterprises (B2C e-commerce sales in the CR)



(Source: Eurostat, Statista 2018) ²⁹

This figure above displays the share of enterprises that made B2C e-commerce sales via a website in the Czech Republic from 2013 to 2018. In 2018, 16 percent of enterprises in the Czech Republic made B2C e-commerce sales through a website.

Figure 2: Annual production of the F&B service activities industry in the CR

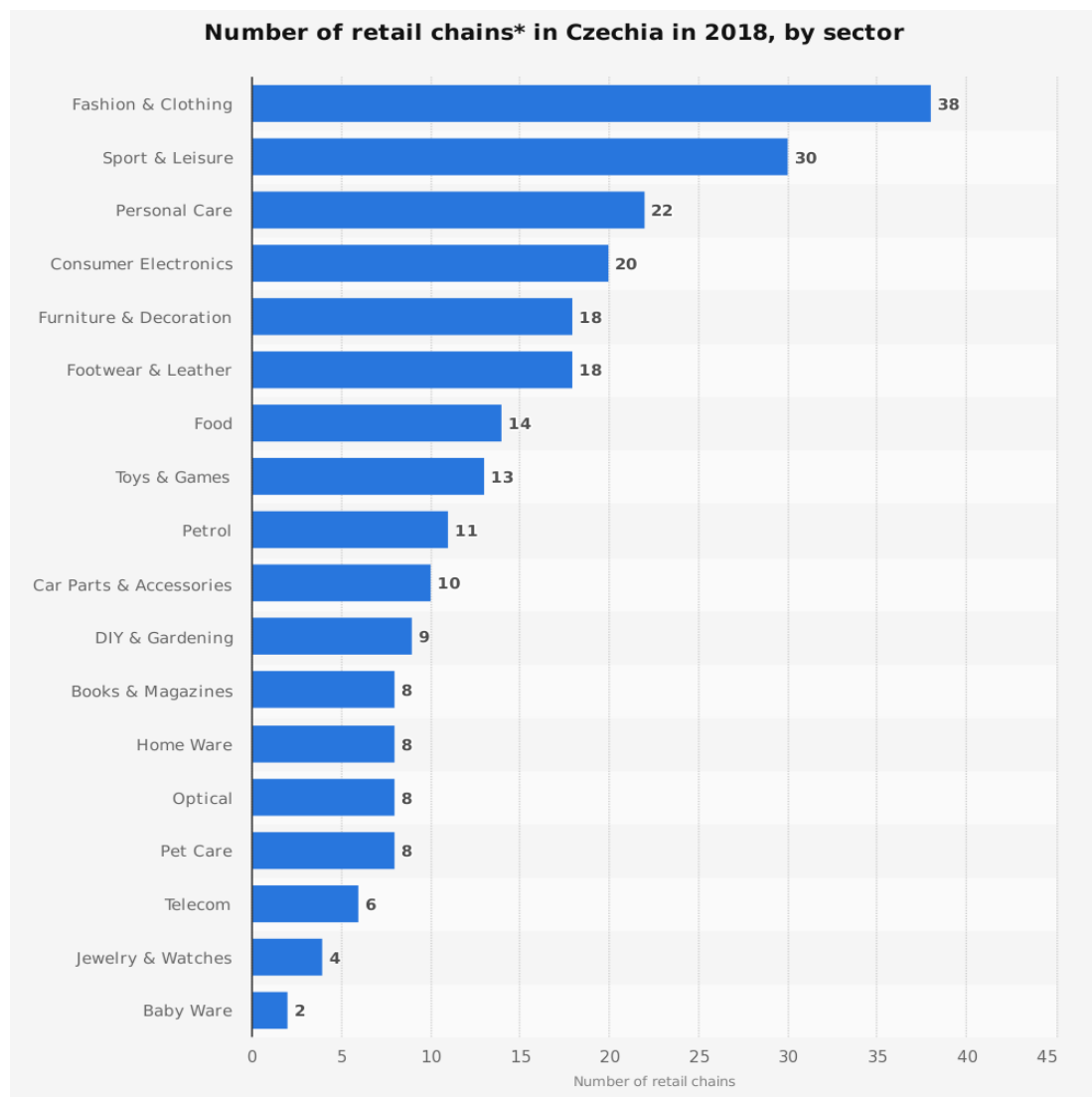


(Source: Eurostat, Statista 2018) ³⁰

²⁹ Statista.com. (2019). • Statista - The Statistics Portal for Market Data, Market Research and Market Studies. [online]

This statistical table above shows the annual production value of the food and beverage service activities industry in the Czech Republic from 2008 to 2016. In 2016, the production value of the food and beverage service activities industry came to approximately 3.59 billion euros.

Figure 3: Number of Retail Chains in the CR in 2018



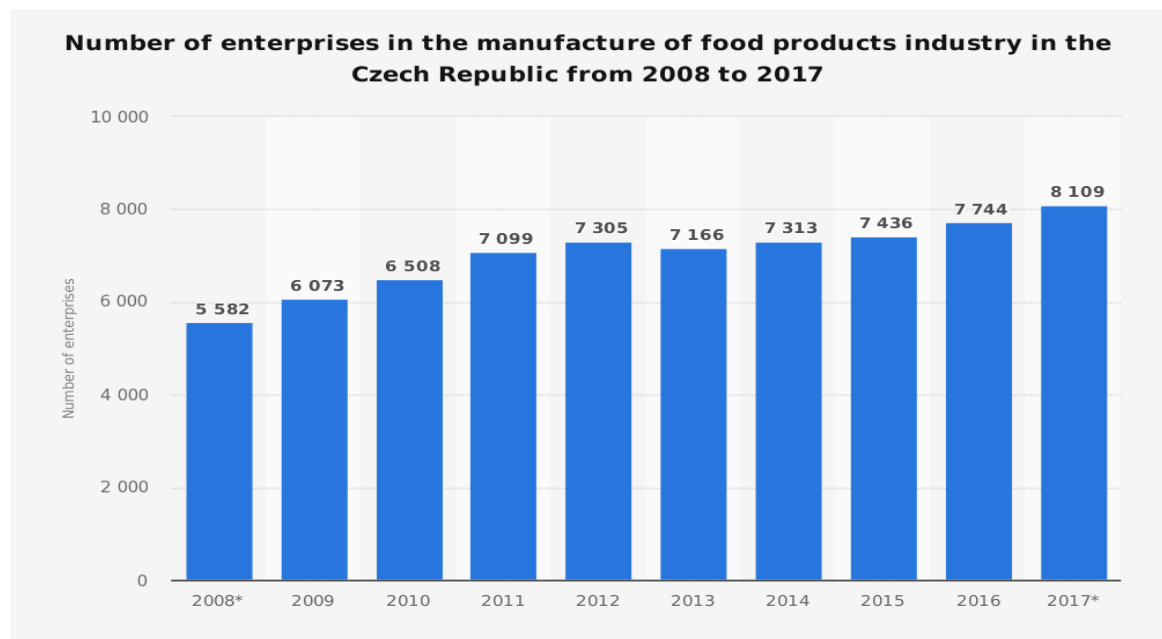
(Source: Retail Index, Statista 2018)³¹

³⁰ Statista.com. (2019). • Statista - The Statistics Portal for Market Data, Market Research and Market Studies. [online]

³¹ Statista.com. (2019). • Statista - The Statistics Portal for Market Data, Market Research and Market Studies. [online]

This statistical table above presents us the number of retail chains by sector in Czechia in the year 2018. Fashion and clothing was the leading sector, with 38 chains out of the total of 191, followed by sports and leisure with 30 retail chains. Personal care was ranked third, standing at 22 chains, while the baby ware sector showed the smallest amount, with two retail chains. The food sector has been only the seventh in this list.

