

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

Business plan construction

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Anastasiya Burak

Business Administration

Thesis title

Business Plan Construction

Objectives of thesis

Objectives are to check the project feasibility and monitor business environment in Belarus. We will suggest possible and consistent business plan, oriented towards an "average belarusian", aimed at a moderate price policy with minimum investments; establish favourable conditions and friendly relationship with customers in the areas with the lack of accessibility to sport-centers. Subsequently, the ascertainment of the fitness club network with full range of services. In the meantime, embed innovations (discount system for students, club membership, theoretical study, sport-café nearby) to make fitness life less time consuming and more efficient, meanwhile staying on budget.

Methodology

Practical part will be based on analysis of all sorts such as PEST, SWOT, BCG matrix, Porter's five forces and Market analysis, which we will base on analysis manuals, answers to the need questions, basic calculations, considering micro- and macro environment.

'A PEST analysis is used to identify the external forces affecting an organisation/making up its Macro Environment. This is a simple analysis of an organisation's Political, Economical, Social and Technological environment' (The Macro Environment).

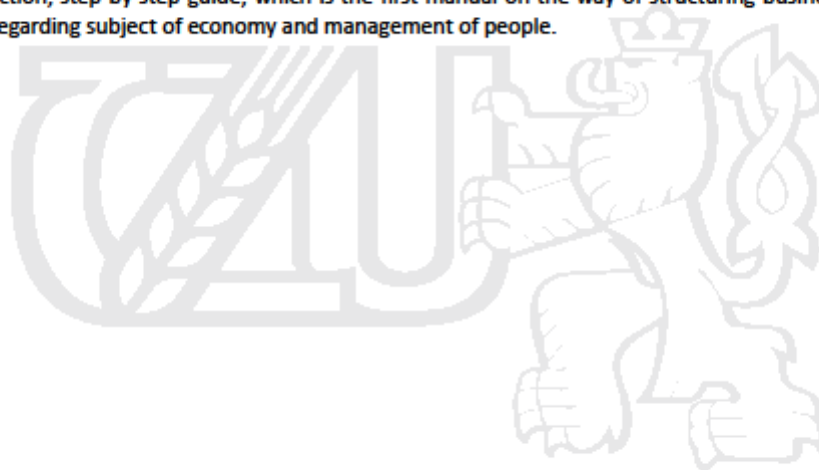
BCG matrix 'is designed to help with long-term strategic planning, to help a business consider growth opportunities by reviewing its portfolio of products to decide where to invest, to discontinue or develop products' (HANLON, Annmarie, 2017).

Porter's five forces is used to analyze competition; it breaks down forces into 5 distinct factors that shapes business and helps to determine if the business will be profitable.

SWOT analysis is done after examining micro- and makro environment; it helps to know if there is real potential in establishing business in such conditions.

Additionally, we will consider information taken from belarusian statics and articles regarding the development of sport industry, different laws of RB, decrees and legislation. Also, we will use updated information on financing, with the lucrative conditions of investing own financing and setting up pricing for affordability of people first.

Literature part will be based on books that contribute to construction of our business entity, we will thoroughly review several books written by Robert T. Kioysaki. One of them is "The business of the 21st century" and key-facts we might implicate in our structure. Eventually, we will use a book for business plan construction, step-by-step guide, which is the first manual on the way of structuring business plan. Few books regarding subject of economy and management of people.



The proposed extent of the thesis

30 – 40

Keywords

start-up, business plan, market analysis, marketing plan, policy, innovation, laws, codes, moderate price policy, LLC, SWOT, PEST, BCG matrix, business, facility, industry, micro- and macro-environment.

Recommended information sources

BISHOP, Matthew. Essential Economics. Bloomberg Press; 1 edition (April 2004), 2004. ISBN 978-1861975805

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PINSON, Linda. Anatomy of a Business Plan: The Step-by-Step Guide to Building a Business and Securing Your Company's Future. 8 edition. Out Of Your Mind... And Into The Mark: 2013. ISBN 978-0944205372.

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Declaration

I declare that I have worked on my bachelor thesis titled "Business plan construction" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on March 14, 2018

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I would like to thank my supervisor, **Ing. Karel Malec, Ph.D.**, for mentoring, helping and contributing to writing Bachelor thesis; also, I'd love to express my gratitude to family and friends for support, belief and encouragement.

Business plan construction

Abstract

The goal of the final thesis is mainly to suggest a business plan for sport center; to test the business environment in the Republic of Belarus, carry out analysis of micro and macro encirclement, propose insertion of updated solutions and trends; secondly, to consolidate the knowledge obtained during the whole bachelor study and master skills in marketing, managing, analytical, selling and accounting disciplines.

Creating such conditions for people in a specific area so they can spend less time with more efficiency. At once, induce the idea of self-love and give everyone the possibility to cling to healthy life style (due to moderate price policy); develop system of discounts for students and the elderly visitors, draws of season tickets, provide with high quality equipment and personal trainers. In addition, arrange theoretical lections and lessons with professionals in order to attract those who are seeking for this type of knowledge rather than for physical development. In prospect, install equipment for lymphatic massage and create facilities for dance-amateurs.

Keywords: start-up, business plan, market analysis, marketing plan, policy, innovation, laws, codes, moderate price policy, LLC, SWOT, PEST, BCG matrix, business, facility, industry, micro- and macro-environment.

Konstrukce podnikatelského plánu

Abstrakt

Cílem závěrečné práce je navrhnout podnikatelský plán pro sportovní centra; otestovat podnikatelské prostředí v Bělorusku, provádět analýzu mikro a makroekonomického prostředí, navrhnout vkládání aktualizovaných řešení a trendů; za druhé, aplikovat znalosti získané během celé bakalářské studie a zvládnout dovednosti v marketingových, řídicích, analytických, prodejních a účetních odvětvích.

Vytvoření takových podmínek pro lidi v určité oblasti, aby mohli trávit více času efektivnějším procesem. Okamžitě vyvolajte myšlenku lásky k sobě a poskytnout všem možnost se držet zdravého životního stylu (kvůli mírné cenové politice); rozvíjet systém slev pro studenty a starší návštěvníky, čerpání sezónních lístků, poskytovat vysoce kvalitní vybavení a osobní trenéry. Kromě toho zorganizovat teoretické výuky a lekce s odborníky, aby přilákali ty, kteří hledají tento typ služby než pro tělesné výkon. V perspektivě nainstalovat zařízení pro lymfatickou masáž a vytvořit zázemí pro taneční amatéry.

Klíčová slova: start-up, obchodní plán, analýza trhu, marketingový plán, politika, inovace, zákony, kódy, střednědobá cenová politika, LLC, SWOT, PEST, BCG matice, podnikání, průmysl, mikro- a makro-prostředí.

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1 Introduction

It's been a tough time to make a choice of the final entity we'd love to work with, because finding something that's in a relative demand and simultaneously coincides with our passion isn't an easy task. Basically, this's the subject we are ready to give all our commitment to. My aim is to focus on hometown situation nowadays and to find an allowable way-out.

Recently there has been a boom related to healthy lifestyle, healthy eating and things connected. In fact, it clouds peoples' minds with the idea of being better off physically and emotionally staying healthy and fit. On a global scale, the fitness industry is one of the fastest growing, together with IT and green energy. In the Republic of Belarus this sphere develops sweepingly as well, but lags behind the West and Russia. Yet the existing sport centers are usually filled up. On the belarusian internet portal there's an article and the main question was "Is it true that gym – is a new gold course and why Belarusians are more and more willing to pay for subscription, even though the membership costs as the average salary in the country"? (KOVALEVSKY, Vladislav, 2017). As the article states that the economy doesn't influence that tendency, and foremost people will not abandon to invest in themselves. Moreover, there's no such things in Belarus as franchises, so called fitness clubs network – when you can use one membership in several places. And that might be one of the developing trends.

We are quite aware of the situation most of the Belarusian population (especially Mogilev community) is experiencing through their everyday routine. Besides people have more than 8 hours working day, they don't usually have a good transport connection, so they waste 1-2 hours a day on things with zero efficiency. And what's even more tremendous some of Mogilev neighbourhoods posses a bunch of shops and supermarkets just next to their home, and the same cannot be said about sports and fitness centers. Usually we can observe the situation when several institutions like that are concentrated practically few steps from one another.

However, we will explore the area which is deprived of any "sports goods" and the travel time to the closest one (although not the cheapest one and sometimes only women orientated) is approximately 45-60 minutes on foot.

Our goal is to make life in my hometown, further in the whole country, more convenient and efficient.

2 Objectives and Methodology

2.1 Objectives

Objectives are to check the project feasibility and monitor business environment in Belarus. We will suggest possible and consistent business plan, oriented towards an “average belarusian”, aimed at a moderate price policy with minimum investments; establish favourable conditions and friendly relationship with customers in the areas with the lack of accessibility to sport-centers. Subsequently, the ascertainment of the fitness club network with full range of services. In the meantime, embed innovations (discount system for students, club membership, theoretical study, sport-café nearby) to make fitness life less time consuming and more efficient, meanwhile staying on budget.

