

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Bachelor Thesis**

**Starting a business in the area of pet supplies**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## BACHELOR THESIS ASSIGNMENT

Ekaterina Vlasova

Economics and Management

Thesis title

**Starting a business in the area of pet supplies**

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### Objectives of thesis

The goal of this work is to evaluate an evolution of pet suppliers market, to create a business plan for a new business start up in this area and also to identify factors that affect this market (both from consumer as well as producer perspective). Propose ways of promoting of a new product on a market for pet supplies.

### Methodology

Analysis of literature is done using methods of extraction, deduction, induction, abstraction.

Practical section makes use of economic-mathematical methods for building a business plan and evaluating efficiency and cost-effectiveness also w.r.t competition (benchmarking).

**The proposed extent of the thesis**

40 pages

**Keywords**

pet supplies, business plan, market, costs, financial plan

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**Recommended information sources**

Barinov, V. Business Planning. Forum 2011, ISBN 978-5-91134-297-5

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Sebastian Yamasaki, Start a Pet and Pet Supplies Store Business, MicJames, 2014

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### **Declaration**

I declare that I have worked on my diploma thesis titled "Starting a business in the area of pet supplies" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 14th March 2016

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**Ekaterina Vlasova**

### **Acknowledgement**

I would like to thank Ing. Petr Procházka, Ph.D., MSc for his patience, valuable comments, advices and support during my work on this thesis.

# Zahájení podnikání v oblasti chovatelských potřeb

## Souhrn

Tato Bakalářská práce prezentuje podnikatelský záměr na pobočku obchodu s obojky s GPS sledovacím zařízením v Praze a České republice. Cílem této práce je vytvořit podnikatelský plán, udělat odhad budoucích příjmů a učinit předpoklad o hospodárnosti nového podnikání v České republice. Tato práce je rozdělena do dvou částí. První část představuje teoretický základ, rozbor literatury o rozvoji podnikatelského záměru. Výsledek rozboru bude základním zdrojem pro analytickou část. Tato analytická část popisuje jednotlivé kroky podnikatelského plánu, pozorování konkurence a analýzu hranice rentability spolu s finančním prognózováním. Začne se s vizí společnosti kde je prezentována spolu se základními informacemi jako je management firmy, umístění nebo cílová skupina zákazníků. Následuje odhad příjmů, zisků a ztrát. A konečně se vypočítají požadované finanční předpovědi a hranice rentability. Závěr obsahuje možné způsoby rozvoje podnikání včetně nových oblastí použití výrobků a případných partnerství.

**Klíčová slova:** chovatelske potreby, zahájení podnikání, marketing, podnikatelský plán

# **Starting a business in the area of pet supplies**

## **Summary**

The aim of this bachelor thesis is to provide a viable business plan for an affiliate model for an online shop with a retail component for the sale of collars with GPS trackers in Prague and Czech Republic. The focus is to create a business plan, with projections of the future revenue that support assumptions of cost-effectiveness as related to new business in the Czech Republic. It is divided into two parts. The first, represents a theoretical background, analysis of the literature about the business plan structuring, which is devoted to be a source for an analytical part. It describes the formulation of the business plan; competitor observation and break even point analysis tangentially tied to financial forecasting. First of all, the vision of the company is presented along with fundamental information such as the management structure of the company, location or target markets. Followed by revenue projections, and a profit and loss statement. Finally, required financial forecasts as well as break-even points are calculated and explained. Conclusion contains possible ways of further business development regarding new fields of product application and possible partnerships.

**Keywords:** business plan, break-even point, starting business, pet supplies

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## **List of Acronyms**

CZK Czech Koruna

PGS Petroleum Geo-Services

USD United States Dollar

TA Target Audience

SLA Service License Agreement

CEO Chief Executive Officer

# 1 Introduction

We live in a world in which people are actively moving from one place to another and technology helps to connect them, why not apply it for the pets? Often it is heard that pets get lost because of a long walks, vacation, or moving. One of the famous and touching stories happened in the USA, Nadya (a cat) was lost by her owners in December in Wisconsin, made 1,1484- mile journey to get home in Florida. It took 2 month for her to go to Florida, where she was happily found by workers of animal shelter. However the owners could avoid this risky trip for the cat and anxious waiting if they had used a GPS collar for their pet. Nowadays the field of pet supplies is actively developing and transforming from the device with a local radius of action to the net service connected with mobile providers. That is why developing such business in Czech Republic (European country) with one of the highest population of dogs and cats per capita - is a great startup for reseller company.

The first part of the thesis is a literature review, which is building a background for the analytical part. It starts with a definitions of marketing and GPS technology and continues with a definition of business plan and its main parts are devoted to evaluating all the sides of the future business, understanding the current market situation and quantifying the necessary expenses. Accordingly to better understand competitors, in a the same market of the Czech Republic analysis was done in order to see the reselling opportunities the market; along with the Russian Federation market as well. We also look on the benchmarking in order to understand how to better represent a new product and give a concept of break-even point analysis in order to evaluate a ratio cost-efficiency a new business.

The analytical part is dedicated to the creation a business plan of “Buddy” company with a e-shop and reselling partnerships with existing pet shop chains. In creating the plan the recommended corporate structure was identified, as well as the necessary expenses and revenue projection for the first year of selling with essential price change structure in order to open a new market according to a certain target group. According to the calculations of monthly cash flow, financial analysis for the profit and loss was determined. Last but not the least based on a previous projections a break even point was counted.

## **2 Objectives and Methodology**

### **2.1 Objectives**

The goal of this thesis is to describe the building of business plan of reselling company “Buddy” in a field of pet supplies. In order to make a research of the market and quantitative observation methodology has been used to identify required data for analysis of competitors and potential target group. In addition to this the internet recourses with a full characteristic of the products for the same market segment were observed.

### **2.2 Methodology**

Analysis of literature is done using methods of extraction, deduction, induction, abstraction. In order to see the cost efficiency the following data was analysed due to financial analysis: calculations of cost of sales, salary of staff members, fixed costs and other variable costs are forecasting, methodology consists only of financial prediction methods and calculations. Based to these calculations, break-even point analyses and profit and loss analysis have been made and shown graphically.

## **3 Literature Review**

### **3.1 Definitions**

#### **3.1.1 Marketing**

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large [7].

Needs.

The initial idea underlying marketing is the idea of human needs. We define need as follows A driver of human action which marketers try to identify, emphasize, and satisfy, and around which promotional efforts are organized And the more it means the person this or that need, the more he experiences [10].

Wants.

The second original idea of marketing is the idea of human wants. The want – is a need that has adopted a specific form in accordance with the level of culture and personality of the individual.

Requirements are expressed in objects that can satisfy the need in a way that is inherent in cultural structure of the society. With the progressive development of society and the growing needs of its members. People are faced with more and more objects, awakening their curiosity, interest and desire. Manufacturers for their part are taking concerted action to stimulate the desire to possess goods. They are trying to form a link between what they produce and the perceived needs of the people. This product is promoted as a means to satisfy one or a number of specific needs. The activity does not create a marketing need, it already exists.

Inquiries

The needs of people are virtually limitless, but the resources to obtain them are limited. So people would choose the products that will bring them the greatest satisfaction within their financial capacity. The request is the need, backed by purchasing power. It is easy to identify the requests of a particular society at a particular time.

However, requests - an indicator of insufficient reliability. People get bored of things, which are now in circulation, and they are looking for variety for the sake of diversity. Changing the selection may be the result of changes in prices or incomes.

Lancaster notes that the good is, in essence, a set of properties with people stopping to choose and obtain those products that provide them the maximum set of benefits for their money.

Man chooses items, based on a set of properties which gives him the greatest satisfaction for his price, taking into account his specific needs and resources.

#### Marketing Management

Marketing is the activity or set set of processes for creating, communicating, delivering, and exchanging offerings that have value for customers. A successful business should manage the marketing process.

Marketing Management - the analysis, planning, implementation, and monitoring of measures. Designed to establish, strengthen, and maintain the beneficial exchanges with target buyers for the sake of achieving certain the objectives of the organization. Such as profit, increased sales volume, increased market share, etc.

In its most popular form a marketing manager appears as an expert seeking as many clients as needed for the transfer of total volume of products produced by a company at that moment. However, this is too-narrow a view of the objectives for this role. The marketing manager is not only engaged in the creation and expansion of demand, but also navigates the challenges of change and sometimes budget cuts. The task of marketing management is to have an impact on the level, timing, and nature of demand in a way that helps the organization to achieve its goals facing ideas.

The organization develops ideas about the desired level of demand for their products. The challenge is to find ways of linking inherent product benefits with natural needs and interests [12].

For the new business there are several types of demand which are important at the beginning.

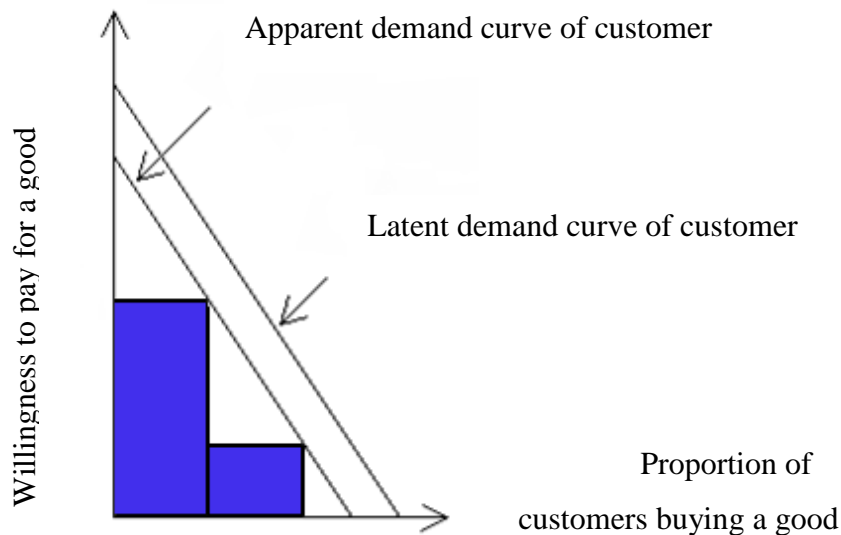
- Latent demand - Many consumers may experience a strong desire that can not be met with the help of commercially available goods or services. There is a large latent demand for cigarettes, safe residential homes, and more fuel-efficient vehicles.