Figure 4: Number of Enterprises in the manufacture of food products industry in the CR

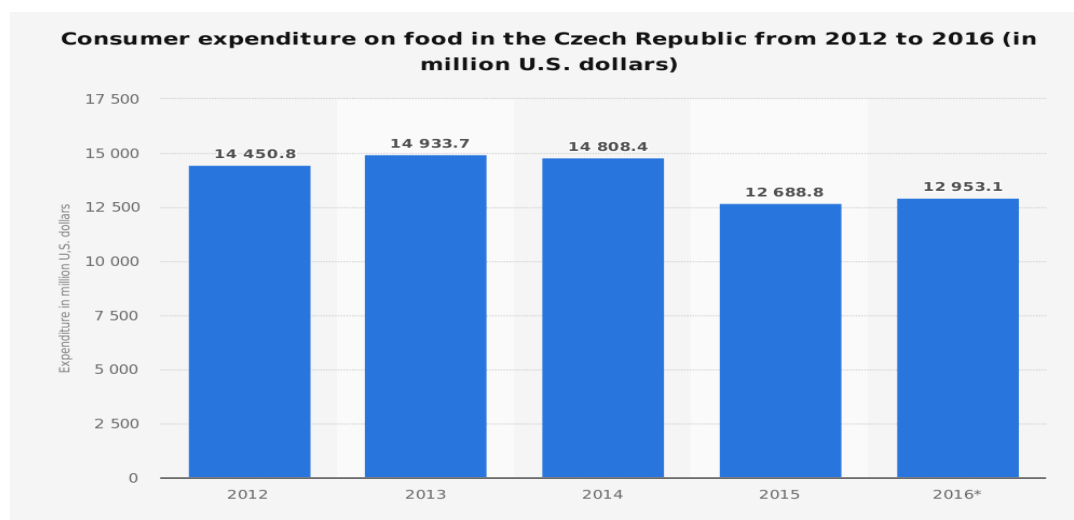


(Source: Eurostat, Statista 2018)³²

The statistics above show the number of enterprises in the manufacture of food products industry in the Czech Republic from 2008 to 2017. In 2014, there were 7,313 enterprises in the manufacture of food products industry in the Czech Republic. And in 2017, there were more than 8 thousand of enterprises involved in manufacturing.

³² Statista.com. (2019). • Statista - The Statistics Portal for Market Data, Market Research and Market Studies. [online]

Figure 5: Consumer expenditure on food in the CR (2012-2016)



(Source: Euromonitor, Statista 2018)³³

The figure above shows the consumer expenditure on food in the Czech Republic from 2012 to 2016. According to the statistic, the projected expenditure on food in 2016 will increase by 2.1 percent in comparison to 2015, reaching 13 billion U.S. dollars.

Figure 6: External trade in the CR

External trade by selected CZ-CPA division	CZK mil. FOB/CIF		Share in total exports/imports (%)	
	2016	2017	2016	2017
Exports, total	3 299 106	3 512 897	100.0	100.0
Crude petroleum and natural gas	11 502	3 522	0.3	0.1
Food products	114 639	108 807	3.5	3.1
Imports, total	3 135 452	3 349 431	100.0	100.0
Crude petroleum and natural gas	89 167	120 869	2.8	3.6
Food products	150 738	150 214	4.8	4.5

(Source: Czech Statistical Office, czso.cz)³⁴

³³ Statista.com. (2019). • Statista - The Statistics Portal for Market Data, Market Research and Market Studies. [online]

³⁴ Czech Statistical Office | CZSO. Czso.cz. [online]

The table above shows the total share of exports and imports of food products in the Czech Republic. As it's seen, exports are only 3,1% out of total exports and imports are 4,5% out of total imports.

4.3.2. Market segmentation

1. Demographic segmentation

- Age: 17-50+;
- Life cycle stage: middle age customer;
- Gender: no separation by gender;
- Education: no separation by educational level;
- Income: middle and high;
- Religion race and nationality: no separation by gender.

The online store will be available to all the people without any restrictions. Of course, as it seen from the description, it will be more oriented on foreigners or immigrants from other countries but it will be happy to see locals as regular customers on its' pages. Taking in account the income of future customers, the author would say it should be middle and high as the products will not be cheap. Also there will be a pleasant bonus for our foreign clients – all the team will be English-speaking, so it will be easier to deal about delivery-time or orders at all. And of course, last thing to mention, for students in the age till 25 by showing confirmation of studies or ISIC to our courier there will be a special discount in 7% amount.

2. Psychographic segmentation

- Lifestyle: interest in good and qualitative food, healthy lifestyle;
- Activities, interests and opinions: ability to try new things, people working in this industry or just people who like to try different food from all over the world;
- Values: better qualitative products than cheap ones;
- Social class: no separation to classes;

- Personality: no separation to personalities.

There is no need to divide all the customers by this type of segmentation, because first of all on the initial stage when we have only the online store we can't experience or feel individually our customers. But of course we appreciate a lot that people, who follow healthy lifestyle and will better enjoy more qualitative food rather cheap one.

3. Geographic segmentation

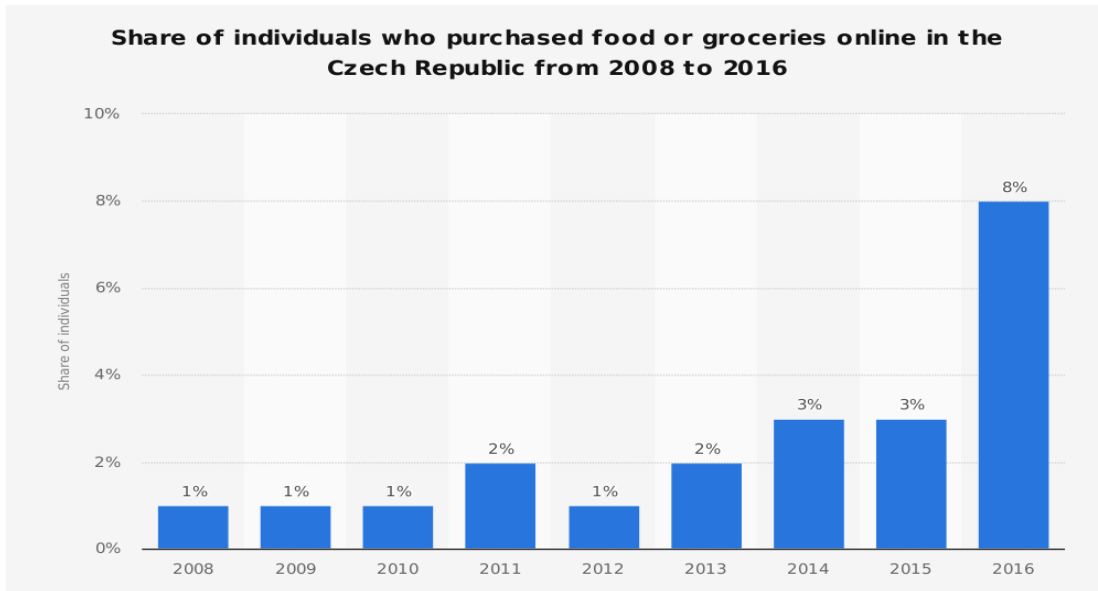
- Region: on the initial steps- Prague and nearby cities and towns;
- Availability: excellent, as it's an online store so it doesn't have any borders, it will be available from any point of the town- this is the greatest advantage;
- Size: over 1,3 million of citizens in Prague (year 2018) and metropolitan area has over 2,6 millions, urban area is 298 km², inhabitants: 64.8% Czech and 35.2% other.

By the information from The Czech Statistical Office we got that the number of inhabitants in the Czech Republic raised by more that 27 thousand of people in year 2018, especially thanks to migration. So it's seen from numbers above, the amount of our potential customers is quite huge and it's around 35% of inhabitants (not taking in account locals) in whole Prague and suburbs.