2.2 Methodology

Practical part will be based on analysis of all sorts such as PEST, SWOT and Market analysis, which we will base on analysis manuals, gym revenue model, answers to the need questions, basic calculations, considering micro- and macro environment.

‘A PEST analysis is used to identify the external forces affecting an organisation/making up its Macro Environment. This is a simple analysis of an organisation’s Political, Economical, Social and Technological environment’ (LearnMarketing.net, 2018).

BCG matrix (The Boston consulting group’s product portfolio matrix), also known as Growth/Share matrix, helps with long-term strategic planning *‘is designed to help with long-term strategic planning, to help a business consider growth opportunities by*

Picture 1: BCG matrix



reviewing its portfolio of products to decide where to invest, to discontinue or develop products’ (HANLON, Annmarie, 2017).

Matrix is divided into 4 quadrants, each characterized by market share and

Source: BCG matrix – cats, dogs, stars and cows

market growth as it’s shown on the picture below.

„Pet“ is a product with low market share and growth. It's recommended to get rid of such products. Although, it may generate ongoing revenue.

„Question mark“. This quadrant is very very complex, because you never know if the product with potential to become a „star“ or it will drop into „pet“ quadrant.

Usually, it requires a lot of investment that can be a waste of funds.

„Cash cow“ has a high market share, but a low market growth. Presumably, it requires additional attention and investment; otherwise same product may continue to generate revenues for several more years.

„Star“ is the goal of any business. Its high share and market growth are the key factors of company future.

Porter's five forces is used to analyze competition; it breaks down forces into 5 distinct factors that shape business and helps to determine if the business will be profitable. Meanwhile, competition is the biggest threats for any businesses, either startup or established one. *'According to Porter, the origin of profitability is identical regardless of industry. In that light, industry structure is what ultimately drives competition and profitability —not whether an industry produces a product or service, is emerging or mature, high-tech or low-tech, regulated or unregulated.'* (Business news daily, 2017).

SWOT analysis is done after examining micro- and macro environment; it helps to know if there is real potential in establishing business in such conditions. S stands for strength, W – for weaknesses; both are internal factors under organization control. O stands for opportunities, T – for threats; both are determined by external factors which cannot be controlled by organization.

Target Market analysis is done through analysing data from National Statistical Committee of RB. It helps to determine the group with specific features which we are primarily focused on. In the next step we create gym revenue model based on assumptions and approximate number of people in our disposal.

Regarding our financing, we use formula of present value of money. This means we will put savings in a bank today in order to have necessary amount in 2 years in our case.

Additionally, we will consider information taken from belarusian statics and articles regarding the development of sport industry, different laws of RB, decrees and legislation. Also, we will use updated information on financing, with the lucrative conditions of investing own financing and setting up pricing for affordability of people first.

Theoretical part will be based on literature that contributes to construction of our business entity, we will thoroughly review several books written by Robert T. Kioysaki. One of them is “The business of the 21st century” and key-facts we might implicate in our structure. Eventually, we will use a book for business plan construction, step-by-step guide, which is the first manual on the way of structuring business plan. Few books regarding subject of economy.

We will aim at creating such a business plan that will cover all expenses from the 1st month, in the worst case from the 2nd year. Nevertheless, the main objective is people’s satisfaction.

At the end, in conclusion we will express whether our expectations were rational and feasible one or not.

3 Theoretical part

In this section we will look through some books which we found very helpful and effective. The first one will be more of a general guide through economy; second “Business of 21st century” – effects your mind-set, preparing emotionally to being independent and in charge of everything. Finally, the last book was a manual for building business plan; it gives an idea where to start, which question to answer and how to break it down.

3.1 Essential of Economics by Matthew Bishop

Matthew Bishop is the American business editor and New York Bureau Chief for The Economist (London-based magazine-format newspaper); a graduate of Oxford university. Before joining the Economist, Matthew was on the faculty of London business school,

where he co-operated in writing of 3 books for Oxford University Press. Also he was honored as a young Global Leader by the world Economic forum.

The objectives of the book are to be practical guidelines in everyday life; focuses on parts that effect trade, prices and jobs. The book is amazingly structured. It starts from main challenged economy faces in nowadays fast-changing world; following this is A-Z of jargon, terms and concepts. Meanwhile it includes a bunch of articles published in world-wide famous newspapers such as The Economist.

In the entry that is called "*The joy of Economics*" author exclaims the abuse all economists were experienced over the last years (Book is published in the year 2004). Economists constantly have been criticized to make accurate predictions. One o American presidents, Harry Truman, pleaded that he needs "one-handed economists". I'm supposing this is only because economists are condemned to make a lot of assumptions. There are always a several ways how things might go. Ronald Reagan said that he saw economists as people who wonder if something works in theory as good as it works in practice. Nevertheless, author mentioned that economists make things complicated and may do something wrong, but mainly economics at its most effective changed the world for the best! Next section is opening the context of what really economics is.

"*What is economics?*". The expression I liked most is "Economics is what economists do". But most precisely is the study of allocating scarce resources. If there was no scarcity in such things as land, raw materials, labor, entrepreneurship, time there would be no need for economics. In its turn, economics helps people make right choices. Section briefly talks about opportunity cost (what you need to give up in order to possess another); economists are taking a hard look at the downside of any choice to ensure the upside is actually worth the choice.

Some critics say that economics is the study of money, what is wrong. The main objective of economics is to maximize people's welfare or their utility, what is the same thing. Though saying that welfare and money are on the same page is a big mistake. Welfare and satisfaction are going from families' values and expectation, meanwhile money is the amount you might determine yourself and it's not necessarily the measure of wealth (thought taken from book "Economics of 21st century").

Economic sometimes is accused of being dismal by ignoring the needs of the poor. But lately that's all economists were trying to fight with; one of those constituent that creates inequality which consequently leads to wars.

"Scientific shortcomings". It doesn't make economic "a bad science" if some theories are proved wrong. In fact, any good science needs to have those bad outcomes. Economics is too complex; you may never tell which of those 2 indices made greater impact or whether it made the impact at all. At some point, the science is more about being lucky. Later, in the chapter author talks about uncertainty economists are taken on every time they are implementing policies. It's not the same as with other natural sciences when you can carry on experiment and make sure it works as it supposed to. Moreover, in economy there is no way to turn the clock and implement another theory and see how things would turn out. It's not always the case the same policy implemented in 1930s would work the same way today.

"Market virtue". This section is bringing up the fact that Market economics rules are working way better that macroeconomics. Mostly because such rules as "the laws of demand and supply", "with the increase of price quantity demanded falls", "if market is not allowed to work its magic, scarce resources are often allocated insufficiently" are unquestionable. Furthermore, author states that the role of traditional macroeconomic policies has declined. The focus is shifted to so called "micro-macro" approach based on conditions that enable the market to work well.

Here I would stop the introduction and go right to the definition we regularly use. The structure will be as book-based from A-Z, however, I will mention only necessary core ones.

Advertising – 'some economists reckon that advertising merely manipulates consumers' taste and creates desires that wouldn't otherwise exist' (p.21). By promoting brand, consumer may become less sensitive, which in long-run will lead to the ability of firms to charge more than marginal cost.

Antitrust – ‘government policy for dealing with monopoly’ (p.25). In this case monopolies are big companies. The main objective was to prevent others from abuse. However, history shows that ‘abuse’ interpretation was different between countries.

Arbitrage pricing theory – ‘the price of a financial asset reflects a few key risk factors, such as the expected rate of interest, and how price of the asset changes relative to the price of a portfolio of assets.’

Behavioral economics – an economic model with decision-making model borrowed from psychology. It states that people are fearful of failing so that they miss the benefits they could get otherwise.

Competition – the bigger competition, the more efficient a firm. Moreover, it may contribute in lower prices. There are several sorts of competition: perfect competition (the most competitive model; business only minimum profit possible); imperfect/monopolistic competition (‘firms can earn some excess profit without a new entrant being able to compete to bring prices down’) and the least competitive market is a monopoly, which is controlled by a single firm; in that case firm is prone to get substantial excess profit by controlling amount of output or the price.

Cost-benefit analysis – ‘A method of reaching economic decisions by comparing the costs of doing something with its benefits’. It’s a very controversial analysis due to the fact it’s based on assumptions: evaluation of some cost or benefits for which there is no market price.

Macroeconomic policy – maximization growth while lowering inflation and unemployment. Main instruments are monetary policy (rate of inflation and money supply) and fiscal policy (taxation and public spending).

Path dependence – ,where you have been in the past determines where you are now and where you will be in future’(p.197). Even small choices you make every day bring the consequences.

3.2 The business of the 21st century

The book is written by Robert Kiyosaki, American businessman and author. The whole idea of the book is based on cashflow quadrant, which consists of 4 sections and each characterises the method of how people making money and their mindset with their core values. The left side of the quadrant shows employees (E) and small business owners or those who are solo(S). It states for exchanging your time and effort for money. People of those groups are someone in search of secure job; in case of small business owners, they prefer to run their business exclusively by themselves.