Task marketing - Estimates the potential market and creates effective products and services that can meet the demand.

Majority economic analysis about cost and profit is based on the background of revenue maximization (Adams and Yellen, 1976) [2]. Current contributions in the field of

information goods also emphasize this approach. That is why latent demand curve describes the wish of a customer to pay fair cost instead of a cheap price for a good. (Bakos and Brynjolfsson, 2000) [4].

**Figure 1. Latent demand.**

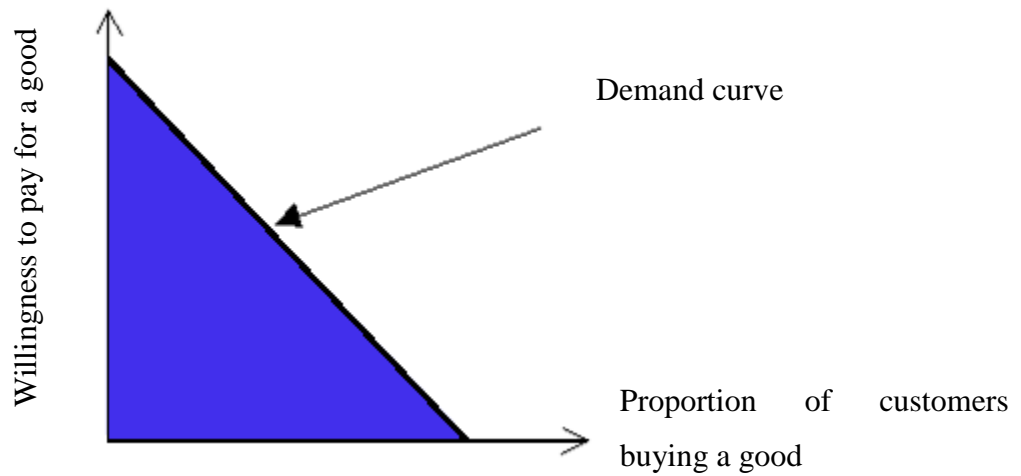


Source: Dedeker, A. (2002). Self-Selection Strategies for Information Goods.

- Irregular demand - Many organizations sales varies on a seasonal, daily and even hourly basis, which causes problems such as under load and overload. Most public transportation is not loaded during the afternoon lull and can not cope with the traffic during peak hours. On weekdays, there are few visitors in museums, but during the weekend exhibit rooms are overcrowded. Earlier in the week, Palestinian hospital operation is able to accommodate all patients, and by week's end resources are less than the need. It is marketing's task to find ways to smooth out fluctuations in the distribution of demand over time with flexible prices, incentives and other methods of motivation.

- Complete demand - When the organization is satisfied with their trade during full demand. Marketing's task is to maintain the current level of demand, despite the changing preferences and increasing competition. While strictly taking care of the quality of goods and services, and constantly measure the level of customer satisfaction [6].

**Figure 2. Demand curve.**



Source: Dedeker, A. (2002). Self-Selection Strategies for Information Goods..

Concepts of marketing management:

There are five main approaches by which commercial organizations conduct their marketing activities:

- the concept of improving production,
- the concept of improving the product,
- the concept of intensification of commercial efforts,
- marketing concept,
- the concept of social-ethical marketing.

The general trend of development is a shift from goods production and commercial efforts on consumers, to increasing focus on consumer issues and social ethics.

### **3.1.2 Technology – GSM**

GSM (Global System for Mobile communications) is an open, digital cellular technology used for transmitting mobile voice and data services [13].

There is frequently confusion between the two tracking systems; GSM (Global System for Mobile communications) and GPS (Global Position System) yet both are very different. Often it's thought that we are equipped with a "Satellite" tracking device because it includes a GPS (Global Position System). The reality is quite different. All tracking system "Satellite" and " GSM " are equipped with an integrated GPS system. GPS works



indeed via a satellite network, however this does not necessarily mean your device will use one satellite network for transmission [19].

### **3.1.3 Business plan necessary elements**

Business plan - is a document that describes all major aspects of business activity and analyzes the main barriers that may face an entrepreneur, and identifies the key paths to overcome these barriers.

It is a mistake to think that a business plan is required only for large enterprises, organizing their business on a large scale. As world practice shows, it is necessary for all types of businesses large or small, to especially carefully analyze your ideas, verify their reasonableness, and reduce the risk of failure. In addition, the business plan needs to represent those who the entrepreneur is going to take money or other property for the project to confirm the realism of the planned business and the ability to repay the loan, the leased property.

Depending on the nature and conditions of activity; the volume of production, the type of product (service), its novelty, etc. will determine the composition and structure of the business plan, which can vary considerably. But the content side should remain constant. As a rule, the business plan includes the following sections: description of the product (service), the evaluation of competitors, marketing strategy, production plan, organizational, financial plan [12].

In order to properly evaluate a business, the future business plan should contain the following points of product description

- a) Name of product.
- i) Purpose and scope.
- c) A concise description of the consumer quality products.
- d) Competitiveness of production
- e) whether the need for licensing production,
- f) The degree of readiness for release and sales
- g) Safety and environmental products.
- i) Terms of delivery and the need for packaging.
- j) Additional warranty and service, of the products after production and sale period.
- k) Questions recyclability.
- l) The development strategy, expansion plans or upgrading the product [21].

The first stage is the most important. If one incorrectly identifies the target audience (TA), it could cost the company dearly; both literally and figuratively. If one tries to convey information to all the groups at once, you get a generic message that does not attract attention, and will not take into account the features of any particular group at all. Therefore, a waste of money and time. The company must be target a particular market, because if it will try to cover all the market segments, it is likely to fail. No firm is able to act and move in all markets at the same time trying to meet the demands of consumers of all categories. The company can succeed only if, and only if it is aimed at a specific target audience that will be interested in a particular marketing program.

Second phase - If we talk about the objectives, the marketing campaign will be considered successful if it had largely accomplished its goals. Obviously, the most common targets of marketing campaigns are:

- Increase brand awareness;
- Informing the TA about the product or service;
- Improving competitiveness;
- TA attract competitors;
- To achieve the propensity of consumers to purchase goods or services of the company;
- Gain the sympathy of consumers towards the brand.

The third stage is the budget. Its definition is one of the most difficult challenges facing marketers. It is often dependent on the industry and sales plans. For example, manufacturers of perfumes, is 30 to 50% of sales, while manufacturers of industrial equipment is from 10 to 20%. [15] Also, a lot depends on how much the company as a whole is allocated to advertising. Most often the advertising budget is planned the next fiscal year, and promotional campaigns that will be carried out, are directly dependent on how much the company is able to allocate these activities.

After determining the budget there is the fourth stage; the choice of means of promotion. There are several:

- Advertising;
- sales promotion;
- PR;
- Personal selling and direct marketing [10].

### **3.1.4 Benchmarking**

Benchmarking (benchmarking) - A mechanism for comparative analysis of the efficiency of the companies with those of other, more successful competitors. Technology study and implementation of best business practices. Benchmarking is a method of study, reflection and use of the experiences of others, which is not a secret.

Types of benchmarking:

Strategic benchmarking is used when the company decides to master new markets or launch a new product. In many sectors of the Russian economy, the market is still unstructured. Analysis of emerging markets forces small businesses to recognize that it is not always possible to develop a successful long-term strategy of the company. Therefore, to identify strategic priorities, it is necessary to study similar structured and mature markets that have developed in other countries, to choose a reasonable analogy and use (creative recycling!) strategies that have proven successful.

Competitive benchmarking

In search of the successful experience for the company, at first all pay attention to the competition. If a competitor chooses your market share, then they might certainly something that works better. Therefore, Russian companies often use competitive benchmarking for comparison of its products and business processes, with the same position of direct competitors [9].

### **3.1.5 Break-even point analysis**

The break-even point in economics is the point at which total cost and total revenue are equal: there is no net loss or gain, and one has "broken even." [20] After this point we can consider that a business in making revenue or loss because of current marketing strategy and management and these results are not depend on the costs at the beginning of the business (such one time payments as building a we-site, purchasing equipment to start a company, firm registration costs).

In order to calculate a break-even point and to see when business will start giving the profit the projection of sales and costs (fix and variable) have to be calculated. According to this data the contribution margin can be calculated. At this point the break-even point can be calculated according to amount of units which we have to sell in order to reach a break-even point and in sales CZK [5].

According to this calculations management of company can make a statement about amount of time which is necessary to cover the costs and start making profit what is highly important for banks (in case of loan) or investors (if the company is started based of side investment).

### **3.2 Models of business**

A business model describes the rationale of how an organization creates, delivers, and captures value. In order to deliver the value proposition to a customer, an interface is needed. The interface is referred to as channels by Osterwalder and Pigneur (2010). The channels could be defined by type: direct or indirect. No matter how the channels are defined and selected, the key is to find the right balance between the channels and integrate them to create a seamless customer experience [17].

Direct sales means going straight to your customer and selling them your product. You can phone the customer, see them face to face or even use email. The communication link between the company and the prospective customer is direct. Direct is also known as B2C or "business to consumer." When engaging in indirect sales, a company uses some type of go-between and does not directly contact the customer. The go-between could be a reseller, a commissioned independent sales agency or even another distributor. Indirect is also known as B2B or business to business [8].

### **3.3 Pet market observation**

#### **3.3.1 Description**

The trend towards pet humanization (pets considered to be true family members) continued in 2014 when owners paid increasing attention to the pets' well-being and sought to provide the best care for them. As a result, this attitude had a positive impact on pet products in terms of rising demand for these products. An increasingly wide range of more sophisticated products on retail shelves [18].

That is why applying a high technology to the common things such as walking with your dog or cat, and not to lose a family member because of an accident in a park or forest. Gone are the days of "Missing" signs for our beloved pets. Gone are the days of endless searches and the fear of not knowing where your cute puppy or cat is. With today's

technology, you can be sure to avoid such a fear-inducing experience by equipping your furry friend with a pet tracker device [1].