4.3.3. Target customer analysis

Obviously the online store will be focused more on foreign customers, who permanently live in the Czech Republic, in our case in Prague, and the customer layer will include such nationalities like Russian, Ukrainian, Polish, Romanian, French, Italians, Americans and so on. And of course, to broaden the customer base, the company will also be trying to attract people from another cultures by qualitative advertisement and by taking part in different Czech seasonal markets. The goods will have available prices and almost everybody will be able to buy it. One more target group of customers are online users and people, who steadily buy food via online stores.

Figure 7: Share of Individuals who purchased food on groceries online in the CR



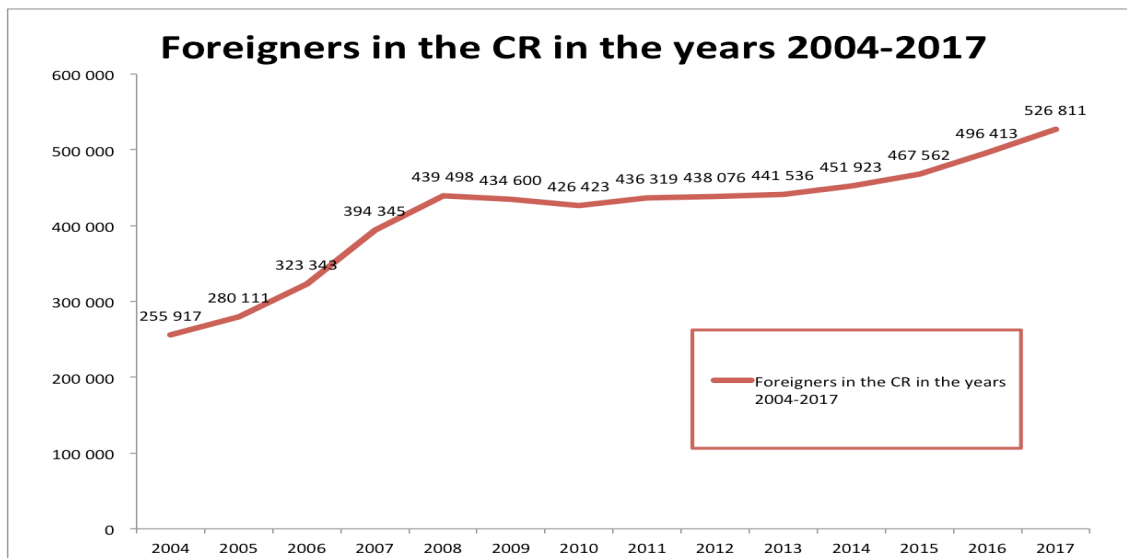
(Source: Eurostat, Statista 2018)³⁵

This statistics above show the share of individuals, who purchased food or groceries online in the Czech Republic from 2008 to 2016. In 2016, eight percent of individuals purchased groceries online in the Czech Republic. It is seen that share of individuals buying online in Czechia is steadily growing year by year. The change by 5% up from year 2015 to 2016 shows the positive grow and tendency to grow further.

Figures below show us that the number of foreigners in the Czech Republic is constantly growing. Due to stable political and economical conditions in the country people will be continuing to migrate here, therefore the number of potential customers will be growing.

³⁵ Statista.com. (2019). • Statista - The Statistics Portal for Market Data, Market Research and Market Studies. [online]

Figure 8: Number of Foreigners in the CR (2004-2017)



(Source: Own drawing based on variables taken on czso.cz)³⁶

Figure 9: Live births and deaths of foreigners in the CR (2008-2017)

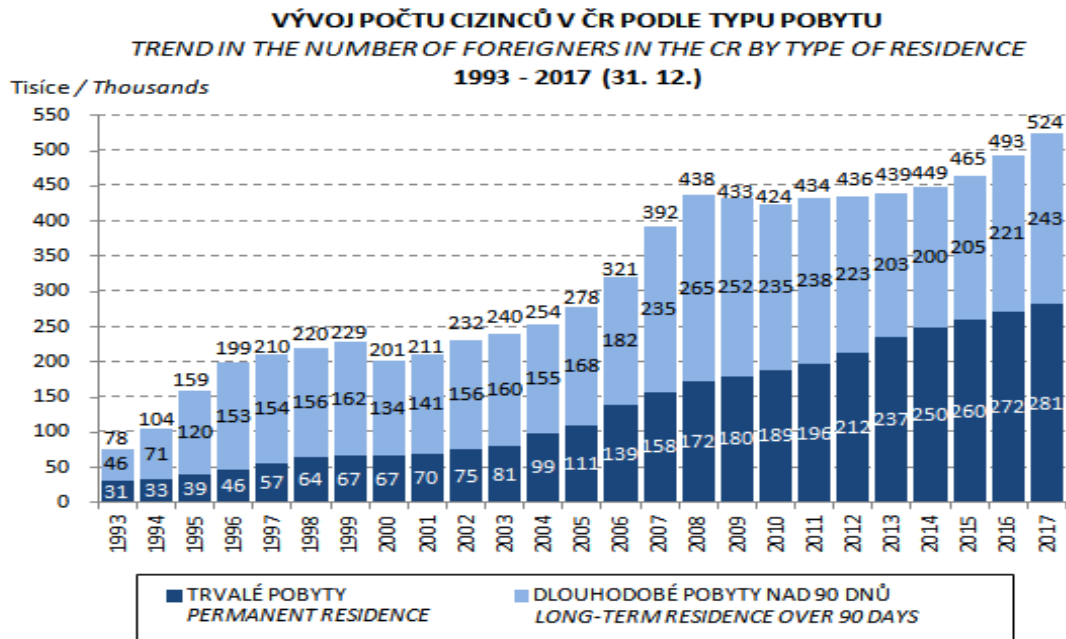


(Source: Czech Statistical Office, czso.cz)³⁷

³⁶ Czech Statistical Office | CZSO. Czso.cz. [online]

³⁷ Czech Statistical Office | CZSO. Czso.cz. [online]

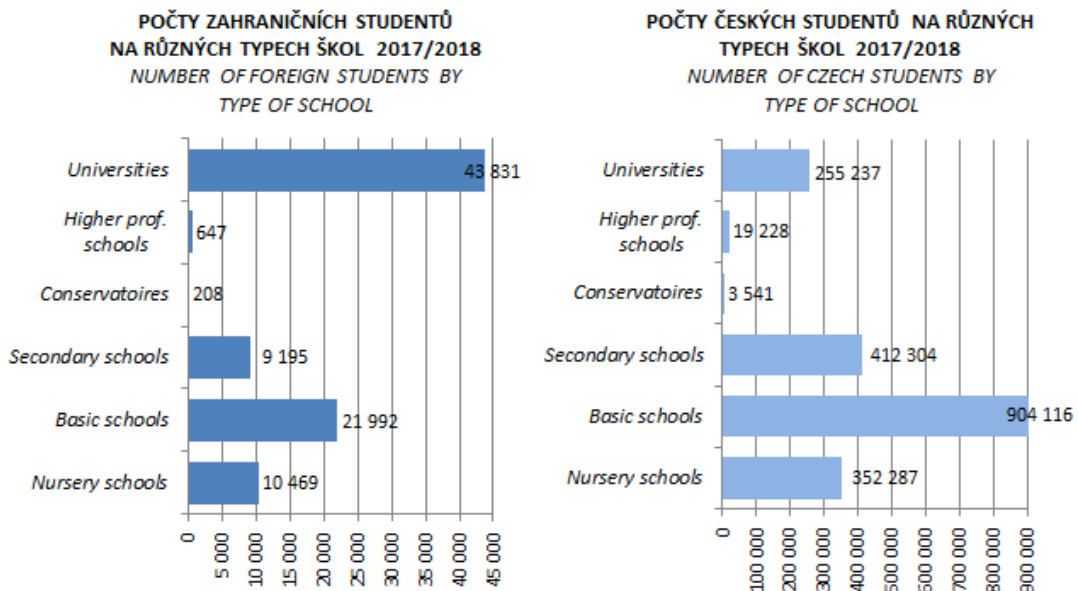
Figure 10: Trend in number of foreigners in the CR by type of residence (1993-2017)



