



CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

FACULTY OF ECONOMICS AND MANAGEMENT

Department of Management

BUSINESS PLAN FOR AN eSHOP

TRADING CZECH MADE

GLASS CHRISTMAS DECORATIONS

BACHELOR THESIS

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STATUTORY DECLARATION

I declare that I have developed and written the enclosed Bachelor Thesis completely by myself, and have not used sources or means without declaration in the text. Any thoughts from others or literal quotations are clearly marked..

In Prague, 16.3.2015

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NÁZEV PRÁCE:

Podnikatelský plán pro eShop obchodující české skleněné vánoční ozdoby

ABSTRAKT:

Tato práce se zabývá podnikatelským záměrem na založení elektronického obchodu distribujícího české skleněné vánoční ozdoby do zahraničí a zároveň prezentuje konkrétní plán dle něhož může takový obchod nejen být založen, ale také udržen a prosperovat. Práce představuje teoretická východiska pro podnikatelský plán a zároveň předkládá konkrétní cíle, strategie a analýzy relevantního tržního prostředí a to s ohledem na specifika zvoleného obchodu.

KLÍČOVÁ SLOVA

internetový obchod, skleněné Vánoční ozdoby, podnikatelský plán, eShop

TITLE OF THESIS:

Business plan for an eShop trading Czech-manufactured Christmas glass decorations

SUMMARY:

This thesis aims to prepare a business plan according to which an eShop trading Czech-manufactured glass decorations can be launched and able to - stand a test of an ultimately unforgiving market - survive and prosper. The work will provide theoretical demands of such a plan as well as particular goals, strategies and analysis to the market environment while taking in account specifics of the chosen trade.

To succeed in producing a meaningful strategic tool, a revision of relevant sources is conducted in order to gain a better understanding of topics related to the business idea. It provides an overview of situation around small business, analysis of the legal framework of the business, explains the basics of eCommerce and elaborates on the tradition of Christmas decorations.

KEY WORDS:

Business plan, eShop, Christmas glass decoration

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1. INTRODUCTION

This thesis presents a concise business plan for launching and operating an internet based shop for Czech-made glass Christmas decorations. This idea results from a personal experience of the author with the trade in glass decorations and a need for an expansion of the activity.

Current experience indicates a sustained demand for the product especially from abroad and therefore the eShop activity will be focusing predominantly on foreign customers who perceive this specific production as desirable due to its high class craft qualities, traditional attributes but encounter barriers in attaining the desired object. Such barriers are given by the nature of the production - small quantities, high prices, thin distribution network.

Essentially, this work aims to explore, describe and analyse related fields such as a position of a small enterprise in the context of broad business activities, legal framework for entrepreneurship in the Czech Republic, foreign market strategies in order to result in meaningful plan ready to be used in action.

2. AIMS AND METHODOLOGY

2.1. AIMS

This thesis aims to prepare a business plan according to which an eShop trading Czech-manufactured glass decorations can be launched and able to - stand a test of an ultimately unforgiving market - survive and prosper. The work will provide theoretical demands of such a plan as well as particular goals, strategies and analysis to the market environment while taking in account specifics of the chosen trade.

2.2. METHODOLOGY

The first part of the thesis is predominantly based on research of secondary sources such as journal articles, academic papers and print publications, some portion of this part is based on primary sources such as legal Acts and recommendations. In this manner the quality of the sources is guaranteed. In some occasions less formal sources were used such as web forums where discussions were followed to find current public preferences or opinions on certain matters. Information used has been always verified by reviewing several sources elaborating the same matter. For the purpose of providing a comparison of obligatory deduction from income in relation to its level a calculator was created in MSExcel based on legislation valid for year 2015.

The second – practical part in which the business plan in prepared utilizes some traditional analytical tools such as SWOT to analyse immediate position of the proposition and PEST to address the macro-environment. Analysis of competition was carried out as a comparison of several key attributes. Subjects of such a comparison were identified through results of internet search queries of critical keywords in several different languages. All calculations and table and graph displaying the results were created using MSExcel spreadsheets.

3. LITERATURE REVIEW

In order to understand the context of the proposal of an eShop selling Czech Christmas decorations, based in the Czech Republic, but selling to a foreign market, it is useful to conduct a review of related literature. The themes of this literature review focus on four broad areas: small businesses in the Czech Republic, relevant legal environment in the Czech Republic, requisites of a business plan, eShops and the popularity of Czech Christmas decorations in foreign markets.

The first theme describes characteristics of a small business, introduces challenges such a business may face and evaluates its significance within national and regional economy. The second theme defines legal guidelines concerning a business environment in the Czech Republic as well as the prospect of selling beyond the Czech border. The third theme concerns a proper planning needed to start up a business and explores what such planning should consider. The fourth theme evaluates status of Czech eShops and introduces main factors contributing to overall success of an eShop. The final theme focuses on entrepreneurs covering Czech female entrepreneurs and a popularity of glass Christmas decorations in foreign markets such as the US and Italy.

3.1. SMALL BUSINESS

Small business is a self-explanatory term but in order to measure, compare and regulate these economic subjects on national and supranational level a term Small and Medium Enterprise (SME) was established.

As defined by and used within the European Union ‘an enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity’¹. Further definition is based on staff head count, annual turnover or a balance sheet total as can be seen in table below (table data²).

Table 1: Classification of SMEs

type of SME	number of employees	annual turnover	and	annual balance sheet total
MICRO	< 10			≤ 2 million EUR
SMALL	< 50			≤ 10 million EUR
MEDIUM	< 250	≤ 50 million EUR	or	≤ 43 million EUR

Šebestová, Rylkov and Smysl in their article on how to gain success as a small business in the Czech Republic, argue that small businesses are very important as they can influence society and contribute to the economic development of certain regions.³ They emphasise the need for strategic planning and highlight the following factors that make small companies different from larger enterprises:

- Small companies have a simple linear organizational structure; the main power is in the hands of the owner. They depend on their sense of opportunities in the market,
- Adaptability depends on customer’s needs – when they have a small customer base it’s influence on behaviour increases,
- SME companies are closely connected with the region; their behaviour mirrors regional problems,
- SME units build their customer relationship approach into their strategy,

¹ EU, Commission Recommendation of 6 May 2003, *Official Journal of the European Union*, p. L124/39

² EU, Commission Recommendation of 6 May 2003, *Official Journal of the European Union*, p. L124/39

³ Jarmila Sebestova, Zanita Rylkova and Marek Smysl, ‘How to Gain Success in SME? A Case Study of a region in the Czech Republic,’ *South East European Journal of Economics and Business*, April (2007), p. 41.

- SME units have to work with limited sources in their region,
- The definition of success is often influenced by the owner's visions, dreams and values,
- Negative attitudes towards strategy planning.⁴

Belas et al in their work on business risks amongst small businesses reveal that although small businesses in the Czech Republic have been challenged by the recent global economic crisis they still remain optimistic in the face of these challenges:

According to our research, it can be stated that during the period of financial crisis, the situation in the SME business deteriorated significantly with declining performance and profitability of Czech and Slovak small and medium enterprises. The most important business risk is still market risk, followed by financial and eventually personal risk. Our research showed that the profitability of Czech and Slovak small and medium enterprises decreased by 15%. Despite these facts, the level of entrepreneurial optimism among SME in the selected regions of the Czech Republic and Slovakia is very high.⁵

Finally, Votoupalová, Toullová and Kubíčková in their research into the 'specifics of internationalization process of Czech SMEs with the focus on strategies used in foreign markets', emphasise how important small businesses are to the Czech economy and explore how they can enter foreign markets effectively. They state:

Small and medium-sized enterprises (SMEs) are an important part of any economy. They represent almost 99.8% of all enterprises in the Czech Republic. SMEs contribute significantly to job creation and GDP. They are considered the important source of economy growth and their innovative potential is emphasized too. One of the ways for their increase in competitiveness of achievement of growth is taking part in the internationalization process...Based on the data processing it was found that the most often used strategy in foreign markets by Czech SMEs are the 'focus' strategy, the strategy of differentiation and the cost of leadership strategy...Micro and small enterprises use more often the 'focus' strategy...It was found out that the use of a particular strategy in foreign market is significantly affected by whether

⁴ Sebestova et al, 'How to Success in SME?', p. 46.

