

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

**E-business analysis: A case study of selected clothing
e-shop**

Anna Jůzová

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Anna Jůzová

Business Administration

Thesis title

E-business analysis: A case study of selected clothing e-shop

Objectives of thesis

The goal of the thesis is to evaluate feasibility of opening of a selected e-shop. Practical part will focus on feasibility study and cost-benefit analysis of e-shop with clothing in Czech Republic. This includes an overview of the possible costs, risks and benefits of shop. Also to provide evaluation the way of advertising the products and to access information about the financial flow of e-shops.

The main aim is to emphasize the potential problems that could arise if the project is monitored and determine if they are considered after all significant factors, should the project proceed.

Methodology

Bachelor thesis is divided into two main parts theoretical and practical part.

For the theoretical part are used methods such as synthesis, extraction of information, induction and also deduction is used.

For the practical part are used basic statistical method such as average, median, minimum and maximum. Also are employed methods of financial analysis and analysis of market. These include probability indicators.

The proposed extent of the thesis

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Recommended information sources

Colin Combe, 2012 , Introduction to e-Business

Dave Chaffey, 2007, E-business and E-commerce Management: Strategy, Implementation and Practice, Pearson Education

Chimay J. Anumba, Kirti Ruikar, 2009 , e-Business in Construction , John Wiley & Sons

Michael Peacock, 2016, Programujeme vlastní e-shop, Computer Press, Albatros Media a.s.

Pradeep Kumar Ray, 2012, Integrated Management from E-Business Perspective: Concepts, Architectures and Methodologies Network and Systems Management , Springer US

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The Bachelor Thesis Supervisor

Ing. Petr Procházka, Ph.D., MSc

Supervising department

Department of Economics

Electronic approval: 28. 2. 2017

prof. Ing. Miroslav Svatoš, CSc.

Head of department

Electronic approval: 3. 3. 2017

Ing. Martin Pelikán, Ph.D.

Dean

Prague on 07. 03. 2017

Declaration

I declare that I have worked on my bachelor thesis titled "E- business analysis: A case study of selected clothing e-shop " 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 2017

Anna Jůzová

Acknowledgement

I would like to thank my supervisor Ing. Petr Procházka, Ph.D., MSc for his advice and support during my work on this thesis. I would like to thank all the professors of our university for the knowledge that I have learned from them.

E - business analýza : Studie vybraného e-shopu s oblečením

Souhrn

Předmětem bakalářské práce je E-business analýza: Studie vybraného e-shopu s oblečením v České Republice. Bakalářská práce je rozdělena na dvě osnovní části.

Část teoretickou, ve které jsou zpracovány základní poznatky o E-business, E-commerce a nákupním procesu na Internetu. Zde je také teoreticky vysvětleno užití studie proveditelnosti a jejích komponentů.

Praktická část se zabývá zpracováním studie proveditelnosti, která popisuje projekt z technického a ekonomického hlediska. Zde je zahrnuto vyhodnocení výsledků získaných analýzami trhu v České Republice. Provedené analýzy popisují projekt z různých aspektů. V této části jsou zpracovány informace o finančním toku obchodu a o možných nákladech.

Cílem této práce je zhodnotit výsledky studie proveditelnosti nového e-shopu a najít odpověď na otázku, zda se investorovi vyplatí podnikatelský záměr realizovat ve skutečnosti.

Klíčová slova: e-commerce, e-shop, poptávka, nabídka, internet, oblečení, studie proveditelnosti, marketing, finanční analýza, vyhodnocení plán

E- business Analysis : A case study of selected clothing e-shop

Summary

The topic of the thesis is the E-business analysis: A study of the selected e-shop with clothing in the Czech Republic. The thesis is divided into two parts.

The first, theoretical part are disclosed information about E-business, E-commerce and purchasing process on the Internet. There is also explained the use of a feasibility study and its components.

The second, practical part in an analysis of a feasibility study, which describes the project from a technical and economic point of view. In this part is included evaluation of the results obtained from analyses of the market in the Czech Republic. The performed analyses describe various aspects of the project. The feasibility study provides us information on financial flows and potential costs of the business.

The aim of this study is to evaluate the results of the feasibility study of a new e-shop and find an answer to the question, whether the investor should implement a business plan or not. Realize a business plan or not.

Keywords: e-commerce, demand, supply, the internet, clothes, feasibility studies, marketing, financial analysis, plan evaluation

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1 Introduction

The rapid expansion of the Internet has transformed the way in which people and businesses communicate and cooperate. It has revolutionized the way in which information is stored, exchanged, viewed and manipulated. This has opened up new opportunities for businesses, which were almost inconceivable before as it is now possible to realize business transactions on a global basis in a relatively short time, within low costs. (Chimay J. Anumba, Kirti Ruikar, 2009)

Online trading significantly in recent years gained in popularity. It is not only because of providing customers shopping from the comfort of their home but also enables companies to assert themselves on the global market and reach even more potential customers.

In the Czech Republic is e-commerce a favorite form of business. One of the first e-shops in the Czech was founded in 1996. Shop.cz were among the popular e-shops when it came to the quality of goods, services and customer satisfaction. Unfortunately, it was unprofitable and in 2001 finished.

Nowadays there is about 38 thousand active e-shop for ten million residents of the Czech Republic. Amounts of e-shops keeps growing and also quantity of money which every year turns in e-commerce is growing. According to data of Association for electronic commerce Czechs shop online more frequently. During the last five years regular purchases increased by half. A full 73 % of internet users buy online at least once per quarter year. According to recent data of Association for electronic commerce and price comparison Heureka.cz flowed in e-commerce 81 billion crowns last year.

More than half of the turnover is made up of thirty the largest of them. The largest Czech e-shop is Alza.cz who make up one-sixth of total turnover. Its biggest competitors are Mall.cz, Kasa.cz, Vivantis or Parfums.cz.

My thesis describes the issue of e-Business (sometimes eBusiness) is a term to describe electronic business, therefore the use of information and communication technologies (ICT) and the advantages of the Internet in business. It also describes the concepts and forms of e-business.

2 Objectives and Methodology

2.1 Objectives

This particular thesis introduces the concepts of e-Business (electronic business) and E-commerce (electronic commerce) the conduct of business processes on the Internet. The aim of the thesis is to evaluate the feasibility of opening of a selected clothing e-shop. Practical part will focus on a feasibility study and cost-benefit analysis of e-shop with clothing in the Czech Republic. This includes an overview of the possible costs, risks, and benefits of a shop. Also to provide evaluation the way of advertising the products and to access information about the financial flow of e-shops.

The main aim is to emphasize the potential problems that could arise if the project is monitored and determine if they are considered after all significant factors, should the project proceed.

2.2 Methodology

Bachelor thesis is divided into two parts theoretical and practical part.

For the theoretical part are used methods such as synthesis, extraction of information, induction and also deduction is used.

For the practical part are used basic statistical method such as average, median, minimum and maximum. Also are employed methods of financial analysis and analysis of market and product analysis. These include probability indicators.

3 Theoretical Part

3.1 E-Business

This chapter describes principle of e-business and differences between e-business and e-commerce.

3.1.1 E-Business and E-commerce

E-business (electronic business) is the conduct of business processes on the Internet. These electronic business processes include buying and selling goods and services. E-business can be also defined as the use of the internet to network and business processes, electronic commerce, organizational communication with its customers, suppliers, other stakeholders and in a company. (Combe, 2012)

It also refers to servicing customers, conducting electronic transactions within an organization; servicing customers; processing payments; managing production control; collaborating with business partners; sharing information; running automated employee services; recruiting; and more.