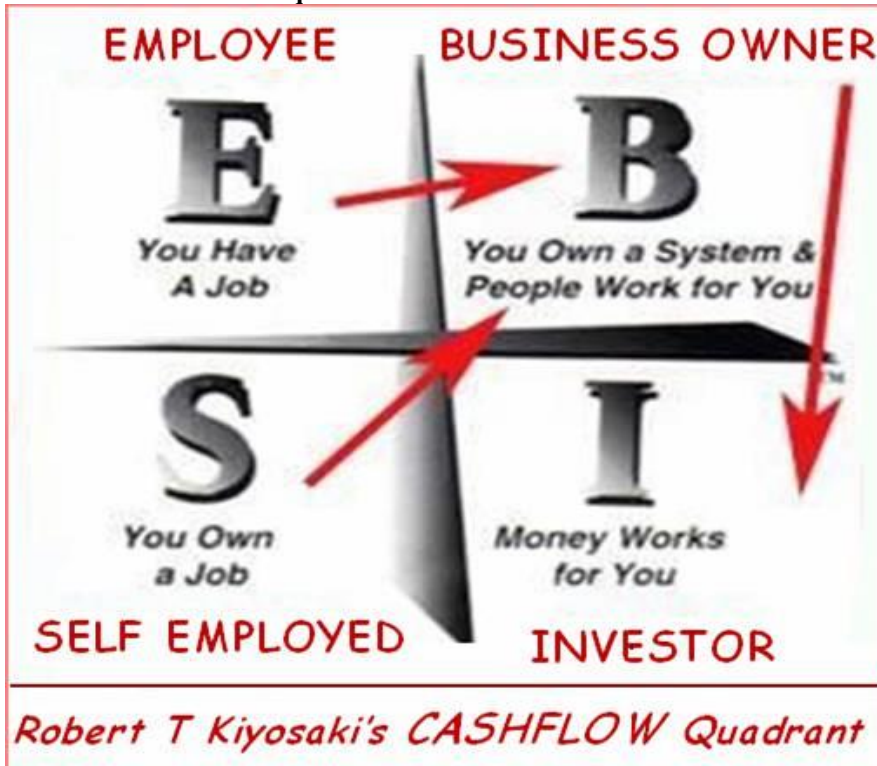
Right side of the quadrant are big business owners (B) and investors (I). Kiyosaki says big business owners prefer stable network and someone smart working for them, which in a long run will make them rich. And, finally, to the last quadrant, investors. Investors are those people who have their money working for them, creating passive income. Examples are stocks, bonds, real estate etc which in the long run leads to complete freedom.

The core difference between employees + small business owners and big business owners + investors is in values. One side wants security and another – works hard in the beginning to build a business to pass it from generation to generation. So B and I are planning to build their businesses in such a way so that even without theories participation business generates money.

Mostly book relates to network marketing so called business of the 21st century, but the idea behind is to have strong network, which any entity wants to build.

Related example, but it's not in the book, Thomas Bat'a who established widely famous Bata shoes company. He started with 2-3 brothers of his and turned it into big factory which hasn't stopped working even after his death.

Picture 2: The Cashflow quadrant



Source: Blog „Earn money through networking“, 2010

This book is more of an inspirational one, teaches to overcome your personal fear of rejection and insecurity of being independent and run business you built from the ground up. Moreover, it elevates your self-confidence.

3.3 Anatomy of business plan

„Linda Pinson is an award-winning author, business planning expert, speaker, consultant, and nationally recognized business educator with a specialty in financial management and small business curriculum development“ (PINSON, Linda, 2008, p.4)

The author recommends ask questions first: “who?” “what?” “where?” “when?” “why?” “how?” “how much?” “Unique?” “Benefit to the customer?”

These questions should be asked in the beginning of every section of any business plan.

As for the structure, it advises to:

- Break the plan into section and allocate time constraints;
- Attach the list of supporting documents: agreements;

- Do business plan outline – technically it corresponds to outline of thesis (cover sheet, table of contents, executive summary, organizational plan marketing plan financial documents);
- Prepare financial documents (whether it's monthly payment, initial investment, mortgage, invoices, etc.).

The book talks about so called “Exit Strategy”. It's not a plan for the failure; wise versa. Every investor wants to see your thoughtful way through, so that in anyway you don't go completely broke. Initially, you need to know where your finish line is. It leads to planning what you will do to your business in case you are done with it. Some people are opening some entities only for the purpose of selling it in a short time – as soon as it generates some revenues.

Book provides suggestions how you can do your Exit/Liquid strategy:

- Sell the portion or the whole business;
- Transfer the business to relatives;
- Go public- It minimizes all expenditures;
- Etc.

Exit strategy helps to determine long-term goals and make think where you are headed, when you want to get there, and what your business will look like once you are there.

One of the biggest topic is financing. It depends on your personal wealth, if you are capable to open entity without help from outside. But book suggests the ways as well:

Yourself, Family and friends, Financial institutions, Private equity and venture capital.

As for the topic of financial assumption, unskilled businessmen are used to do fatal error, do financial assumption before operating and marketing plan. Because when you see that figures don't match, you can simply go and change something in your plans; in case you don't have plans the error will stay. Firstly, you need to create quality and then quantify it.

Next important topic is organizational plan that needs administrative setup (business is put together and function in efficient and cost-effective manner); organizational topics (who is responsible for what); summary of the business (mission, business model, marketing model, SWOT analysis, PEST and PESTLE analysis); administrative plan (location, legal

structure, management, insurance, security, etc.). In the administrative plan new business should plan for utilities improvements, office furniture, equipment.

Accounting and Legal structure is a little flexible. You can choose between accounting systems used. You can also have a person outside your firm who comes and do all your papers. As for structure – it's easily changeable form entrepreneur to any other type, only under circumstances all requirements are followed through.

Insurance 'considers the types of coverage appropriate to your business'. Security deal with a theft of information.

Creating marketing plan. 'A marketing plan is a business document outlining your marketing strategy and technics' ("What is a marketing plan?", 2017). 'Marketing strategy is the comprehensive approach your business will take to achieve your business objectives' (PINSON, Linda, 2008, p.44)

By Linda Pinson it all starts from:

1. Market analysis (analysis of target market / group of people we are about to serve, competition between similar profiles, and industry trends);
2. Sales strategy (online – less expensive and got more indicators, believed to be more effective; offline – networking (face-to-face connections), print advertising, speaking engagement);
3. Advertising (traditional or web);
4. Public relations;
5. Customer services.

As far as we notice the book is conducted by the method of asking yourself a question through building of a business plan. When we go to Marketing strategy, we are asking several questions such as who are our customers, what are we selling, where is our target market located etc. It gives a great base to sell selectively, to understand why anyone should buy from you and generally know your niche. Highly important is to create your pitch. 'Define precisely what "your product/service attributes" mean so that your product or service comes alive for your prospective clients. Make it SO important that they will no longer want to live or work without it.' (PINSON, Linda, 2008, p. 46).

The last thing that gave some ideas to or budget constraints is pricing policy. At the introduction we aimed at moderate pricing policy. The book says we have to set lowest price, so we could cover all or costs and the price ceiling. Indeed, it's not only about pricing policy; 'Marketing plan must address pricing policy and how prices can be adjusted if necessary to increase demand or cover unanticipated shortfalls' (PINSON, Linda, 2008). At the end of "Anatomy of a business plan" we had a chance to look at some business plan of a different industries, to get an idea how to make our own.

3.4 REWORK

The book is written by Jason Fried and David Heinemeier Hansson. It's characterized as the book for starting a business. Unless other books of such theme, the concept is totally reversed. The main idea is that you need less than you think for establishing new business. Authors state that you should focus on the core of your business rather than all components around. Commonly people who are working on a project for their start-up make it too complex and too complicated, usually even difficult to use; therefore, they need additional capital, taking it from the bank. In case the project wasn't successful they lose not only money, but their confidence and desire to move forward and try again. When you are making your entity based on something really small, with own financing, you absolutely aware of the risk and don't face danger zone.

Going small you aren't only save, but you are closer to your customers and have an opportunity to interact and hear their preferences and reviews.

There is a proverb "Less is more" and the book is following this notion.

Workaholism is told to be unnecessary and unsustainable because it creates more problem, even crisis. '*Working more doesn't mean you care more or get more done. It just means you work more*' (FRIED J., HANSSON D., 2010).

Authors satirize meetings as well. They explain it in the way that it simply the waste of time, money and effort. Often a lot of people are gather together and most likely no one understands what the purpose is. They are procreating, usually one meeting follows another.

Authors give a piece of advice how to keep meetings simple and efficient: gather as few people as possible, set an alarm for figuring out solutions and have a clear agenda (from that starts the meeting).

Regarding planning a business, the concept is turned into guessing. The book says that plans are usually written even before business starts functioning and this is the worst timing. You should be able to improvise; but if you have the plan you might want to stick to it.