In order to reach the goal and not lose a pet, there are several variants that can be used. Pet tracking today uses GPS. Although GPS technology has been around for a few decades, it has only recently become more affordable and available for personal use. By using GPS technology to track or find a missing pet, the chances of finding your pet have significantly improved. Today, it's possible to place a GPS pet trackers on pet collars, so your pet is constantly being tracked if you happen to lose control of the leash or leave the front door open. The GPS tracker can be combined with an application on your phone or personal computer. Rather than spending hours scouring your neighborhood and nearby pet shelters, with the help of a Pet Tracking app (such as pictured below), all you have to do is check your smart phone for an update of their exact location [1]. Another way is to use a microchips, however this way requires the use and help of veterinary and only work in the case the animal was found by other humans. At this point the information from microchip can be easily read by special equipment and the owner will be identified.

Advanced positioning technology, known as GPS (Global Positioning System established and operated by the United States Department of Defense) has penetrated into all areas of our lives. In the embodiment of automotive GPS used to reliably navigate the roads, and as a tourist in nature. It is already commonly built into mobile phones and recently also applied in entertainment, such as the globally operated game Geocaching. Of course, GPS has an irreplaceable role in military use for which it was originally developed. It is necessary for police, paramedics and other professional applications. You can use it accurately, rapidly and reliably detect your position, track cars, people, and now dogs.

### **3.3.2 Participants**

GPS Dog Collars - principles of operation and design

GPS for dogs, unlike the known applications in the cars, tourist GPS, or cell phones in particular, there is no sufficiently simple determination and display of their location. With that, the dog had been really baffled, indeed the information is not addressed to him, but its' master. So accesses is another problem: how to transfer this information from the dog to his owners. This question is not trivial and is addressed in two ways: by radio or via the GSM network. Each has its advantages and disadvantages, and specifies one of the most important characteristics of GPS collars for dogs.

### GPS collars with radio connection

These GPS collars work on the principle of the transmitter (in the collar of the dog) and a receiver (in the hands of his master). Collar at certain intervals, sends information about its location, which is displayed on the screen of the receiver.

On this principle here is a worked example. We previously imported system RoamEO American manufacturer White Bear Technologies (its production performance in Europe was completed). Another example is Unmap GPS brand SportDOG® also an American manufacturer Radio Systems Corporation or NAVIDOG® French company NUM'AXES.

#### Benefits:

The main advantage of this method of communication between the GPS receiver and the collar is the absence of connection fees. It can continuously monitor your dog (that is, of course, with respect to battery capacity, which is always a limiting factor) and not worry about any bills for the connection. The only cost to the user is the purchase price of the device.

Furthermore, there is no need for signal coverage of GSM, and can therefore work well "in the wild".

And usually the setup and operation of the GPS easier.

#### Disadvantages:

The main disadvantage is sometimes insufficient scope, considerably depends on the terrain and terrain obstacles. For example, in the aforementioned article RoamEO is given by the manufacturer accuracy for 1 mile, ie. Just over 1.5 km away. This would be in many cases sufficient, but for precisely this depending on the ground conditions. Our own thorough verification in the field, we found that the impact on the level of direct visibility is ideally closer to double that distance, that is 3 km, from the "hill to hill 'even 6 km or more. But for example in the forest (on a level plane, without undulations, without low-growing plants and at an average density of trees) fell to below 500 m. It is in precisely such demanding conditions such accuracy is needed most.

It is necessary to emphasize that the range of the device is determined objectively both by the physical laws of the propagation of radio waves, and legislative restrictions. All devices of this type (just like electronic training collars, etc.) Operate under clearly

defined technical conditions, which are clearly defined and binding frequency, power and other technical parameters for these devices. They are binding for all manufacturers.

#### GPS collars using a GSM network

These GPS collars utilize existing GSM networks (GSM, originally from the French Groupe Spécial Mobile, the world's most widely used standard for mobile phones). Communication between your dog and you therefore take place (at least technically) as communication between two mobile phones. The GPS collar SIM card is inserted, your dog therefore has their "phone number", where you can call and ask him for his position (or rather the collar over the dog), and on it the same way you communicate, respectively. At certain intervals communicates continuously.

Display options and functionality at all, of course in this case; depends on the specific type of mobile phone, which here becomes part of the system (GPS user generally buys only a GPS collar and a hand-held mobile station uses its own).

This principle is eg. GPS Dog GEODOG® PLUS and PRO GEODOG® German manufacturer Libify GmbH.

#### Benefits:

The main advantage of this solution is unlimited range connection. Where there is GSM coverage (which is in the Czech Republic practically everywhere), the dog can be heard anywhere (even outside Europe) and it is still "in reach". Of course there are "dead spots" for each mobile user tested, but they do exist in the radio link as described above as well. Specifically, when tested in the forest even in the case where the collar is already lost radio connection due to range, without problem it still was communicating by mobile. Moreover, it is a good chance that the dog (unless you are moving) in the next moment comes back within range of a GSM network and again "appears", which in the case of radio communication at long distance obviously does not apply.

#### Disadvantages:

The disadvantage is basically one: Everything costs something. For connection it is necessary to pay for mobile operators. This system therefore probably will not be used for permanent monitoring of the dog, especially when you have it most of the time in sight, but rather only in critical situations where there is an extended period of out of sight and unable to locate or find. Each dog person certainly would agree that in the event of a lost dog, reward money is really no object. Incidentally phone bills with human counterparts

are always several times higher. This disadvantage can usually solve an appropriate program of your mobile operator, thus minimizing the cost per connection.

The settings of these devices is somewhat more complex than for radio communication which are mostly carried out on a computer.

Another common division is by way of representation on maps and GPS Unmap.

#### Mapping GPS

The display handheld receiver unit or a mobile phone, if used as a handheld unit is displayed section of the map and the position of the dog (as well as his master) as a point on the map. An important prerequisite for good actions are naturally good and sufficiently detailed maps.

An example may be eg. GPS Dog GEODOG® PLUS and PRO GEODOG® German manufacturer Libify GmbH.

#### Benefits:

This display is particularly suitable for large distances between dog and owner, for example. First, one can approach by car using the road network and then tracing the ground; is already at a shorter distance. It is also useful in construction and generally in rugged terrain with greater density of landmarks displayed on the map to facilitate locating the dog.

These GPS are generally not showing the current position of the dog, but record and display the route elapsed dog. This can be useful in many cases, e.g. when evaluating a given scan area dog.

#### Disadvantages:

The display area is usually too small to show a sufficiently large section of the map with sufficient detail resolution.

The device is intended primarily for practice and in the field. Dog usually not looking for orientation by street names, but in the field and often in the woods. Map of forest generally look mostly like a large green area with almost no landmarks. If you are on a map drawn forest path, there rarely is agreement between old paths and new ones, resulting in logging, not yet plotted. Point on such a map is really the owners, searching for his dog, not very helpful.

Views on the map are still more complicated than a simple indication of the direction and distance, some people additionally have trouble using the map.



## Unmap GPS

They work with a simple display of relative position with respect to the dog's master. So the dog owner knows at any moment the direction and distance to his dog, which can be used to track and find the pet. Some products also indicate the speed and if necessary the direction of travel.

The display does not show any map, but only a point in the center of the display relative the position of the owner of the dog with a symbol, dog and the appropriate direction as an indication of the distance. Where appropriate, an indication of the speed and direction of motion, so the owner also has information about which direction and how fast the dog moves [3].

Examples are nemapových GPS, SportDOG® American company Radio Systems Corporation, or NAVIDOG® French company NUM'AXES.

### Benefits:

Simple is good. But not true that Unmap GPS is "less perfect" than its' counterpart map. On the contrary, in many cases for they are the appropriate solution. They are simple, clear, easy to use, practical.

### Disadvantages:

For long distance (kilometers, tens of kilometers) it is less practical. The dog's owner needs to see which direction the dog is and how far, but it would be difficult to get to him "through the hills and dales" without the use of a car. But in this kind scenario it presents difficulties.

These GPS typically only determine the relative position of the dog's owner, with no recorded elapsed routes, which are not possible to view and analyze.

### Appreciation

This does not mean that GPS is "best" compared to a radio connection or using a GSM network, whether with map display or no mapping display. Each user has their own needs and ideas, and it's up to their preferences and discretion, which system is most suitable for them. Therefore, there are various solutions that operate side by side. In choosing, it is a bit of luck with a bit of research. It is merely the modest goal of this article to at least contribute a little information to the assist in making the right decision [3].

## **4 Practical Part**

### **4.1 Executive Summary.**

Company “Buddy” is a distributor of obtainable devices: gps collars and trackers for pet stores in Czech Republic and for direct sale to customers via e-shop. Our firm is not only providing the hardware necessary to track the owner’s pet (dog or cat), but we are also providing access to mobile applications as well as promotion codes to mobile SIM providers to receive discounted data plans.

According to different sources in Czech Republic, from 41% to 50% of households have at least one dog or cat. Many of these owners walk their pets in parks and forests, as well many leave cities for a summer time and go to village for the holidays, where unfortunately many pets get lost. Currently some pet owners use implanted chips, but this works only if the dog or cat is found and taken to the veterinary clinic to be scanned and identified. And often times the pet owners are not only worried, but spend a significant amount of time and resources putting up posters and looking for their pet. However, the mission of the company “Buddy” is to help pet owners track their pets and reassure them that their pet can be located at any moment.

Company “Buddy” was founded in Prague (Czech Republic) in 2016. We are using a web-based platform to display the products e-shop with administrative office located in Prague. As well as having several reseller agreements with a pet shops in close proximity to customers homes in order to capitalize on the retail component. Company includes 2 staff members: Chief Executive Officer and one office manager.

The primary product of the company is the collars with GPS locator, with additional services of providing applications and promotion codes for data SIM card plan. In which “Buddy” company will receive a percentage of all data SIM cards sold.

### **4.2 Scope of Business.**

First of all company “Buddy” company is a reseller of collars with GPS locator in Czech Republic. Collar can be bought via an e-shop (web-site) as well as via retail pet stores in Prague, and eventually throughout Czech Republic and other E.U. member states.

Services with a data sim card plan are provided by Mobile operator with a monthly fee. However, as market share increases, “Buddy” company will then negotiate favorable fixed monthly data rates with mobile providers and pre purchase SIM cards, and resell data

plans directly to customers, thereby ensuring a monthly residual revenue stream from the data plans.

Currently there are several companies in Europe which are offering similar devices, but majority of them are using GPS navigation without sim.

