

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economic Theories**



**Bachelor Thesis**

**Business Plan for Low Emission Car Rental Service**

**Dmitriy Bratchikov**

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## BACHELOR THESIS ASSIGNMENT

Dmitriy Bratchikov

Economics and Management

Economics and Management

Thesis title

**Business plan for low-emission car rental service**

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### Objectives of thesis

The aim of this thesis is to prepare business plan for low emission car rental service in Prague, Czech Republic. The goal in practical part is to perform a market research (current domestic competitors, similar companies in European countries) followed by finance calculations (necessary investments, possible income). Marketing strategy and business processes will also be prepared.

### Methodology

The theoretical part is based on the inductive method of academic research. The information was implemented through elaboration from scientific articles and Internet sources engaged with the topic of the thesis, as well as related legal acts regulating economic relations, especially for reducing CO2 emissions. With the use of theoretical base introduced in literature review, the business plan for low emission car rental service is prepared.

## **The proposed extent of the thesis**

30-40

## **Keywords**

car rental, co2 emission, electrification, hybridization, management, business plan, green power

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## **Recommended information sources**

Beliveau, M., Rehberger R., Rowell J., Xarras A. (2010), A Study on Hybrid Cars: Environmental Effects and Consumer Habits. Worcester: Worcester Polytechnic Institute

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Moin N. (2014) Car Rental & Leasing Research Brief. San Francisco: SASB

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## **The Bachelor Thesis Supervisor**

Ing. Pavel Srbek, Ph.D.

## **Supervising department**

Department of Economic Theories

Electronic approval: 23. 12. 2019

**doc. PhDr. Ing. Lucie Severová, Ph.D.**

Head of department

Electronic approval: 8. 1. 2020

**Ing. Martin Pelikán, Ph.D.**

Dean

Prague on 21. 03. 2020

## **Declaration**

I declare that I have worked on my bachelor thesis titled "Business Plan for Low Emission Car Rental Service" 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 29.11.2020

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I would like to thank my supervisor Ing. Pavel Srbek, Ph.D. for his help and support in writing bachelor thesis, especially for valuable corrections and comments

# **Business Plan for Low Emission Car Rental Service**

## **Abstract**

The main goal of this Bachelor thesis is to develop a business plan for a low emission car rental service in Prague, Czech Republic. The work is divided into 2 main parts: theoretical and practical.

Theoretical part bases on literature review. This part of the bachelor thesis gives a clear review of establishing company in Czech Republic, business and business planning, structure of business plan and current situation in hybrid and electric cars market, car rental and leasing market, especially in Czech Republic.

The practical part describes a representation of theoretical knowledge about low emission car rental service. The practical part starts with an executive summary and full business plan. The business plan represents description of the enterprise (business sector, historical background, structure), description of products, marketing (target audience, pricing, sales channels, SWOT), production plan, organizational plan, financial plan (2 different strategies to find best option including IRR, NPV, WACC and ROI), risk & warranties and conclusion.

**Keywords:** Business Planning, Car Rental & Leasing Industry, Organizational Plan, Hybrid Cars, Target Audience, Sales Channels, SWOT, NPV, IRR, ROI, WACC.

# Podnikatelský plán pro půjčovnu automobilů s nízkými emisemi

## Abstrakt

Hlavním cílem této bakalářské práce je vypracovat podnikatelský plán pro půjčovnu automobilů s nízkými emisemi v Praze. Práce je rozdělena do dvou hlavních částí: teoretické a praktické části.

První část se zabývá teoretickými znalostmi založenými na přehledu literatury. Tato část bakalářské práce podává jasný přehled o založení společnosti v České republice, o podnikání a podnikatelském plánování, struktuře podnikatelského plánu a současné situaci na trhu hybridních a elektrických automobilů, na trhu s autopůjčovnami a leasingem, zejména v České republice.

Praktická část popisuje reprezentaci teoretických znalostí o autopůjčovně s nízkými emisemi.

Praktická část začíná stručným shrnutím a úplným obchodním plánem. Obchodní plán představuje popis podniku (podnikatelský sektor, historické pozadí, struktura), popis produktů, marketing (cílové publikum, ceny, prodejní kanály, SWOT), výrobní plán, organizační plán, finanční plán (2 různých strategií k nalezení nejlepšího možnost včetně IRR, NPV, WACC a ROI), rizika a závěr.

**Klíčová slova:** Obchodní plánování, Půjčovna a leasing automobilů, Organizační plán, Hybridní auta, Cílové publikum, Prodejní kanály, SWOT, NPV, IRR, ROI, WACC.