What Jason Fried and David Heinemeier Hansson recommend is to start small, make plan maximum few pages long and for period of next week only. They admit it's scary to start without a plan; but has a plan with no relationship to reality is scarier.

4 Practical Part

Practical part includes data about the city, demographics, statistics; analysis such as PEST, Porter's five forces, BCG matrix and SWOT; Target market analysis, gym revenue model and stages of installation. Meanwhile, we calculated the amount of money we should put on the account now so that in 2 years we would have as much as we need .

4.1 Micro and macro impacts on a business

The best way to start practical part is from the description of all kinds. Mogilev is a city in eastern Belarus and second expansive one, about 76 kilometres from the border with Russia's Smolensk Oblast. The total area and population are 118.5 km² and 374,700 (2015) people respectively. We performed some paper calculation which we're going to sum up here. According to the same year of research about 20 % are people over 60 and approximately 15% children 0-14. Roughly speaking, 65% (±5%) are those who are still can be counted as potential customers. It's around 236000. And if we theoretically say each fitness center, gym and this sort of entities gets equal number of visitors (number of establishments is around 23 in Mogilev) we will get a theoretical number of customers equals to 11700! It's not even turnout rate. We calculate people from 14 to 60 year old, which one of the facts the number is very high. However it's worth thinking about. Further, we will carry SWOT, PEST analysis, and will try to determine our competitors, which is sophisticated task due to the lack of official information on Belarussian side. Next step will be creating Target market analysis and projecting gym revenue. In the second half of practical part we will have particular actions that should be done one by one.

4.1.1 PEST analysis

One of the most useful tools to study external factors that might influence the company's well-being. Regardless to simplicity of the method (considers Political, Economic, Social and Technological environment) it's widely used analysis nowadays.

We will start to conduct analysis from the first letter.

Politics

We'll consider such topics as personal data protection, "green policy", legislation, taxes, small and medium businesses, employment law. We might also include stability here, but it intermediately influences currency and rate exchange, so will come back to this later.

Department of source studies of Belarusian State University posted an article in the review of how media reflected public opinion related to *personal data protection*. They indeed did a comparison between 3 countries (Belarus, Poland and Russia), however we'll use a part. The article states that databases in the Republic of Belarus are lacking and none are of high-quality full-text with strong analytical tools. The main database was Archive of mass-media of Belarus IREX/ Promedia, but even that one, as experts say, has serious disadvantages. It's still possible to do some sort of grouping based, although it's not easy due to the small total number. Issue regarding spread of personal data hasn't been formed in Belarus. However, there are some measures taken by government to expand the collection and use of personal data without providing necessary notification. Belarusian population have already showed the hatred to the steps made. Meanwhile, several legitimacies of protecting personal data were secured by Belarusian State.

"*Green policy*". Belarusian green party has been established since 1994. Concerning objectives: healthy living environment via social and natural arrangements; moral and spiritual development to all surrounding; the formation of ecological approach to all spheres of life; world peace; prohibition and elimination of nuclear, chemical and biological weapons, as well as common weapons.

Legislation. Normative documentation in Belarus are issued in the State and Russian language. The composition of the Law of Belarus includes Constitution of RB, charter of codes and laws which I will list below:

Table 1: Tax code of the Republic of Belarus

Codes	Laws
<ul style="list-style-type: none">• The civil code of RB;• The tax code of RB;• The customs code of RB;	<ul style="list-style-type: none">• About nationality of RB;• About provisions of pensions;• About support of small and

<ul style="list-style-type: none"> • The labour code of RB • Etc. 	<p style="text-align: center;">average businesses;</p> <ul style="list-style-type: none"> • Etc.
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Source: Tax Code of the Republic of Belarus, 2014.

Taxes. As we already mentioned there is a tax code of Republic of Belarus.

This Code installs system of taxes, charges (duties) levied in republican and (or) local budgets, the basic principles of the taxation in the Republic of Belarus governs the imperious relations on establishment, introduction, change, cancellation of taxes, charges (duties) and the relations arising in the course of execution of the tax liability, implementation of tax control, appeal of decisions of tax authorities, actions (failure to act) of their officials and also establishes the rights and obligations of payers, tax authorities and other participants of the relations regulated by the tax legislation regarding basic principles of this code:

1. Each person shall pay taxes he/she is entitled to.
2. The taxation in Republic of Belarus is considered to be general and equal.
3. If according to this code taxation cannot be assigned, than it's determined by Constitution of RB.

Laws about support of small and medium businesses.

Support of small and medium business – realization by state bodies and other organizations of legal, economic, social, information, consulting, educational, organizational and other measures for creating favorable conditions for development of subjects of small and medium business and subjects of infrastructure of support of small and medium business.

Considereng who might be considered as small or medium business entity – individula entrepreneurs, small business entities, microorganizations (number of people working on the firm in the calendar year; under 15), small organization (from 16 up to 100), commercial organization registered in the RB (101 up to 200 people). The State goarantees equal rights for activities implementation, protection of rights and legitimate interests, favorable conditions for competition development. There's no intervention from authorized bodies, unless there's some matter of emergency or on precepts of law fort he benefit of homeland security.

Article 6 states main objectives that favors development of small and medium businesses such as:

1. Good conditions for development;
2. Assistance in promotions of the goods made by them (entities);
3. Increase in number of subjects of small and medium businesses;
4. Increase in share of those goods in such a way so that it can influence the GDP of the country.

Labour code. The main terms of the code is the legislation on work, local regulatory legal acts, the employment contract, the parties of the employment contract, which are the authorised officer of the employer, employer, worker; profession, qualification, position, specialty, labor union, consolidation of employers. Moving to the task of labour code those are following: the regulations of the employment and related relationships; development of social partnership between employers, workers and state bodies, establishment and protection of the mutual rights and obligation of workers and employers. When we are talking about relationship between employers and workers we might determine to which extent code intrudes. Undoubtedly, it governs relationship by the employment contract as well as relationship connected with:

- Professional training of workers on production;
- Activities of labour unions and associations of employers;
- Conducting collective bargainings;
- National social insurance;
- Etc.

Economics

Economy in the Republic of Belarus is in the transition. In this section we turn to indicators such as rate of interest, current inflation, per capita income, gross domestic product etc. Rationally we are intended to sum it up in a table below with the help of Trading Economics website.

Table 2: Belarus – Economic indicators

Unemployment rate	0,9 %
Inflation rate	4,9 %

Interest rate	11 %
GDP per capita	6219 USD
Average wage	841 BYN/month (around 424 USD with 1\$=1,9791 on December 27 th , 2017)
GDP annual growth rate	2,8 %
Lending rate	13 %

Source: Belarus – Economic indicators

Picture 3: Belarus – Economic forecast

Overview	Actual	Q1/18	Q2/18	Q3/18	Q4/18	2020	
Unemployment Rate	0.50	1	1	1	1	1.1	percent
Inflation Rate	4.60	4.8	4.6	4.5	4.2	3.8	percent
Interest Rate	10.50	11	11	10	10	10	percent
Balance of Trade	-452.10	-349	-323	-309	-300	-286	USD Million
Government Debt to GDP	31.80	28	28	28	28.2	27.5	percent

Source: Belarus – Economic forecast, 2017.

These give us very superficial state of Belarussian economy, although using these indices we can implement moderate price policy.

Social life

The items that should be examined are following: demographics, population growth rate, age groups, percentage occupied in any work activity etc.

Table 3: Social sector of Belarus

Population size (thous. persons)	9.505
➤ Under working (0–15)	1669
➤ Working (female 16-54; male 16-59)	5432
➤ Over working (retirement)	2404
Natural decrease of population (thous. persons) -2015/2016	-1.6

Source: National Statistical Committee of RB

Picture 4: Belarus population

Year ▼	Population	% Male	% Female	Density (km ²)	Growth Rate
2017	9,468,338	46.53%	53.47%	46	-0.09%
2015	9,485,772	46.52%	53.48%	46	0.03%

Source: Belarus population, 2017

As we may notice Belarus has a negative population growth rate. Recently, it was called one of the world's fastest shrinking countries. Regarding sport sphere it's hard to evaluate although, as I mentioned before, that domain is developing! Social sector of PEST analysis implies by itself the fact of people directly influencing each other thoughts and the flow of thinking. We are completely aware of what people nowadays are talking there, but what we all know for sure is that our president facilitates the development of sport as the strong suit of our republic. But main reason, from my point of view, is that gyms and sport centers aren't affordable; this's one of our objectives!

Meanwhile, in 2016 population in the part of 15,7% gave a prosperous assessment to their level of living, highest indicators are aimed at self-realization and material stability. Middle class resulted in 37% and there's a tendency of lowering that percentage.

As for the lifestyle, mostly people are having working day from 8 till 6-7, but going extra hours is casual and normal in Belarus. Indeed, average belarusian appears home around 7-8 with all the traffic (however we are famous for having almost zero traffic jam).