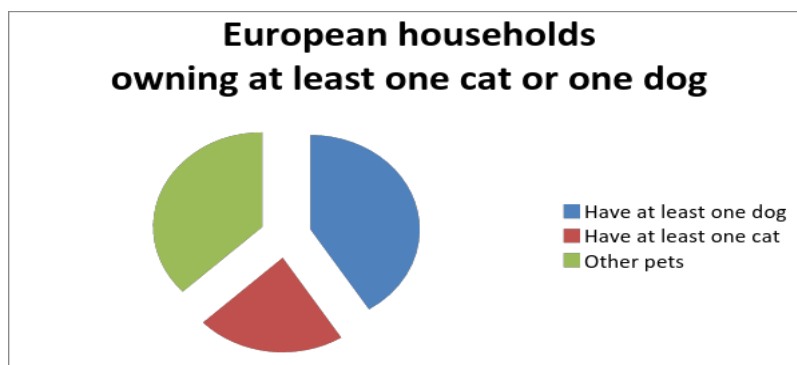
### 4.3 Target Market.

According to the data of FEDIAF report of 2012, the estimated percentage of

European households at least one cat or one dog for Czech Republic is significant. Czech Republic is second in Europe with amount of dogs and cat owners (Figure 3):

- 41% Czech households have at least one dog
- 22% Czech households have at least one cat

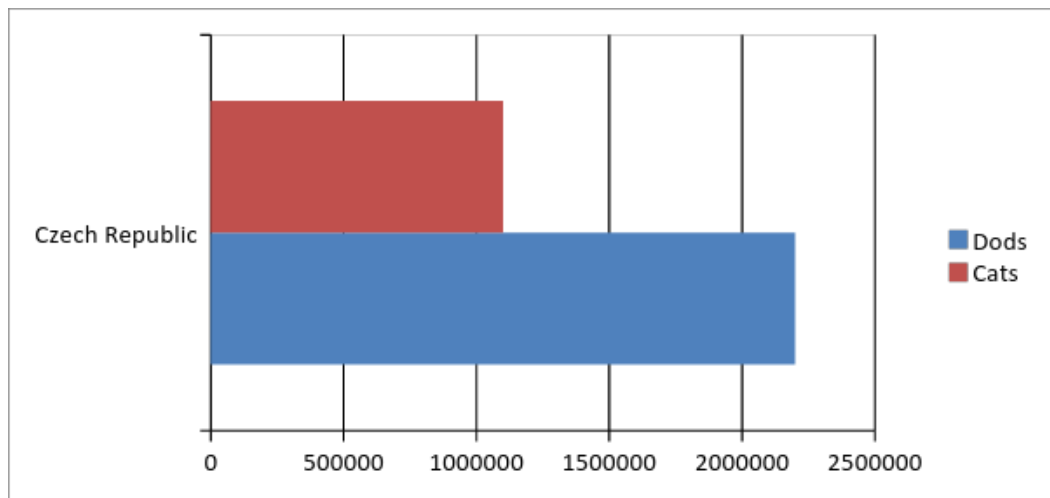
**Figure 3. Ratio of households with dogs or cats.**



Source: own feature.

The amount of dogs registered in 2012 is more than 2 million and cats are more than 1 million of pets. The number can be shown in Figure 4.

**Figure 4. Amount of cats and dogs in units.**



Source: own feature.

In order to compare see a picture on European market we decided to compare prices and models of collars in the Czech Republic and Russian Federation in order to see the price differences and an opportunity to build a reselling company and create a target group according to income.

Czech Republic market:

1) Pod 2 GPS + WiFi Pet Tracker.

The official web site: [www.podtrackers.com](http://www.podtrackers.com)

Pod is designed to attach to any size collar and lets you locate your pet on demand, monitor their activity and record adventures on your smartphone or computer. Pod runs on the 2G cell network

Price: USD 199

2) The GPS collar created for dogs from Weenect

The official web site: [www.weenect.com](http://www.weenect.com)

The Weenect Pets GPS collar for dogs is waterproof and holds up when dropped more than 3 feet. To find your lost dog, there are three tracking methods: Map, Compass and Augmented Reality (augmented reality lets you see where your dog is using your phone's camera).

Price: USD 139

3) Nuzzle GPS collars for dogs

The official web site: [www.hellonuzzle.com](http://www.hellonuzzle.com)

This smart collar will keep you up to date with what your pet is doing throughout the day using GPS, Bluetooth and an activity tracker. Various factors such as temperature can be monitored using the dedicated app and you can even add multiple pets. You can also set up a “geofence” so that you get notified if your pet wanders off. Unlike some other animal trackers, there are no subscription fees.

Price: USD 149

#### 4) Whistle GPS Pet Tracker

The official web site: [www.whistle.com](http://www.whistle.com)

Whistle GPS Pet Tracker attaches to your pet's collar, allowing you to locate your pet in real-time and track their daily activity on your phone.

Price: USD 79.95 ( Price does not include additional devices and a Plan for month USD9.95- USD 6.95 per month)

Russian Federation market:

#### 1) X-Pet

The official web site: [www.gdemoi.ru](http://www.gdemoi.ru)

X-Pet has two search modes, which can be switched remotely:

«LBS» (approximate) - for cellular base stations. Accuracy in the city of about 300-500 meters, economically consumes battery

«GPS» (precision) - the signals of satellite navigation. It ensures accuracy of 5-10 meters, and is usually used, if the animal is lost.

Price: USD 85 (Price does not include a Plan for month USD 2 - USD 3.92 per month)

#### 2) GPS trackers MODEL MI-G6

The official web site: <http://www.elpet.ru>

MI-G6 runs on the 2G cell network.

Price: USD 85 (Price does not include a SIM card plan)

#### 3) Electronic collar GARMIN TT 10

The official web site: <http://www.prizel.ru>

Standard collar in complete set for GPS navigator Alpha 100, designed to track and train your dog. It consists of a radio module, transmitting data on the head unit and a small GPS receiver task - track location.

Price: USD 299

#### 4) Auroramobile

The official web site: <http://www.auroramobile.ru>

Collar is using a SIM card of MTS-mobile company. As a partnership between two companies MTS clients have 24 hours access to a free application, and Auroramobile have 10% up sale every month [11].

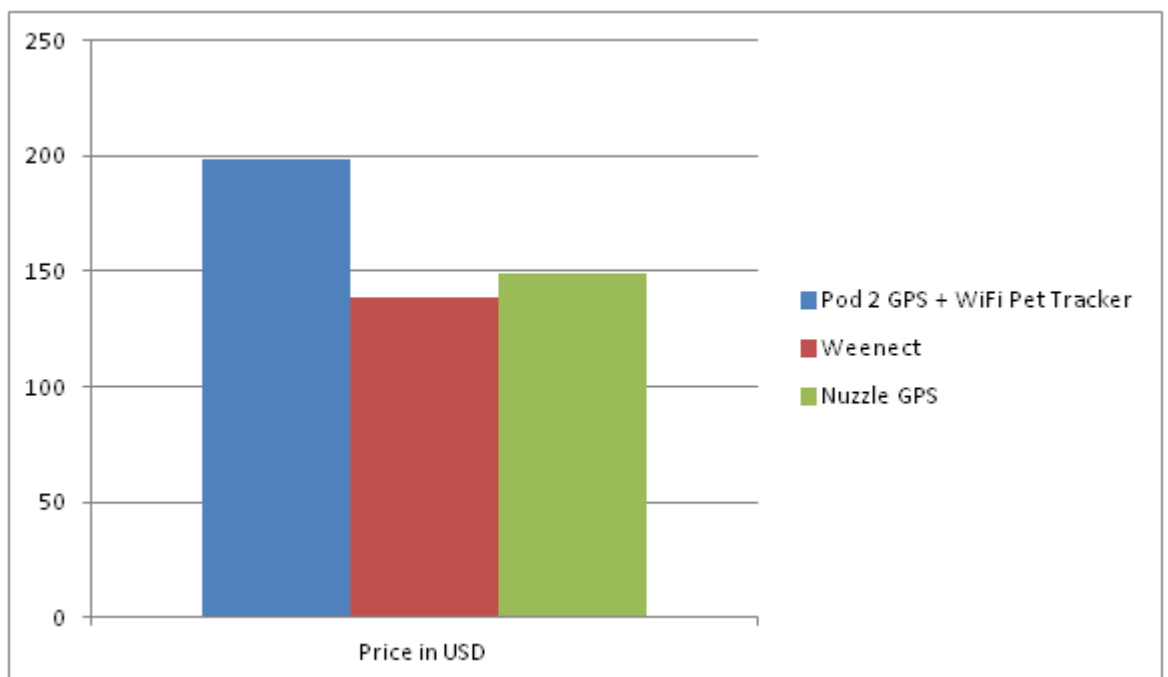
Price: USD 85

Czech Republic market:

- 1) Pod 2 GPS + WiFi Pet Tracker.
- 2) The GPS collar created for dogs from Weenect
- 3) Nuzzle GPS collars for dogs

The price comparison can be shown with a Figure 5.

**Figure 5. Price comparison.**



Source: own feature.

According to the data a primary target group includes dogs/cats owners with a middle income 20,000 CZK and more. This is a target group for direct selling.

The secondary targeted group includes veterinary specialists. Promotion in this sector will increase compliance of specialist and they are more likely recommend such collars for tracking pets instead of using implanted chip.

#### **4.4 Structure of firm.**

##### **4.4.1 Online store**

The web site e-shop provides customer with more information about products and services:

- Collars/ harnesses
- GPS trackers
- Mobile application
- Data SIM Promotion codes with fixed rates.

Additional information about partners such as mobile providers and additional suppliers will be included to the web page with a banners and pop-up windows, as an additional revenue channel from marketing. The partnership agreement with pet store chains contains statement about co promotion and the partnership agreement with mobile companies should include the monthly fee for the advertisement according to amount of clicks.

##### **Back office management**

A back office management includes a management of purchases from incoming channels such web-forms, requests from the pet-stores, online purchases, and outbound activity: active searching for the potential partners among the pet shops, active informing veterinarian specialist about opportunities and benefits of using a collar instead of implanted chips, free samples will be made available for veterinarians, as well as participation in conferences.

For start up, 2 staff members are needed to start up the company: CEO with a responsibility of making outbound activities and an office manager with responsibilities of covering customer care services on a daily basis and management of incoming channels.

Service license agreement (SLA) with a company which is providing us with a customer service at nighttime and weekends and with a company supported web-sites: updates of the software, fixing the system errors. The necessary SLA is an accounting or a

bookkeeping support by external specialists. The adjustments and financial analysis have to be done on a monthly basis.