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## List of abbreviations

EU European Union

EBIT Earnings Before Interest and Taxes

NPV Net Present Value

IRR Internal Rate of Return

SME Small medium-sized enterprises

EAT Earnings After Taxes

EBT Earnings Before Taxes

ROI Return of Investments

UNIDO United Nations Industrial Development Organization

EBRD European Bank for Reconstruction and Development

CV Conventional Vehicle

BEV Battery Electric Vehicle

HEV Hybrid Electric Vehicles

PHEV Plug-in Hybrid Electric Vehicles

EPA Environmental Protection Agency

B2B Business to Business

B2C Business to Customer

C2C Customer to Customer

WACC Weighted Average Cost of Capital

CPC Cost per Click

# 1 Introduction

Business is an activity that is carried out by business entities in order to obtain material profit. Moreover, the risks and responsibility for possible failures in the process of doing business fall on the shoulders of these entrepreneurs.

What is a business from a practical point of view? For example, a shopping mall is a business? I think yes. But if the entrepreneur has a place in the Sunday market - not a big table a meter and a half long with his grandmother's baked goods? This is also a business.

It doesn't matter if you are the owner of a large shop or operate a tent on the Sunday market, you are taking action to make a profit.

And what kind of income does the owner of this shopping mall have? And which ones do the market traders have? This difference could be huge, but I am sure the guy from market could buy this mall in one day. With plan and strategy, he could reach this goal.

Napoleon once said: "Those soldiers who are not willing to be a general are not good soldiers."

If we draw an analogy with businessmen, then this thought takes the following form:

"Bad is the entrepreneur who does not have a strategy for the further development of his business."

In my bachelor thesis, I will perform a market research (current domestic competitors, similar companies in European countries) followed by finance calculations (necessary investments, possible income). Marketing strategy and business processes will also be prepared.

The aim of this thesis is to prepare business plan for low emission car rental service in Prague, Czech Republic.

In my bachelor thesis, I will prepare a detailed business plan for launching a lease, with an analysis of the current state of the market, the economic efficiency of the project.

The main goal is not just writing a thesis but preparing a project that can be profitable in the future and from a soldier make at least one step closer to become the general.

## **2 Objectives and Methodology**

### **2.1 Objectives**

The aim of this thesis is to prepare business plan for low emission car rental service in Prague, Czech Republic. The goal in practical part is to perform a market research (current domestic competitors, similar companies in European countries), to analyze necessary investments and possible income. Marketing strategy and business processes will also be prepared.

In this bachelor thesis I am going to answer the following questions:

- What Is a Business Plan?
- How hybrids and electric cars will change our lives?
- What is a current situation on car rental service in Prague?
- What do we need to launch car rental service?
- How to reach our clients?
- How to organize all business processes?

### **2.2 Methodology**

This bachelor thesis consists of two main parts: theoretical and practical. The work uses methods of financial, economic and strategic analysis, comparison. In the theoretical part, the information was implemented through elaboration from scientific articles and Internet sources engaged with the topic of the thesis, as well as related legal acts regulating economic relations. After literature review, key points were taken to build the future business model.

The practical part considers to have follow methods:

Collecting, analyzing and comparing of data from statistical portals, stock market, verified scientific sources, international and local market reports used to make own market report and competitors detailed analysis to compare services provided in the industry and determine target audience, and recognize problem and solution from the service, which let to create production and organizational plan, according to Czech Republic laws.

Based on personal experience and knowledges gained during the lectures and seminars in university, marketing plan were prepared with 10 different sales channels, included a lot of free possibilities to promote fresh launched service.

Statistical methods are used to determine average prices in the part of financial planning as well as to predict annual revenue from CPC campaigns in Google AdWords and Facebook Ads.

Statistical methods also helped to create occupancy rate table with weak months due to lack of tourists and prepare business to different seasons.

Analyzing of data used to make a SWOT analysis and choose a suitable type of vehicle.

Depreciation was calculated to deduct annual taxes and collect funds for the future reinvestments. Depreciation method was also used to find potential future selling price of vehicles to estimate total assets of the company.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is used for measurement of your company's profitability, as well as Earnings After Taxes (EAT) to provide 5-years projected cash flow, as an income statement which was adjusted by inflation rate. Operating costs and operating revenues expected to be increased by 3% annually to cover inflation and excluding this factor in the final results.

Net Present Value (NPV) is used to determine the present value of an investment by the discounted sum of all cash flows received from the project.

The Internal Rate of Return (IRR) in this thesis is used to provide the expected compound annual rate of return that will be earned on a project. IRR were also compared with estimated weighted average cost of capital (WACC), provided with research of volatile from the industry stock market (described as Beta), to see the real picture of the project.

The Return on Investment (ROI) is used to measure how effective investments in this service are at generating income.

Risk and warranties were prepared to find solutions for solving potential production, financial, commercial and insurance risks.

## **3 Literature Review**

### **3.1 Business**

What is a business?