Technological

Technological advances have greatly changed the operation of any business. They say "Belarus – the New Silicon Valley", as one of the major IT outsourcing destinations. "Belarus's strong tradition of science and technology education originates from the Soviet era. While social sciences were and still are restrained by a lack of democratic freedoms and traditions, technical education is free from any ideological barriers blossoms in Belarus". Against the crisis Belarus underwent in past years, IT sector is growing rapidly. Considering the salaries in tech sphere (around 1500-1700\$) in comparison with monthly.

In 2005 Belarus high technology park was built; a virtual park that allows regardless of location of the firm or individual, whether it's a village or a large populated city, work at HTP. Therefore, work in Belarus can be remote. In order to be eligible to do so is enough to be a resident.

From 2011 to 2015 the strategy focused on developing of economy through innovation and scientific-technological activities. By 2013 the creation of "Information society" has been completed. For further technology development there are a plenty of human capital and scientific potential. As well, State provides support for the development of information and communication technologies, what potentially leads to higher people awareness.

4.1.2 BCG matrix

For this analysis we will use Master thesis by Kateřina Vorlová written on faculty of Physical education and sport. The theme of thesis is “Marketing strategy of fitness center Esporta”. BCG model was created through evaluating of strategic units and interview with customers. The value of units was determined by revenue from the area. Data was taken from the year 2014.

According to the work there are spectrum services fitness center provides. Those are alpinning, spinning, strengthening lessons, “body and mind”, pole dance and lymphatic massages. There is table 12 in appendix.

According to the figures, absolute star is alpinning, but it demands a lot of investment and it's very expensive to rent the equipment.

Second, very beneficial for fitness center is beautifying procedures such as lymphatic massages. They belong somewhere between stars and cash cows. Same as for alpinning, the equipment is a bit high-priced.

One level down in the revenues is pole dance. Within one year it dropped to cash cow from star. The dedication was so high that it was easy to cover all the expenses connected with installation.

Strengthening lessons are still getting a lot of popularity and attendance, although it requires an interesting trend and good ideas, no extra funds needed. It also belongs to the quadrant with cash cow.

Body and mind lesson yet in 2013 were in pet quadrant. But as long as fitness center needn't to spend any money on that, it was thoughtful to keep it. In the second half of the year the interest increased, and Body and Mind exercised moved to cash cow quadrant. Spinning is included in a group of pets, because it significantly loses interest among customers. Meanwhile it can be exploited to keep the market as the equipment is owned by fitness center.

Our services are as following: work-outs, theoretical lections/lessons, challenges.

In our case, it would be reasonable to focus on the „cash cow“ section with high market share. *„High market share demonstrates that a company has got its marketing right by offering customers a product that meets or exceeds their requirements“* (Bizfluent, 2017).

From this point, we would definitely think about implicating different lection and lessons. We will invite professionals who can provide quality content oriented on modern trends and innovation; therefore we would satisfy the needs of those who are seeking for this kind of information. Moreover, as the author said, lessons and lections don't require any big investment, but the result overtakes.

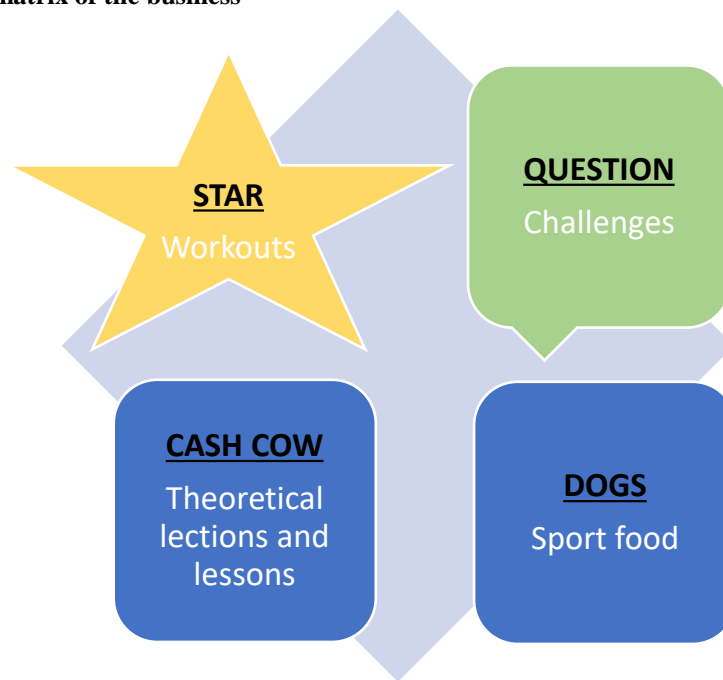
Also, based on personal experience, so far in Mogilev everything is always distant. This means if the entity is focused on lections, it provides solely lections; same with sport industry. In set terms you may get advice from your personal trainer, but there's no such thing as theoretical group training unless it's organization based on that. It may appear as knowhow.

Regarding equipment, we are going to order initially brand-new and professional one. We believe it's going to be our “star”. When we've been reviewing web-sites of several gym and sport-centers and those who posted photos of equipment. Usually, new gyms are renting, leasing or buying secondhand machine, which is substandard or depleted fitment.

Under a “question mark” we would put challenges because it's hard to predict how society will react. Yet this concept exists on Instagram and other social networks. People pay some fee in order to stay motivated and are suggested a program which they should follow. Who gets the best result that person has won. Moreover, people are going to be under supervision of specialist, so nothing can go wrong. However, there is a risk it will drop into “Dogs” section.

In the section “dogs” we would consider to put sport-food. Our opinion is that it's not something you cannot live without, moreover it is not cheap and very limited group of people would be eager to buy it.

Picture 5: BCG matrix of the business



Source: Author, 2018

Other services, such as lymphatic massage, pole dance we would consider as future prospective with development and expanding the scope of sport center.

4.1.3 Porter's five forces

Porter's five forces is used to analyze competition; it breaks down forces into 5 distinct factors that sharpens business and helps to determine if the business will be profitable. Meanwhile, competition is the biggest threats for any businesses, either startup or established one. *'According to Porter, the origin of profitability is identical regardless of industry. In that light, industry structure is what ultimately drives competition and profitability —not whether an industry produces a product or service, is emerging or mature, high-tech or low-tech, regulated or unregulated.'* (Porter's five forces: Analyzing the Competition).

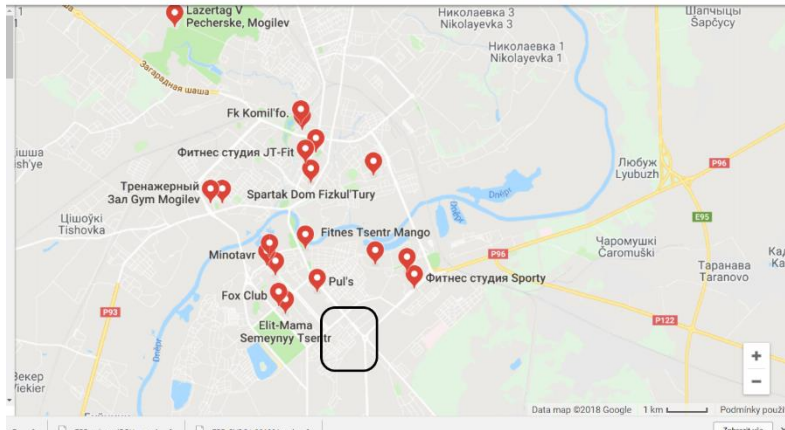
In model those five forces are:

1. Competitive rivalry (number of competitors and their services);
2. Bargaining power of suppliers (how much power they have and how strong their control over prices);
3. Bargaining power of customers (consumer has a power if there are a lot of sellers, as well as when it's easy to switch from one product to another);
4. Threat of new entrants (it examines how easy or difficult for competitors to enter the market place);
5. Threat of substitutes services and products (studies how easy for customer switch from one product or service to that one of competitors).

Once we are finished with analysis, we may strategy for success. Porter determined three of them: Cost leadership (increasing profit while reducing cost); differentiation (create a significantly different product); focus (thorough choice of niche market).

For conducting analysis of **competitive rivalry**, we will use a map and information taken from web-sites of few gyms.

Picture 6: Gyms in Mogilev, Belarus



Source: Google maps, 2018

As we may see on the map, the spread of centers is focal and the area we are interested in is relatively free and if we move a bit to the South there is none gyms at all.

We will create a table of our potential competitors:

Table 4: Competitors

FOX CLUB	Pul's	Elit- Mama	Sporty
<ul style="list-style-type: none"> • Goog facilities/equipment; • Membership and discounts; • Sport-food; • Professional trainers; • Prepare for bodybuilding contests; • Food programs; • Bad transport connection; • Far from our location. 	<ul style="list-style-type: none"> • Pilates; • Yoga; • Interval class; • Tabata; • No gym equipment 	<ul style="list-style-type: none"> • For pregnant women; • Aerobics; • Bad transport connection. • No gym equipment 	<ul style="list-style-type: none"> • Close to our location; • Aerobics; • Fitness; • Pilates. • No gym equipment.