⁵ Jaroslav Belas, Jiri Machacek, Premysl Bartos, Roman Hlawiczka and Maria Hudakova, 'Business Risks and the Level of Entrepreneurial Optimism among SME in the Czech and Slovak Republic,' *Journal of Competitiveness*, 6.2 (2014), p. 30.

the enterprises have previous experience with foreign trade...Based on data processing the positive correlation between previous experience and success in internationalization was verified.⁶

3.2. RELEVANT LEGAL ENVIRONMENT (CZECH REPUBLIC)

Legal framework relevant to entrepreneurship is given mainly by the *New Civil Code* (NCC), Trade Licensing Act and the Business Corporations and Cooperatives Act, further requirements arise from the Income tax law, VAT law, Accountancy law, Public Health Insurance Act, Labour Code, etc.

An Entrepreneur in the context of Czech law is defined by the NCC as someone 'Who independently, in their own account and in their own responsibility conducts a gainful activity in a trade or similar manner with the intent to do so consistently for profit.'⁷ This is followed by definitions based on assumptions that 'an entrepreneur is a person registered in the Company Register. Under what conditions the person is entered in this Register provides another law ... and that an entrepreneur is a person holding a trade license (in accordance with the Trade Licensing Act or another authorization in accordance with another law'⁸

3.2.1. LEGAL FORMS OF BUSINESS

An entrepreneurial activity can be conducted through one of the two subjects of law. These are a Natural and an Artificial Person as defined by the NCC⁹.

Natural Person (NP) generally is any human-being recognized as an entity competent in legal rights and responsibilities (since birth) and competent in legal acts (fully at the age of 18). NP can conduct a business activity as *Osoba Samostatně Vydělečně Činná* (OSVC) or 'Licensed Sole Trader' in English. In most instances (87%¹⁰) this is done in accordance with the Trade Licensing Act (TLA) - exemptions are activities such as those of medicine, farming, the Bar etc. Requirements for obtaining a licence are given by the TLA -

⁶ Marcela Votoupalova, Martina Toulouva and Lea Kubickova, 'The specifics of internationalization process of Czech SMEs with the focus on strategies used in foreign markets,' *International Journal of Management Cases*, 17.1 (2014), p. 20.

⁷ CR, law no. 89/2012 Coll, *New Civil Code*, §420

⁸ CR, law no. 89/2012 Coll, *New Civil Code*, §421

⁹ CR, law no. 89/2012 Coll, *New Civil Code*, Head II section 1,2,3

¹⁰ Czech Statistical Office, 2013

generally, these are: a full legal competency and integrity followed by requirements specific to subsequent categories:

- Notifiable trade
 - Restricted
 - Unrestricted (includes retail trade)
 - Professional
- Concession trade¹¹

Artificial Person (AP) is a unique legal entity with natural rights and obligations that has been lawfully founded and is registered in a public index. In other words it is an official body artificially created but with legal competencies similar to NP. In commercial context AP is further defined by the Business Corporations and Cooperatives Act and can take one of the following forms:

- capital corporation
 - Limited liability company (s.r.o) *Společnost s ručením omezeným*
 - Joint-Stock company (a.s.) *Akciová společnost*
- personal corporation (partnership)
 - (Limited) Special partnership (k.s.) *Komanditní společnost*
 - (Unlimited) General Partnership (v.o.s.) *Veřejná obchodní společnost*
- Cooperative¹²

The choice of the best suited legal form of entrepreneurship requires weighing up many factors such as personal, financial, operational or tax related. The following table provides a comparison of all available business forms (apart from the cooperative which is not commonly used for business in the Czech Republic).¹³

¹¹ CR, law no. 455/1991 Coll, *Trade Licensing Act*

¹² CR, law no. 90/2012 Coll. *Business Corporations and Cooperatives Act*, §95–551

¹³ Veber J., Srpova J. et al, *Podnikání - malé a střední firmy*, p. 73

Table 2: Legal forms of business - comparison

	PERSONAL CORPORATIONS			CAPITAL CORPORATIONS	
	licensed sole trader	general partnership	special partnership	limited liability company	joint-stock company
prevalence among SMEs in the CR	most common	common	not common	very common	not common
number of founding associates company bodies	1 (NP)	>2 (NP or/and AP)	>2 (NP or/and AP) • general partner • special partner	1-50 2 statutory bodies: • general assembly • executive directors • voluntary body: • auditors	1 AP and more or 2 and more NP 3 statutory bodies • general assembly • boards of directors • auditors
liability	unlimited	unlimited, jointly and severally	general partners have unlimited liability (jointly and severally), special partners are liable up to the value of their unpaid investment	company has an unlimited liability, the shareholders jointly and severally up to the value of unpaid legal capital	company has an unlimited liability, shareholders have no liability
minimum registered capital	not specified	not specified	special partner 5000 CZK otherwise not specified	1 CZK	2 000 000 CZK (or 80 000 EUR) (distributed to a certain amount of shares) (20 000 000 CZK if founded by public offer of shares)
administrative intensity	a need to acquire a permit to carry out entrepreneurial activity	a need to indite a partnership agreement (usually requires a solicitor)	a need to indite a partnership agreement (usually requires a solicitor)	a need to indite a memorandum of association (usually requires a solicitor), a need to deposit the legal capital	a need to compile a memorandum of association and articles of association (usually requires a solicitor), a need to deposit the legal capital
profit sharing	all to the owner	equally among partners or according to the memorandum of association	according to the memorandum of association or 50:50 general partners : special partners, further equally among general partners and according to investment among special partners	according to the value of invested capital or according to the memorandum of association	according to a decision of the general assembly
major disadvantage	limited access to capital in case of high profit high deductions as it gets treated as personal income	need to share decision processes limited access to capital	usually limited access to capital somewhat exotic from trading partner's perspective	profit shares are nor subjected to further deductions administratively demanding	high initial capital required, administratively very demanding and legally restricted
major advantage	straightforward and relatively cheap to set-up and to operate no need to conduct double entry book-keeping only so called tax record	administratively easiest option from the list of corporations	an interesting option for an investor and an entrepreneur with a lack of capital but good knowhow	limited liability access to capital higher prestige can be established with by only 1 body	access to capital high protection of creditors => high credibility of the company

Source: own work, based on information published on www.ipodnikatel.cz and Veber, Srpová et al.,

According to data provided by the Czech ministry of industry and trade by the end of the year 2014 there was a total amount of 2 375 752 business subjects registered from which 83% as NP and 17% as AP.¹⁴

Sole trader (OSVC) and Limited Liability Company (S.R.O.) are the most common forms used by small and especially new enterprises.¹⁵ Also these forms are the only two possible to establish with only one person. There are differences between the two that can be advantageous or contrariwise depending on what type of a business, with whom, where and also how the entrepreneur is intending to do.

Based on facts presented in the table above it is possible to say that the OSVC variant should be opted for if the entrepreneur is looking to establish himself legally in the shortest possible time and for the lowest possible cost. Running a business in this form is administratively uncomplicated as there are not many procedural demands set by the law. The main flaw of this set up, apart from the fact of unlimited personal liability, is a worse potential for advanced growth due to the owner being inseparable from his firm - indeed the firm rises and falls with him. This results in a possibly unfavourable position in case of the firm requiring foreign capital, larger contracts, delegation of management or employees. The S.R.O. solves these potentially problematic fields in exchange for more demanding administration of the company and more expensive set up.

The administrative cost of establishing oneself as an OSVC in most instances requires a maximum investment of 1050 CZK¹⁶ which is a fee connected with obtaining a trade license. While the cost for founding an S.R.O. amounts to over 10000 CZK¹⁷ (subject to varying rates of non-governmental administrative charges) – the sum includes mainly fees for notary services (inditement of the memorandum of association), registration in the Company Register, obtaining a trade license etc.

¹⁴ Czech ministry of industry and trade, *Annual overview of entrepreneurs and trade licenses*, [as available on <http://www.rzp.cz/statistikySbj.html>]

¹⁵ Czech Statistical Office, 2013

¹⁶ Czech ministry of industry and trade, *Guide to licensed trading for Czech natural persons*, 28.1.2015 [as available on <http://download.mpo.cz/get/34737/59224/618771/priloha001.pdf>]

¹⁷ Based on comparing information of various notary sources

3.2.2. ACCOUNTING, TAX AND INSURANCE

Accounting is a tool recording the firm's financial performance. These records are then used in 2 main ways: to determine and fulfil legal obligations of the firm (taxes, shareholder reports etc.) and to assess and manage processes within the firm.