In the economic literature there are several concepts of the term "business". Hosking (1990) defined "Business studies" a business is an activity carried out by private individuals, enterprises or organizations in the extraction of natural goods, the production or acquisition and sale of goods or the provision of services in exchange for other goods, services or money to the mutual benefit of interested persons or organizations.

Tinkov and Ilyakhov (2019) identified beginning entrepreneurs in 2 categories:

It could be a business, but also a self-employment. When they are mixed, the enterprise quickly closes. And the difference is very simple.

Business is when a person organizes an enterprise in which other people perform key functions. The task of a business leader is to make these people work well, preferably without his participation.

Self-employment is when a person works for himself and himself performs key work in his own enterprise.

Neither one nor the other - neither good nor bad. These are just different paths, each with its own limitations. If you do not recognize them, then you can quickly burn out. Here we use the term "self-employed" in the generally accepted entrepreneurial sense, and not in that which they mean when they talk about professional income tax.

According to Smith (2013), terms "business" and "entrepreneurship" are often used as synonyms that in many cases people use to name the same activities. From sociological point of view, entrepreneurship is defined as an activity done by individuals that leads to creation of new organizations. Main activities of entrepreneurship include creation of new products, service and employment of other workers.

### **3.2 Business features**

The definition business, as a product described by Grachev, Raklova, Kholodnaya (2017) contain a number of features:

- this is an investment product that is invested in for the purpose of giving back in the future;

- business is a system, but the whole system as a whole, as well as its parts (elements), can be sold;
- demand for this product depends on the processes that occur both within the product itself and in the external environment;
- the need for government participation not only in regulating the mechanism of buying / selling a business, but also in shaping market prices for business (this is due to the special importance of business sustainability for stability in society).
- activities in the market of means of production (purchase, sale, rental and leasing of enterprises, real estate and movable property);
- foreign trade activity;
- activities in the securities market (issue and purchase and sale of shares, bonds and other securities, including in the interests of acquisitions of other companies, acquisition of subsidiaries and financing of internal growth);
- activities in free economic zones;
- profitable intermediary activity.

*Table 1. Small and medium-sized enterprises (SMEs)*

<b>Company category</b>	<b>Staff headcount</b>	<b>Turnover</b>	<b>or</b>	<b>Balance sheet total</b>
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

*Source: Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises.*

According to EU Commission (2003): The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.

Based on this, we can declare that the business plan being developed will be prepared for micro-businesses, and of course, at this stage, many features and opportunities for building a business will not be considered.

But more attention will be paid to the most important details in building a business from scratch.



### **3.3 Types of Business Entities**

To launch a company, one of the first necessary actions is legal registration.

In the Czech Republic there are several legal possibilities for registering commercial activities:

- Sole Proprietor (osvč);
- Limited Liability Company (s.r.o.);
- Public Limited Company (a.s.);
- General Partnership (v.o.s.);
- Cooperative (družstvo).

In our case, the most appropriate option would be s.r.o..

Limited Liability Company – s.r.o.. According to Zákon č. č. 90/2012 (2014), The Limited Liability Company can be formed of one to fifty members. The company does not have a board of directors. One person can be both the sole owner and executive. The minimum registered capital is CZK 1. Each of the contributors has the right to make decisions independently if the partnership agreement does not state otherwise. For its liabilities, the company guarantees its entire assets, but the partner only up to the amount of the deposit, the share is determined according to the amount of the shareholder's contribution, unless otherwise determined in the social contract.

This is the most common forms of business in the Czech Republic.

### **3.4 Planning**

Grachev, Raklova and Kholodnaya (2017) confirmed, that a modern enterprise operates in conditions of high competition and a constantly changing external environment, when the value of resources with a limited size increases sharply. In this regard, in order to achieve strategic goals and fulfill tactical objectives of the organization.

What is planning? It was answered by United Nation (1999), as everyone, and every organization, plans in one form or another, yet the concept resists an easy definition. Typical dictionary definitions of what a “plan” is suggest that a plan is the method or procedure by which something will be done; thus planning is the process for developing plans.

Grachev, Raklova, Kholodnaya (2017) described planning as the definition of the development goal of a managed facility, the methods and means of achieving it, the development of a program, an action plan of varying degrees of detail for the near and future.

Following the previous statement from Grachev, Raklova, Kholodnaya (2017), business plan is a detailed, clearly structured, carefully justified, dynamic long-term plan for the development of a specific business area, which is used for strategic planning, organizing and coordinating the project, negotiations with creditors and investors, attracting project participants.

The purpose of developing a business plan is to have a clearly and fairly detailed perspective on the development of a business and prepare documentation to request money from investors or loans from a bank.