Source: Author, 2018.

According to the map the biggest threat for us renders Pul's (it's more of a fitness center located close to Elit-Mama with a focus on aerobics, Pilates, yoga, interval class, Tabata and so on), fitness center Sporty (it's more of a threat, because of location, but the scope of services similar to fitness, aerobics) and Elit-Mama (located in a bad transport connection from our place and designed for pregnant women). As we were trying to search for website, we didn't come up with any. Although they have their pages on social network vk.com.

However, FOX CLUB, gym located further than Elit-Mama, but it provides extremely good facilities, it provides membership and discounts for those who practices in the morning and in the noon; also, they have sport-food on the reception and professional trainers.

This is one of few which has easily navigated web-site, open every day (during working days from 8 am to 11 pm, on the weekend from 10 am to 9 pm). In the morning one-time visit costs 2,2 €, in the noon 1,7 € and in the evening 2,6 € as the busiest time at the end of the day.

Bargaining power of suppliers. Since we purchase all equipment initially we aren't dependent on supplier. Nevertheless, we might choose another supplier. But we will co-work with fit-sport.by (in appendix will present list of purchases) due to the fact that they provide 3D model of equipment allocation in the gym for their customers.

Bargaining power of customers. In the beginning on the chapter "micro and macro impacts on the business" we made some simple basic calculation and got the number of potential customers around 12000. The area of our gym is relatively young and around there are some shopping centers. Moreover, according to the article from tut.by (was already mentioned in the introduction part) sport centers are becoming more and more popular and even if you need just to cross the street to get to another one; both will have customers.

Threat of new entrants. As expenses aren't high especially in my country as in others and rentability might be fast, moreover it's one of the most developing spheres after IT nowadays, the threat of new entrants is sufficient.

Threat of substitutes services and products. The only threat we see is from the existing once such as Pilates, aerobics, yoga and so on. Nevertheless, it doesn't require any big investments. In case people switch to lighter kind of sport activity, we are flexible and may implicate some changes.

Choosing the strategy of success, we are determined to implicate cost leadership, because it's our secondary goal (to be on budget) and it looks more reasonable, than create a whole new product. Focus is concerned about niche market, but we believe we are on the right way.

4.1.4 Target Market analysis

Target Market analysis is conducted through target market examination. Therefore, we should find out WHO we are targeting on the first place. Now we are going to determine our potential buyers (customers). Saying “targeting my hometown” is not enough. We will run a small table with basic questions to sort out the exact group of people.

Table 5: Target market analysis
Target Market

Age	Considering people from 16 – 50 (at the beginning of the section we were talking about people from 14 – 60; that was exclusively to simplify calculations)
Gender	Both genders
Marital Status	Doesn't matter
Family	Any family structure
Location	Octiabrsky district, Mogilev, The Republic of Belarus
Education	Doesn't matter
Income	From 200 \$
Religion	No religion preferences
Language	Mainly Belarusian and Russian speakers, but we will try to diversify
Lifestyle	Usual daily routine
Motivation	Encourage yourselves even with no time left!
Size	Roughly 30-35% of the population (update if any explicit information is found)

Source: National Statistical Committee of RB and Author, 2017

Next stage is to ask specific questions regarding your target market, starting from:

1. What proportion on my target market used the similar product before?
2. How much of my service my target market might buy?
3. How might my business be affected by economic or demographic events?

There is no official statistics as for fitness centers and gyms (written in the article on the trusted belarusian web tut.by), because “the boom” of sport industry has just started coming into people’s life from the end of 2016. But through the estimation of population and growing interest in healthy life-style we can make some assumption. Rough number 11700 theoretical visitors are harsh, though it’s going to be our starting point.

Thanks to technological progress I came up with a wonderful website who will walk us through tons of assumption we might consider. Initially the growth population in Belarus is negative and over the past year 2016/2017 is stated to be -0,09% (Picture 3).

Step 1. People might be willing to travel to our location.

We already adopted to cover those who are leaving in 2-3 bus stops away, and with the possibility to reach it on foot. But we might be able to pull people from further distances, because this district is relatively “young”, in the past 10 years more than 15 blocks of flats (120-150 flats each) were built and mainly filled with young families.

Step 2. Total population.

Even if we consider only those new blocks recently built our potential customers are $15 \cdot (150+120)/2 \cdot 3 = 5850$. We accept that each flat has 3 members. Plus, we may consider old block of flats which would result in even higher number of households and their families, although I’d rather consider the worst scenario and multiply $5850 \cdot 2$ what equals 11700. It might not look much on the world scale, but for the city with population less than 400000, I suppose, it’s good enough to start with.

Step 3. Target market.

According to statistic data in the US out of 320 million people only 58 million are committed to gyms or health clubs. I’m aware that we are an ocean away, but I will use the percentage of it. It means that only 18% are willing to join my gym. My target market $11700 \cdot 18\% = 2106$.

Step 4. Spread of information.

The article I'm doing my market analysis on suggests taking 10% assumption, it means that this percentage of your "target market" will hear about you through advertisement or whatever form of marketing. Out of 2106 we are going to 210 people.

Step 5. "Those who heard will come/ visit"

Let's assume another 10%. Now we have 21 new comers first month.

Step 6. Converting visitors into members.

Another 10%. And we have 2 new membership bought.

Step 7. Retention or Attrition rate

According to IHRSA (Health club management, 2013) Profiles of Success report, the average membership retention for clubs is 66 percent per year, consequently attrition rate is 33%, and monthly cancellation is 2,75%. I will drop it for the first month, because of the unpredictability. Furthermore, I will include it in the calculation.

To give some background to all assumption taken I found "GDP from services" in first 2 quarters of the year 2017 (IECONOMICS, 2017). It's written that over that period GDP grew from 112562 to 124384 BYN billion, which results in 11% increase in this sector. That gives us confidence we didn't overestimate our forecast.

All above is calculated for 2 years ahead in start-up gym revenue model. The table will be included in next section.

4.1.5 Start-up Gym Revenue model

Model includes calculation for 1st, 6th, 12th, 18th and 24th months. The whole table you can find in appendix.

Table 6: Start-up gym revenue model

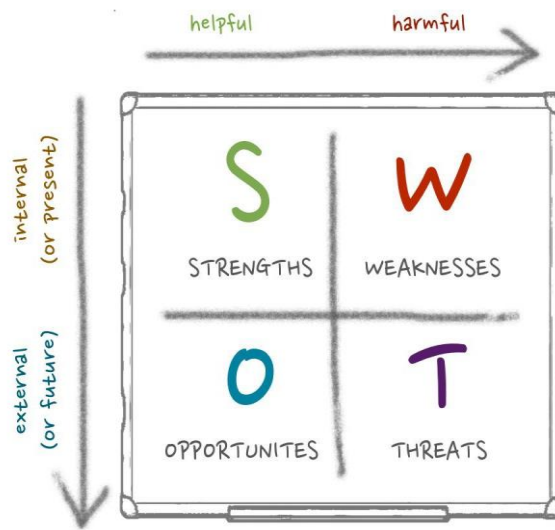
	Month 1	Month 6	Month 12	Month 18	Month 24
Total Population willing to commute to your gym	11700	11647	11585	11522	11460
Growth Rate of Population	-0,09%	-0,09%	-0,09%	-0,09%	-0,09%
Percentage of Market that would buy a gym membership	18%	18%	18%	18%	18%
Target Market	2106	2097	2085	2074	2063
% of Target Market that hear about your gym each month	10%	10%	10%	10%	10%
# of people that heard about your gym	211	210	209	207	206
% of those who heard who will visit each month	10%	10%	10%	10%	10%
# of visitors	21	21	21	21	21
% of visitors that will buy a membership	10%	10%	10%	10%	10%
# of new members	2	2	2	2	2
% of members that cancel each month	2,75%	2,75%	2,75%	2,75%	2,75%
# of members that cancel	0	0	1	1	1
Total # of Members	2,11	11,77	21,67	29,97	36,94
Monthly Membership Fee (unlimited for employees)	25	25	25	25	25
Total Revenue	53	294	542	749	923

Source: Author, 2017; Start-up Gym revenue model, 2016.

4.1.6 SWOT analysis

Generally speaking, SWOT analysis is very strong strategic planning tool, which allows you to see where you are and where you are intended to be. To be precise, the word „analysis“ is a bit overselling. It's more or less a collection of needed facts which are taken from another analysis. Usually SWOT is done is an end point. As SWOT analysis seals with both external and internal factors, it would be rational to start from acquainting with them separately. Before we created BCG matrix, Porter's five forces analysis, Market analysis, created possible revenue model, some demographic calculations and we chose strategy for success. It's time to put it all together to get the whole picture.

Picture 7: SWOT analysis



Source: SWOT analysis, 2016.

To tell the truth, SWOT doesn't demand to be a professional in economy, but you have to be able to be distant from your business and without biases evaluate where you eventually are. We are about to try to combine it in the Table 7.