The legal framework of accounting in the Czech Republic is set by the Act n. 563/1991 Coll. In §1 it specifies subjects, so called Accounting Units, required to conduct accounting in its full extent (in a sense of double-entry book-keeping), these are (among others) Artificial Persons, Natural Persons recorded in the Commercial Register or those voluntarily enrolled to the accounting obligation or Natural Persons (NP) with high turnovers (over 25 000 000 CZK). This Act also permits certain subjects (defined in §9) to conduct accounting in a simplified extent. This applies to most of business running Natural Persons who are then obliged only to conduct much simpler Taxation Records (*Daňová Evidence*) or even just a mere diary of take-ins in case of opting for a deduction of taxable expenses using the Flat Expense Rate (60% in case of OSVC conducting business according to the Trade Licensing Act) as specified in §7, §7a, 7b of Act. n. 586/1992 Coll. on income tax.

According to the official portal of Czech Inland Revenue Office (*finanční správa*), the structure of the tax system in the Czech Republic is comparable to other developed countries especially within Europe. Currently there are several laws in place, each concerning a different type of tax. The following list offers a basic overview of the tax framework in the Czech Republic.

- direct
 - INCOME TAX (Act n. 586/1992 Coll, on income tax)
 - PERSONAL
 - subjected to personal tax (among others) are incomes of a natural person gained from an independent economic activity and from capital property (dividends, interest etc.)¹⁸
 - the standard rate 15% calculated from an income tax base¹⁹

¹⁸ CR. Act n. 586/1992 Coll, *on income tax*. §7, §8.

- CORPORATE
 - subjected to corporate tax are revenues gained by any economic activity²⁰ of an artificial person (among others).
 - the standard rate 19% calculated from a tax base²¹
- property tax
 - real estate tax (Act n. 338/1992 Coll., on real estate tax)
 - road tax (Act n. 16/1993 Coll., on road tax)
 - real estate acquisition tax (Senate legal measure n. 340/2013 Coll. on Real estate acquisition tax)
- indirect
 - universal
 - VALUE ADDED TAX (VAT) (Act n. 235/2004 Coll., on value added tax)
 - VAT is obligatory for all natural or artificial persons conducting an independent economic activity²²
 - however, person obliged to pay VAT becomes its payer if the turnover from any 12 consecutive months exceeds 1 000 000 CZK²³
 - the tax base is the final price of a product or service, inclusive of all other taxes and additional charges²⁴
 - standard rate 21% is added to the tax base (there are two lower rates of 15% an 10% applicable to specific products such as food, medication, books as listed in appendixes of the law)²⁵
 - selective
 - excise duty (Act n. 353/2003 Coll. on excise duty)

¹⁹ CR. Act n. 586/1992 Coll, *on income tax*. §15.

²⁰ CR. Act n. 586/1992 Coll, *on income tax*. §18.

²¹ CR. Act n. 586/1992 Coll, *on income tax*. §21.

²² CR. Act n. 235/2004 Coll., on value added tax. §5a.

²³ CR. Act n. 235/2004 Coll., on value added tax §6

²⁴ CR. Act n. 235/2004 Coll., on value added tax §36

²⁵ CR. Act n. 235/2004 Coll., on value added tax §47

- environmental taxes
 - other

Apart from tax other compulsory contributions do or may arise:

- HEALTH INSURANCE (Act n. 48/1997 Coll. on public health insurance)
 - in case of OSVC the rate is set to 13,5 % of the assessment base (minimum or 50% of the taxable income)
- SOCIAL INSURANCE (Act n. 48/1997 Coll. on public health insurance)
 - in case of OSVC the rate is currently 29,2 % (retirement insurance and a state employment policy contribution) calculated from an assessment base (minimum, maximum or 50% of the income tax base)
- customs duties

The following table offers a comparative example of levies payable by a sole trader from varying income levels.

Table 3: Comparison - level of taxation and insurance deduction in relation to level of income (OSVC)

example: O S V C - annual INCOME TAX and INSURANCE 2015						
INCOME		200,000 Kč	450,000 Kč	650,000 Kč	850,000 Kč	1,000,000 Kč
less expenditures (flat rate)		60%	60%	60%	60%	60%
income tax base (ITB)		80,000 Kč	180,000 Kč	260,000 Kč	340,000 Kč	400,000 Kč
income tax rate		15%				
income tax (before deductions)		12,000 Kč	27,000 Kč	39,000 Kč	51,000 Kč	60,000 Kč
tax deductions	... per payee	24,840 Kč	24,840 Kč	24,840 Kč	24,840 Kč	24,840 Kč
	... other	- Kč	- Kč	- Kč	- Kč	- Kč
INCOME TAX		- Kč	2,160 Kč	14,160 Kč	26,160 Kč	35,160 Kč
social insurance rate		29.2%				
assessment base	minimum	79,833 Kč	79,833 Kč	79,833 Kč	79,833 Kč	79,833 Kč
	50% of ITB	40,000 Kč	90,000 Kč	130,000 Kč	170,000 Kč	200,000 Kč
	maximum	1,277,328 Kč	1,277,328 Kč	1,277,328 Kč	1,277,328 Kč	1,277,328 Kč
SOCIAL INSURANCE		23,312 Kč	26,280 Kč	37,960 Kč	49,640 Kč	58,400 Kč
health insurance rate		13.5%				
assessment base	mininum	159,672 Kč	159,672 Kč	159,672 Kč	159,672 Kč	159,672 Kč
	50% of ITB	40,000 Kč	90,000 Kč	130,000 Kč	170,000 Kč	200,000 Kč
	maximum	n/a				
HEALTH INSURANCE		21,556 Kč	21,556 Kč	21,556 Kč	22,950 Kč	27,000 Kč

Source: current regulations, own calculations

3.3. BUSINESS PLAN

Skokan, Pawliczek and Piszczur in their recent paper on ‘Strategic Planning and Business Performance of Micro, Small and Medium-Sized Enterprises’, discuss the ‘beneficial effect on the overall performance’ of small businesses that ‘strategic planning’ has on businesses in the Czech Republic.²⁶ By examining through case studies of micro, small and medium sized business in some areas of the Czech Republic and Slovakia ‘the interdependence between the level of strategic planning (existence of strategy in the form of written document and its extent) and enterprise performance criteria (turnover, costs, profit, EVA, investments, period of arranged contracts)’ they demonstrate ‘the apparent positive impact of full strategic document on the performance criteria of the business.’²⁷ They conclude that:

Bigger companies pay more attention to strategic management and have more often prepared detailed strategy than smaller enterprises...strategic planning is definitely reasonable activity of any company, since enterprises who did prepare detailed strategic document proved in 80% of observed performance parameters better results than enterprises without written business plan. Enterprises who did prepare brief, partial, concise strategic document proved only in 40% of observed performance parameters better results than enterprises without written business plan, so there is necessary to put impact on proper strategic planning in all significant business areas.²⁸

This corresponds with one of the conclusions by Šebestová et al suggesting that SMEs tend to have a negative attitude towards strategic planning and stresses the importance of thorough preparation.

3.3.1. PURPOSE OF A BUSINESS PLAN

In their publication Veber, Srpová et al compare the business plan (BP) to a map - an instrument helping to navigate a journey. They see the document's validity for company's internal purposes as it serves well as managerial tool but very often it is written as a

²⁶ Karel Skokan, Adam Pawliczek and Radomir Piszczur, ‘Strategic Planning and Business Performance of Micro, Small and Medium-Sized Enterprises,’ *Journal of Competitiveness*, 5.4 (2013) p. 57.

²⁷ Skokan et al, ‘Strategic Planning,’ p. 57.

²⁸ Skokan et al, ‘Strategic Planning,’ pp. 70-71.

detailed presentation for external subjects.²⁹ According to Turban et al a BP is written for a variety of purposes. Three main being a need to:

- acquire funding - from investors such as venture capitalist or banks
- acquire nonfinancial resources - e.g. an exclusive supplier or a member of staff (usually senior management position)
- obtain a realistic approach to the business - steps included in a business plan such as analysis of competition, goals and strategy settings, realistic financial forecasts etc. can increase the likelihood of the business' success or on the other hand reveal hidden flaws leading to abandonment of the project.

3.3.2. STRUCTURE OF A BUSINESS PLAN

A structure of a business plan is not unified as such, it varies in arrangement details. Some institutions, such as banks require the BP intended to obtain funding from them, to be prepared according to their specific template. Numerous templates are available online and can be a helpful guidance. However, the quality of their guidelines may differ significantly and therefore it is important to ensure that as whole the BP covers the following key areas as identified by Turban et al.:

- executive summary
- business description
- marketing plan
- competitor analysis
- operations plan
- financial plan³⁰
- risk assessment

The executive summary should offer an "eye catching" presentation of highlights of the proposal encouraging the reader to read further. Suggested to structure of this section are

²⁹ Veber, Srpová et al, 'Podnikání malé a střední firmy', p. 90

³⁰ Turban et al, Electronic Commerce – A managerial perspective. p. 588

six points summing up the advantages of a product, market opportunities, track record up to date, management team, financial projections and expected returns, potentially funding requirements.