The worldwide spreading of internet and networked computing) has led to the growth of business communication over the electronic computer communication networks. It is connected with the growth of electronic commerce involving the advertisement and sale of goods and services from business firms to consumers over the network. (Pradeep Kumar Ray, 2012)

E-business has created a new revolution in business all around the world. Revolutionary waw of business due to faster transctions, lower costs, higher flexibility and mostly extensive. Advantegous is for sure high availability 24 hours a day. (Pradeep Kumar Ray, 2012)

The strong development of e-Business markets and even to create new business opportunities (e.g. Internet marketing), significantly changed the whole marketing concept. There has been a replacement of traditional paper-based transactions of their electronically (electronic invoicing, online banking, warehouse management, search position using GPS, electronic reporting, and more). The whole wave of the new economy, caused the huge growth of the entire ICT sector, which is for many countries, a significant part of their GDP. (Managementmania, 2017)

This type of e-Business does not change radically the underlying business relationships, but using e-Business solutions are changing the ways and channels , how business relationships are implemented. (Managementmania, 2017)

Quite often the terms 'e-business' and 'e-commerce' are used synonymously. The differences between them lie in the broader range of process in e-business that incorporates transactions within an organization. These include transactions connected with procurement, logistics, supply chain management, payments, stock control and order taking activities. As Chaffey (2007) notes, e-commerce can best be conceived as a subset of e-business. Where the two concepts overlap is in the buying and selling of products and services.

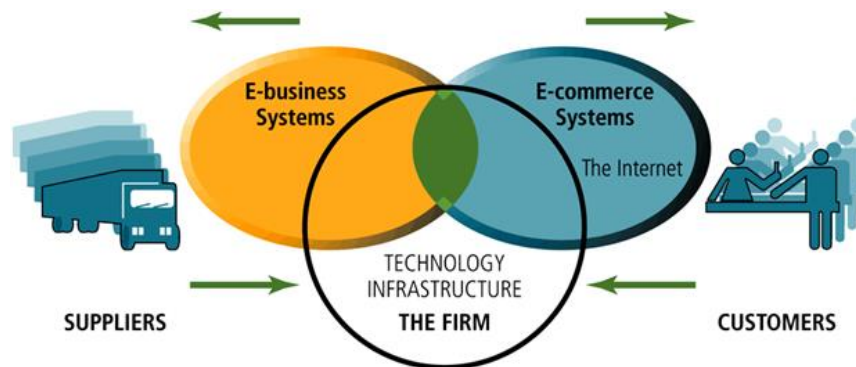


Figure 1: Comparison E-business and E-commerce (zdroj: Islam, M.,2017)

Buy-side e-commerce refers to an electronic transaction between a purchasing organization and its suppliers and sell-side e-commerce refers to an electronic transaction between a supplier organization and its customers. Figure 1.1 illustrates the relationship between e-business and e-commerce. (Colin Combe, 2012)

3.1.2 Examples of E-commerce

B2B

The concept of B2B is the oldest component of electronic business. B2B acronym comes from the English term Business to Business. B2B concept thus relates to business relationships and interaction between the two companies. Examples of this concept include advertising agencies, web hosting, graphic design services, office furniture manufacturers and landlords who lease office and retail space.

An important feature of the model is that B2B focus more on logistics, security and related business, compared to an emphasis on customer acquisition, as is the case in the B2C. (Chimay J. Anumba, Kirti Ruikar, 2009)

B2C

The distinction between B2B and B2C is evidence. B2C firms are companies that produce products to customers. While business-to-consumer activity exists both online and offline, the acronym B2C has primarily been used to describe the online variety. B2C businesses played a large role in the rapid development of the commercial Internet in the 1990s. Large sums of venture capital flowed to consumers in the form of free online services and discounted shopping, spurring adoption of the new medium. B2B firms are companies that produce products to other companies. (Marketing Terms, 2017)

The e-commerce matrix

	Business	Consumer	Government
Business	B2B Supply Chain, Wholesalers	B2C Retailers (Goods or Services)	B2G Contract bidding, Privatization
Consumer	C2B Public Bidding marketplaces, Auctioneers	C2C Public flea markets	C2G Public Government auctions
Government	G2B Tax and fee collection	G2C Tax and fees collection	G2G Budget allocation

Figure 2: The e-commerce matrix (source: Nannore,2017)

All companies are competing in the complex market each with unique business characteristics..

3.2 E-Shop

Nowadays this type of application is widespread. Its unique advantage is quick and clear customer awareness, its immediate reaction to the offer organizations and easy closure of the transaction. It brings the total streamline business relationship.

E-shop serves to customers to search for products and ordering. E-shop owner used to offer products and subsequently receive an order from a customer. There are several ways that application create. The first application is programmed in any programming language, are mostly scripting language. The second way is to use CMS opensource system or e-commerce. There is often a problem to choose the right because some CMS systems are primarily a content management systems and do not support the feature e-shop. It also depends on the choice of whether CMS open source or commercial.

From opensource are among the best-known Joomla, WordPress. Commercial CMS system, for example JPublisher. The third way is to use the already programmed opensource e-shop. This option may appear in this regard, the best alternative, but can work with them are problems, for example, hard work with spreadsheets, poor performance.

The whole business process appears in an electronic form due to that electronic business can make a permanent profit. It is based on the possibility of recommending customers with additional products according to their former customer's order and also thanks to the constantly updating online catalog of products for customers. E-shop can also earn itself from an advertisement that can contain. As you can see on popular websites and almost every e-shop is advertisements placed.

3.2.1 Purchasing Process

At e-shops is not much different from the classical shopping in local stores (In terms of pay - choose - get). Pleasant feature to shop via the Internet also means that we can learn more information about a given product and to focus only on those that really interested us. While we are buying there is no pressure on us from traders. Positive domain is also an opportunity to compare prices with other companies at the same time. We can read the opinions of other customers who use their experience of the selected products are inserted into discussion forums on the online store. After completing the order by the customer e-shop automatically sends an e - mail with a summary of orders that will be delivered to the specified contact e-mail. The next step is usually to login to the administration on certain e-shop and customer gets some kind of advantages. It is followed by payment options, there is for example Prepayment and COD. We can choose how the package will be expanded and

where. The last step is to confirm that the customer received the goods. Also on online shopping, we can make complaints and return goods.