Source: Directorate of the Alien Police Service MI CR

(Source: Czech Statistical Office, czso.cz)³⁸

Figure 11: Amount of Czech and Foreign students in the CR by type of school



Source: Ministry of Education, Youth and Sports

(Source: Czech Statistical Office, czso.cz)³⁹

³⁸ Czech Statistical Office | CZSO. Czso.cz. [online]

4.3.4. Competitor analysis

A. E-shop of Russian food products VLAŠTOVKA s.r.o. (eng. Swallow)

Physical locations:

- 1. Rokycanova 39, Praha 3, Žižkov*
- 2. Petržilkova 21, Praha 5, Stodůlky*
- 3. Na Pankráci 65, Praha 4, Pankrác*
- 4. Francouzská 16, Praha 2, Vinohrady*
- 5. Na Můstku 16, Praha 1*

The company was founded in 1999 and has been selling food since the very beginning. Only recently, since 2005, the company has focused on selling only Russian specialties.

B. E-shop of Russian specialties KOLOBOK

Physical locations:

- 1. Heřmanova 594/52, 170 00 Praha 7*
- 2. Žitná 565, 120 00 Nové Město*

C. The Candy Store

Physical locations:

- 1. Londýnská 309 / 81, 120 00 Praha 2*
- 2. Viktora Huga 1, 150 00 Praha 5*
- 3. Bubenečská 12, 160 00 Praha 6*
- 4. Bayerova 8, 602 00 Brno*
- 5. Veleslavínova 24, 301 00 Plzeň*
- 6. OC Grand – přízemí, Náměstí Republiky 1400, 530 02 Pardubice*
- 7. OC Plaza - Palachova 1404, 460 90 Liberec*
- 8. Dlouhá 3458/2a, (Palác Jordán), 400 01 Ústí nad Labem*
- 9. Zámocká 34, 811 01 Bratislava*
- 10. Paul-Heyse Strasse 27, 80336 Mnichov*

³⁹ Czech Statistical Office | CZSO. Czo.cz. [online]

The first Candy Store was opened in September 2011 in Prague's Vinohrady as the flagship of American food and beverages, and over the seven years of its existence it has established a very favorable reputation among its supporters. As of 2018, it has a total of 10 branches throughout the Czech Republic, Slovakia and Germany, and the plan continues to grow.

D. Mexicali s.r.o.

Physical locations:

1. *Kovarska 939/4, 190 00 Praha 9 - Liben*
2. *Masarykova 118, Areal CHAPEL, 664 42 Brno – Modřice*

At Mexicali Mercado, customers can buy authentic Mexican goodies under one roof, while enjoying the hot food prepared in Taco Bar.

E. Sabores s.r.o.

Physical location:

1. *Vyšehradská 6, Praha 2*

Sabores s.r.o. was established to enrich the Czech market with the finest Spanish delicacies and professional catering services.

F. Infinity Commerce s.r.o.

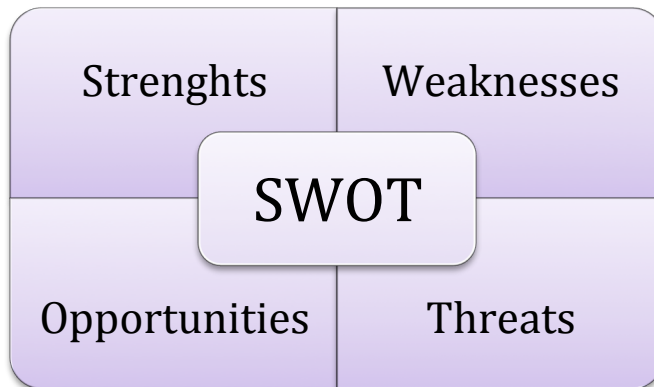
They don't have physical store.

- Italian specialties from traditional gourmet manufacturers
- The products that Gustini offers you mostly come from family businesses and small manufactories from all over Italy.

4.3.5. Strategic tools

4.3.5.1. SWOT analysis

Figure 12: SWOT



(Source: Author's own drawing)

STRENGTHS:

- Rich list of qualitative and fresh products to offer to future customers;
- Available prices of products;
- Easy-using online platform to make orders 24/7;
- Young ambitious employees;
- Company is established in the Czech Republic, which strongly support new small businesses;
- Alternative to narrow-specialized businesses in the country, for example, to only shops with Russian, American or Vietnamese products;
- Wide target market (a lot of migrants from third world countries, foreign students, variegated workers form all over the world);

WEAKNESSES:

- Business has not still been established, that is why does not have strong reputation among competitors and customers yet;

- The manager does not have much experience with managing such kind of a business or business at all; has lack of knowledge in finances;
- Limited budget for advertising and marketing;
- Dependency on loans for the first 3 years;
- Small amount of employees on the initial step;
- Lack of capital to open also a physical store at the same time with online store;
- No benefits for the staff for the first year because of the risk of low expected revenue;

OPPORTUNITIES:

- After getting stable reputation and covering all debts to start working to get capital to open a physical store in Prague;
- To attract investors interested in this kind of business;
- To broad business borders and start selling products to people from other countries;
- To develop mobile application for more convenient ordering from home and other places;
- Organizing different workshop and training for the staff members in order to improve theirs' qualification;

THREATS:

- High amount of experienced competitors in the same food segment;
- Changing in political and economical situation and relations between countries can affect logistics and flow of the business;
- Changing in customers' preferences and life habits can cause a refusal from products of the company;
- Appearing of new more ambitious competitors;
- Migration of potential customers to other high-developing countries;
- Possibly frequent turnover of the staff members because of not very high salary.

Table 3: SWOT analysis

SWOT		Internal analysis	
		Strengths	Weaknesses
External analysis	Opportunities	S-O strategy	W-O strategy
		<ul style="list-style-type: none"> To take part in different local markets, renting there a tent with possibility to offer to try our products and to show our uniqueness; To invest money into mobile application; To establish loyalty club for regular customers; To take part in different conferences and courses, where world-known businessmen share their knowledge, in order to present our company to others and to get some useful information 	<ul style="list-style-type: none"> Before the opening it's recommended for the manager to visit some qualification courses to get some basis of how to manage business and finances to avoid closing of the company because of his/her illiteracy; To create business Instagram and Facebook accounts, advertising our production and place periodically information about our discounts and offers
	Threats	S-T strategy	W-T strategy
		<ul style="list-style-type: none"> To offer foreign customers good service and high-quality products from all over the world in times of yearning about home; To widen list of countries from where we can import products to the CR; To collect customers' feedbacks and offers in order to change for the better 	<ul style="list-style-type: none"> To treat and motivate employees with some corporate parties, voucher meals and Multisport benefits; To get a job somewhere as an administrator or manager and work at least for one year to get an experience in this sphere; To invest more money (from the financial reserves) into marketing to attract more customers

(Source: Author's own drawing)

4.3.5.2. PEST analysis

POLITICAL AND LEGAL ENVIRONMENT

Limited Liability Company

Limited Liability Company is one of the most popular types of trading company in the Czech Republic. As of June 20, 2014, 372,416 companies of S.R.O. were established as economic entities according to RES statistics. The advantage of a limited liability company is that the shareholders are liable up to the unpaid share capital. Other advantages, unlike the self-employed, are that the legal entity only pays income tax (19%) and withholding tax on profits distributed among partners (15%). In general, it has significantly better tax optimization options.