The business description part should offer detailed information about a background of the business idea (potentially of the firm), firm's vision and mission statements as well as objectives, product information - its stand out points, its value for the customer, its adaptability to changes in future etc. It should also cover a more general description of the particular industry - relevant regulations, trends or technology changes. Turban et al suggests to justify here the business idea in an enthusiastic manner. Startupdonut.co.uk also emphasises the need to remain frank about the potentially weak points of the product as it inspires confidence in the reader.³¹

Marketing plan section is predominantly about 'market analysis that defines the target markets (describes their segments) and analyses how the organization should position its product to arouse and fulfil the needs of the target markets in order to maximize sales ... further it includes a pricing strategy, promotion plan, distribution plan and a demand forecast'.³²

Competitor analysis 'outlines the competitive strengths and weaknesses of' all key 'rivals in the industry and reveals the firm's competitive position in the market space'³³. This can be described by defining key metrics used to measure the competition (quality, design, price etc.) and a comparison based on these key metrics. This part should also illustrate awareness of 'potential competitor's response to a loss of a market share'³⁴.

'Operations plan section describes inputs, processes, procedures and activities required to sell or deliver the product or services'.³⁵

Financial plan is an estimation of initial and future (optimally 3 years) monetary resources and flows. It should provide:

- Initial (start-up) costs summary

³¹ startupdonut.co.uk.[as available on <http://www.startupdonut.co.uk/startup/business-planning/writing-a-business-plan>]

³² Turban et al, Electronic Commerce – A managerial perspective. p. 588

³³ Turban et al, Electronic Commerce – A managerial perspective. p. 588

³⁴ startupdonut.co.uk.[as available on <http://www.startupdonut.co.uk/startup/business-planning/writing-a-business-plan>]

³⁵ Turban et al, Electronic Commerce – A managerial perspective. p. 588

- Break-even analysis
- Income statement (annual)
- Balance Sheet (annual)
- Cash Flow statement (annual)

It is recommended to use a conservative approach in identifying key projections which the forecasting will be based on. In case of using the plan to acquire financial resources this section will include details about such requirements.

Furthermore a section analysing the risks associated with the project is a wise complement to the BP, listing potential threats and sketching up reaction scenarios.

3.3.3. **PEST**³⁶

One of analytical tools addressing macro-environmental factors. The abbreviation stands for words representing four points of focus:

- **POLITICAL**

Political factors refer to the degree of government intervention in the economy. The legal and regulatory factors included are labour laws, tax policies, consumer protection laws, employment laws, environmental regulations, and tariff & trade restrictions.

- **ECONOMICAL**

Economic factors include the inflation rate, exchange rate, interest rate, employment/unemployment rate and other economic growth indicators. The economic factors faced by an organization have a significant impact on how a business carries on its operations in the future.

- **SOCIAL**

Social factors include different cultural and demographic aspects of society that form the macro-environment of the organization in order to help understanding the dynamics of existing and emerging potential markets and future customer needs.

TECHNOLOGICAL

³⁶ Pestleanalysis.com, 'What is pest analysis and why it is useful' [as available on: <http://pestleanalysis.com/what-is-pest-analysis/>]

The technological factors an organization faces include technological changes, R&D activity, obsolescence rate, automation and of course, innovation. If an organization does not look out for technological changes, it can lag behind its competitors.

3.3.4. SWOT³⁷

Strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project, organization, or in a business venture.

- **STRENGTHS**
Aspects or characteristics of the business, or project teams that give it an advantage over others
- **WEAKNESSES**
Aspects or characteristics that place the organization at a disadvantage relative to others
- **OPPORTUNITIES**
Internal and external prospects that can improve organization's performance within the context
- **THREATS:** are internal and external influencing factors in the environment that could cause trouble for the function or project.

Internal factors may include

Personnel, finance, fundraising capabilities, and board performance, etc.

External factors may include:

Economic climate, technological changes, legislation, social culture changes, competitors, etc

³⁷ Ronald Quincy, Shuang Lu, and Chien-Chung Huang, „Swot analysis.‘ *Huamin Philanthropy Brochure Series 2*. 9 (2012)

3.4. eSHOP

For arriving to a definition of an eShop it is necessary to understand a wider context it is a part of - the eCommerce (EC). What exactly is EC and where within its scope an eShop falls, will provide following two chapters.

3.4.1. eCOMMERCE

eCommerce (EC) as defined by Turban et al. in his publication bearing the same name, is 'the process of buying, selling, or exchanging products, services, or information via computer networks ... mostly over the Internet ... in an electronic market (e-marketplace)',³⁸. They go on describing the nature of EC as traditional (no EC in fact), partial and pure - based on a degree of digitization of its three dimensions – product, agent (intermediary) and process. According to a degree of EC utilization, organizations can be labelled as brick-and-mortar (no EC), click-and-mortar (some EC) and pure-play (only EC).

If EC is classified into several categories based on the 'nature of transactions and interactions',³⁹ the following models can be distinguished:

- B2B – business to business (businesses and their suppliers) e.g. Alibaba.com
- B2C – business to customer (business selling to the end consumer) e.g. Amazon.com
- C2C – consumer to consumer (sales made between individual consumers) e.g. Ebay.com or similar auction web sites as well as sites used for personal advertisement of items and services for sale or exchange, such as property or knowledge.
- eTAILING – electronic version of retailing, usually as B2C
- mCOMMERCE – mobile commerce (where EC transactions are conducted in a wireless environment – using a mobile device such as phones and tablets)
- other (less significant - especially for the purpose of this work)

These models can be and often are employed in a combination of one another in order to reach wider audience and generate more revenue.

³⁸ Turban et al, Electronic Commerce – A managerial perspective. p. 4-5

³⁹ Turban et al, Electronic Commerce – A managerial perspective. p. 8

Current trends show the mCommerce model is an important one to take into account when planning an e-tailing business. Findings of the recent report published by YSTATS show that the:

mCommerce is booming in Europe ... According to the new report, (Common Content) mobile shopping is well established in Europe. Western European countries stand high in global ranking in smartphone and tablet penetration. Moreover, of the developed countries worldwide, Sweden and the UK stand next to Asian-Pacific and North American countries regarding mobile shopper penetration. In the global ranking of emerging markets, Russia and Turkey each are in the top five; Russia by smartphone penetration and Turkey by mobile shopper penetration on smartphone owners.⁴⁰

3.4.2. eSHOP

The eShop - or an 'electronic storefront'⁴¹ is one of the major e-marketplaces. It is Web based and 'includes several mechanisms necessary for conducting a sale'. The most common mechanisms being:

- electronic catalogue - for product presentation
- search engine - to look up items in the catalogue easily
- electronic cart - an order processing technology allowing to store items selected for purchase
- payment gateway - to arrange payment options
- shipment court - to arrange delivery options
- customer services - to provide information and support relevant to the transaction

eShop generally consists of a database holding product information, order details, customer details etc. and a Web interface that enables a] a customer to place an order based on a product presentation, b] the owner to administer the database.

⁴⁰ Ystats.com. Europe M-commerce Snapshot. [as available on: <http://ystats.com/en/reports/preview.php?reportId=1074>].

⁴¹ Turban et al, Electronic Commerce – A managerial perspective. p. 44

Overall performance of eShops and factors influencing their success is evaluated by Petr Suchanek in his paper on 'The Fundamentals of a Prosperous eShop in Connection to Search Engine Optimization' argues that eShops are a burgeoning area of business development and have much potential. 'Nowadays e-business and eCommerce are important for entrepreneurial environment. eShops profits increase every year,' but to be successful they must utilize the internet and harness 'up-to-date web technologies.'⁴² He adds:

One of the fundamental conditions of eShops effectiveness is the need for eShops to be displayed in one of the first positions on the internet search engine after the user request. Many research results show a dependence between the presentation of websites in one of the first places in the internet search engine and the number of conversions from users to customers.⁴³

In setting up any business it is valuable to consider at length its potential for success. Reassuringly, coverage in the current press suggests that Czech eShops are doing well, for example: 'On-line shops in the Czech Republic generated the same turnover in 2012 as 46 average brick-and-mortar shopping centres, their sales growing to CZK 43 billion...Between 5% and 6% of all goods in the Czech Republic is sold via eShops, according to an analysis of the use of Internet in retail made by the Czech Statistical Office.'⁴⁴ This is an encouraging environment in which to set up an eShop.