Figure 3: Online Store (source: Website designer, s.2017)

3.3 Clothing Industry

The textile industry is an integral part of the clothing production and other fashion accessories. If we look at the current state of the textile industry from a global perspective, we find that in recent years has undergone major changes during its development. The industry of materials production and other textile products is now distributed evenly around the world. Placement depends on large population or distribution of raw materials. The center of textile industry recently shifted from Western Europe to Southeast Asia, where there is really cheap labor. The clothing industry is characterized by low investment and high return. Textiles are manufactured from, for example, seeds (cotton) from the blades (flax, hemp, jute), leaf (Manila hemp, sisal), from fruit (coconut) of hair (wool), from silk worm cocoons (silk) or cellulose (synthetic fibers, e.g. rayon). The textile industry is in constant evolution. Surely there are many opportunities for business. (obleceni.blogspot.cz,2008)

3.4 Demand

Demand is the quantity of goods that buyers are willing to purchase at different prices during a given period of time, other things being equal. The demand curve is simply a graphic representation of demand schedule expressing the relationship between different quantities demanded at different possible prices of a commodity. (T.R.Jain, V.K.Ohri)

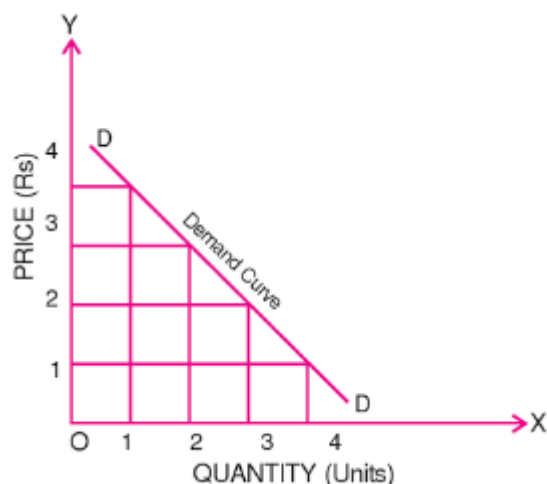


Figure 4: Demand (source: T.R.Jain, V.K.Ohri)

When price is Re 1, demand is 4. Then demand curve slopes downwards from left to right indicating that at higher price demand is less and at lower price demand is more. (T.R.Jain, V.K.Ohri)

3.5 Supply

Supply refers to the quantity of a commodity offered for sale considering different possible prices at a point in time. The supply curve is a graphic presentation of supply schedule, indicating a positive relationship between the price of a commodity and its quantity supplied.

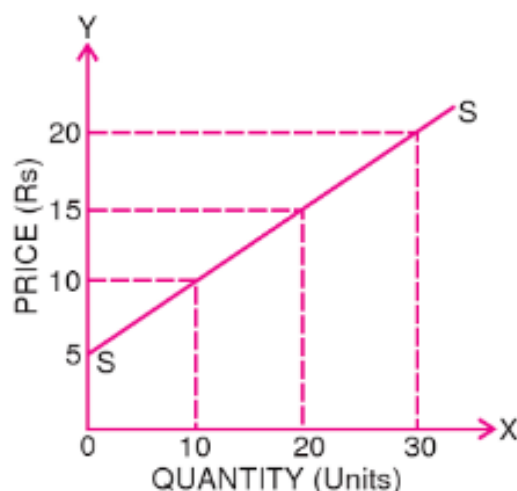


Figure 5: Supply (source: T.R.Jain, V.K.Ohri)

It is a graphic presentation of supply of an individual firm in the market. Sloping upwards, it indicates a positive relationship between the price of a commodity and its quantity supplied. It has a positive slope meaning thereby that as price rises, the supply extends. If the price is Rs 5 or less than that, the seller will not be prepared to sell any unit. The price below which the seller is not prepared to sell is called Reserve Price or Minimum Supply Price. (T.R.Jain, V.K.Ohri)

3.6 Equilibrium

Equilibrium is the state in which market supply and demand balance each other and, as a result, prices become stable.

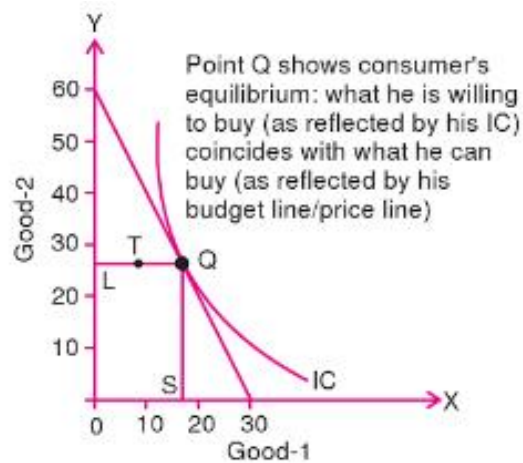


Figure 6: Equilibrium (source: T.R.Jain, V.K.Ohri)

The diagram shows that it is point Q at which, what a consumer wishes to have coincided with what he can have. Therefore Q is a point of consumers equilibrium where he maximizes his satisfaction. At this point, he buys OS amount of good -1 and OL amount of good-2. Q is also called Optimum Consumption Point. (T.R.Jain, V.K.Ohri)

3.7 Feasibility Study

What is a Feasibility Study

The feasibility study is an analysis of how successfully the project can be completed, representing the factors that affect it, such as the economic, technological, legal and planning factors. Project managers use a feasibility study to determine the potential positive and negative results of the project before investing significant time and money into it.

Breaking down Feasibility Study

For example, a small school looking to expand its premises could carry out a feasibility study to determine whether it should follow through with regard to material and labor costs, disruptive project would be available to students, public opinion expansion, and laws that could have impact on the expansion.

Feasibility study examines the viability of a project, an idea or also a new business. The aim of the feasibility study is to emphasize the potential problems that could arise if the project is monitored to determine whether, after they are considered all relevant factors, should the project proceed. Feasibility studies also allow the company to solve, where and how it will work, possible obstacles, competition, and financial resources needed to get the business up and running. (Castro and Mylopoulos, 2002)

Importance

Feasibility studies enable companies to identify and organize all the necessary details connected to the business. Feasibility study helps identify logistical problems and almost all issues related to trade with solutions to mitigate them. Feasibility studies can also cause the development of marketing strategies that convince businessman or a bank that investing in business is a wise decision.(Investopedia,2017)

Components of a Feasibility Study

There are several parts of a feasibility study:

- Description – a distribution of the business, detail description of offered products and services and the way how it will be delivered.
- Marketing feasibility – describes the current and future potential of this sector of the market and competition, potential buyers and trade estimations.
- Technical feasibility – specifies details on how a good and services will be delivered to customers, including transportation, place of business, necessary technology and material and labor.
- Financial feasibility – represent a projection of the amount of capital or funding which is needed, what sources of capital can and will be used and what kind of return can be expected after investment.

Organizational feasibility – a projection of the legal and corporate structure of a company. It may include details about the founders, their professional experience and the necessary skills they should have to get the company off the ground and keep it running.

This study is used in various forms in the public sector and in the business sector. In the pre-investment stage of the project is study processed. On the one hand, it is a material used as a basic tool to plan project management and later used in operating phase. On the other hand, this leads to the owner decision about an investment, if it is necessary also the decision of lender for a loan. (Castro and Mylopoulos, 2002)

Feasibility study and other types of studies

As already mentioned, what serves feasibility study for. This document usually arises from pre-investment phase of project. In the preparation of investment, you can meet other terms. For completeness we tried to approach a meaning and significance of the thesis of other types. (Castro and Mylopoulos, 2002)

Opportunity Study

It is a very important document, which helps us in the pre-investment phase, to define the largest number of opportunities for investment. It is necessary to discover the actual investment opportunities previously if some of them are selected for more detailed and also costly process. As for example, in the form of pre-feasibility and feasibility studies. The output of this study is a selection of potential investments.