Table 7: SWOT analysis for business

<p>Strengths</p> <ul style="list-style-type: none"> • Price policy; • High-quality equipment; • Qualified stuff; • Lectures and lessons; • No external financing; 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Limited financing; • Lack of space; • Lack of advertisement; • No customer base;
<p>Opportunities</p> <ul style="list-style-type: none"> • Sport awarness; • Mainstream; • Age structure in RB(more than 70% in age range 15-64); • Strategic location; 	<p>Threats</p> <ul style="list-style-type: none"> • Economic issues; • New market entrants; • Centers with dedicated customers.

Source: SWOT and Author 2017.

As for financing we would interpret a bit. On the one hand it's good not to owe any money to a bank, the worst scenario is that you go bankrupt and haven't paid your mortgage yet; on the other hand it means you have to stick to your budget and you are limited.

Although during last year (2017) Belarus was doing unexpectedly well according to GDP reported by Belstat – National Statistical Committee of RB. From the page with economic forecast it looks like there is no such thing expected as economic downturn.

According to these figures in the Picture 3 Belarus aren't expecting any radical changes in the economy. It looks quite stable with slight improvement.

4.2 Stages of installation

We solve finance of our business through investing money today in order to have necessary amount in 2 years. We will round our expenses to \$31000. According to Belarusian banks there's a suggestion to save money for 2 years with interest rate 10.2%.

Using simple formula in Formula 1

Formula 1: Present Value

$$PV = FV \cdot (1+i)^{-n}$$

where PV- present value, FV – future value, i – interest rate and n is number of period, we are getting \$25527. This amount we need to invest today on our account in order to be able to finance our business. Here we ignore the time value of money, inflation and other factors which may affect our business.

4.2.1 Registration with tax authorities

Currently there are 2 high-demanded options:

- Entrepreneurship;
- Limited liability company.

On the early stages it may seem a good idea to register as entrepreneur. But if you have some-future vision on expansion you might consider make your entity registered as Limited Liability company.

Let's take a look on the cases when it's expedient to open one or the other register. **LLS is considerable to open when:**

- A. You are having 2 and more companions, BUT in Belarus from 2016 there can be only one founder (in total not more 50 participant);
- B. You are engaging yourself in the activity which only legal entity can obtain a license for;
- C. The location of LLS can be solely non-residential premises
- D. Decide on system of taxation. In Belarus general taxation system is assigned by default. It is the most complicated taxation regime characterised to have a large amount of taxes and requirements of maintaining all existing accounting documents. However, there are several others: simplified taxation system, with and without VAT.
- E. Your residence permit is different from the tax location you need.

Opening entrepreneurship is considerable to open when:

- A. You have a doubt about profitability of the firm (it's easier to shut down);
- B. You clients are physical entities;
- C. You are the only founder (applies to countries other than The Republic of Belarus).

Regarding cases listed above, I decided it's much more applicable to choose Limit Liability Company because of flexibility of this type of unincorporated association.

In this case we should be acknowledged on *obstacles to open LLC*:

- the most common ground is the existence of criminal records with regard to economic crimes;
- some obstacles on the way to opening company can be revealed by the executors of registering body, however not all of them. It's preferable to provide real information, otherwise all profit of the company will be transferred to government and it will be compelled to declare bankruptcy in case of revelations)

4.2.2 Coordination of names

In Belarus it depends on many rules; I will stress the most valuable:

- Names neither of existing companies nor liquidated ones can be used;
- Words of expressing superiority are banned.

4.2.3 Opening LLC

1. *Obtaining the letter of guarantee.* As I already pointed the location of our company can only be non-residential premises. The letter is received from the potential lessor. Technically, we don't need the letter of guarantee on registration, however it may help to confirm that provided information is true. The room/ building/ leasing property must be of administrative functioning. Executors will not verify this compulsory requirement. Nevertheless, the negligence of this will lead to recognition of the whole contract as invalid.

2. *Procedure of registration.* Next step is to apply with the established form application and the questionnaire of the founders (shall be signed in the presence of the employees of the registering body) to the local registering authority. The state fee of 1 unit is applied (1unit = 23 blr. rub as from 01.01.2017). LLC is considered being opened upon stamp and sign of the authorized body. A certificate of registration is usually issued next working day.

3. Next step is to decide on taxation system. As I mentioned the most complicated one as assigned by default but exist several others. After registration you must notify authority about choice you have made.

4. *Obligatory obtaining of electronic digital signature.* It's a new item that got a wide use in business industry because it speeds up the whole process of documentary. Eventually it has a plenty of advantages: Simplifies and accelerates the process of data exchange (more appropriate for organizations in cooperation with foreigners);

- Reduction of costs associated with document turnover;
- Increase the level of security of confidential information, thereby keeps from forgery and such things;
- Portable.

5. Opening bank account.

Having received the registration documents and stamp (should be also obtained before going to bank) the owner of LLC is entitled to open bank account. The acts of opening vary and is regulated by the Bank we are opening the account in, therefore documents and other conditions should be specified. When accompanied with a lawyer the process of opening can be simplified, everything is prepared remotely, and the main body/ owner and other participant need to come and put the stamp and signature. Timing depends also on the policy of the chosen bank, so it can take from 1 to 4 days.

6. Business management

Management can be done in a 2-tier or a 3-tier system. The two-tier system is presented through general meeting of participant and the executive body (director). 3-tier system is used for corporation with a large number of participants. Additionally, board of directors or supervisory board join the initial meeting which are held in both systems. Sometimes may happen that number of directors exceeds the number of participants. But those are special cases when the majority participants are allocated abroad.

The system we accept is two-tier one due to the least number of employees and executive bodies. By the time it grows, we may think about the change!

Strictly, from that point our business will start functioning with all taxes and monthly fees attached. We can slowly proceed to the part with major decision in regard of type of sport center, opening hours, necessary equipment, repairs, installations, price list.

Our primary aim is to open sport center. For starters it can be 100 m² area equipped with all necessary equipment (down below I will post base calculation). Let's make a breakdown of the issues we are about to expose:

1. Type of sport center – Sport center for people with low- and middle income; at the beginning of this Bachelor thesis it was highlighted we want to let sport be affordable for all layers of population
2. Opening hours: from 7 am till 11pm (Monday – Sunday)
3. Equipment needed for starters (attached)
4. Approximate calculation of installation

5. Price list will be facilitated but divided on 2 parts (for employed people and for students/retired people: either one-time visit or 8-visits subscription, 12-visits subscription and unlimited. By the book our pricing policy should at least cover our utilities and rent. We made focus on rent by now, because utilities and other services are extremely cheap in Belarus because of subsidies. 625 euro is the number we could cover.

Due to our “Gym revenue model” there’s no way to cover these cost from first month. Although on after 14th month we will start to generate revenue.

Table 8: Membership fee

	Employed people	Students/pensioners
One-time visit	2€	1.5€
8-visits subscription	14€ (10% discount)	11€ (10 % discount)
12-visits subscription	18€ (20% discount)	14€ (20% discount)
unlimited	25€	20€

Source: Author, 2018

5 Discussion

Our main objective was to test business environment in the Republic of Belarus, Mogilev and create affordable facilities for people living in Octiabrsky district to be close to sport. According to results obtained by analysis in Practical Part in Belarus there are favorable condition for establishing a business due to sufficiently low prices on rent and utilities; therefore, it's possible to be on budget which was our second objective. We chose own financing with putting money in a bank under 10.2 % annually. On one hand, it's more reasonable in the worst scenario of shutting down the business. On the other hand, we are ought to stick to the plan with our established budget, premises, location and specialization. However, the result also showed us prospective for the future which are reachable and certainly profitable, such as opening dance-club and investing into equipment for lymphatic massages. The idea about lectures and different educational lessons are also taken from those analysis because it brings a highlight for our center. As the time passes by we may expand in a bigger center with bigger scope of services. By that time will need to carry out new analysis according to revenues we are about to generate.

In the literature review we were analysing a book "REWORK" which has a sceptical view of Jason Fried and David Heinemeier Hansson on planning of business plan. The book states if you have an idea, make it special and do planning for a week ahead max. In such way the plan will refer to reality and you will be able to improvise and go in another direction. It encourages not to work extra hours, because it doesn't bring any contribution, likely contrariwise.

On the other hand, "Anatomy of a Business Plan" by Linda Pinson states that you should write an executive summary and provide all income statements, financing, projection for the next 3 years, expense, net profit etc. attached together with your business plan, which will back everything you said in executive summary. The author breaks down the business plan on organizational and administrative plan, Accounting and Legal Structure, Management and Personnel. In general, the plan by Linda Pinson should be well-thought-out.

Nevertheless, any publications speak at once that to sell your product you have to learn to sell yourself. What they mean by that is that you must highlight your service (or any other

venture) so that your customer will know why he or she should buy from you, not from your competitor.

6 Conclusion

In order to accomplish our goals, we tested our capabilities in Belarusian market through analysis of macro and micro environment such as PEST, BCG matrix, Porter's 5 forces, Target market analysis and SWOT. The results we got we used as the starting point. It helped with the direction of our business. We got the idea of what people might need and might be interested in.