Based on the goals, Grachev, Raklova, Kholodnaya (2017) created the tasks of developing a business plan:

- understand and evaluate the financial aspects of their business, the effectiveness of the investment project and the economic feasibility of its implementation;
- gather the most important information about the state of the industry and the market, find out the competitiveness of the goods planned for production.
- A business plan helps solve the following problems:
- determine the specific areas of the company's activities, target markets and the company's place in these markets;
- to formulate long-term and short-term goals of the company, strategy and tactics of their achievement. Identify those responsible for implementing the strategy;
- choose the composition and determine the indicators of goods and services that will be offered by the company to consumers. Assess production and trading costs for their formation and implementation;
- determine the composition of marketing activities for market research, advertising, sales promotion, pricing, distribution channels, etc.;
- provide for difficulties that may interfere with the practical implementation of the business plan.

### **3.5 Structure of a Business Plan**

The structure and content of the business plan may vary depending on the purpose of this document and the scope. Currently, there are several groups of standards for its drafting:

- United Nations Industrial Development Organization (UNIDO);
- The European Union, as part of a program to help accelerate the process of economic reform in the Commonwealth of Independent States (TACIS);

- An international network of firms providing audit, tax and advisory services (KMPG);
- European Bank for Reconstruction and Development (EBRD).

According to Grachev, Raklova and Kholodnaya (2017) research, the most used standard is proposed by the United Nations Industrial Development Organization (UNIDO).

*Table 2. The structure and content of the business plan*

<b>Structure</b>	<b>Content</b>
Summary	is a brief introduction and summary of the business plan. It should describe the business, the problem that it solves, the target market, and financial highlights.
Description of the enterprise and scope the activities	<ol style="list-style-type: none"> <li>1. General information about the enterprise</li> <li>2. Financial and economic indicators of the enterprise</li> <li>3. Management structure and staff</li> <li>4. Activities, products, achievements and prospects</li> <li>5. Field of activity and its prospects</li> <li>6. Partnerships and social activity</li> </ol>
Description of products (services)	<ol style="list-style-type: none"> <li>1. Brief description of products, main characteristics</li> <li>2. The competitiveness of products (services)</li> <li>3. Patentability and copyrights</li> <li>4. License</li> <li>5. Delivery Terms</li> <li>6. Security</li> <li>7. Warranty and service</li> <li>8. Operation and disposal</li> </ol>
Marketing	<ol style="list-style-type: none"> <li>1. Consumer requirements for products</li> <li>2. Description of competition</li> <li>3. Description of the market for products</li> <li>4. Description of delivery of goods</li> <li>5. Consumer engagement strategy</li> </ol>
Production plan	<ol style="list-style-type: none"> <li>1. General information about the enterprise</li> <li>2. Technology and skill level of performers</li> <li>3. Staffing</li> <li>4. The volume of production</li> <li>5. Personnel costs, raw materials, estimates of current costs</li> <li>6. The calculation of variable and fixed costs</li> </ol>
Organizational plan	<ol style="list-style-type: none"> <li>1. Description of the steering group</li> <li>2. Organizational structure</li> <li>3. Support and motivation mechanism</li> <li>4. Legal support</li> </ol>
Financial plan	<ol style="list-style-type: none"> <li>1. The costs of the preparatory period</li> <li>2. The costs of the current (main) period</li> <li>3. Calculation of income from the project</li> <li>4. The costs associated with servicing a loan (leasing)</li> <li>5. Calculation of tax payments</li> <li>6. Other income and payments</li> <li>7. Profit and loss statement</li> </ol>

	8. The flow of real money 9. Forecast balance
Project focus and effectiveness	1. The focus and significance of the project 2. Performance indicators of its implementation 3. Project sensitivity analysis
Risks and Warranties	1. Entrepreneurial risks and possible force majeure circumstances 2. Money back guarantees for partners and investors
Applications	Contain additional illustrative material.

Source: [https://www.unido.org/sites/default/files/2008-07/Annex\\_7\\_Guide\\_to\\_the\\_Business\\_Plan\\_0.pdf](https://www.unido.org/sites/default/files/2008-07/Annex_7_Guide_to_the_Business_Plan_0.pdf)

### 3.5.1 Summary

The resume is intended for senior management, written communications, advertisements. This section should attract the interest of the person to whom it is addressed.

As Grachev, Raklova and Kholodnaya (2017) described in their study, this section, should be prepared in a few paragraphs. The entire project is outlined in concise form, the essence and purpose of the enterprise is revealed. The basis for writing this section is the information contained in all sections of the developed business plan.

Pinson (2008) explains executive summary as the abstract of business plan. It summarizes what company represents, where company is going and how it will get there.

It is recommended to prepare a resume after all the work on drawing up a business plan has been completed, in the last turn. Only after the business plan is written and thought out, it is possible to summarize its main content.

The main requirements for a resume are simplicity and conciseness of presentation, a minimum of special terms.

### 3.5.2 Description of the enterprise and scope the activities

The objective function of this section is to analyze the current state and development prospects of the chosen business sector.