#### Payment Provider

Currently, “Buddy” company will use Dotpay to manage all inbound payments through the the e-shop. Card payments are a very popular, simple, and convenient way to pay. It allows accepting payment cards issued in Czech Republic, as well as abroad. Additional security guarantees safety of such transactions, and the number of people using this method of payment is growing. The service consists of full integration of the payment process in the online shop with the banking system. When finalising the purchase, all transfer data is completed automatically, and its editing is locked. This way the buyer does not have to manually enter the amount or the order number, the account number, the name of the shop and other data required to make a payment, and therefore errors are eliminated.

#### Marketing

According to the information from State of Pipeline Marketing report published in 2015 by Bizible some marketing tools have more impact on the revenue then another according to the industry (Figure 6).

That is why the best marketing tools for the e-shop with a technical equipment for the pets will be:

- content management

Demonstration the full functionality of the device on the web-site including demo video and all the technical characteristics. Updates in articles for the veterinarian clinics and pet shops with the information about “Buddy” GPS tracker.

- conference participation

Conferences for the veterinarians and pet shop owners (such as Global Pet Expo or SuperZoo)with a presentation of the “Buddy” collar.

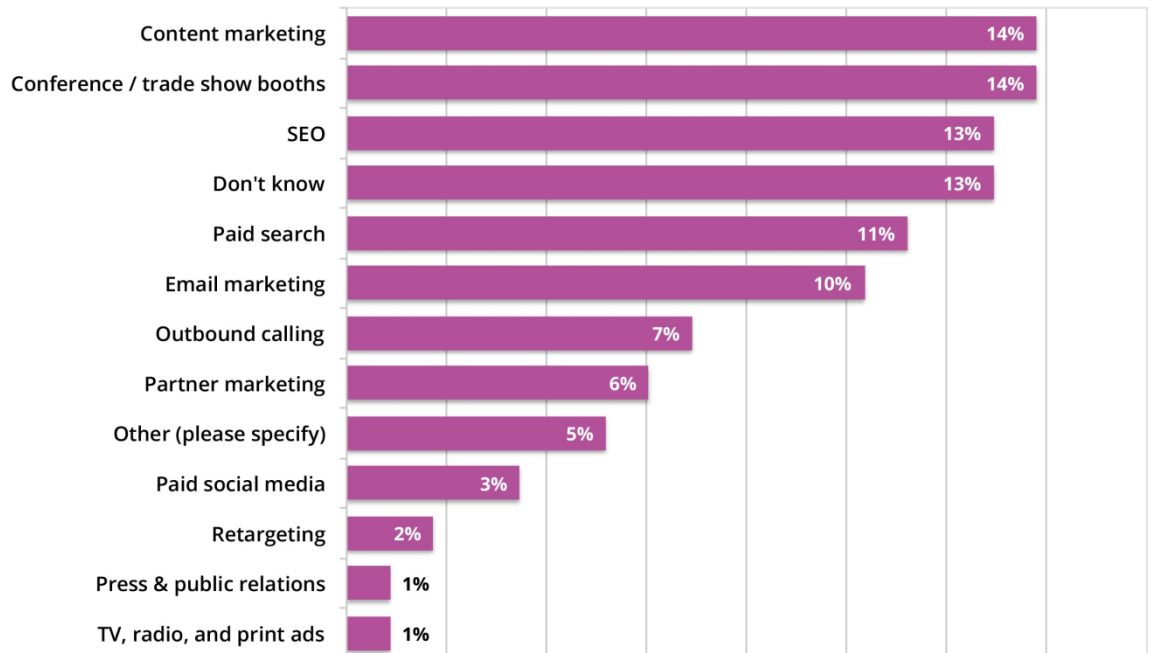
- SEO

Contract for SLA at the same time reposts will be visible in social media channels as well as specific forums for the pet owners.



**Figure 6. Impact on revenue by marketing activity**

### Marketing Activity With The Greatest Impact On Revenue (Technology and SaaS)



Source: Scherer, F. (2009)

#### Branding

In order to make a brand more well known we decided to create a simple logo with a black dog. The logo is obligatory appear on all the products and the web-site. To make it more common for the customer and a veterinarian specialist we can create a conference merchandising: t-shirts, pens, bags with a logo.

#### Human Resources

At the beginning we can have even 2 staff members and SLA. CEO and an office manager is having the majority of responsibilities in a backoffice. According to a growing client database we will higher wore people with a differentiation of their responsibilities: marketing manager, sales department, key account manager, customer service.

#### Shipping

The shipping of the product from abroad includes the cost of shipping and VAT (20% for the Czech Republic).

The shipping goods to the customer within an Czech Republic can be done with a service of Czech Post Office. The cost depends on amount of purchasing.

In case customer would like to bring the collar by himself the good can be delivered to the nearest pet shop and prepared for the customer.

#### Accounting Bookkeeping

According to the czech law (563/1991 Sb. O účetnictví, 500/2002 Sb. O účetnictví, ve znění pozdějších předpisů, pro účetní jednotky, které jsou podnikateli účtujícími v soustavě podvojného účetnictví) maintain accounting records are required only economic actors. These include, in particular, includes all:

- a) legal entities located in the territory of the Czech Republic;
- b) foreign legal entities and foreign operations, which are in accordance with the law regulating their establishment or institution, are economic entities, or are required to maintain accounting if the Czech Republic engaged in entrepreneurial activity or other activity according to special normative legal acts;
- c) natural persons who are registered as entrepreneurs in the commercial register;
- d) Other individuals - entrepreneurs whose turnover during the immediately preceding calendar year has exceeded 25 million. CZK \$, as well as other persons who maintain accounting records on their own or to which the duty to maintain accounting imposes a special law.

The law "On the auditors' primarily regulates the status and activities of the auditors and determine the terms of the engagement.

Entrepreneurs can pass freelance management organization as part of the accounting (eg, office of wages), and the entire accounting.

According to the last updates from the Ministry of finance of Czech Republic there are standard requirements to financial statements obligated to be matched.

The financial statements are an indivisible whole and includes a balance sheet, profit and loss, as well as the cash flow statement or statement of changes in equity. The financial statements are prepared by the reporting date. Economic entities that are subject to statutory audit, and make annual reports. Financial statements and annual reports are published in the Trade Register. Economic operators are required to keep financial

statements and annual reports for 10 years, since the end of the reporting period to which they relate.

In case of SLA the complex accounting service includes:

- Cash and bank accounts
- Maintenance of balance sheet accounts
- Main book
- Conducting tax and other documents
- Accounting long-term assets
- Accounting of wages:
- Payroll
- Preparation of monthly reports to the bodies of social and healthcare provision
- Advice on taxes, communication with tax authorities, social and health authorities to ensure

#### **4.4.2 Affiliate Distributorship**

Marketing

The marketing for the pet shops includes mainly distributing the merchandizing materials: posters in the shops, additional information in a shop magazines to inform customers about GPS collars, consultation of the pet owners and workers about functionality in order to provide the customers with recommendations for purchasing.

Shipping

The shipping of the products from the main stock can be done with a czech post.

Human Resources

The main deal with a partnerships between “Buddy” company and pet store chains is a responsibility of SEO. The routine work with a orders and shipping is a responsibility of office manager.

#### **4.5 Revenue Projections.**

In order to project a client base it is necessary to count the client expenditures for our product:

**Table 1. Expenditures for one household.**

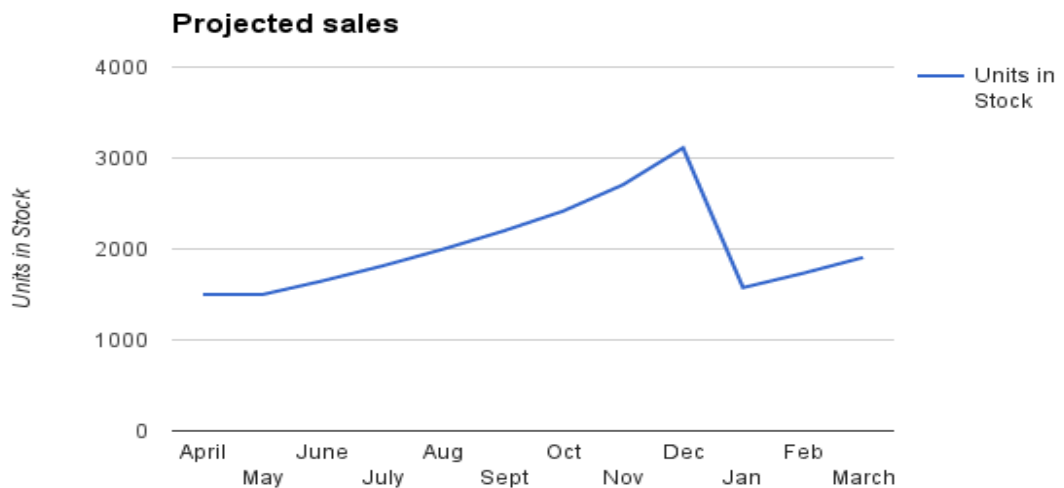
Name of product/Service	Cost (CZK)
GPS collar	2,381
Sim card plan (year)	3,600
Total (per year)	5,981

Source: own feature.

According to the statistic data from penize.cz the average budget for the cat or dog is from 500 CZK to 2,000 CZK per month. The first year of payment for our customers a little bit higher than a projected sim card plan (300 CZK per month) because of the initial cost of the collar with a GPS collar. However the cost of the tracker is affordable for the targeting group of customers.

According to the number of the potential customers households with at least one dog or a cat we can say that in a first month about 0.05% from the total population can make a purchase (1,500 customers) through the online payment gate and pet stores.