The high risk or poor profitability can be seen clearly as the reason for the exclusion of the project at this stage of the preparation. For each of the included projects, it is still only the most basic information and estimates, without acquiring considerable analytical thinking. (Castro and Mylopoulos, 2002)

Pre - feasibility Study

This study is basically an intermediate step in decision document between the feasibility study Opportunity study. Information on the structure is different than in Feasibility Study and the Opportunity Study. This study consists of project strategy, technological and technical results, concepts of a market, capacity and localization of the planned operations. The material also includes a short timetable for implementation and its organizational and personnel structure. On the basis of this study, an investor would decide whether to continue and complete a detailed feasibility study or just stopped preliminary work. In the case of a continuation, it means to release more financial resources to finish the study. (Castro and Mylopoulos, 2002)

Appraisal Report (Scoreboard)

Appraisal Report is the name for the material that helps to evaluate the project based on several financial indicators. It means that project implementer is evaluated with a focus on his financial health. The methodology may vary from subject to subject because it is defined by users. The cornerstone for this report is financial analysis, investor financial plan and feasibility study of the project. As a result also appears a decision on granting a loan to the investor. (Castro and Mylopoulos, 2002)

Types of Feasibility

- **Operational** – represent how urgent the problem is and its acceptability to different solutions. If there exist a system, can we use it? Including issues-oriented on people and social problems. Such as internal problems, manpower issues, labor issues, conflicts in organization and policies, also external issues, including social acceptability, regulation of government and legal aspect. Of course, we need to found out if the system can work but mainly after evaluation if it will work in future.
- **Technical** – Often computer-oriented problems – tell us is the solution practical? Is the feasibility of the project in the context of current technology? Currently, do we have the technology? And also if he has the technical knowledge and time? Usually, the technology needed is available, but a question is if we can apply this technology to our problem.
- **Economic** (Cost-benefit Analysis) – Is usually the finish line in all projects in economic feasibility. First estimations, gradually refine until we will have a complete Cost-Benefit Analysis. Is it possible to implement due to resource constraints? Assuming we know benefits from the project, ere the costs worth investing? Which savings will occur as results from the project?
- **Schedule** – Is the project schedule within our capacity and will we be able to fulfill our expectations. The technology exist to meet our goals, but do we have the necessary technical expertise and professionals needed to implement it? We can assume that IT professionals can learn how to use new systems but the time required could affect the project schedule. As such, we must consider how much the schedule will be impacted and modify timetables accordingly. Within the scope of the project,

missed schedule are not ideal, however implementing inadequate systems is far worse. (Castro and Mylopoulos, 2002)

Cost–benefit analysis (CBA)

The method of cost-benefit analysis usually abbreviated to CBA serves for systematic approach to estimating projects, especially in the public sphere and provides steps to solve problems that are associated with these projects. The method compares the benefits, which express any positive effects of cost or costs, which affect negative effects on investment.

The essence of the method is to analyze the impact of investment on the actors, the quantification of the effects observed and conversion to a common number (ideally financial) unit. Then we can take advantage of criterion indicators of net present value, internal rate of return of CF economic, indices of profitability and payback period. (ManagementMania.com, 2017)

Marketing Feasibility

Marketing Mix

Marketing mix represents and specifies all the steps that the organization is doing to arouse demand for the product or, in the case demarketing reduced it. (The Marketing Mix, 2017) These steps are divided into four variables :

1. Product – Indicates not only the product or service (ie. core product), but also the range, quality, design, packaging, image of the manufacturer, brand, warranty, service and other factors that from a consumer point of view decide how the product will satisfy his expectations.
2. Price - The value is expressed in money, for which the product is sold. It also includes discounts, terms and conditions of payment, refunds or loan options.
3. Place – Represents where and how the product will be sold, including distribution channels, availability of distribution networks, sales assortment, supply and transportation.

4. Promotion - Specifies how consumers learn about the product, from direct sales through public relations, advertising and sales promotion.
(RobertNemec.com.2017)

4 Practical Part

The following chapter describes a practical part of the research.

4.1 Scope and Delimitation of Feasibility Study

This study examines our new project from various aspects, such as those:

- Marketing Aspects – information about the product,
- Management Aspects - information about the management of the company,
- Technical Aspects – technical solution of the project
- Financial Aspects and Calculations – overview of costs, sales and cash flows, calculations measuring effectiveness

4.1.1 Significance of the Study

The aim of this study is to evaluate the results of the feasibility study of a nonexisting e-shop and find an answer to the question, whether the investor should implement a business plan in reality or not. Feasibility studies enable companies to identify and organize all the necessary details connected to the business. Feasibility studies can also cause the development of marketing strategies that convince businessman or a bank that investing in business is the right decision.

4.1.2 The Marketing Aspect

Marketing is really important means for starting a new project. The success of our e-shop depends on many things. Good leadership marketing campaign is one of the main factors which can positively influence our start. Ways to propagate internet business are many, from the simplest to the most expensive. Branding has, in fact, the same importance as the final increase in sales and increase in customers.

By building a virtual storefront, placing goods on the Internet and collecting goods definitely does not stop worries and work with electronic commerce. Exactly opposite. Then there is a situation that is critical to many e-shops.

The most important for business is to attract, acquire and mainly keep/retain buyers. How to achieve this?

We need to get attention otherwise nobody will be interested in our project. A large amount of e-shops neglects its promotion. It's a mistake resulting from a seemingly logical reasoning that the Internet dealings is the best present again on the Internet. It is necessary to invest in other forms of advertising than electronic media for example audio-visual and printed advertise. (Trisul.cz. (2017).

4.1.2.1 Marketing Mix

Marketing mix represents and specifies all the activities that the company will do to increase demand for the product. These activities are divided into four variables :



Figure 7: Marketing Mix (source: The Marketing Mix. (2017)

The practical process of the marketing mix in our company would look as following:

1. **Product** – Our product which we trade is sportswear, concretely we focus on the selling of leggings. Our target group would be any woman about 14 years and further.

An aspect of quality is very important to us, it is something we can build on. Our intention is to focus on quality breathable material. It means lightweight material in which women do not feel sweaty and are able to focus just on working out.

Desing of products is second priority in our project. All over the Internet, at our competitors, we see a lot of different desings. But what if we can make our own? And that is main goal which we can in our starting business achieve. To be different and provide to everyone something they really desire for - motif of their own devising. Choosing from templates the patterns, stripes, signs, pictures. It is not in our interest to use plastic packaging, we will wrap our products in paper. We do not use plastic, our products are packed in paper envelopes.

2. **Price** – Our price is based on the calculation of the full producing cost of the product and then added the desired profit margin. We can determine profit margin according to our financial plan. The advantage of this pricing strategy is simplicity and clarity. The rules for determining the price are clear, the company may calculate a specific profit from each sold piece. When we want to determine price we also need to consider demand for our goods. Also is important to focus on competitors. Competitively oriented price is the price at which the price is derived from the level of prices charged by competitors. Our company try to find the average of this price, then evaluate the strengths and weaknesses of the product itself. In the end the price will be determined either above or below the average. In our case we want to attract our customers by low price. (Ipodnikatel.cz, 2017)

3. **Place** – Our products will be sold only on the territory of the Czech Republic. In Prague will be our warehouse with the products, which will also be a place where you can pick up the ordered products. It means that the main benefit will be the delivery location in the heart of the Republic. Shipping outside Prague, will customers have to pay for themselves. Supply chain will be solved according to

amounts of orders. First of all, we are going to purchase a larger quantity of simple and printed leggings. When we sell all goods then we will proceed in the same way. All these stocks will be stored in the warehouse. In the warehouse will be one employee, who will take care of packing and distribution of orders.