3.4.3. SEARCH ENGINE OPTIMIZATION

In an article published by the International Journal of Engineering Research&Technology, the authors describe Search engine optimization as a:

cluster of strategies and techniques used to increase the amount of visitors to a website by obtaining a high-ranking placement in the search results page of a search engine ... These techniques are straightforward and demand low maintenance. Most of them are cost effective too. Thus websites can improve their

⁴² Petr Suchanek, 'The Fundamentals of a Prosperous eShop in Connection to Search Engine Optimization,' *Ekonomie a Management*, 2 (2010), p. 101.

⁴³ Suchanek, 'The Fundamentals of a Prosperous eShop,' p. 101.

⁴⁴ Anonymous, 'Czech eShops generate turnover of CZK 43 bln in 2012,' *Regional Today*, (30.01.2013),

page rankings and consequents increase their sales by employing search engine optimization techniques.⁴⁵

3.4.4. TECHNOLOGICAL SOLUTIONS

In the main, there are three technological solutions available for creating a functioning eShop, the following table offers their comparison:

Table 4: eShop - technological solutions

HOSTED (lease)	SEMI-CUSTOM (open-source)	TAILOR-MADE
<p>The cheapest and the most instant of available solutions. It usually offers several predefined packages to choose from, differing by allowed number of products in a catalogue, available features, monthly bandwidth etc. The host ensures maintenance and security of the online cart. For all these positively sounding characteristics there is a price to pay (above the price per month) and that is a fact the retailer is never the owner of the eShop and that he has a limited control over it.</p>	<p>Offers a high level of flexibility and is free to start off with but usually requires utilization of paid features or services in order to function fully or in a desired way. These however are supplied by a large number of independent designers and developers. The biggest disadvantage of this solution is that it usually requires advanced level of programming knowledge and maintenance vigilance in order to ensure the maximum effectiveness and security</p>	<p>The most expensive of the solutions. Made by professionals, from scratch and exactly to required specification which can offer advantage against competition (can stand out, better optimization). Drawbacks of this solution are - apart from the initial cost, also in a protracted development phase and possible need for debugging the system in early running stages.</p>
COST ESTIMATION		
<p>0-2500 CZK/month (based on comparison of several providers)</p>	<p>5000 - 25 000 CZK +webhosting/month (based on several Web discussion threads [webtrh.cz])</p>	<p>50 000 CZK and above +webhosting/month (based on several Web discussions threads [webtrh.cz])</p>

⁴⁵ Parikh Ashana, Deshmukh Sanjay. 'Search Engine Optimization.' *International Journal of Engineering Research&Technology*. p. 3146,3152.

3.5. FOREIGN DEMAND FOR GLASS DECORATIONS

There has been a precedent set for successful entrepreneurship in the area of glass Christmas tree ornaments in the person of Christopher Radko. Radko is a ‘designer and manufacturer of hand-blown glass Christmas ornaments’ whose business is worth 50 million dollars. ‘During the past 13 years, he has been designing and manufacturing hand-blown glass ornaments...and boasts showrooms in seven (US) cities, a Collectors’ Club...a Website, and slick catalogue...Barbara Streisand, Bruce Willis, the Swarzeneggars, and Mikhail Baryshnikov own his ornaments.’⁴⁶

The potential for selling hand-blown glass Christmas tree ornaments in foreign markets is also evidenced by the success of such products in Italy, Josef Nemecek in a Czech business magazine states:

In 2004, as many as three Czech companies managed to break through onto the demanding Italian market. They all have one thing in common: their delicate products light up just once a year, but with the greatest splendour. Traditional Czech Christmas decorations are in great demand world-wide.⁴⁷

3.5.1. PROVENANCE OF GLASS ORNAMENTS TRADITION

The Christmas tree as we know it today was introduced throughout Europe, from Germany, in the mid nineteenth century. By the end of the nineteenth century homemade decorations made from items such as dried fruit and nuts were steadily being replaced by those manufactured in workshops from metal, wood and especially glass. As the Christmas tree tradition had spread throughout Europe into America, so too did the popularity of the glass Christmas tree ornament. Originally glass Christmas decorations had been imported into Czechoslovakia from Germany, but by the 1930s the trend had been reversed and 50% of decorations produced in Czechoslovakia were exported around the world, while the remaining 50% supplied the domestic market. The industry was suppressed somewhat by the Second World War and the introduction of nationalisation at the start of the communist era, but by the end of the 1950s Czechoslovakia was exporting to 30 countries around the world, its biggest customers being France, Britain, America and

⁴⁶ Marjorie Rosen, ‘Tree Chic: Christopher Radko’s Ornament Empire,’ *Biography*, 2.12 (1998), p. 104.

⁴⁷ Josef Nemecek, ‘Italy Celebrates Czech Christmas,’ *Czech Business and Trade*, 3 (2005), p. 12.

the Soviet Union. Exports remained strong throughout the 1960s-1980s. After the fall of communism exports fell off in former socialist countries but remained popular in Britain, America, Netherlands, Belgium, Switzerland and new markets opened in Germany and Canada. Thus the glass ornament tradition is well established in America, Britain and Western Europe, has continued to grow throughout its hundred year history and has been relatively little affected by socio-economic and political changes. It has survived the global economic crisis and competition from mass produced glass decorations originating in China. Due to Chinese imports and plastic alternatives its market is more niche now but still strongly appeals to customers seeking the quality that can only come from small specialised workshops and recognise the decorations as truly valuable pieces that represent a century-old tradition.⁴⁸

⁴⁸ Petr Novy and Dagmar Havlickova (eds), *Glass Christmas Tree Ornaments: Past, Present and Vision*, Jablonec nad Nisou, 2010.

4. PRACTICAL PART

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iii

BUSINESS PLAN

INTRODUCING [GLASSDECO]

THE SPARKLY PROJECT

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4.1. EXECUTIVE SUMMARY

[GLASSDECO] will be an internet based shop specializing in glass Christmas decorations – traditional hand crafted produce almost synonymous with the Czech Republic. [GLASSDECO]'s aspiration is to provide its customer with a breath taking selection of designs and colours – decorations of prime quality, an exclusive tree jewel.

As such the firm will be targeting middle to upper middle class family members and young professionals, predominantly in countries within the European Union, especially Italy, Germany, Austria, Scandinavian countries and the UK.

With the goods being so particular the revenue is assumed to be generated especially during the pre-Christmas period. It will be run as an activity of a licensed sole trader (OSVC) based in the Czech Republic. The business is expected to be profitable in the second year of its existence and projected cash flows maintain an overall positive balance.

4.2. VISION, MISSION AND STRATEGIES

4.2.1. VISION

[GLASSDECO] will strive for its products to become a true family heirloom – visible on every Christmas tree in Europe, whose owners value the tradition, the skill and the prestige of handmade Bohemian glass.

4.2.2. MISSION

To provide Europeans with widest and wildest selection of the top end products the glass decorations industry can offer, all in one lucid marketplace backed up by a faultless customer service. Attention to detail is the key.

4.2.3. GOALS AND OBJECTIVES

- To ensure all goods are delivered safely and within the stated delivery period.
- To receive a feedback from 90% of customers.
- To ensure increasing rate of repeated custom every year.
- To be well established within three European countries by the end of the 3 year period.

- To follow local customs and trends and react to them by an annual launch of a product that will prove successful.
- To maintain positive cash flows from the second year onwards.

4.2.4. SWOT

STRENGTHS

- Five years of experience successfully trading in glass decorations, seven years of experience of being self-employed in the Czech Republic and also in UK.
- Knowledge of the customer's preferences related to the product (based on point one)
- Large storage spaces available (property of the business owner)
- Stock already available.
- Experience in operating an eShop (Ice-Cream vendors supplies)
- English proficiency and access to native speaker from most of European countries.

WEAKNESSES

- No previous experience in shipping fragile goods and in shipping abroad.
- Not being an actual producer.
- Operating as a "one man band".

OPPORTUNITIES

- Developing mCommerce strategy.
- Taking part in Christmas markets in foreign countries – this would require hiring a seasonal employee.

THREATS

- Especially producers themselves who could copy the idea.
- Unfavourable development of exchange rates.

4.2.5. PEST

POLITICAL

The trade will be focused on custom from within Europe, especially those countries that are members of European Economic Area (EEA), a union allowing for free movement of goods and capital among the countries. European countries mostly tend to be politically stable and predictable. Political situation in the Czech Republic where the business is located is also fairly stable however the government has a tendency to overly regulate and change legislation a little too often (especially the one related to taxation) and therefore it is advised to keep monitoring the situation. Czech National Bank is currently deploying a strategy of maintaining the artificially weakened exchange rate which is beneficial for export activities.