This section of the business plan should be structured as follows:

- description of the business sector;
- a brief description of the enterprise;
- a brief historical background of the emergence of the company;
- organizational structure of the enterprise;
- characteristics of managers.

Flore (2005) wrote, describing a new business in this section will help the creator of a business plan to think about it in conceptual terms. The writer needs to understand his own vision of the business – what he wants to accomplish and how he wants his business to be viewed by others. According to that vision, the writer will determine the strategy he will use and the strategic relationships that he will develop to help him reach the goals and objectives.

From Grachev, Raklova and Kholodnaya (2017) vision, the market potential is determined, which characterizes the possible volume of sales for a specific period in certain environmental conditions (level of demand, product supply and prices) and under the influence of marketing actions.

After analyzing the internal and external environment of the business, it is necessary to compare the data obtained and bring them together. The SWOT analysis method allows to get a general picture of reality.

According to Investopedia.com (2018), SWOT (strengths, weaknesses, opportunities, and threats) analysis is a framework used to evaluate a company's competitive position and to develop strategic planning. SWOT analysis assesses internal and external factors, as well as current and future potential.

SWOT analysis is designed to facilitate a realistic, fact-based, data-driven look at the strengths and weaknesses of an organization, its initiatives, or an industry. The organization needs to keep the analysis accurate by avoiding pre-conceived beliefs or gray areas and instead focusing on real-life contexts. Companies should use it as a guide and not necessarily as a prescription.

*Table 3. Example of SWOT Analysis*

<p><b>Strengths</b></p> <p>describe what an organization excels at and what separates it from the competition: a strong brand, loyal customer base, a strong balance sheet, unique technology, and so on. For example, a hedge fund may have developed a proprietary trading strategy that returns market-beating results. It must then decide how to use those results to attract new investors.</p>	<p><b>Opportunities</b></p> <p>refer to favorable external factors that could give an organization a competitive advantage. For example, if a country cuts tariffs, a car manufacturer can export its cars into a new market, increasing sales and market share.</p>
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<p><b>Weaknesses</b></p> <p>stop an organization from performing at its optimum level. They are areas where the business needs to improve to remain competitive: a weak brand, higher-than-average turnover, high levels of debt, an inadequate supply chain, or lack of capital.</p>	<p><b>Threats</b></p> <p>refer to factors that have the potential to harm an organization. For example, a drought is a threat to a wheat-producing company, as it may destroy or reduce the crop yield. Other common threats include things like rising costs for materials, increasing competition, tight labor supply and so on.</p>
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Source: <https://www.investopedia.com/terms/s/swot.asp>

Conducting a SWOT analysis is a powerful way to evaluate your company or project, whether you're two people or 500 people.

### 3.5.3 Description of products (services)

The main purpose of this section of the business plan is a detailed description of the essence of the proposed project in terms of describing future products (services), its consumer properties, and market competitiveness; disclosure of its advantages in comparison with analogues, a clear definition of unique and distinctive qualities.

In this section of the business plan, it is necessary to give a clear definition and description of the types of products or services that will be offered on the market. Here you should indicate some aspects of the technology necessary to produce products or services. It is important that this part is written in a clear and simple language that is understandable to a layman. When describing the main characteristics of products (services), it is necessary to focus on the benefits that the products provide to potential buyers.

### 3.5.4 Marketing

By definition of J. Westwood (2002), a marketing plan is a document, which describes a plan for marketing products and services. Assessing the future market for products, potential consumers and their preferences is one of the most important stages in preparing a business plan.

Market analysis, by Grachev, Raklova and Kholodnaya (2017) is carried out in 7 stages:

1. Market segmentation, the purpose of which is to search the market for the most homogeneous groups of buyers in their behavior, each of which can be considered as a separate market segment.

Market segmentation refers to the allocation of individual parts (segments) of the market that differ from each other in the characteristics of demand for goods (services). Market size - the territory in which the sale of goods (services) of the enterprise takes place.

2. The choice of the most attractive segments in terms of:

- high level of current sales;
- high growth rates;
- high rate of return.

3. An assessment of the potential capacity of a market segment, that is, the total amount of goods that consumers in a given region can buy for a certain period of time (month, year).

Methods for calculating market capacity for a variety of products vary. When determining the capacity of the consumer goods market, factors that shape consumer demand are analyzed. This may include the following factors:

- 1) gender and age structure of the population in the region;
- 2) the level of income and the structure of consumer spending;
- 3) wage policy.

4. Evaluation of the potential amount of sales, that is, the market share that the company (firm) hopes to capture.

5. Assessment of real sales (forecast of sales), its dynamics and should be determined how much the company can really sell in the specific conditions of activity, the possible cost of advertising, at the level of prices that it intends to set, and most importantly, how this indicator - sales - may vary by year.