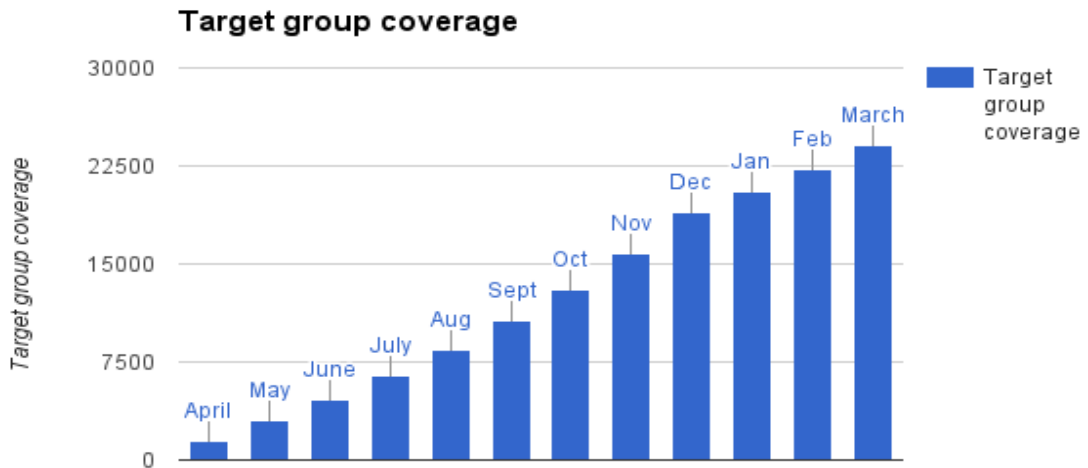
**Figure 7. Projected sales in units.**



Source: own feature.

For the first 3 month a projected trend will be kept as 1,500 purchases per month as a goal, however to the end of the year we are planning to increase the selling to the 0.7% of total population.

**Figure 8. Coverage of target group.**

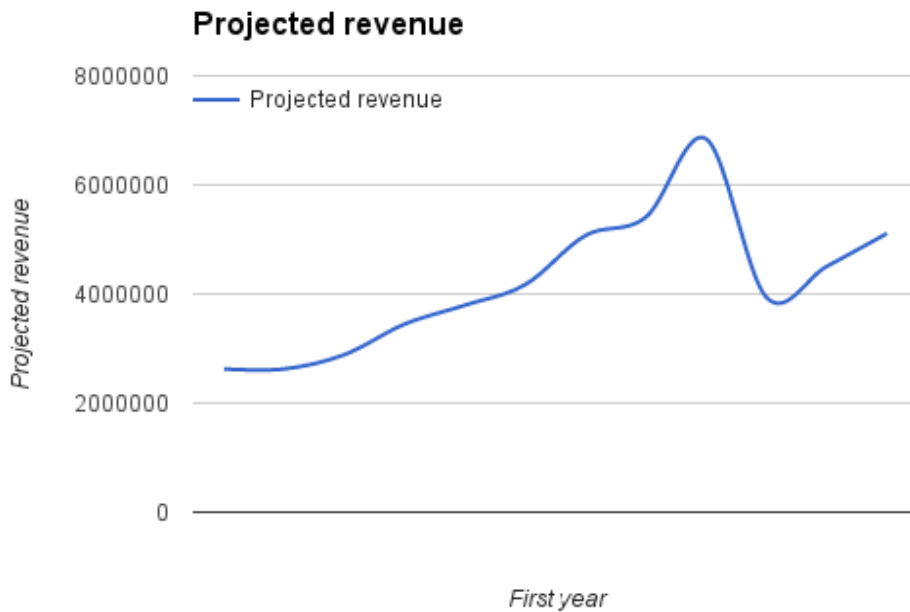


Source: own feature.

It is important to see what the revenue will be made by sales in units, because if the price difference the level of revenue will be more smooth comparing with a strict prices. In the currency equivalent (CZK) can be shown with a figure 9.

The pricing structure is changed in order to attract the customer. The beginning of the year of selling we have to significantly decrease the price in order to introduce the product to the customer, according to the month of starting business (April) we are focusing on those potential customers which are preparing for the vacation with their pets. Then we can see slow growth during the summer months, because target group still traveling and taking pets with them. During fall and especially months before Christmas holidays sales go up which is increasing projected revenue significantly (Figure 9). In the first months of the new year it is obvious decrease of amount of sales, which is partially compensated by increasing the price.

**Figure 9. Coverage of target group in CZK.**



Source: own feature.

#### 4.6 Profit and Loss.

We decided to separate fixed costs, majority of them will be paid at the beginning of the starting business, that is why we have to take a bank loan and the variable costs which depends on amount of projected sales and amount of employees in a “Buddy” company. In order to cover the initial costs of the company me took a Bank loan with an interest 7% for 5 years (2,500,000 CZK) the annual month payment is 49,503 CZK.

**Table 2. Fixed costs.**

Name of cost	Commentery	Amount in CZK
Website /E-Shop Development		80,000
Branding	Logo Creation & Graphics for web page	30,000
Company Registration		29,000
Server Space		80,000
PC+Printer		80,000
Motor Vehicle		135,000

Accounting		50,000
Advertising		720,000
Equipment Rental		50,000
Insurance		72,000
Interest	7% on the bank financing	470,180
Motor Vehicle	Petrol + insurance	46,100
Office Supplies		20,000
Postage & Printing		376,737
Rent		240,000
Repairs and Maintenance		30,000
SEO	Marketing - 3rd party provider	84,000
SLA	Service license agreement for online portal	80,000
Server Maintenance		20,000
Subscriptions		120,000
Telephones		12,000
Training / Seminars		30,000
Utilities	Electric / Gas / Water / Waste	36,000
Wages & HR		1,080,000

Source: own feature.

Total fixed costs: 3,971,017 CZK

**Table 3. Variable costs for 1st year.**

Name of cost	Comment (if necessary)	Amount in CZK
Goods		24,104,827
Bank Charges	Includes payment gate provider and transaction fee(0,5% in average)	2,521,363

Source: own feature.

Total variable costs for the first fiscal year: 26,626,190 CZK

In order to order to count break even point we need to project a revenue for the first year. Based on it we can count the costs of goods for the first year and see our profit and lost for each quarter.

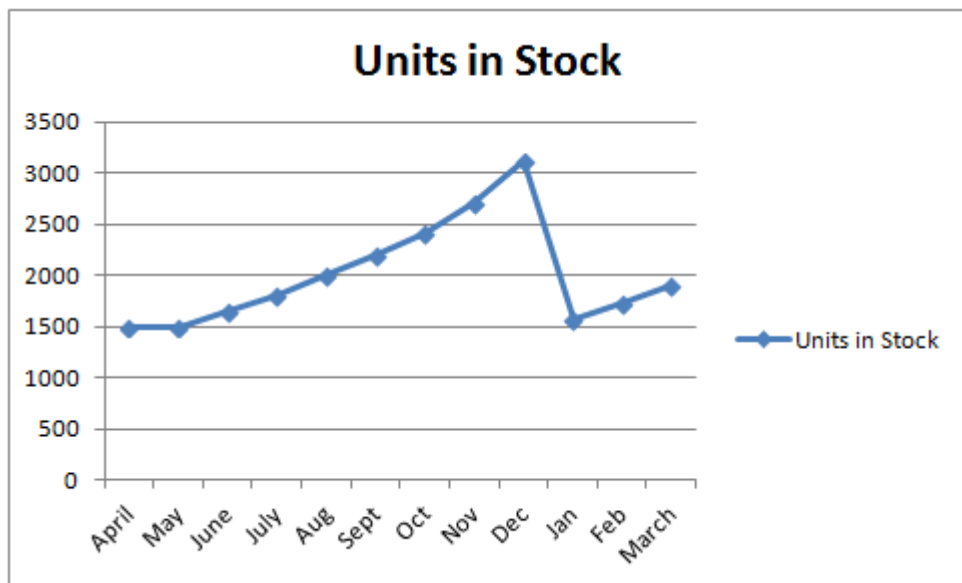
**Table 4. Projection for the first year according to the quarters.**

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Units in Stock	4,650	6,008	8,233	5,213
Cost / CZK / Quarter	4,650,000	6,007,650	8,232,927	5,213,250
Projected Revenue from Sale of Stock / CZK	8,137,500	11,414,535	17,323,915	13,551,316
Transactional Fees / CZK	406,875	570,727	866,196	677,566
VAT 20% from revenue / CZK	1,627,500	2,282,907	3,464,783	2,710,263
Standard Corporate Tax Rate (19%)	276,094	485,118	904,402	940,545
Net Profit / CZK	1,177,031	2,068,134	3,855,607	4,009,692

Source: own feature.

In order to see how the projected revenue will be changed according to the month, we can take a look on figure 10.

**Figure 10. Monthly change of projected sale.**

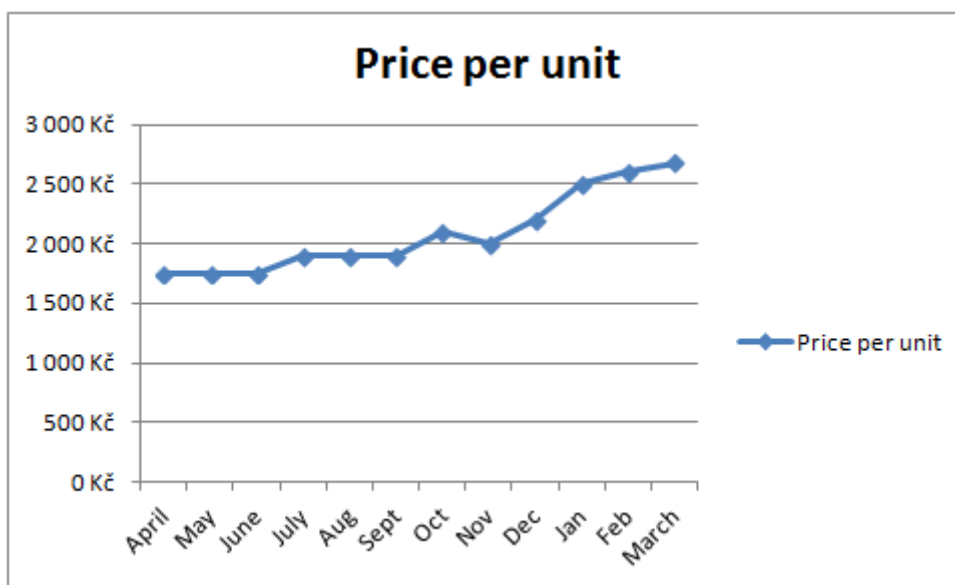


Source: own feature.



The projected amount of units in stock for sale is growing from spring, when we start selling the products, till the end of year (period of the highest purchasing activity of the customers before the Christmas and a New Year Holidays). In order to maximise the revenue till the first year and at the same time popularize product from the beginning of business we have to decrease the prices at the beginning and increase those till the end of year. That is why we start sales with a price 1,750 CZK per device and increasing the price to 2,681 CZK per device to the end of the year.