4. **Promotion** – Consumers will learn about our products from the e-shop. By using SEO and PPC we will achieve a higher number of website visitors. The sale is possible to support in different ways. We would like to advertise on social networks. Specifically on Fb, Twiter and Instagram in the future. Of course, we can also get support from so-called friends on social networks by simply sharing contributions. Satisfied customer and positive reviews are the best advertisement. So we plan to ask our customers for feedback. Direct mailing is an effective way of advertising. Also, it is suitable for us because it is really low costs. At the beginning we will not have finance to invest in outdoor advertising, so the first advertisement would be poster or billboard at our warehouse.

4.1.2.2 Marketing Strategy

We also plan to use the most effective marketing strategies to start our business, such as :

SEO

Seo is short for search engine optimization and it is a methodology of strategies used to increase total amount of website visitors. It is done by obtaining a high ranking place in search results page. (Webopedia, (2017) Seo is divided into two part :

SEO ON-PAGE – factors and ways to optimize the website itself - code and content.

SEO OFF-PAGE – factors and optimizations performed outside the website on other websites.

Quality "copywriting" (creation of meaningful texts) in today's concept of off-page SEO basic skills.(Webopedia, (2017)

Therefore, we focus on creating quality and unique content and related links being placed on high-quality, well-trodden or specialized websites and social networks. Our online stores are automatically optimized to search engine to Seznam and Google.

Exports to goods catalog

On the Internet today operates a number of search engines of goods, such as HledejCeny.cz, zbozi.seznam.cz, froogle.com (Google). These search engines collected in itself data and online stores provide visitors with information useful to their orientation and decision making. Our e-shop system export goods automatically to search engines and ensure important form of free publicity.

Discount Coupons

Our project also supports the work with discount coupons. The discount coupon can be printed or electronic form. It represents a particularly unique number and a promise specific benefits such as a 5% discount. The coupon may have limited validity in time.

PPC commercial – Sklik, AdWords

PPC advertising (pay per click = pay only for actual visits to your site) is tactic how to get the first place in the search engines. It is today the most used way of efficient and effective advertising on the Internet. Reaching our customers at the perfect moment, when they are looking for a product or service that we offer.

Collective Mails, Newsletters, Direct Mailing

Using direct mail as an effective tool. Sending bulk mails is very low costs and increasingly effective means of communicating with existing or potential customers.

Key Benefits od Direct Marketing :

- Enable direct communication with the client.
- Reaching the desired target group of clients.
- Immediate reaction which enable fast and accurate evaluation.
- Bringing new customers.
- Reminds existing customers to the event, a new product or service.
- Collective emails and newsletters are very simple and cheap way to communicate with a large number of existing or potential customers.

Growing Importance of Social Networks

Website links to social networks is an automatic part of our strategy. Social networking Facebook, Google +, Twitter and others are now one of the most effective tools for communicating with customers. Active participation in social networks excellently serves for brand building, to deepen awareness about the company and our products. It leads to increase of visitation website, and all this together to increase our future profits.

In our project we start with finding the best social network to our business. We look up competitors' activities on social networks and learn from them. Then is an approach clear to create and publish compelling content.

Options of Social Networking :

- It serves as a communication channel between the company and customers.
- Fast feedback from fans.
- Increasing awareness about your company, product or service.
quickly and clearly informed clients about news events.

Local business advertisements are designed to enable organizations to quickly and effectively reach out to help people in their surroundings. Price promotions of local businesses depend on several factors. These factors include questions: How many people are in the area we are targeting? How many people do we want to reach? We decided to set a daily budget, which is the total amount you spend per day. Minimum costs per day are 25,- CZK. (Facebook.com, 2017)

Goodwill (BRANDING)

Brand building is a process whereby the brand (name e-shop) coming to the attention of potential customers. We want to achieve this mainly through a fair and equitable approach to customers. On its Web site I need to provide the most detailed information about ourselves, also indicate achievable delivery dates, information about complaints and so on.

Sales through the Internet restricts personal contact between the customer and the retailer. At present, some investors try to get "closer" to customers by publishing photos of their team. And I would like this step to let our customers know who sell them goods. The main conditions that should e-commerce meet are: speed, clarity, pleasing design. The speed

and clarity provides us with a guarantee leased provider of e-shop. We must ensure clarity by proper distribution of goods into categories that are logical and clear for consumer.

(shoptet.cz,2017)

Goods should be able to sort by price, color, brand etc. It is also necessary to present goods well. In our case, it means pictures from a professional photographer. Our aim will be to provide current information at e-shop. Online trade should not be difficult. The purchase must be intuitive, the customer should be able to easily make an order. Furthermore, shopping would not be frustrating, for example, useless mandatory registration or filling meaningless mandatory items in the order.(shoptet.cz,2017)

E-commerce should be formed for customers, in a friendly way for users and offering exactly what is the potential customer looking for. The structure of the e-shop should correspond with this requirement. But we must not forget the fact that the shop should not be boring but attractive to the customer. But everything in moderation.

4.1.3 The Management Aspect

Although this project is an online store, it is necessary to determine a division of activities associated with the trade. Our project involved only three people. The investor, who will be the manager and two co-founders of the business. There are no employees. Share of the profits will be divided by three according to the size of the sales.

(ManagementMania.com, 2017)

Management is the systematic process of planning, organizing, decision making, leadership and control. The whole process of coordination of resources to achieve the objective of company. Further, management can be understood as a discipline that uses mathematics, statistics, sociology or psychology. But it is not only a science, it is also art. The manager must engage instincts, intuition, knowing when to gamble. Management has five functions: commercial, economic, technical, personnel and production.

(ManagementMania.com, 2017)

Management functions, respectively activities represent about most classic way of classifying the work of management activities can be divided into the following activities:

Planning

Our project manager is responsible for planning various activities such as,

- financial plan (expressed plans through financial statements)

- sales plan of leggings
- the project plan
- production plan
- purchase plan
- plan individual employee development
- investment plans
- plans for maintenance and repairs

Organizing

Organizational structure means organizing, creating order and system, ie. the definition of relationships between people, thus organizing people and other resources, processes, services, structures and systems within the organization. In terms of every day the manager's job is a proactive organizing the work of the people.

Controlling

Control is one of the fundamental tasks of managers at all levels. Controlling the systematic monitoring and evaluation of critical behavior of different occurring, situations and processes in an organization or its surroundings. The main purpose of correcting the organization to proceed in a desired direction. Control helps business to prevent negative events. (ManagementMania.com, 2017)

Leadership

In practice, this means an emphasis on the leading role of the manager, who is in the concept of leadership, especially initiated, motivator and inspirer. It is the ability to acquire other for the values, vision and goals of the organization and for guiding their behavior in the direction of the strategy of the organization. Key disciplines for Leadership and communication are particularly psychology, social psychology and sociology. (ManagementMania.com, 2017)

Staffing

Staffing is the area of processes in an organization that deals with the management and development of human resources. It includes a comprehensive personnel work, a whole series of procedures and different management methods for human resources management.

Including recruiting of people, a work contracts, personal development, the payment of wages and so on. (ManagementMania.com, 2017)

4.1.4 The Technical Aspect

From the technical aspect, there is no need of much of equipment. Certainly, our project requires a computer with Internet as a means of commerce. Also, phone might be helpful, but it is not necessary. Same conditions apply for our customers. Currently according to data from the Czech Statistical Office, more than half of households equipped with a personal computer and most of them have Internet access. This condition is constantly growing, as the number of Internet users.