ECONOMIC

Countries that this project will be targeting are among the richest in Europe with real GDP per capita above the EU average in most of their regional units.

TECHNOLOGICAL

All targeted countries are developed and have access to the most up-to date technologies such as smartphones, tablets, and fast internet connections. All have highly developed infrastructure. Recent research into consumer segmentation in UK shows that even

SOCIAL

Population in targeted countries consists from a large proportion of comfortable to affluent residents. With higher to high disposable income.

4.2.6. STRATEGIC PLAN

The following strategic plan will be adopted in order to establish the business

- Outsource to get an eShop developed including:
- the URL (domain-name),
- SEO optimization
- Make an initial selection of 100 catalogue items.
- Outsource to get the selection photographed to a high standard.
- Translate all text content of the eShop to 3 languages (English, German, Italian)

- Develop and launch an advertising and PR campaign. By the end August of the launching year.
- Acquire all necessary point of sale accessories (packaging etc.)
- Outsource a shipping company.

The following strategic plan will be adopted in order to run the business

- Monitor and try to increase ranking in search engines as well as traffic to the site.
- Regularly update the content of currently utilized social media (not to let them lie dead for 7 month of quiet sales period)
- Complete stocktake by the end of January.
- Complete financial assessment and prepare tax/insurance materials by the end of February
- Complete regular orders for suppliers by the end of March.
- Develop new product/s by the end of May.
- Develop an advertising strategy ready to be launched by September.

4.3. PRODUCTS AND SERVICES

The product as aforementioned is a Czech manufactured, hand-made, glass Christmas decoration.

The Czech Republic has an over 80 year long tradition of exporting products belonging to this type of craftsmanship⁴⁹ that contributes to an admirable worldwide reputation of the Czech glass manufacturing industry. As such the product has a definite potential to captivate the attention of a foreign customer.

The key attributes of the product and associated service that [GLASSDECO] will rely on for its success are:

- Exclusiveness of decor
- High quality of materials and finish
- Completely hand-manufactured in locations traditionally dedicated to this craft

⁴⁹ Nový Petr, Historie Vánočních Ozdob na Jablonecku
[<http://www.mestojablonec.cz/redakce/tisk.php?lanG=cs&clanek=1659&slozka=1217&>]

- Large product selection
- Sophisticated and clean-style user interface in which customers carry out their shopping. This will be based on unique display method developed over the years and liked by the customer.

Complementing services will include:

- personalized inscription available to specified range of products
- complete personalization of the design – availability will be subjected to individual proposition and its feasibility

Products are acquired from manufactures that are usually well established SME's. [GLASSDECO] will source products based on previous experience with the producer and their ability to deliver and outstanding good.

4.4. SOURCES OF REVENUE (INCOME)

[GLASSDECO] will generate its revenue through sales of highly specialized and season bound product. Although the eShop will operate all year round the main volume of sales is expected to be made during the period of five months (figure 1.). This estimate is based on combination of previous experience of the owner as well as general figures of “holiday” retail sales.

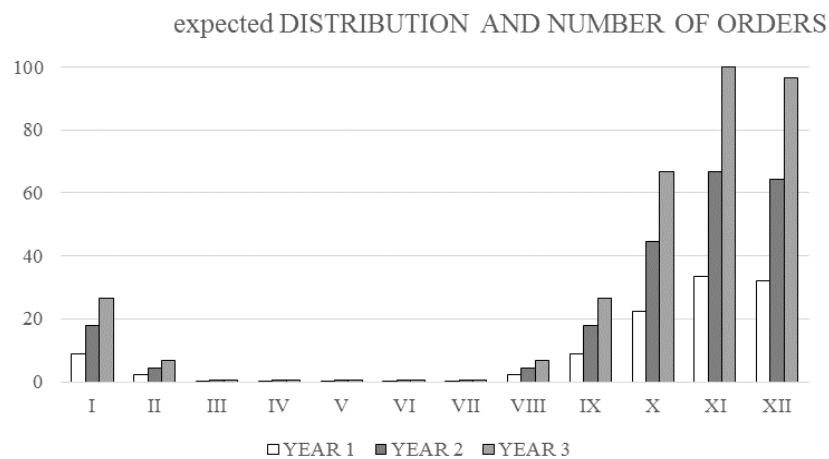


Figure 1: : Expected distribution and number of orders

Based on a number of orders projected per annum the turnover in the launching year is expected to reach 266 700 CZK [9777 EUR] in the following two years the revenue is estimated to amount to 533 300 CZK [19 550 EUR] and 800 000 CZK [29 326 EUR].

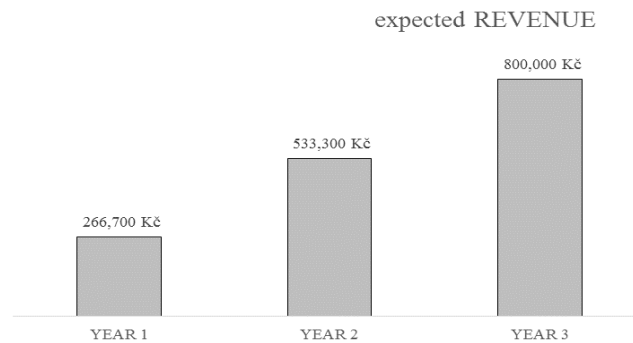


Figure 2: Expected Revenue

Estimations are rough, though based on realistic assumptions. Detailed calculations are available in the financial section of this plan.

4.5. FUTURE OPPORTUNITIES

LOCAL DOMAIN

Launching the eShop in a “cash-cow” country on a local domain every 2 years in order to focus on developing a solid market base there.

OWN PRODUCTION

Introducing own production in order to cut costs per product sold and to be able to react to personalised demand more effectively. The proprietor already owns some of the manufacturing equipment and therefore the production commencement would be mostly a matter of hiring a craft-skilled personnel – e.g. retired employee of a glass-decorations manufacture.

CHRISTMAS MARKETS

Having a previous experience especially with sales on Christmas markets in the Czech Republic an expansion onto foreign Christmas markets could be a profitable as well as strong marketing strategy. It is assumed that regular physical presence of the shop (stall) would increase consumers’ confidence in the on-line version.

4.6. MARKETING PLAN

Good marketing is crucial in enabling the success of a project. [GLASSDECO] is intending to invest 10% of forecasted annual revenue and 99% of energy into creating an irresistible and credible image to ensure the eShops' almost tactile visibility and its potential not only to satisfy but also inspire purchase.

4.6.1. MARKET ANALYSIS

A market for glass Christmas decorations is essentially everywhere where there is a Christian tradition of celebrating Christmas coupled with a folk tradition of dressing up a Christmas tree. This certainly is and for over a century has been the case in most of European countries (e.g. Germany – where the tree dressing custom has its roots, Italy, Scandinavian countries, France, UK, Switzerland Belgium etc.) Outside Europe the markets with certainly the biggest glass-ornaments consumption are in the USA and Canada, among others the opportunities lie in Australia and Argentina.

From the total of Czech production about 95% is exported into aforementioned countries. Also personal experience indicates a very high and enthusiastic demand from foreign customers.

The biggest competitor of producers from traditional areas (Czech, Germany, Poland) is the production emerging from oriental countries - especially China. Not only that a massive portion of glass decorations market has been swallowed up by the plastic imitations, China and other countries are claiming their shares on the redefined glass-decorations market too.

Therefore there are two main subsets to whole of current glass decorations market – those focused on price and those focused on tradition and/or quality.

4.6.2. MARKET SIZE AND SHARE PROJECTIONS

The size of a market for Christmas tree decorations in Europe can be determined by the number of sold real trees, this is 50 - 60 million annually. Finding a more precise number however gets tricky as many of these trees get decorated in many different ways.

However, even if the market was as small as a tenth of the tree sales it would represent 6 million customers from whom [GLASSDECO] believes to serve roughly 600 during the first three years in order to satisfy its existence. There certainly seems to be a room for further growth.

4.6.3. COMPETITOR ANALYSIS

The analysis of competition have been performed but will be continually brought up to date, the present findings are displayed in the list below and summarized at the end of this chapter.