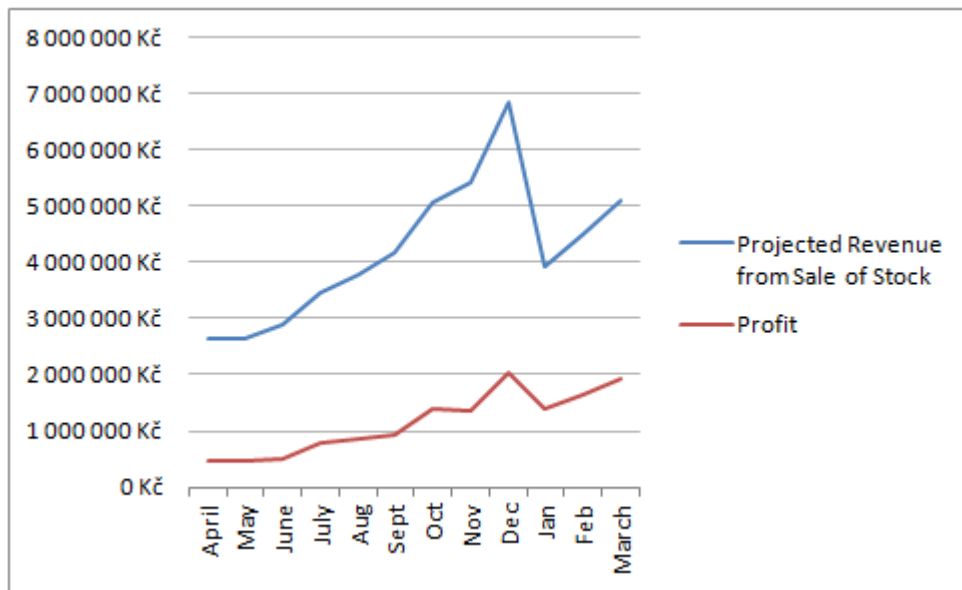
**Figure 11. Monthly change of price per unit.**



Source: own feature.

As a result of compensation of the low price at the beginning of the year with the higher purchasing activity and increasing of the price in a season of the low purchasing activity but after the brand building we can expect the following revenue (Figure 12).

**Figure 12. Monthly change of revenue and profit.**



Source: own feature.

According to the projection it is visible that in January demand is dropping however because of increasing the price we can correct decreasing of revenue and double the revenue comparing with starting period for the business.

After making a projection it is possible to project a break even point.

#### **4.7 Break-even point analysis**

It is very important to use a term contribution margin in break-even point a analysis [5]. In a format of equation it can be defined as follows:

$$\text{Contribution margin} = \text{Revenues} - \text{Variable Expenses}$$

Contribution margin (Collar “Buddy:) in average per month:

$$4,189,546 \text{ CZK} - 3,276,400 \text{ CZK} = 913,146 \text{ CZK}$$

However contribution margin is changing every month and the difference is shown on a Figure 13.

The contribution margin can be also counted for one unit of product:

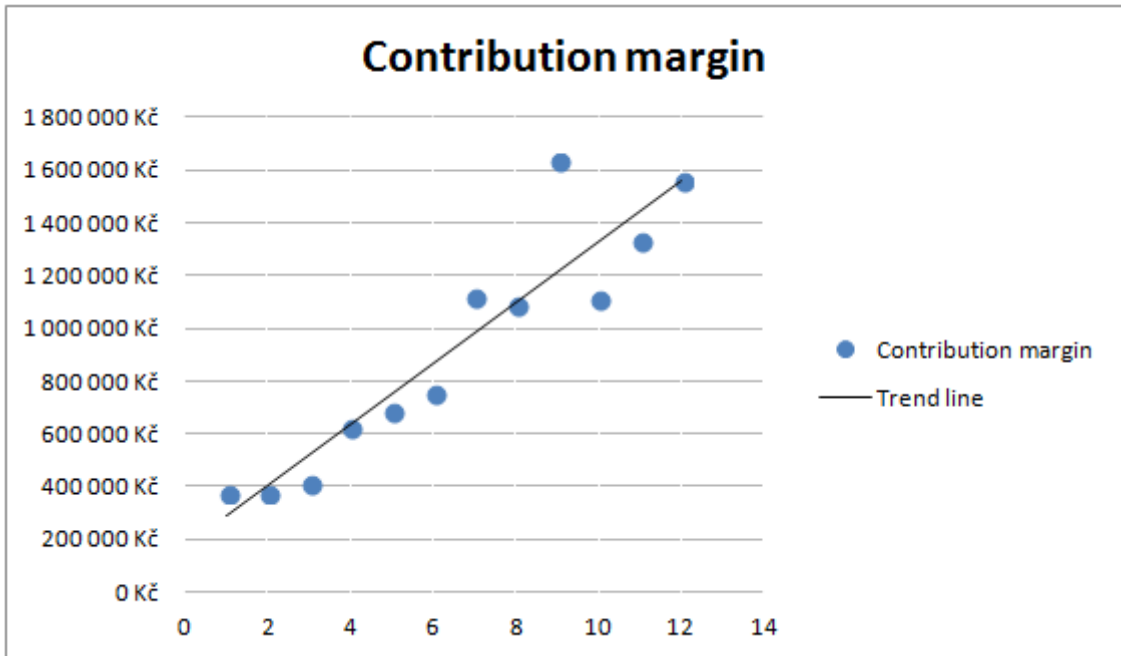
$$\text{Contribution margin per unit} = \text{Revenues per unit} - \text{Variable Expenses per unit}$$

In case of contribution margin per unit:

$$1,086 \text{ CZK} - 1,629 \text{ CZK} = 457 \text{ CZK}$$

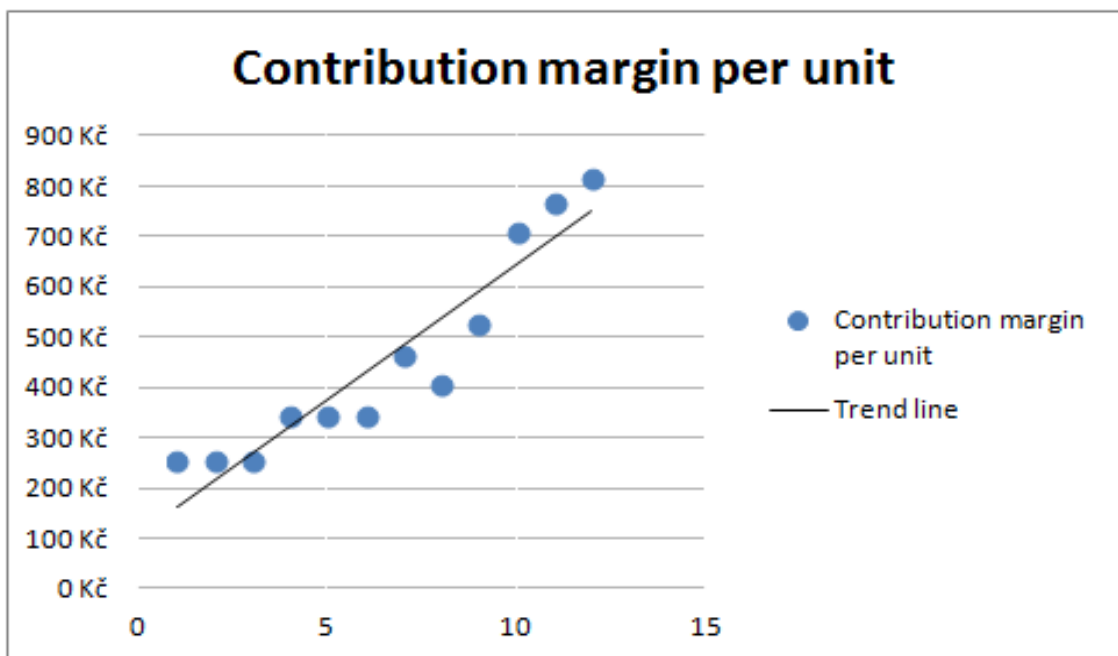
Because of the changing pricing structure during a first year contribution margin per unit has differences which shown on Figure 14.

**Figure 13. Contribution margin per month.**



Source: own feature.

**Figure 14. Contribution margin per unit.**



Source: own feature.

The break-even point in units for “Buddy” company. is the number of collars it needs to service in order to cover the company's fixed and variable expenses [5]. The break-even point formula is to divide the total amount of fixed costs by the contribution margin per collar:

$$\text{Break-even point} = \text{Fixed costs} / \text{Contribution margin per collar (average)}$$

$$3,971,017 \text{ CZK} / 475 \text{ CZK} = 8,361 \text{ unit}$$

The contribution margin is changing each month because of changing of prices. That is why in order to understand when a business will go through the break even point we need to count amount of units per each month.

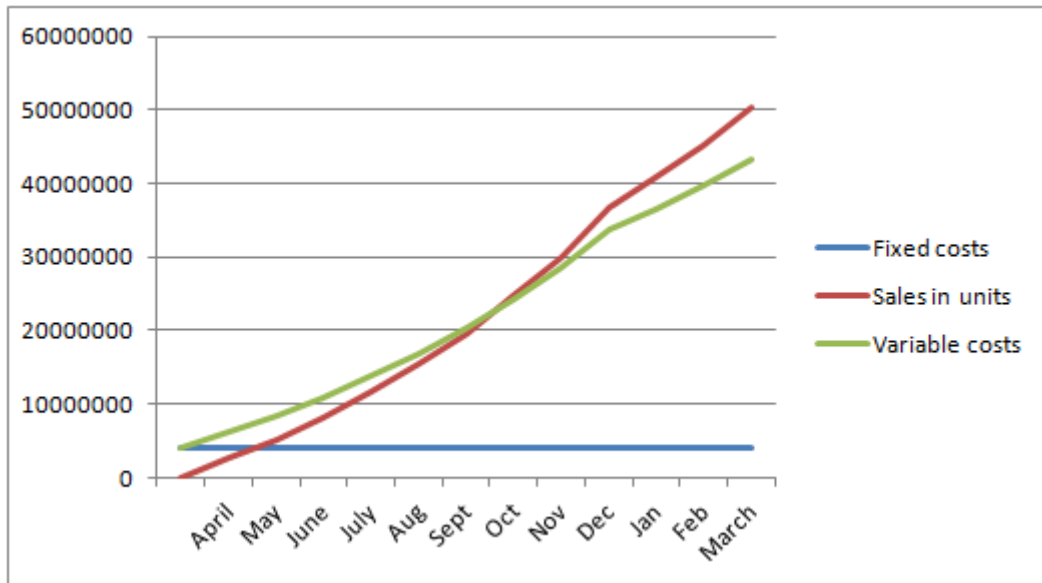
**Table 5. Break-even point with a pricing changes.**

Month	Contribution margin per unit	Break-even point	Units sold	Units left
April	253,13	15688	1500	14188
May	253,13	15688	1500	12688
June	253,13	15688	1650	11038
July	344,25	11535	1815	9223
August	344,25	11535	1997	7226
September	344,25	11535	2196	5030
October	465,75	8526	2416	2615
November	404,39	9820	2706	-91
December	525,89	7551	3112	-3203
January	708,75	5603	1575	-4778
February	769,50	5161	1733	-6510
March	818,71	4850	1906	-8416

Source: own feature.