Substantially, what we get is the basic representation of how to be consistent in constructing business plan. At that point literature made a big contribution; with our adjustment and our personal interest and cognition we were able to construct gym start-up. We referred to legal norms and laws, Belarusian features, constitution, decree, statistics, demographics, manuals, analysis of environment, economic literature, methodology and so much more. To cover a broad range of people (from 15 to 65 years old) we followed the idea of creating lessons/lectures, challenges. Otherwise, providing only area for workouts would make it impossible. We concentrated services that might attract different layers of population in one place. Meanwhile, we set prospective on expanding and building pole dance area, investing in lymphatic massages equipment and so much more.

At the beginning we aimed to start generating revenues from the very first month, what turned out to be impossible. Although our forecast says we are going to be able to cover our rent from the 14th month, by that time we will start thinking about expanding our area, renting another space or buying our own because the number of customers will grow together with revenues. However, we believe we should create a strong customer database, who will not mind shifting from one club to another. Also, we are on a budget and all investments are on personal savings, which will not lead to any legal failures. In worst-case scenario we may simply shut it down. In the perspective we may conclude common membership with other sport centers which are quite few in the city; people are allowed to practise anywhere anytime they want. The main objective was people comfort, their welfare and time and we made a plan how we can make it happen.

On the other hand, due to the lack of information it gave plenty of complication with conducting analysis. We used laws, decrees and lots of legal documents which are only

available in mother tongue. While sorting information we faced some articles which seemed to be written by amateur. Although, there were some genuine sources we apply.

Dealing with unexisting industry a lot of assumptions were taking into consideration. It means there might be a serious dubiety. Though, at the first glance, they looked underestimating.

Nevertheless, we saw a great potential for industry, its rentability and usefulness. We cannot predict how people in the closeby area would react. However, we managed to answer need questions and suggest a business plan for industry of such kind.

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8 Appendix

Table 9: Gym equipment

Gym equipment	Pieces	Bel.rub (piece)	Final price in BLR	EUR
IFOB universal bench for barbells	1	786	786	341,03
Treadmill Pro-Form 5.0 ZLT	2	1500	3000	1301,63
Dumbbells in the vinyl shell Alex DB107-20, 2 kg (pair)	1	22	22	9,55
Dumbbells in the vinyl shell Alex DB107-20, 2,5 kg (pair)	1	28	28	12,15
Dumbbells in the vinyl shell Alex DB107-20, 4 kg (pair)	1	45	45	19,52
Dumbbells in the vinyl shell Alex DB107-20, 5 kg (pair)	1	57	57	24,73
Dumbbells collapsible rubberized, 2 * 20 kg	3	300	900	390,49
Gym mat	3	70	210	91,11
Olympic small chrome-plated neck OB-60 150 cm with locks	2	200	400	173,55
Gymnastics ball, 65 cm (with pump)	2	36	72	31,24
Led extension machine	1	220	220	95,45
Bench for abs muscles adjustable	1	520	520	225,62
Dipping bars+pull upbar	1	980	980	425,20
Elliptical trainer Pro-Form	1	960	960	416,52
Verticaltrailer Pro-Form	1	910	910	394,83
EXM-3000LPS Professional multi-station	1	7880	7880	3418,95
OLYMPIC DISK, 5 kg	2	36	72	31,24
OLYMPIC DISK, 10 kg	2	72	144	62,48
OLYMPIC DISK, 15 kg	2	108	216	93,72
OLYMPIC DISK, 20 kg	2	144	288	124,96
OLYMPIC DISK, 25 kg	2	180	360	156,20
Stands for push-ups Pro-Form	1	30	30	13,02
		SUM	18100	7 853,18 EUR

Source: Author, 2017

Table 10: Establishing budget

Premises	Bel.rub (piece)	EUR
Rent (120 m ²)	1440	625
Deposit by purchase of premises (equivalent of one month lease)	1440	625
Limited Liability Company	0	0
2 rest rooms + shower+water supply	2000	868
Furnishing and renovation	4000	1736
	sum	3853
Production equipment		
Machinery	18100	7853
Tools(screwdrivers, pliers, hammers, nails, lubricants, etc.)	100	43
Other things	200	87
	sum	7983
Shop fittings		
Cashier together with tax authority control	255	111
Stationary phone	20	9
Other things (stationery, recording books, folders etc.)	100	43
	sum	163
Office fittings		
Furniture (desk, swivel chair, shelves etc.)	2000	868
Computer (printer, network)	2000	868
Copying machine	500	217
Other things:	200	87
	sum	2039
Marketing		
Writing paper, business cards	250	108
Strengthening lessons/ Body&Mind/ "Eat healthy" lections (twice a month)	200	87
Brochures and website	600	260
Advertisement	1000	434
Opening reception	1500	651
Other things	500	217
	sum	1757
Other expenses		
Application for a patent/registration	100	43
Other things	100	43
	sum	87
Total costs	36605	15882
Total costs	70330	30515

Source: Author, 2017

Table 11: Exchange rate

1 EUR	BLR	from 14.09.2017
1	2,3048	

Source: Author, 2017

Table 12: Present value

Future value	31000
interest rate	10.2%
numver of periods	2
Present Value (2 years with 10,2%)	25527

Source: Author and Belarus bank (deposit), 2017

Table 13: Esporta fitness club (area earning 2014)

Profit of fitness center Esporta in 2014			
	ALPINNING	SPINNING	STRENGTHENING LESSONS
Total turnout in 2014	4 522	866	4 388
Price of lesson	115,-	115,-	85,-
TOTAL	520 030,-	107 870,-	372 980,-
	BODY & MIND	POLE DANCE	LYMPHATIC MASSAGE
Total turnout in 2014	2 277	228	191
Price of lesson	115,-	1 800,-	varies
TOTAL	261 855,-	410 400,-	480 560,-

Source: Vorlová Kateřina, 2015.

Table 14: Start-up gym revenue model for 1-12 months

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Total Population willing to commute to your gym	11700	11689	11679	11668	11658	11647	11637	11626	11616	11606	11595	11585
Growth Rate of Population	-0,09%	-0,09%	-0,09%	-0,09%	-0,09%	-0,09%	-0,09%	-0,09%	-0,09%	-0,09%	-0,09%	-0,09%
Percentage of Market that would buy a gym membership	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Target Market	2106	2104	2102	2100	2098	2097	2095	2093	2091	2089	2087	2085
% of Target Market that hear about your gym each month	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
# of people that heard about your gym	211	210	210	210	210	210	209	209	209	209	209	209
% of those who heard who will visit each month	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
# of visitors	21	21	21	21	21	21	21	21	21	21	21	21
% of visitors that will buy a membership	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
# of new members	2	2	2	2	2	2	2	2	2	2	2	2
% of members that cancel each month	2,75%	2,75%	2,75%	2,75%	2,75%	2,75%	2,75%	2,75%	2,75%	2,75%	2,75%	2,75%
# of members that cancel	0	0	0	0	0	0	0	0	0	0	1	1
Total # of Members	2,11	4,15	6,14	8,07	9,95	11,77	13,54	15,26	16,93	18,56	20,13	21,67
Monthly Membership Fee (unlimited for employees)	25	25	25	25	25	25	25	25	25	25	25	25
Total Revenue	53	104	154	202	249	294	339	382	423	464	503	542

Source: author 2017; Start-up Gym revenue model, 2016

Table 15: Stat-up gym revenue model for 13-24 months

	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Total Population willing to commute to your gym	11574	11564	11553	11543	11533	11522	11512	11502	11491	11481	11471	11460
Growth Rate of Population	-0,09%	-0,09%	-0,09%	-0,09%	-0,09%	-0,09%	-0,09%	-0,09%	-0,09%	-0,09%	-0,09%	-0,09%
Percentage of Market that would buy a gym membership	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Target Market	2083	2081	2080	2078	2076	2074	2072	2070	2068	2067	2065	2063
% of Target Market that hear about your gym each month	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
# of people that heard about your gym	208	208	208	208	208	207	207	207	207	207	206	206
% of those who heard who will visit each month	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
# of visitors	21	21	21	21	21	21	21	21	21	21	21	21
% of visitors that will buy a membership	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
# of new members	2	2	2	2	2	2	2	2	2	2	2	2
% of members that cancel each month	2,75%	2,75%	2,75%	2,75%	2,75%	2,75%	2,75%	2,75%	2,75%	2,75%	2,75%	2,75%
# of members that cancel	1	1	1	1	1	1	1	1	1	1	1	1
Total # of Members	23,15	24,60	26,00	27,36	28,69	29,97	31,22	32,43	33,61	34,75	35,86	36,94
Monthly Membership Fee (unlimited for employees)	25	25	25	25	25	25	25	25	25	25	25	25
Total Revenue	579	615	650	684	717	749	780	811	840	869	896	923

Source: author 2017; Start-up Gym revenue model, 2016