Identified competitors are:

CZECH REPUBLIC:

- ⇒ glassor.cz (producer and retailer /a lot of its stock comes from Poland/, well established; mediocre quality of produce, average 3EUR/item; unattractive though clear structure of eShop user interface, classic presentation of products; colour, price and size filter, text translated into English and German, displays prices in 5 currencies, delivers impression of an active and lively establishment; Facebook page - 2765 likes – updated regularly, mostly in Czech language; uses GLS as a shipping company). glassor.com (eShop of the same producer focused solely on US market, prices differ greatly between the two sites – eg. an item on CZ domain costs USD3 on COM domain the price is USD13; the eShop is of a simple and unobtrusive design, features high quality imagery with zoom function; the site maintains its Pinterest presentation as well as a Facebook page – 313 likes)
- ⇒ ozdobacz.cz (fairly large producer, well established, with historical tradition; average to above average quality of produce; eShop with clear classic structure, colour filter, text translated into English and German; Facebook page – 99 likes – last post 29/10/2014 – over 3 months ago, all in Czech language; active in Czech media – TV, magazines)
- ⇒ ornex.cz (producer, well established; selection of items from five different themes, lightly decorated, average 3EUR/item; eShop looks very dated, text translated into English and German, charge for shipping is 45EUR for orders under 400EUR)

GERMANY:

- ⇒ krebglaslauscha.de (large producer from a historically significant location – the tradition of Lauscha, lightly decorated but large selection, impressive figures selection, a lot of designs are machine made (printed), price range 4-20EUR/item; eShop gives an impression of a B2B platform – not very inspiring, also looks dated and lame, text available in English and German, confusing; shipping within Germany - 6EUR for orders under 100EUR, Europe 25EUR)
- ⇒ haberland-baumschmuck.de (smaller producer, located in Lauscha; only produces and sells figures (form based shapes), large selection – 200 items; average price 8EUR/item; eShop only in German, dated looking)

ITALY:

- ⇒ christmasshop.it (retailer, Christmas specialized shop, items priced 5-20EUR, bad quality of product images, overall unattractive user interface)

- ⇒ coincasa.it (retailer, a very small selection of simple items, not specialized glass decorations shop, more of a complementing range to other home decoration & furnishings)
- ⇒ artimondo.it (limited selection, mostly simax glass, low quality products, average 12EUR/item)
- ⇒ milenaalippi.com (small producer, limited selection, offers personalisation of products, no serious social media presentation)
- ⇒ decodaniela.com (small producer, limited selection, un-silvered simax glass, items sold for average 10EUR/item, offers personalised items, Facebook page – 27 likes)

UNITED KINGDOM

- ⇒ Similar competition as in Italy – unspecialized retailers with small selections of items and usually poor designs – often no designs.
- ⇒ Apart from online retailers there are the brick ones such as top end department stores (John Lewis, House of Fraser etc.) where the selection is limited, often of average quality but for premium prices (GBP55 [77 EUR] for a set of 5 shapes). Other retailers selling this seasonal merchandise are for example Garden centres, usually importing from Poland and selling for an average equivalent to 8EUR/item)

To conclude this section, the main competitors are those actually producing the ornaments rather than pure retailers as they usually offer a large selection of items for competitive prices (average prices shown above do NOT include shipping costs). However, their on-line efforts seem to be somehow secondary. The only competitor that appear to be heading similar way is [glassor.cz/.com], they have updated their online presentation to modern standards and utilize social media technologies to promote and to anchor their business.

[GLASSDECO] differs from its competitors especially in high quality of designs and their precise execution. It will also aims to vastly differ in the presentation of its products to ensure that customer has all but also ONLY what he needs to enjoy creating his own desired selection - without unnecessary clutter, in an unobtrusive environment and with help of the right tools.

4.6.4. CUSTOMER PROFILE

The focus will be on a **FEMALE** customer from two general groups that will be targeted primarily. Both of these groups are assumed be the most responsive to the luxurious and classy as well as the skill and nostalgia aspects of the product. What they have in common is access to a higher disposable income or even wealth and living in an area with a tradition of Christmas customs. These groups are:

MIDDLE to UPPER MIDDLE CLASS FAMILY

Age 35 – 70, mother of 2-3 children teenage or adult, own housing in an affluent or comfortable family neighbourhoods, not working.

YOUNG PROFESSIONAL COUPLE

Age 30-40, childless, university graduate, has a job on or is aspiring to a senior positions, renting or flat owner, in a redeveloped or modern urban area.

4.6.5. SALES STRATEGY

[GLASSDECO] will be primarily reaching its new customers through on-line and magazine advertising, first rank search query positions and a promotional PR released for local media.

However, the main efforts will be concentrated into building a solid online image based on exploiting the potential of social media and on highly yet subtly encouraged communication with a customer. As the business believes in its importance for gaining as well as keeping a customer. It will strive to inspire a birth of a natural community whose members will share the sense of festive joy contributed to by [GLASSDECO] and its products.

For this strategy to work it is vital to execute every exchange with the customer outstandingly and to employ certain tactics that will ensure the customer has a very personal experience (such as personalised promotional gifts and offers).

4.7. OPERATIONS PLAN

4.7.1. FACILITIES

[GLASSDECO] is based at the personal residence of the owner. This location is furnished and equipped with all resources necessary to conduct the business – stock facilities, fast internet connection, stationary as well as portable internet enabled devices, VOIP device (enabling to have a up to 3 local phone numbers each for different country), means of transport. The location is well connected with main infrastructure (fast roads, shipping depots).

4.7.2. INVENTORY

Due to the business owners' previous activities in the trade there is currently sufficient stock to commence the [GLASSDECO] project. The stock gets bulk replenished annually during the summer period but the stock levels are monitored and if necessary it is possible to restock smaller quantities at any time of year. The business owner has a good working relationship with several high quality and able suppliers.

4.7.3. SHIPPING

This part of the business' operations represents several "highs" at once - high expense associated with high risks and one on which the project's success is highly dependent. This service will be outsourced from a well-established company such a GLS which is used by the major competitor and therefore comes with a good recommendation. To ensure safe deliveries a durable packaging method will be used. Together with packaging this cost entry projects itself into consumes quarter of revenue per item sold – it is a high cost

4.7.4. MANAGEMENT AND ADMINISTRATION

[GLASSDECO] will be run as an activity of a licensed sole trader (OSVC), legally established in accordance with the Trade Licensing Act (Czech Republic). As such being a sole proprietor of the business as well as having full liability for eventual consequences of misconduct.

There are no employees accounted for in the initial 3 year period and therefore the proprietor will be securing all managerial, operational and administrative duties.

As a licenced trader the owner has no legal obligation to conduct (double entry) accounting books. For the purpose of taxation and financial record keeping, so called Taxation Record will be maintained.

The business is not expected to become a VAT payee during the initial period.

4.8. FINANCIAL PLAN

The financial plan has been prepared conservatively and is based on the owners' personal experience with the demand for the product and associated expenditures as well as on research of competition. However it is a rough estimation that will be annually revised.

4.8.1. REVENUE, COSTS & BREAK EVEN ANALYSIS

4.8.1.1. START-UP COSTS

The initial costs represent a non-reoccurring investment which is estimated to 55 000 CZK [2016 EUR] and connected directly to building up the eShop. The investment necessary to begin operations however is increased to 88 000 CZK [3226 EUR] by expenses related to marketing, packaging materials, commuting and communication. The cost for acquiring goods is not included due to the good already being in possession of the business owner (remaining stock from previous years). The initial capital required will be supplied in full by the owner.

START-UP COSTS	
E-shop	50,000 Kč
Photography	5,000 Kč
Marketing	26,670 Kč
Overheads	1,250 Kč
Packaging materials	5,000 Kč
TOTAL	87,920 Kč

Figure 3: Start-up costs

4.8.1.2. REVENUE ANALYSIS

For the purpose of calculations the average order is estimated to 12 items (a shipment unit) where a revenue per item sold is 200 CZK [7 EUR] (price inclusive of packaging and shipping charge). This price can be lower (as per cheaper item) or higher (as per 2 items of smaller size but comparable volume). Average revenue per order is therefore estimated to 2400 CZK [88 EUR].

Based on a number of orders projected per annum the turnover in the launching year is expected to reach 266 700 CZK [9777 EUR] in the following two years the revenue is estimated to amount to 533 300 CZK [19 550 EUR] and 800 000 CZK [29 326 EUR].

4.8.1.3. COSTS & BREAK EVEN ANALYSIS

This section identifies types of expenses that will be associated in operating the business and displays result of break-even analysis.