E-shops and electronic sales records (czech: EET- elektronická evidence tržeb)

Since the beginning of March, e-shops, like other retailers and wholesalers, have the obligation to electronically record sales. E-shops, however, can be very complicated to be included in electronic sales records. The reason is several possible ways of payment and the fact that in most cases the trader does not come into direct contact with the customer.⁴⁰

Business reforms in the Czech Republic:

DB2018

- ✓ **Starting a Business:** The Czech Republic made starting a business less expensive by introducing lower fees for simple limited liability companies.

- ✗ **Paying Taxes:** The Czech Republic made paying taxes more complicated by introducing new requirements for filing VAT control statements.

(Source: 'Doing Business' database)⁴¹

⁴⁰ BusinessCenter. (2019). *BusinessCenter*. [online]

⁴¹ World Bank. (2019). *Business Reforms*. [online]

DB2017

- ✓ **Starting a Business:** The Czech Republic made starting a business easier by reducing the cost and the time required to register a company in commercial courts by allowing notaries to directly register companies through an online system.

(Source: 'Doing Business' database)⁴²

DB2015

- ✓ **Starting a Business:** The Czech Republic made starting a business easier by substantially reducing the minimum capital requirement and the paid-in minimum capital requirement.
- ✓ **Getting Credit:** The Czech Republic improved access to credit by adopting a new legal regime on secured transactions that allows the registration of receivables at the collateral registry and permits out-of-court enforcement of collateral.

(Source: 'Doing Business' database)⁴³

Law on the Support of Small and Medium Enterprises (SMEs)

Act No. 47/2002 Coll., On support for small and medium-sized enterprises

The Act regulates the system and instruments of state support for small and medium-sized enterprises (excluding primary agricultural and forestry production). Applicants must comply with the criteria of EU regulations, have a permanent residence / seat in the Czech Republic. The law defines forms (repayable financial assistance, subsidies, financial contribution, guarantee, loan with reduced interest rate) and support areas (e.g. projects focusing on investment, economic and technical advice, acquisition of business information, R&D projects, new jobs, participation in trade fairs).

(Source: businessinfo.cz)⁴⁴

⁴² World Bank. (2019). *Business Reforms*. [online]

⁴³ World Bank. (2019). *Business Reforms*. [online]

⁴⁴ Businessinfo.cz. (2019). *Přehled zákonů | BusinessInfo.cz*. [online]

Labour Code

Act No. 262/2006 Coll., Labour Code

The Labour Code regulates employment relations between employees and employers. The largest part of the law regulates matters relating to employment (e.g: creation, change and termination of employment; employment contract; working conditions; working time and rest period; wage, wage compensation and reimbursement; occupational health and safety; women and young people; In other sections, the Act regulates, inter alia, agreements on work performed outside the employment relationship. The Act also regulates the liability of employees and employers for damage arising from work performance.

(Source: businessinfo.cz)⁴⁵

Employment Act

Act No. 435/2004 Coll., On Employment

The law addresses the issue of employment. First, it specifies the right to employment (including non-discrimination; ensuring appropriate employment; employment of foreigners) and state employment policy (striving to strike a balance between supply and demand for labour). Furthermore, the law regulates instruments for securing the right to employment (mediation of employment; retraining; material security of applicants) and the procedure of employers for employing citizens (and citizens with reduced working ability).

(Source: businessinfo.cz)⁴⁶

ECONOMICAL ENVIRONMENT

The Czech Republic in the first quarter of 2018 was the fifth in the list of the fastest growing economies of the European Union after Latvia, Poland, Slovenia and Hungary. The chairman of the Czech Statistical Office, Marek Rojciek, stated it.⁴⁷

Domestic consumption and investment remain the driving force behind the growth of the gross domestic product of the Czech Republic. According to the latest data, the growth of

⁴⁵ Businessinfo.cz. (2019). *Přehled zákonů* | BusinessInfo.cz. [online]

⁴⁶ Businessinfo.cz. (2019). *Přehled zákonů* | BusinessInfo.cz. [online]

⁴⁷ Radio Praha. (2019). *News from the Czech Republic* | Radio Prague. [online]

the Czech economy in the first quarter of 2018 year on year slowed to 4.4% from 5.5% in the fourth quarter of last year. In quarterly terms, GDP grew by 0.4%.

- In 2017, online sales accounted for 10.5% of the total retail network in the Czech Republic. Last year, there was an increase in purchases of 18% through online shopping. Czech consumers spent a total of 115 billion Czech crowns in 2017.
- The unemployment rate in the Czech Republic in October 2018 dropped to 2.8%, which is the lowest figure since June 1997, reports the Bureau of Labour of the Czech Republic. Compared to September, the number of unemployed decreased by 0.2%, and in annual comparison unemployment fell by 0.8%. According to the ministry, there are currently more than one hundred thousand more vacancies than the unemployed. The number of voluntary unemployed is also decreasing.
- In the fourth quarter of 2018, the average wage in the Czech Republic increased by 6.9% to 33,840 CZK. Taking into account inflation, real growth was 4.7%. High demand for workers in the labour market, raising the minimum wage and raising wages in the public sphere continue to stimulate wage growth in the country. As in the past year, the salaries of low paid employees grew faster than those of high paid employees. The average salary in the Czech Republic has been growing steadily since 2014, but experts note that about 2/3 of employees receive less than the average salary in the country. Highly paid areas include IT (55,754 CZK), finance and insurance (53,323 CZK). The lowest salaries are in the hotel and catering industry (19,206 CZK), as well as in the administrative field (21,703 CZK).
- The number of individual entrepreneurs in the Czech Republic in 2018 increased by 20,000 and amounted to 1.011 million. Most entrepreneurs are registered in Prague (181,000), Central Bohemia (140,000) and South Moravia (111,000). Of the total number of self-employed, the number of those for whom entrepreneurship is the main source of income has grown by 8,000. Now there are 590 thousand such entrepreneurs in the Czech Republic. For another 421 thousand businessmen- this is an additional source of income. In no other country of the European Union,

individual entrepreneurs have such an impact on the country's economy as in the Czech Republic.⁴⁸

SOCIO-CULTURAL ENVIRONMENT

1. One of the greatest factors among socio-cultural ones is undoubtedly state-funded and of a very good quality education, Czech universities have a really good reputation in Europe and the whole world. Of course, free education is only in czech language, but if you are from one of slavic countries, there will be no problem to study the language on courses for one year, get B1 or B2 language certificate, and then to pass entrance exams. Also there exists paid education in english language, it's not that cheap but also affordable for whom the czech language is difficult and incomprehensible. This factor attracts many talented and intelligent people from around the world, who will contribute to the development of the country's scientific and economic activities in the future.

Education is the most important factor of income differentiation, with its growth increases the assessment of living standards. The type of employment is also closely interconnected with the subjective perception of the standard of living. A high score is typical for entrepreneurs with employees, independent workers and highly qualified specialists, as well as high-ranking employees. At the other extreme, there are representatives of working professions, primarily unskilled ones, and agricultural workers.⁴⁹

2. People with a good standard of living are positively disposed towards foreigners living in the Czech Republic for a long time and labour migrants. The left parties are in favour of their greater adaptation and integration. Currently, a critical attitude towards the Gypsy population is noted. People with a poor standard of living are less tolerant in the national question. It is characteristic of the Czechs that they more often express

⁴⁸ Czech Republic - Economic Forecasts - 2019-2021 Outlook. Tradingeconomics.com. [online]

⁴⁹ Kwintessential. (2019). *Guide to the Czech Republic | Czech Etiquette, Customs & Culture* | Kwintessential. [online]

their unwillingness to live in the neighbourhood of rich people, as well as those differing from them by political convictions.