After conducting a market analysis, it is necessary to determine the enterprise development strategy, the long-term direction of business development.

6. Product distribution channels and sales promotion methods. According to this paragraph, in the marketing plan of the organization, it is necessary to indicate the scheme of sales of goods. Distribution and marketing include three elements: transportation, storage and contact with consumers. Pinson (2008) described main questions you should ask to complete this section. How will your company be able to contact your customers? Will your sales mostly processed by bricks (physical stores), clicks (website), directories (direct mail) or hybrid (multiple channels)? Do you have plans to expand your sales / distribution methods as sales increase?

Table 4. Common methods of sales promotion

<b>Method Contents</b>	<b>Method Description</b>
Providing free product samples	It gives consumers the opportunity to make the most complete impression of the product, attracts new consumers, contributes to their faster perception of products, but is associated with significant costs and does not allow an accurate picture of the prospects for the sale of products
Testing and verification of the product by the consumer	It allows you to overcome the immunity to everything new and unusual, however, it is difficult and expensive to organize and conduct
Direct distribution of coupons through distribution channels	It is aimed at a select circle of consumers; it helps to ensure a high degree of receptivity of consumers, to draw their attention to the product. However, this process is very time-consuming, time-consuming, associated with the organization of careful monitoring
Money Back Guarantee	Significantly increases the prestige of the enterprise, opens the way to capture new markets, but the results are manifested only gradually, the effect of sales growth is very moderate
Organization of contests and lotteries	It contributes to the growth of trust in the enterprise, but a rather expensive business, only a limited circle of consumers is involved
Offer a package of several products at a discount in price	It increases the volume of sales of products, is very clear and easy to use, but it can undermine the prestige of the brand, has low selectivity for selected consumer groups
Application for buying a small gift for the consumer	It contributes to the growth of product sales, marketing costs are negligible, but the problem of small thefts arises, especially for retailers

Source: Grachev, Rakhova, Kholodnaya, 2017

7. Advertising. The types of advertising that are planned to be used are described in detail, their cost, period of application and possible features are indicated.

### 3.5.5 Production plan

The section "Production Plan" provides a detailed description of the production process and organization of work, Grachev, Raklova and Kholodnaya (2017) wrote. Particular attention



should be paid to assessing all factors affecting the cost (the schedule is one of these factors, since expenses appear before the income from the business is received).

The choice of the production process should be reasoned, and the technical and economic indicators should be characterized according to the design estimates proposed by the project developer.

This section should describe in detail the way in which the company plans to efficiently produce products or services and deliver them to the consumer.

### 3.5.6 Organizational plan

The project team is the key to its successful implementation.

Investors give preference to the formed team of managers and key specialists, a combination of technical, managerial, commercial and business skills, their education and work experience, available achievements. The business plan should reflect the positive experience of the project team members on similar tasks, showing the qualifications of specialists who are involved in the implementation of the project and who are necessary for the successful continuation of work.

*Table 5. Staff*

#	Position	Amount	Salary
1			
...			
	<b>Total</b>		

*Source: Grachev, Rakhova, Kholodnaya, 2017*

### 3.5.7 Financial plan

The “Financial plan” section is one of the most important in the business plan. It is intended to determine the effectiveness and financial viability of the project.

According to Grachev, Raklova and Kholodnaya (2017) thoughts, the section may contain:

1. Information on project costs.
2. Information on investment costs.
3. Information on the project's projected income.
4. Responsibility of borrowers.
5. The main indicators of the financial and economic activities of the enterprise.

The financial plan must comply with the data specified in other sections: description of the enterprise and industry, marketing plan.

By definition of Pinson (2008), financial documents are those records that were used to display past, current and forecasted finances.

Pinson (2008) divided financial plan into:

1. Summary of Financial Needs
2. Cash Flow Statement (Budget)
3. Five-Years Income Projection
4. Break-Even Analysis
5. Balance Sheet
6. Profit & Loss Statement

Grachev, Raklova and Kholodnaya (2017) also described financial plan as a section of the project's business plan, where the information obtained as a result of the development of all previous sections and displayed in the following structure:

- the cost per unit of manufactured products (services) according to the business plan of the project;
- taxes paid to the budgets of different levels (state, regional, local);
- profit;
- production volumes for settlement periods, considering the period when the enterprise reaches its design capacity;
- discount rate agreed with the investor;
- depreciation for settlement periods, etc.

An integral part of the financial section of a business plan are three classic forms of financial reporting:

1. Report on financial results.
2. The forecast balances.
3. Cash flow.

### **3.5.8 Project focus and effectiveness**

Efficiency is a category that reflects the conformity of the project with the goals and interests of its participants. Implementation of effective projects increases the gross domestic product that is at the disposal of the company, which is then shared among the parties involved in the project.