If we focus on our used technology, for sure is important to mention the whole process of acquisition of e-shop. For an overview here are three possible options of acquisition an e-shop. We can find on the Internet a freely available version and then choose suitable for our project. Or there are plenty companies which would program our own original version of e-shop made according to our requests. Last option is to buy already finished version of e-shop with certain functions and we decided that one is appropriate for us. From all kind of different offers we have chosen the company shoptet.cz. (shoptet.cz 2017)

Advantages of finished version of e-shop :

- Convenient, user-friendly controls, it is tested by real users
- Quite cheap solutions (rental prices range from 190,- CZK per month up to 1.990,- CZK per month)
- Customization options and solutions to the appearance and functionality of e-shop
- There is also a hot-line service provider in case of some problems
- It is not necessary to solve domain purchase (within the rental price is the price for unlimited webhosting)
- Simple way of ending e-shop when is needed

The project's impact on the environment

By the time the packaging ceases to fulfill the purpose for which it was made, it becomes waste. Many packaging wastes are very well usable and can further serve as feedstock for the processing of other products, such as packaging. (krajíně et al., 2017)

What the law says about packaging : Czech Republic adopted Act no. 477/2001 Coll., On packaging and on amendments to certain laws, as amended (hereinafter the "Packaging Act") on the basis of European Parliament and Council Directive 94/62 / EC on packaging and packaging waste. Our intention is to follow the law and recycle packaging. (krajíně et al., 2017)

The basic aim of the Packaging Act is a comprehensive solution to the problem of packaging and packaging waste. The Act focuses on the areas of:

- Prevention of generated waste.
- Reuse of waste.
- Sorting and recycling waste.
- Use of packaging waste.

4.1.5 The Financial Aspect

Now we are in a situation where we already have a very clear and detailed picture of the project and all its life stages. Therefore, it is possible to accede to the supreme discipline of processing Feasibility Study - creating financial perspectives (financial plan). Financial plan includes the costs of the company and planned sales of the company.

This activity can be divided into three steps. The first is to perform basic calculations of resulting products.

4.1.6 Types of Costs

- **Purchasing costs and Development:** Our system is going to be purchased from IT companies, so we do not worry about development. Contract will be concluded for at least two years. All software and running an online store will be managed by a responsible company. Hardware, equipment in our case includes a computer, a phone which must be purchased. The car is already available there. It will be important for us

to find a suitable warehouse where we store our goods. Purchase of goods is an integral part of input costs. The manager will go to Asia, specifically to Shanghai, and there purchase 500 pieces of leggings. (Castro and Mylopoulos, 2002)

-
- **Operational costs (on-going) Maintenance:** These are the costs associated with the operation of the business. These include the cost of materials, computer maintenance costs, the cost of renting warehouse on the electricity consumed in the warehouse and direct costs associated with the sale of goods. Expenses for managing our e-shop. This also includes the cost of the internet, phone costs, car expenses and our promotion of facebook. (Castro and Mylopoulos, 2002)

The acquisition of the e-shop

There are three possible options of acquisition an e-shop

1. A freely available version
2. Version made according to our request
3. Rent finished version of e-shop

From all kind of different offers we chose the company shoptet.cz (shoptet.cz, 2017)

Here is a description of e-shop system:

Type of version : Business – 842,-Kč/month

- up to 1 000 items, the maximum number of items that can be uploaded to our store.
- 46 modules of marketing which is included in price, expansion options, modules such as: Google.cz, Herueka.cz, HledejCeny.cz, Seznam.cz, Aukro.cz, Basic SEO and so on.
- ready for EET, business is ready to fulfill all obligations of the Act on EET
- Cash register system, with this expansion we can easily manage our stone shop and personal selling.
- is possible to create five emails in account
- 5 users, the number of users that can create and grant them varying levels of access.
- 1 000,- CZK on Google AdW. Using AdWords system from Google we invest money in one of the most effective advertising systems on the Internet. There is credit for a free Google Adwords. It is suitable for us because we are at the beginning and do not want to unnecessarily spend large sums on ineffective advertising. (shoptet.cz, 2017)

An operation of online business requires hardware and software infrastructure. Including for example the Web and database servers, licensing software, networking, backup devices and connectivity to the Internet backbone. However, as part of a comprehensive supply from IT firm provides web hosting applications on their servers. For clients, this means zero investment in these items. Our firm only pays the costs associated with running applications in the form of hosting. Costs are transparent and always correspond to the terms of the contract.(info@netdirect.cz, 2017)

4.2 SWOT Analysis

SWOT analysis is comprehensive external and internal environment. It gives a clear overview of the strengths and weaknesses of the company, the opportunities of the external environment and threats of the external environment. On the basis of these results should be constructed strategy. The figure below shows SWOT analysis of our starting project.

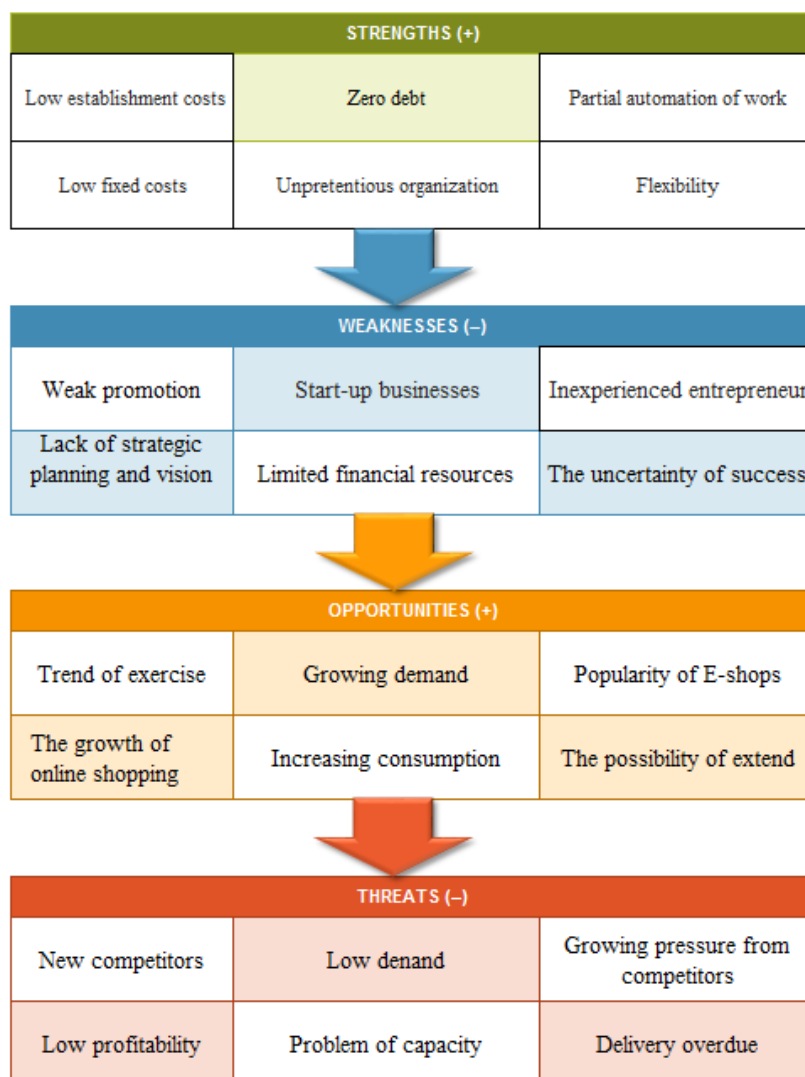


Figure 8: SWOT Analysis (source: author)

Enterprise strategy for market entry

Based on the analysis and SWOT analysis of the company's strategy drawn up at the entrance to the market. Strategy expresses the basic idea of what path they will achieve corporate goals.