3. Many indicators of the welfare of the Better Life Index in the Czech Republic are high. The Czech Republic shows results above average in work and wages, personal security, education and professional skills, subjective well-being, balance of work and rest. Results below average Czech Republic has housing conditions, health, income and welfare, social relations and civic engagement.⁵⁰

TECHNOLOGICAL ENVIRONMENT

This factor can be related to all countries, not only to the Czech Republic, as the use of the internet-technology is important, especially when the business is directly connected with internet.

Regardless of the sphere in which the business is conducted, not a single modern company can do without the Internet. If earlier the web resource was used in the format of e-mails that guaranteed fast communication between departments of large companies, then today effective business development requires constant presence in the online mode. According to statistics, the overwhelming majority of organizations work in whole or in part on the global network, using the latest Internet technologies for doing business.

Every year, companies invest less and less money in promoting their services through traditional sources (television, press, radio), preferring to search for new customers and business partners in the web space. The use of Internet technologies in business of any kind makes it possible to significantly faster find its consumer and more efficiently manage its resources. What is the advantage of Internet technologies and their popularity? The answer is obvious:

- Less advertising and promotion costs;
- Quick search of the target audience;
- Work in a single space without boundaries.

⁵⁰ Oecdbetterlifeindex.org. (2019). *OECD Better Life Index*. [online]

4.3.5.3. Marketing Mix analysis

A marketing mix is a set of tools and parameters that the marketers are trying to manipulate to best satisfy customers. Otherwise, a marketing mix is defined as a set of variables in the general formula for success that is constantly under control of marketing. «Putting the right product in the right place, at the right price, at the right time.»⁵¹

Table 4: Marketing Mix analysis

PRODUCT	<ul style="list-style-type: none"> • Goods from all over the world for people, who yearn for home; • Only well-known and reliable suppliers; • Good quality and freshness; • Big variety of products from Russia, Ukraine, Italy, France, Mexico and so on; • Delivery within 2-3 days and good customer service.
PRICE	<ul style="list-style-type: none"> • Affordable prices for fresh goods; • A bit lower prices in comparison with main competitors; • Buying for more than 1 thousand CZK, you can get a free delivery; • For students, who are less or 25 years old, there will be a special discount (7%) for the whole order when they show ISIC card or confirmation.
PLACE	<ul style="list-style-type: none"> • Czech Republic- on initial steps mainly Prague and suburbs; • Online based shop, therefore it can be used from any locations and any device without any restrictions- what really facilitates the use of the shop; • Equipped storehouse within the borders of the city; • Operating office almost in the centre of Prague.

⁵¹ Mindtools.com. (2019). *The Marketing Mix and the 4Ps Understanding How to Position Your Market Offering*. [online]

PROMOTION	<ul style="list-style-type: none"> • Online marketing: creating business accounts on Instagram and Facebook, advertising our goods and posting information about discounts and special offers; • Loyalty club for the customers; • Advertising on billboards, in press and magazines, spreading leaflets in crowded places and shopping malls.
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(Source: Author's own drawing)

4.4 FINANCIAL PLAN

The certain financial plan contains own data and calculations, which were obtained by the owner of this business based on own researches and findings.

4.4.1. INITIAL INVESTMENTS

- Payments for registration and commissions

The fee for trade certificate will be paid in amount of 5 840 CZK and for implementation of HACCP system (1 year package) in amount of 2 500 CZK.

- Rents and equipment

Before opening the online store, it's necessary to find an office and stock premises for operating the business with the help of real estate agency (agency commission – 20 400 CZK). The whole equipment for the office will be from the IKEA, which is not very expensive (it's planned to spend around 60 000 CZK there). Equipment for the stock premises will be made mostly of metal and then there will be also a refrigeration system. Truck for delivering, 2 laptops and 2 printers are counted as equipment as well.

- Promotion

Before starting to operate, it's required to invest some money into promotion. The first step is to order leaflets for spreading it on streets (planned number for order - 2 000), also some

business cards (planned number – 500). Then it's needed to rent a billboard and put an ad on it.

- Financial reserve

It's always necessary to have a financial reserve for using it as working capital, as it's expected that from beginning revenues could have negative numbers. So there will be some financials kept in business account.

- Other

As in 'other' point, the amount from allocated capital will be for the online platform development.

Table 5: Initial investment

Items	Value
Trade certificate	5 840 CZK
HACCP system (1 year package)	2 500 CZK
Real estate agency commission (office and stock premises)	20 400 CZK
Online platform development (e-shop)	45 000 CZK
Equipment +installation	459 000 CZK
Promotion	27 390 CZK
Financial reserve	650 000 CZK
TOTAL	1 210 130 CZK

(Source: Author, based on research)

DEPRECIATION:

The business owner decided to depreciate the equipment once a year, using a method for five years period. Table below shows four items to be depreciated, the purchase amount and annual depreciation of each item.

Table 6: Depreciation

Items	Purchase amount	Annual depreciation
Refrigeration system	113 040 CZK	22 608 CZK
2 laptops	30 780 CZK	6 156 CZK
2 printers	13 380 CZK	2 676 CZK
Truck for delivery	129 000 CZK	25 800 CZK
TOTAL	287 200 CZK	57 440 CZK

(Source: Author, own calculations)

4.4.2. CAPITAL RESOURCES

- Bank loan

The owner will get a bank loan from Česká spořitelna. The fixed interest rate is 6,9% p.a. and the length of repaying is 36 months- three years. The payment per month will be 16 957 CZK, the first payment will be completed on July 2019.

- Other loans

The other loans are from family members and friends. The length of repaying is the same as for bank- 36 months (3 years), monthly payment will be 12 222 CZK- starting on July 2019.

- Own resources

For now the owner's savings in the bank account at UniCredit Bank in Prague are in amount of 220 130 CZK.

Table 7: Capital resources

Items	Value
Loan from bank	550 000 CZK
Loan from family and friends	440 000 CZK
Own capital	220 130 CZK
TOTAL	1 210 130 CZK

(Source: Author, own calculations)

4.4.3. OPERATING COSTS

Fixed expenses:

- Wages

From the opening of the company, there will be working one manager, one manager's assistant, two stockroom workers and two couriers. All the salaries are set in term of company's all expenses including social and health insurance payments.

- Rent and utilities

The rent of the office and stockroom premises will be starting to be paid from July 2019, including all the utilities (energy and water consumption).

- Loan payments

Bank loan and loan from family and friends will be paid every month starting from July 2019.

- Other operating costs

The capital, which will be used for paying for services of an external auditor, for monthly administration of the e-shop and so forth.

- Promotion

The monthly rent for billboard, also for periodically orders of leaflets and business cards and so on, everything will be depending on the situation in business operations.

Table 8: Fixed expenses

Items		Value
Salary of manager	1 x 30 000 CZK	30 000 CZK
Salary of managers' assistant	1 x 23 000 CZK	23 000 CZK
Stockroom workers	2 x 18 000 CZK	36 000 CZK
Couriers	2 x 18 000 CZK	36 000 CZK
Total wages		125 000 CZK
Rent + utilities (office+ stock premises)		17 000 CZK
Loan payments		29 179 CZK
Promotion		4 990 CZK
TOTAL		176 169 CZK

(Source: Author, own calculations)

Variable expenses:

- Material (food costs) – 35% from sales

The acquisition cost of products will be up to 35% of selling price.

- Benefits for the staff members

Till the end of year 2020 there will be no benefits, because of the risk of negative results. But anyway from the year 2021 it's planned to establish a benefit program for the employees. The benefits will be in a total amount of 5% from sales: the manager will get 2%, the assistant- 1%, the stockroom workers- 0,5% per each, the couriers- 0,5% per each.