Table 5: BEA

	YEAR 1	YEAR 2	YEAR 3
FIXED COSTS			
Marketing	26,670 Kč	53,330 Kč	80,000 Kč
E-shop maintenance	6,000 Kč	6,000 Kč	6,000 Kč
Domain + Hosting	2,000 Kč	2,250 Kč	2,500 Kč
Taxes/Insurance	44,866 Kč	59,859 Kč	91,480 Kč
Overheads	15,000 Kč	15,000 Kč	15,000 Kč
TOTAL	94,536 Kč	136,439 Kč	194,980 Kč
VARIABLE COST/ITEM			
Cost of good sold	50 Kč	50 Kč	50 Kč
Packaging + Shipping	50 Kč	50 Kč	50 Kč
TOTAL	100 Kč	100 Kč	100 Kč
INITIAL COSTS			
E-shop	50,000 Kč		
Photography	5,000 Kč		
TOTAL	55,000 Kč		
REVNUE/ITEM (average)			200 Kč
BEP (revenue)	299,072 Kč	272,878 Kč	389,960 Kč
BEP (units sold)	1495	1364	1950

The following graph illustrates the break even points (BEP) in position with the expected revenue. It is apparent that in the first year the BEP will not be met.

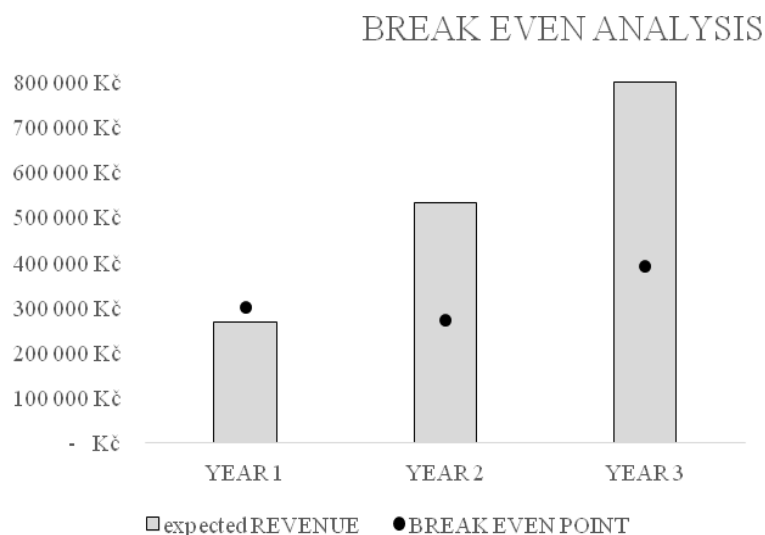


Figure 4: BEP

4.8.2. INCOME STATEMENT

From the income statement can be read that the first year will not yield any profit – expected loss is 16186 CZK which is due to lower estimated volume of sales and a bulk of initial costs. The following two years however are expected to result in positive numbers. The NET PROFIT MARGIN is expected to be 24.4% in the second and 25.6% in the third year. Gross profit margins are projected to represent 75% but get immediately depressed by the cost of shipment and packaging which represents 25% of expense to revenue ratio.

Table 6 - Income Statement

	YEAR 1	YEAR 2	YEAR 3
Total Revenue	266,700 Kč	533,300 Kč	800,000 Kč
Cost of Goods Sold	66,675 Kč	133,325 Kč	200,000 Kč
GROSS PROFIT	200,025 Kč	399,975 Kč	600,000 Kč
Operating Expenses			
Selling and Distribution	93,345 Kč	186,655 Kč	280,000 Kč
General and Administrative	23,000 Kč	23,250 Kč	23,500 Kč
Non Reccuring	55,000 Kč		
OPERATING PROFIT (EBIT)	28,680 Kč	190,070 Kč	296,500 Kč
Interest	- Kč	- Kč	- Kč
EARNINGS BEFORE TAX	28,680 Kč	190,070 Kč	296,500 Kč
Tax and Insurance payments	44,866 Kč	59,859 Kč	91,480 Kč
NET PROFIT	- 16,186 Kč	130,211 Kč	205,020 Kč

4.8.3. CASH FLOW ANALYSIS

Annual cash flow projections show that even though the Income Statement indicated loss at the end of the first year the cash situation results in positive numbers throughout the whole three year period. This is caused by no need to make the bulk order good intended for sale as they already are in stock. It has to be mentioned that the profits (or loses) are brought forward in full.

Table 7: Cash flow projection - 3 years

	YEAR 1	YEAR 2	YEAR 3
CASH FLOW FROM OPERATING ACTIVITIES			
cash received (customers)	266,700 Kč	533,300 Kč	800,000 Kč
cash paid-out (suppliers)	116,345 Kč	343,230 Kč	503,500 Kč
tax and insurance paid	44,866 Kč	59,859 Kč	91,480 Kč
NET	105,489 Kč	130,211 Kč	205,020 Kč
CASHFLOW FROM INVESTING ACTIVITIES			
cash paid out	55,000 Kč	- Kč	- Kč
NET	- 55,000 Kč	- Kč	- Kč
NET CHANGE IN CASH	50,489 Kč	130,211 Kč	205,020 Kč
CASH AT THE BEGINNING	- Kč	50,489 Kč	180,700 Kč
CASH AT THE END	50,489 Kč	180,700 Kč	385,720 Kč

Looking at a quarterly analysis of cash flows (presented below) in the first and the third year it is apparent that the initial three quarters of the first year will be ending in negative cash balances due to a little income and proportionally large expenses tied with the start-up costs. These “red” numbers will be provided for from the owner’s personal savings. The third quarter of a regular (not initial) year is identified as one where cash shortages are likely to occur due largest expenses related to payables for the merchandise and low incomes. It is necessary to prepare for these deficiencies

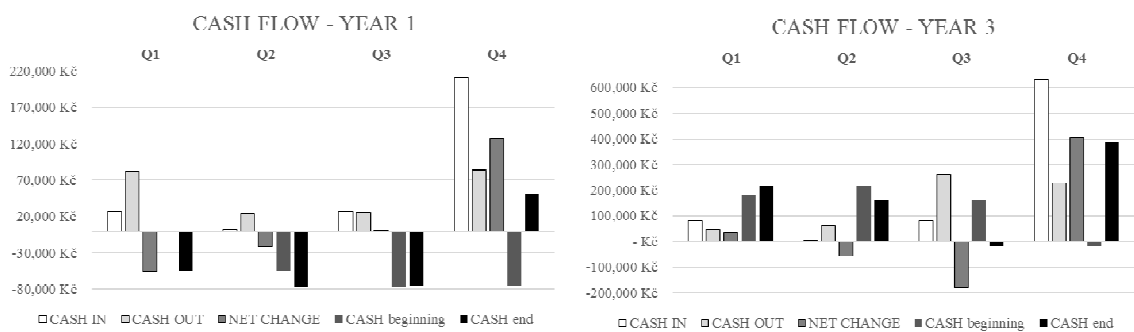


Figure 5: Cash flows - year 1 and 3

4.9. RISK ASSESSMENT

Major risks of this project are identified as follows:

- Lack of demand
 - This situation can be of either external or internal origin. The internal represents the better possibility as it is reversible though, requires in depth revision of strategies their correction. The external can be caused among others by an event with a major (negative) impact on the macroeconomic environment – such as war, economic crisis etc. External causes to the lack of demand are more difficult or even impossible to overcome.
- Rise of competition
 - Competition itself is not a threat, it can be perceived as a motivator and a facilitator of innovation and creativity. Although, for competition to remain motivator rather than becoming an aggressor it is vital for it to be monitored adequately reacted to.
- Supply chain complications
 - It is necessary to be prepared for possible problems with the suppliers (products, packaging, shipping). It is a good to check rather than assume in order not to be caught off guard – identify the problem before it affects the business or have solutions ready to hand.
- Exchange rate fluctuations
 - The sales are expected to be made in a foreign currency, predominantly in EURO – unfavourable change in exchange rate could represent significant losses. If for example the CZK after being artificially weakened appreciated to its 2013 value it could mean a loss of around 60 000 CKZ from the projected revenue. It is necessary to monitor the situation and to develop strategies preventing or minimizing damages or even earning extra revenue.
- Cash shortages
 - Due to the owner's negative attitudes towards debt financing it will be aimed to be prepared for.

CONCLUSION

The aim of this theses was to create a business plan for an internet shop specializing in glass Christmas decorations. To fulfil this aim it was necessary to review sources relevant to related areas so the arguments for the actual plan could have been established.

This work has reviewed and analysed the situation around small and medium enterprises which is a group the planned project falls into as well as it examined the opportunities and obligations delineated by the legal Acts closely relevant to business. It became apparent that for the purpose of proposed project a form doing business as a licensed sole trade is most suitable due to obvious advantages of simple administration and taxations.

Writing the practical part has enabled the proposal to become a viable business plan. It also underlines the need for in depth planning to ensure the potential success of such an undertaking. Moreover the plan has shown not just the initial set up considerations of the business, it has elaborated upon growth projections and the forms by which successful growth will take.

Finally, this project shows the necessity of the business plan in contemplating and reflecting upon any business proposal no matter how small.

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