The basic objective of the company is obviously maximization of profit. Because of the low starting cost of and low fixed costs, it is feasible to achieve a profit in a relatively short time frame. We assume that in its first year of operations of the company. We would like to achieve this goal also through cost minimization, good pricing and creating a satisfied customer base. Targets can be further divided with respect to their achievement in the planning timeline and on the short and long term.

Short-term goals (within 1 year):

- foundation of the company,
- buying an e-shop,
- positive profit,
- basic promotion and advertising of the company,
- finding a position in the market and its strengthening,
- increasing competitiveness,

Long-term goals (over one year):

- to maintain annual turnover growth of 10%
- goodwill
- customer satisfaction
- stronger market position
- expansion of goods and services
- investment in new software
- investment into promotion

4.3 Results and Discussion

This chapter focuses on financial calculations and accounting methods.

4.3.1 Financial plan + financial analysis of the project

The main task of the calculation is counting its own cost calculation unit, usually a performance (product). To be able to calculate the total cost per unit of output we must be able to separate fixed costs from variable costs, respectively direct costs from overhead.

For completeness sake, definitions of these concepts are discussed. (Bplan.cz, 2017)

Financial Plan

Since it is now known characteristics and phases of the project. We perform the calculations and we decided on prices of product. Now we can summarize all important items of this project and create a financial plan.

Input Costs

Cost	Price
Trade Certificate	1050,- CZK
Criminal record	100,- CZK
E-shope version we chose	842,-/month, 1 years payment = 10 104 CZK
Telephone Huawei P8	4 999,- CZK
Supply of goods, imported leggings	25 000,-CZK, 500 pcs
Clearance 15 %	3 750,-
VAT 21 %	5 250,-
Total	50 253,-CZK

Table 1: Input Costs (source: author)

In the table are listed input costs of the first year in the preparatory stage of our project. Input costs will be paid from equity savings of investor. The price of trade certificate refers to this year and fee 50,-CZK is included. We can buy a criminal record at the post office at this price. The price of e-shop was found at shoptet.cz. Huawei is possible to buy for this price at

onlineshop.cz. Total input costs to start a business is 50 253,-CZK. Input cost does not include operating costs in the first year.

Operating Costs

Operating expenses of the company incurred regardless of the volume of goods sold. Costs are calculated per year.

Cost	Annual Price
Internet UPS (200+)	7 188,- CZK + 99,- CZK (fee)
Telephone O2 (Neon M)	7 200,- CZK
Operating costs of car	6 000,- CZK
E-shop (2 years paid)	10 104,- CZK (annually)
Rent of warehouse	72 000,- CZK
Promotion and advertising - Fb	9 125,- CZK
Total	111 716,- CZK

Table 2: Operating Costs (source: author)

This includes the cost of the internet, telephone, car expenses, promotion and leasing costs. The total annual operating expenses in the first year of business is 111 716,- CZK. The price does not include the purchase of other goods. The running costs will be met from its own resources entrepreneurs. We assume that these costs will appear first year and therefore we use them in other equations.

Costs of Good Sold

The operating expenses also include direct costs associated with the sale of goods, they will be covered from revenues. Plan of the cost of sold goods is processed in three variants (pessimistic, realistic, optimistic), which differ in different numbers of goods sold. Costs are calculated per year.

Average price for 1pcs purchased goods is 50 CZK	Pessimistic scenario (sold 60 pcs per month)	Realistic scenario (sold 120 pcs per month)	Optimistic scenario (sold 155 pcs per month)
Costs	36 000,- CZK	72 000,- CZK	93 000,-CZK

Table 3: Costs of Good Sold (source: author)

Sales Plan

Source of revenue for the company will be sales of goods. The revenue plan is also prepared in three versions (pessimistic, realistic, optimistic), which differ in varying numbers of goods sold. We counted with a 75% margin

Average price for 1 pcs sold is 200 CZK	Pessimistic scenario (sold 60 pcs per month)	Realistic scenario (sold 120 pcs per month)	Optimistic scenario (sold 155 pcs per month)
Revenues from sales	144 000,- CZK	288 000,- CZK	372 000,-CZK

Table 4: Sales plan (source: author)

Plan of Income Statement

Projected profit and loss account is prepared also in three variants (pessimistic, realistic, optimistic) and is calculated per year.

IS	Pessimistic scenario	Realistic scenario	Optimistic scenario
Revenues from sales of goods	144 000,- CZK	288 000,- CZK	372 000,-CZK
Input costs	50 253,-CZK	50 253,-CZK	50 253,-CZK
Operating costs (1st year)	111 716,- CZK	111 716,- CZK	111 716,- CZK
Cost of goods sold	36 000,- CZK	72 000,- CZK	93 000,-CZK
Total costs	197 969,- CZK	233 969,- CZK	254 969,- CZK
Loss / Profit	-53 969,- CZK	54 031,- CZK	117 031,- CZK

Table 5: Plan of Income Statement (source: author)

In the table of an income statement is calculated loss or profit from the first year of the running project. We can see that in pessimistic scenario there is a loss first year 53 969,-CZK. On the other hand in optimistic scenario, there is a profit 117 031,-CZK per year.

Processing financial plan shows that the business plan is feasible, set short-term goal, positive profit at realistic option. However, the pessimistic scenario does not meet the objective of the planned profit and loss account.

But in the long term, these variations profit for this particular way of doing business is unacceptable.

In the next year of business it is planned to maximize profits and achieve at least these two requirements:

- increase promotion and advertising
- maximize profit 6% per year

4.3.2 Accounting Methods

It is necessary to do calculations that approach the financial state of the company. In the study is desirable to calculate and predict future returns. There are different methods of comparison. In our study are used these :

4.3.2.1 Payback Analysis

The method of Payback Period from the discounted flows indicates the number of years needed to make cumulative cash flows equal to investment in the first year. In other words, it is a number of years, during which the investment will return. If the resulting value is less than the useful life of the project, then costs spent during operation will return. (ManagementMania.com, 2017)

$$PP = \frac{\text{Costs of Project/Investment}}{\text{Annual Cash Inflows}} \quad (1)$$

Average price for 1 pcs sold is 200 Kč	Pessimistic scenario (sold 60 pcs per month)	Realistic scenario (sold 120 pcs per month)	Optimistic scenario (sold 155 pcs per month)
Original Costs	50 253,-CZK	50 253,-CZK	50 253,-CZK
Operating Costs	111 716,- CZK	111 716,- CZK	111 716,- CZK
Total Project Costs	161 969,- CZK	161 969,- CZK	161 969,- CZK
Annual Cash Inflows	144 000,- CZK	288 000,- CZK	372 000,-CZK
Payback Period	1,1 year	5,5 months	4 months

Table 6: Payback Analysis (source: author)

Results in the table were obtained by using the formula for PP mentioned above. In the pessimistic scenario result of payback period is 1,1 of year. The realistic scenario is 5,5 months payback and optimistic scenario is equal to 4 months.