Grachev, Raklova and Kholodnaya (2017) recommended to evaluate the effectiveness of the project as a whole. Cash flow is a one of many indicators, to show the business effectiveness.

Pinson (2008) defined a cash flow statement as a financial document that describes what your business plan means in monetary equivalent.

Grachev, Raklova and Kholodnaya (2017) mentioned that cash is needed to pay short-term bills, pay wages and to fund daily operations. The statement of cash flows represents all cash flows received from current business activities and investments, as well as outflows of money for expenses, labor and other activities. It also allows the manager to determine where the necessary money will come from.

As part of budgeting, a company might assess a prospective project's lifetime cash inflows and outflows to determine whether the potential returns that would be generated meet a sufficient target benchmark. The process is also known as investment appraisal.

One of the key performance indicator, as Grachev, Raklova and Kholodnaya (2017) wrote, is Net present value (NPV), which is described by Investopedia (2020), as the difference between the present value of cash inflows and the present value of cash outflows over a period of time. NPV is used in capital budgeting and investment planning to analyze the profitability of a projected investment or project.

$$NPV = \text{Today's value of the expected cash flows} \\ - \text{Today's value of invested cash}$$

Grachev, Raklova and Kholodnaya (2017), as well as Pinson (2008) mentioned advantages of the net present value method, due to a significant advantage of the net present value method is that it includes the time value of money in the analysis of proposed capital investments. Future inflows and outflows of cash are depreciated by the company's minimum rate of return to determine their current values. The minimum rate of return must be at least equal to the company's average cost of capital.

The internal rate of return (IRR) is a metric used in capital budgeting to estimate the profitability of potential investments. The internal rate of return is a discount rate that makes the net present value (NPV) of all cash flows from a particular project equal to zero.

Return on Investment (ROI), used to provide a performance measure and evaluate the efficiency of an investment or compare the efficiency of a number of different investments, as Investopedia (2018) wrote. ROI tries to directly measure the amount of return on a particular investment, relative to the investment's cost. To calculate ROI, the benefit (or return) of an investment is divided by the cost of the investment. The result is expressed as a percentage or a ratio.

$$ROI = \frac{\text{Cost of Investment} - \text{Current Value of Investment}}{\text{Cost of Investment}}$$

Grachev, Raklova and Kholodnaya (2017) suggested to use the pay back period, which is refer to the amount of time it takes to recover the cost of an investment. Simply put, the payback period is the length of time an investment reaches a breakeven point.

The desirability of an investment is directly related to its payback period. Shorter paybacks mean more attractive investments according to Investopedia.com (2018).

The weighted average cost of capital (WACC) is one of the key inputs in discounted cash flow (DCF) analysis, according to Grachev, Raklova and Kholodnaya (2017). The WACC is the rate at which a company's future cash flows need to be discounted to arrive at a present value for the business. It reflects the perceived riskiness of the cash flows.

$$WACC = \left[ r_{debt} * (1 - tax\ rate) * \frac{Debt}{Debt + Equity} \right] + \left[ r_{equity} * \frac{Equity}{Debt + Equity} \right]$$

Where: *Debt* = market value of debt, *Equity* = market value of equity, *rdebt* = cost of debt, *requity* = cost of equity.

Cost of Equity informs about the return shareholders request for investing in a given company. It is what the market requires for possessing shares, and handling with the risk connected with that - so we can say that it is compensation.

Once the company is paying dividends, the calculations become as simple as using the dividend capitalization model. If the company is not paying dividends, the cost of equity should be calculated based on the CAPM - Capital Asset Pricing Model, according to Wall Street Prep, Inc. (2018).

The cost of equity formula, based on the CAPM model, requires:

- Risk-free rate of return - return from investments which is considered as free of risk;
- Market rate of return - an average return from a stock market investment;
- Beta coefficient - a measurement of how a company's shares respond to changes at the market; it shows how much volatile the stock is.

The formula for CAPM model is:

Cost of Equity = Risk-Free Rate of Return + Beta \* (Market Rate of Return - Risk-Free Rate of Return).

The calculation of NPV encompasses many financial topics in one formula: cash flows, the time value of money, the discount rate over the duration of the project (usually WACC), according to Investopedia (2020).

### **3.5.9 Risks and Warranties**

The process of project implementation and forecast indicators of the marketing plan is carried out in conditions of uncertainty of the source information, as Molchanova (2013) wrote. This situation requires considering the risk factor in the implementation of the project associated with the uncertainty of the research result.

As an economic category, risk is an event that may or may not occur.

In relation to business planning, the following types of risk are most often distinguished:

- inflationary, due to a drop in the purchasing power of money;
- financial, caused by the financial situation and behavior of the enterprise and determined by the instability of the situation for the company in the market of goods and services.