Table 9: Variable expenses

Items		Value
Manager's benefit	1x2%	2%
Assistant's benefit	1x1%	1%
Stockroom workers' benefit	2x0,5%	1%
Couriers' benefit	2x0,5%	1%
Total benefits		5%
Food costs		35%
TOTAL		40%

(Source: Author, own calculations)

4.4.4. EXPECTED REVENUES

The calculation is based on the average price of one order on the online store. The second variable in the table below is an average number of customers buying per day. The number is taken based on expected number of people will be buying every day during the five-year plan. Average price of one order is 650 CZK per person including delivery.

Table 10: Expected number of buyers online during five-year period

ITEMS	2019	2020	2021	2022	2023
January	0	11	18	22	30
February	0	11	18	22	30
March	0	13	18	25	33
April	0	13	18	25	33
May	0	13	18	25	33
June	0	13	18	25	37
July	7	15	22	25	37
August	8	15	22	30	37
September	8	15	22	30	37
October	10	15	22	30	37
November	10	18	22	30	40
December	10	18	22	30	40

(Source: Author, based on research)

Table 11: Expected revenue per month during five-year period

ITEMS	2019	2020	2021	2022	2023
January	- CZK	221 650 CZK	362 700 CZK	443 300 CZK	604 500 CZK
February	- CZK	207 350 CZK	327 600 CZK	400 400 CZK	546 000 CZK
March	- CZK	261 950 CZK	362 700 CZK	503 750 CZK	664 950 CZK
April	- CZK	253 500 CZK	351 000 CZK	487 500 CZK	643 500 CZK
May	- CZK	261 950 CZK	362 700 CZK	503 750 CZK	664 950 CZK
June	- CZK	253 500 CZK	351 000 CZK	487 500 CZK	721 500 CZK
July	141 050 CZK	302 250 CZK	443 300 CZK	503 750 CZK	745 550 CZK
August	161 200 CZK	302 250 CZK	443 300 CZK	604 500 CZK	745 550 CZK
September	156 000 CZK	292 500 CZK	429 000 CZK	585 000 CZK	721 500 CZK
October	201 500 CZK	302 250 CZK	443 300 CZK	604 500 CZK	745 550 CZK
November	195 000 CZK	351 000 CZK	429 000 CZK	585 000 CZK	780 000 CZK
December	201 500 CZK	362 700 CZK	443 300 CZK	604 500 CZK	806 000 CZK
Total	1 056 250 CZK	3 372 850 CZK	4 748 900 CZK	6 313 450 CZK	8 389 550 CZK

(Source: Author, own calculations)

4.4.5. FINANCIAL STATEMENTS

Table 12: Balance sheet in CZK

ASSETS		LIABILITIES AND EQUITY	
Current assets		Current liabilities	
Cash	751 130	Bank loan	550 000
Inventory	171 800	Family loan	440 000
Total current assets	922 930	Total current liabilities	990 000
Fixed assets		Owner's equity	
Refrigeration system	113 040	Capital	220 130
2 laptops	30 780		
2 printers	13 380		
Truck	129 000		
Total fixed assets	287 200	Total owner's equity	220 130
TOTAL	1 210 130	TOTAL	1 210 130

(Source: Author's own calculations)

Table 13: Income statement in CZK

ITEMS	2019	2020	2021	2022	2023
Cash received from buyers	1 056 250	3 372 850	4 748 900	6 313 450	8 389 550
Total revenues	1 056 250	3 372 850	4 748 900	6 313 450	8 389 550
Cash paid to suppliers	369 687	1 180 497	1 662 115	2 209 707	2 936 342
Cash paid to employees	750 000	1 500 000	1 500 000	1 500 000	1 500 000
Paid benefits	0	0	237 445	315 672	419 477

Other operating costs	331 014	662 028	662 028	486 954	311 880
Depreciation	57 440	57 440	57 440	57 440	57 440
Total expenses	1 508 141	3 399 965	4 119 028	4 569 773	5 225 139
Earnings before tax	- 451 891	- 27 115	629 872	1 743 677	3 164 411
Rounded tax base	0	0	629 800	1 743 600	3 164 400
Tax 15%	0	0	94 470	261 540	474 660
Earnings after tax	- 451 891	- 27 115	535 402	1 482 137	2 689 751
PROFIT/LOSS(+/-)	- 451 891	- 27 115	535 402	1 482 137	2 689 751

(Source: Author's own calculation)

Table 14: Cash flow statement from operating activities in CZK

ITEMS	2019	2020	2021	2022	2023
Bank loan	550 000	-	-	-	-
Family loan	440 000	-	-	-	-
Own capital	220 130	-	-	-	-
Cash received	1 056 250	3 372 850	4 748 900	6 331 450	8 389 550
Total revenues	2 266 380	3 372 850	4 748 900	6 331 450	8 389 550
Cash paid to suppliers	369 687	1 180 497	1 662 115	2 209 707	2 936 342
Cash paid to employees	750 000	1 500 000	1 500 000	1 500 000	1 500 000
Benefits	-	-	237 445	315 672	419 477
Other operating costs	331 014	662 028	662 028	486 954	311 880

Income tax paid	-	-	94 470	261 540	474 660
Total expenses	1 450 701	3 342 525	4 156 058	4 773 873	5 642 359
CASH FLOW	815 679	30 325	592 842	1 557 577	2 747 191

(Source: Author's own calculation)

4.4.6. CAPITAL BUDGETING

Table 15: Net cash flow in CZK

ITEMS	2019	2020	2021	2022	2023
Expected revenues	1 056 250	3 372 850	4 748 900	6 313 450	8 389 550
Total revenues	1 056 250	3 372 850	4 748 900	6 313 450	8 389 550
Expected costs	1 450 701	3 342 525	4 156 058	4 773 873	5 642 359
Depreciation	57 440	57 440	57 440	57 440	57 440
Total expenses	1 508 141	3 399 965	4 213 498	4 831 313	5 699 799
Earnings before tax	- 451 891	- 27 115	629 872	1 743 677	3 164 411
Tax base	-	-	629 800	1 743 600	3 164 400
Tax 15%	-	-	94 470	261 540	474 660
Earnings after tax	- 451 891	- 27 115	535 402	1 482 137	2 689 751
Depreciation	57 440	57 440	57 440	57 440	57 440
EAT+depreciation	-394 451	30 325	592 842	1 539 577	2 747 191
NET CASH FLOW	-394 451	30 325	592 842	1 539 577	2 747 191

(Source: Author's own calculation)

Table 16: Cumulative net cash flow

Year	Net Cash Flow	Cumulative Cash Flow
2019	-394 451	-394 451
2020	30 325	-364 126
2021	592 842	228 716
2022	1 539 577	1 768 293
2023	2 747 191	4 515 484

(Source: Author's own calculation)

❖ Payback period

$$PB = a + (b-c)/(d-c)$$

- a – last year when cumulative net cash flow is less than initial investments
- b – initial investments
- c – cumulative cash flows during the year a
- d – cumulative cash flows in year a + 1

$$PB = 3 + (1\,210\,130 - 228\,716) / (1\,768\,293 - 228\,716)$$

$$PB = 3,64 \text{ years}$$

It is seen that the invested amount of money by the owner is going to be returned during the 4th year after starting the business.

❖ Net present value

$$NPV = PVNCF - NINV$$

$$NPV = \sum_{t=1}^n \frac{NCF_t}{(1+k)^t} - NINV$$

- n – project life
- t – year
- k – cost of capital in % (loan interests paid)

Scenario analysis

- *Base case scenario:*

The interest rate in bank, where the owner gets the loan, is set on 6,9%.

$$k = 6,9 \%$$

$$NPV = \frac{-394\,451}{1,069} + \frac{30\,325}{1,143} + \frac{592\,842}{1,222} + \frac{1\,539\,577}{1,306} + \frac{2\,747\,191}{1,396} - 1\,210\,130$$

$$NPV = (-368\,990 + 26\,531 + 485\,141 + 1\,178\,849 + 1\,967\,902) - 1\,210\,130$$

$$NPV = 3\,289\,432 - 1\,210\,130$$

$$NPV = 2\,079\,302 \text{ CZK}$$

$NPV > 0$, in this case the project is profitable and should be implemented.