Break-even point can also be indicated by graphing. Graph below is a graph for a projection of revenue of the “Buddy” company.

**Figure 15. Break-even point.**



Source: own feature.

The break-even point which is appear on a graph (Figure 15) depends on the amount of collars sold – the results of calculations is shown in table 5, but for better understanding of the time frame of the break-even point appearance the graph (Figure 15) contains the axe with months.

As it shown o a graph break-even point is located in a third quarter of the first year after starting business around October and November which is matching our previous calculations.

#### Break-even Point In Sales Czech Koruna

One can determine the break-even point in sales Czech Koruna (instead of units) by dividing the company's total fixed expenses by the contribution margin ratio.

The contribution margin ratio is the contribution margin divided by sales (revenues) The ratio can be calculated using “Buddy” company totals or per unit amounts. We will compute the contribution margin ratio for the “Buddy” company by using its per unit amounts (average):

$$\text{Contribution margin per collar} = \text{sale per collar} - \text{variable expenses per collar}$$

$$2,086 \text{ CZK} - 1,629 \text{ CZK} = 457 \text{ CZK}$$

$$\text{Contribution margin Ratio} = \text{Contribution Margin} / \text{Revenue from sales}$$

$$\text{Contribution margin Ratio} = 457 \text{ CZK} / 2,086 \text{ CZK} = 0.22$$

$$\text{Contribution margin Ratio} = 22\%$$

The break-even point in sales Czech Koruna for “Buddy” company is:

The break-even point in sales Czech Koruna = Total fixed expenses / Contribution margin Ratio

The break-even point in sales Czech Koruna =

$$3,971,017 \text{ CZK} / 0.22 = 17,079,466 \text{ CZK}$$

The break-even point of 17,079,466 CZK of sales per year can be verified by referring back to the break-even point in units. Recall there were 8,361 units necessary to break-even. At \$24 per unit the necessary sales in dollars would be 17,441,046 CZK (the slight variation is caused by rounding up).

In order to make calculations more accurate we can divide the calculations for smaller periods such as months.

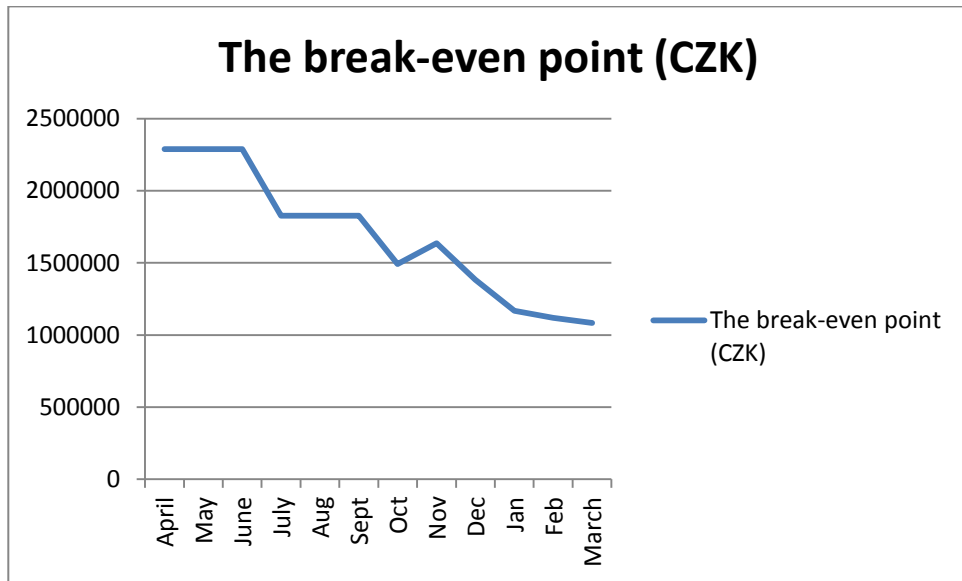
**Table 6. Contribution margin Ratio per month.**

Month	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Contribution margin per unit (CZK)	253.1 3	253.1 3	253.1 3	344.2 5	344.2 5	344.2 5	465.7 5	404.3 9	525.8 9	708.7 5	769.5 0	818.7 1
Price per unit (CZK)	1750	1750	1750	1900	1900	1900	2100	1999	2199	2500	2600	2681
Contribution margin Ratio	14%	14%	14%	18%	18%	18%	22%	20%	24%	28%	30%	31%

Source: own feature.

According to a growing contribution margin ratio the value of break-even point in sales Czech Koruna is going down to the end of the year. It is explainable with growing pricing structure in order to do from the promo price to the normal pricing structure.

**Figure 16. Break-even point (CZK) per month.**



Source: own feature.

As it is shown on a graph (Figure 16) in case we would have the same price 2,681CZK from the beginning of sales we could achieve the break-even point faster. However “Buddy” company is a new company on a market that is why in order to build a brand and trust of the customers we have to sacrifice and make a price lower even we do not project a big amount of sales in units.

## 5 Results and Discussion

According to the practical part the following results were achieved:

1. The market of the pet supplies was analyzed according to the specific product – collar with GPS tracker. Based on the information from the market the business plan of “Buddy” company was created.

2. Expenses were calculated on the today average costs in Prague Czech Republic.

3. Revenue was projected for the first year of company, with an eye on future growth in the 2<sup>nd</sup> year.

4. According to the projections break-even point was calculated.

Based on current prices for the services we have calculated that fixed costs for the first year will exceed 3,971,017 CZK and a variable cost – 26,626,190 CZK. Those numbers includes a bank loan and a bank interest. Based on it we tried to evaluate if it can be cost effective to resell the collars with GPS trackers in Czech Republic as in a country with a one of the highest population of pets in Europe.

The primary focus of the business plan was a profit of the company. The changing of the revenue is shown on a figure 12, as we can see profit per month is growing though the first year, however we have stagnation during summer month and groping of the profit in January. It is obvious that profit depends on amount of sales but copying the main trend of the projected revenue from sales graph. The same picture we can see on the graph of the trend of contribution margin (Figure 13).

As it is visible from the calculation company “Buddy” exceeds the break-even point in the third quarter or the company existence. This forecast is becoming real a reality with the changing of the price structure, which is helping penetration a new product to the market of pet supplies. A lower price at the beginning is set to attract more attention of the potential customers that will help with a brand building. The price is increasing during the first year in order to exceed a planned value of 2,681 CZK to the beginning or the second year of selling. But the highest value of selling is still stay in November as a month when a lot of target customers purchasing products because of future holidays.

The third quarter contains a break-even point with amount of 8,361 sales units of collars. To ensure the case of the standard price 2,681 CZK per collar is paid instead of start price of 1,750 CZK per collar break-even point would be achieved much faster. The dynamic of the correlation between amount of units needed to reach a break-even point and



price is shown on a figure 16. But we have also count amount of sales, and that is why in order to increase the amount of customers who might be interested in GPS collars it is necessary to market the product with a lower price.

Of course such a company as “Buddy” can’t be based only on one product, that is why in future it is more effective to use more products for selling in order to make a cash flow and growing the revenue more efficiently during a year. That is why the potential partnerships has to be developed: partnership with designer agencies in order to make more attractive models of collars, partnership with social services in order to make a devices more well-known and supported by government.

## 6 Conclusion

The primary goal of the bachelor thesis was to explore the tools of the building a new business and analyze the market of the pet supplies in order to penetrate a market with a new product, based on the literature review create a business plan with a revenue projection which can be applicable to getting finance from the bank organization or from the investors.

Nowadays the situation on the pet supplies market of Czech republic shows that there are several different types of collars with GPS tracking, however the majority of them are expensive and depends on one devise. That is why there is a potential place for popularization more cost effective GPS trackers collars with a partnership with a mobile company in order to use a any mobile phone as a devise for tracking.

The goal of the “Buddy” company to popularize using GPS collars and cover the initial cost in a first year of the reselling collars in Czech Republic. The strategy of company is to will be aimed at attracting potential customers though specific clubs, veterinarian specialist and conferences and to the end of the year cover 0.05% of the total amount of target group in Czech Republic. It would be unfair not to mention that fact that “Buddy” company also working with a shops located in Prague and making trainings and seminars about product for managers of the pet store chains.

According to the projected revenue and changing the price from the lower limit 1750 CZK to the standard price 2681CZK during the year “Buddy” company can cover the initial costs in a third quarter. And from the fourth quarter start bringing revenue to the shareholders.

The last but not the least are the plans for developing “Buddy” company from the reseller with e-shop and application to the company offering broader scope of the business. One of the possible partnerships is with a designer companies in order to create a more styles of collars with the same GPS tracker holder, based on this concept customers who already bought the product can return. It will make purchasing a collar not one-payment deal, but renewable source of customers with a high compliance for the company.

Another branch or the company can work with agrarian sector and social services (such as police and emergency). In order to satisfy Agrarian sector industry animals can be tracked in order to allocate a territory for cattle grazing. Company can track the distance and area and notify the owner if animals break the border. Police service also can easily

manage the moving of the dogs in order to catch criminal or find a person. For the social service GPS tracker can be combined with digital camera I order to give more information.

It is visible that GPS trackers for animals is highly useful in everyday life of the pet owners and has a great future with a developing relationship with other industries.

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