4.3.2.2 Return of Investment Analysis

Commonly used acronym ROI is a term that refers to the total profit from the investment. The ROI for a solution or project is a percentage rate that measures the relationship between the amount the business gets back on an investment and the amount invested into project. (Adaptic, 2017)

$$ROI = \frac{\text{Total Revenue} - \text{Total Cost}}{\text{Total Cost}} * 100 \quad (2)$$

Return of Investment

Average price for 1 pcs is 200 Kč	Pessimistic scenario (sold 60 pcs per month)	Realistic scenario (sold 120 pcs per month)	Optimistic scenario (sold 155 pcs per month)
Total Project Costs	161 969,- CZK	161 969,- CZK	161 969,- CZK
Revenues from sales	144 000,- CZK	288 000,- CZK	372 000,-CZK
Return of Investment	-11,01%	77%	129%

Table 7: Return of Investment (source: author)

Results in the table were obtained by using the formula for ROI mentioned above and was done evaluations of the efficiency and sustainability of the project. In pessimistic scenario is even value in minus. And optimistic scenario is equal to 129% which is quite high percentage.

4.3.2.3 Net Present Value Analysis

It is included in it the whole lifetime of the project, and the possibility of investing in other equally risky project. It considers the time value of money depends solely on anticipated cash flows and alternative capital costs. Specifies the profitability of the new project in terms of the present dollar values. If the result is positive, it is a good investment. If the result is negative, the investment is not good.(Kurt, 2017)

$$NPV = -Initial\ Investment + \frac{Cash\ Flow}{(1+i)^1} + \frac{Cash\ Flow}{(1+i)^2} + \frac{Cash\ Flow}{(1+i)^3} + \dots + \frac{Cash\ Flow}{(1+i)^t} \quad (3)$$

Average price for 1 pcs is 200 Kč	Pessimistic scenario (sold 60 pcs per month)	Realistic scenario (sold 120 pcs per month)	Optimistic scenario (sold 155 pcs per month)
Initial Investment	50 253,-CZK	50 253,-CZK	50 253,-CZK
Revenues from sales	144 000,- CZK	288 000,- CZK	372 000,-CZK
Discount rate	0,05%	0,05%	0,05%
NPV	718 870,- CZK	1 387 589,- CZK	1 806 958,- CZK

Table 8: Net Present Value Analysis (source: author)

In table is calculated Net Present Value for five years in forward. The value of discount rate is used according to CNB website.

4.3.3 Cash Flow Assumption

Analysis of cash flow Cash flow represents the actual cash flow in the company during the period five years. Indicator of cash flow allows us to get detailed information about the financial and economic situation of the company.

Costs Assumption

	Pessimistic scenario (sold 60 pcs per month)	Realistic scenario (sold 120 pcs per month)	Optimistic scenario (sold 155 pcs per month)
2017	161 969,- CZK	161 969,- CZK	161 969,- CZK
2018	111 716,- CZK	111 716,- CZK	111 716,- CZK
2019	111 716,- CZK	111 716,- CZK	111 716,- CZK
2020	111 716,- CZK	111 716,- CZK	111 716,- CZK
2021	111 716,- CZK	111 716,- CZK	111 716,- CZK

Table 9: Costs Assumption (source: author)

In the year 2017 there is sum of inpuost costs and first year operating costs. From 2018 we assume same amount of costs for each year.

Assumption of Revenues from Sales

	Pessimistic scenario (no change)	Realistic scenario + 2% increase	Optimistic scenario + 6% increase
2017	144 000,- CZK	288 000,- CZK	372 000,-CZK
2018	144 000,- CZK	293 760	394 320
2019	144 000,- CZK	299 635	417 979
2020	144 000,- CZK	305 627	443 057
2021	144 000,- CZK	311 739	469 640

Table 10: Revenues from Sales (source: author)

The assumption of revenues is done in three scenarios. In pessimistic scenario is the option followed stagnation, it means is assumed that the number of sold goods is each year 60 pcs and the yield does not increase. In the realistic scenario is assumed each year increase of yield by 2%. And in the optimistic scenario is assumed each year increase of yield by 6%. It is an ideal scenario for a business.

4.3.4 Break Even Point

For the analysis of a break even point is purpose to find such a production volume of products, in which we will achieve zero level of profit. Break even point presents the point at which revenues are equal to expenses. For this we need to divide cost to fixed or variable by their nature. Another indication that we must be available to determine the unit cost of production. (Sieber, 2004)

$$Break - Even Point = \frac{Fixed Cost}{Selling Price per unit - Variable Cost per unit} \quad (4)$$

Break Even Pint Analysis

Item	Operational phase
Fixed Costs	111 716,- CZK
Selling Price	200,-CZK
Variable Cost per unit	$34000/500 = 68,-CZK$
Break-even point	847 pcs

Table 11: Break Even Point (source: author)

Result in the table was obtained by using the formula for BEP mentioned above. Items from the table are also mentioned in tables in previous chapters. The result 847 pcs is the value of the products which must be produced to cover our costs. Above his number, we will start producing a profit.

5 Conclusion

The goal of this study was to evaluate a feasibility study of e-shop with clothes and find out whether an investor should start with this kind of business. Using feasibility studies were conducted market analysis in different directions.

The first focuses on an aspect of marketing. At the beginning of the business, there is not a big investment in marketing of the product. We will start with low costs promotion such as direct mailing, discount coupons and facebook. First of all, we will invest the money to rent e-shop. Package of e-shop which we chose if for one year term and has already advertising and SEO included. This is suitable for us because we are at the beginning of the business and we do not have a big budget for promotion. If the business will thrive, will surely be in our interest to invest a bigger amount of money into promotion. From the management point of view, the number of people starting the project is limited. Of course, it is possible that in the future will expand sales and more people will come and expand the team. It all depends on the financial statements of future profits.

Technical aspect will be solved by buying an already existing e-shop. If the business will increase turnover, we would buy a totally unique e-shop designed for us. It will not be just a template used by the competition. Also may be in the future, they invested money in computers and hardware of the company.

To assess the financial aspect of the project accounting methods and financial analysis were used. Always have been calculated three scenarios, pessimistic, realistic and optimistic scenario. Assume input costs of the first year in the preparatory stage of our project 50 253,- CZK. Input costs will be paid from equity savings of investor. The total annual operating expenses in the first year of business is 111 716,- CZK. Costs of good sold are calculated in three scenarios because we do not know how much quantity of goods will be sold. Purchasing a stock of goods depending on demand for products. These costs will be covered by revenues of the company. Our sales plan is also created in three scenarios, we either sell 60 pcs, 120 pcs or 155 pcs in an optimistic scenario. Plan of the income statement in the first year refers to loss -53 969,- CZK in a pessimistic scenario, profit 54 031,-CZK in a realistic scenario and 117 031,-CZK in an optimistic scenario. These numbers are only a proposal or possible prediction. We can not predict the exact future sales. Time of payback period is in pessimistic scenario 1,1 year, in realistic 5,5 months and 4 months in an optimistic scenario. The return of investment demonstrates a high return, only pessimistic scenario is in minus. Break even

point of our production is 847 pcs, over that we will make a profit. We would like to raise revenues annually in the best scenario by 6%. Our plan is to achieve this goal by supporting promotion and advertising. On the other hand, it is possible that sales will not grow annually and the project will be in loss. In other circumstances, an entrepreneur with the same results from income statement would not have a motivation to pursue in a business. But since this is an additional business during studies at the university, this is not a reason to end a business.

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