- *Best case scenario:*

For the best case scenario 'k' will be set on 2,5%.

$k = 2,5\%$

$$\text{NPV} = \frac{-394\,451}{1,025} + \frac{30\,325}{1,051} + \frac{592\,842}{1,076} + \frac{1\,539\,577}{1,104} + \frac{2\,747\,191}{1,131} - 1\,210\,130$$

$$\text{NPV} = (-384\,830 + 28\,853 + 550\,968 + 1\,394\,544 + 2\,428\,992) - 1\,210\,130$$

$$\text{NPV} = 4\,018\,527 - 1\,210\,130$$

$$\text{NPV} = 2\,808\,397 \text{ CZK}$$

$\text{NPV} > 0$, in this case the project is very profitable and should be implemented.

- *Worst case scenario:*

For the worst case scenario ' k ' will be set on 13%.

$k = 13\%$

$$\text{NPV} = \frac{-394\,451}{1,13} + \frac{30\,325}{1,277} + \frac{592\,842}{1,443} + \frac{1\,539\,577}{1,630} + \frac{2\,747\,191}{1,842} - 1\,210\,130$$

$$\text{NPV} = (-349\,071 + 23\,747 + 410\,839 + 944\,525 + 1\,491\,417) - 1\,210\,130$$

$$\text{NPV} = 2\,521\,457 - 1\,210\,130$$

$$\text{NPV} = 1\,311\,327 \text{ CZK}$$

$\text{NPV} > 0$, in this case the project is more or less profitable and should be implemented.

For the best case scenario, the net present value counts as 2 808 397 CZK, while for the worst case scenario, the net present value counts as 1 311 327 CZK. From this scenario analysis, where the interest rate was set on 2,5% and 13% to see how the NPV will be

reacting in case if the World Bank will decide to change it, it's found that the net present value of the project is expected to be between 1 311 327 CZK and 2 808 397 CZK with the most possible result of 2 079 302 CZK.

❖ Internal rate of return

$$r = 6,9\% - 34\%$$

$$IRR_1 = \frac{-394\,451}{1,069} + \frac{30\,325}{1,143} + \frac{592\,842}{1,222} + \frac{1\,539\,577}{1,306} + \frac{2\,747\,191}{1,396} - 1\,210\,130$$

$$IRR_1 = (-368\,990 + 26\,531 + 485\,141 + 1\,178\,849 + 1\,967\,902) - 1\,210\,130$$

$$IRR_1 = 3\,289\,432 - 1\,210\,130$$

$$IRR_1 = 2\,079\,302 \text{ CZK}$$

$$IRR_2 = \frac{-394\,451}{1,34} + \frac{30\,325}{1,796} + \frac{592\,842}{2,406} + \frac{1\,539\,577}{3,224} + \frac{2\,747\,191}{4,32} - 1\,210\,130$$

$$IRR_2 = (-294\,366 + 16\,885 + 246\,401 + 477\,536 + 635\,924) - 1\,210\,130$$

$$IRR_2 = -127\,750 \text{ CZK}$$

$$r = 6,9 + \frac{2\,079\,302}{2\,079\,302 - (-127\,750)} * (34 - 6,9)$$

$$r = 6,9 + 0,94 * 27,1$$

$$r = 32,4\%$$

The internal return of the business is the percentage between costs of capital in the amount of 6,9 % and ideal rate of return in the amount of 34 %. It's clear that the company should get the internal return in the amount of 32,4 %.

❖ Profitability index

$$PI = \frac{3\,289\,432}{1\,210\,130}$$

$$PI = 2,72$$

$PI > 1$, in this case it means that all the money invested in this business is returning 1,72 times. The business is acceptable.

❖ Break-even analysis

$$Q_b = \frac{FC}{P - V}$$

$$Q_1 = \frac{750\,000 + 331\,014}{650 - 227,5} = \frac{1\,081\,014}{422,5} = 2\,558$$

$$Q_2 = \frac{1\,500\,000 + 662\,028}{650 - 227,5} = \frac{2\,162\,028}{422,5} = 5\,117$$

$$Q_3 = \frac{1\,500\,000 + 662\,028}{650 - 227,5} = \frac{2\,162\,028}{422,5} = 5\,117$$

$$Q_4 = \frac{1\,500\,000 + 486\,954}{650 - 227,5} = \frac{1\,986\,954}{422,5} = 4\,702$$

$$Q_5 = \frac{1\,500\,000 + 311\,880}{650 - 227,5} = \frac{1\,811\,880}{422,5} = 4\,288$$

As it is seen from the calculations to reach the break-even point, it is necessary to obtain 2 558 buyers in the first year after starting business, 5 117 buyers in the second and third years, 4 702 buyers in the fourth year and 4 288 buyers in the fifth year.

5. CONCLUSION

A carefully prepared business plan will not only help pave the way for the company, but will also provide guidance for the operation (the essence of the business plan will solve this problem). Potential investors (those who provide capital) almost every day receive many requests for financing risky projects, and therefore it is necessary to provide them with information about the company and its products professionally, in accordance with a specific plan (business plan form). Only a business plan prepared on the basis of the need for information required for the proposed sources of project financing will certainly impress the owners of capital in terms of planning skills. Also, investors will appreciate the overall competence of the head of this company.

After all analyses and researches of the market have been done, it's seen that the potential of success of such kind of a business on the Czech market is steadily growing and people will continue to use such e-shops for buying food products online quite in the future and that consequently will attract more investors and suppliers from abroad.

After using all the financial techniques, such as payback period, profitability index, net present value, internal rate of return and break-even analysis, which are sorely important in financial analysis and can show us, whether business will survive going right through all the obstacles or will collapsed without any chances to recover, the author concludes that analysis proved the business will be profitable and worth being implemented. The payback period gave us the result of 3,64 years, this is quite long time to get all the capital back but still it's going to be returned anyway. After the net present value scenario analysis, it's obvious that in all worst, base and best scenarios, the business has a good opportunity to be implemented, as all the results are positive. The next, profitability index shows that all the money invested will generate 2,72 times of return to the business. Then internal rate of return identifies the percentage between costs of capital in the amount of 6,9 % and ideal rate of return in the amount of 34 %, after the calculations it's seen that the company should get the internal return in the amount of 32,4 % and the break-even analysis approximately shows how much customers the business should have in the first years of operation (2 558 buyers in the first year, 5 117 buyers in the second and third years, 4 702 buyers in the forth year and 4 288 buyers in the fifth year).

Also along with positive results there exist some threats, which can affect the business negatively, such as regular changes in political and economical situations and in international relations between countries, high amount of experienced competitors and emergence of new ambitious ones, and migration of big part of potential customers to other countries with more developed economies. But of course the proper management of the situation and well-worked strategies will give to the project a great chance to survive. On a par with this, the Czech Republic has quite stable political and economical environment, as it has been described in the PEST analysis, so kind reforms like supporting the small businesses, introducing lower fees for simple limited liability companies and reducing the minimum capital requirement create a presentable opportunity for the newly opened company. The socio-cultural and technological environment in the Czech Republic don't yield position as well, the universities have high reputation among European ones, lots of new people with ambitions and potential move here, the Better Life Index is on a high level, and from the research it can be seen that Czechs fairly a lot use the Internet in theirs' daily and working life. The technologies in the CR move swiftly forward.

Making overall conclusions for the thesis, it is needed to say that the whole analysis proved that the exact business plan almost in all parts of the analysis shows positive results and can be undoubtedly implemented into the real life.

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