## **3.6 Hybrid cars**

The push to develop green technologies stems from the fact that the earth's atmosphere is rapidly changing. This change is largely due to human activity; industry, transportation, waste, and everyday living. Everyday large amounts of pollutants are released into the atmosphere leading the greenhouse effect and global warming. This global warming can cause major issues such as the melting of polar ice caps and a rise in sea level, which in turn would cause intense flooding in most if not all coastline areas, giving cause to other disasters such as mass erosions, mud slides, outbreaks of disease to more humid climates, coastal reformation, and other disasters.

According to Karthick, Vimlakodeeswaran, Pravin and Divyakumar (2019) research, industry plays a large role in the amount of emissions that are released into the atmosphere. Every vehicle manufactured produces emissions, both while being made and while driving on the road. These emissions include nitrogen gas (N<sub>2</sub>), carbon dioxide (CO<sub>2</sub>), water vapor (H<sub>2</sub>O), carbon monoxide (CO), hydrocarbons or volatile organic compounds (VOCs), and nitrogen oxides (NO and NO<sub>2</sub>, together called NO<sub>x</sub>).

With many types of hybrid technology available there is much interest in widespread conversion to hybrid transportation. With such a massive world population and high dependency on transportation, a significant switch to hybrids from gasoline and diesel vehicles must be met

before any changes can be seen. This could mean converting all of our gas stations; possibly to electric plug in stations or hydrogen fill up stations. A widespread change to hybrids requires an extended period of time and also may not be cost effective. Many of the outcomes are not worth all that goes into getting the advanced technology on the road.

A hybrid vehicle is a vehicle that uses two or more distinct power sources to move the vehicle. The term most commonly refers to hybrid electric vehicles (HEVs), which combine an internal combustion engine and one or more electric motors.

Hybrid Electric Vehicles (HEV) offer many improvements over conventional vehicles in terms of a variety of societal and environmental benefits as implemented in a variety of demonstration, concept and production vehicles. Relative to conventional vehicles, these benefits include reduced vehicle and societal greenhouse gas emissions, reduced vehicle and societal petroleum consumption, reduced regional criteria emissions, improved national energy security, reduced vehicle fueling costs, and improved transportation system robustness to fuel price and supply volatility.

In many cases, the benefits of HEVs have been shown to justify the additional functional, monetary, environmental, and infrastructural costs of their production and use. Relative to conventional vehicles, these costs may include: reduced vehicle utility and performance, increased vehicle lifecycle costs, increased regional criteria emissions, an increased rate consumption of resources for HEV production and fueling, and costs associated with new infrastructure.

The increasing demand for the implementation of more fuel and energy efficient vehicles has caused automotive designers to branch out into other areas beyond the Conventional Vehicle (CV), Battery Electric Vehicle (BEV), and HEV platforms. As an extension and subset of HEVs, Plug-in Hybrid Electric Vehicles (PHEV) offer highly improved efficiencies with minimal increases in system incremental costs.

Figure 1. CV, BEV, HEV, PHEV architecture

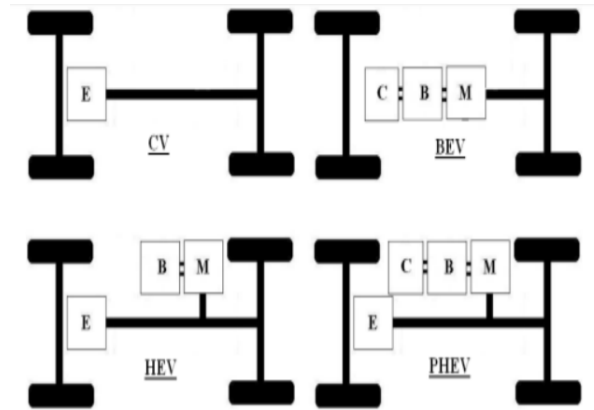
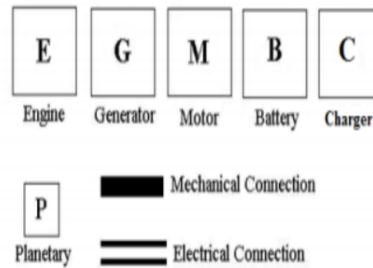


Figure 1 Sample CV, BEV, HEV, and PHEV architecture configurations.



Source: Karthick, Vimlakodeeswaran, Pravin, Divyakumar, 2019

As Environmental Protection Agency (2018) described, hybrid vehicle emissions today are getting close to or even lower than the recommended level set. Hybrid vehicles can reduce air emissions of smog-forming pollutants by up to 90% and cut carbon dioxide emissions in half.

### 3.7 Car rental & leasing

The Car Rental & Leasing industry provides mobility solutions for both business and leisure travelers, and others who may not have access to a personal vehicle. Car rental companies have also started offering car-sharing services, which, in addition to reducing the environmental impacts of individual car ownership, offer an affordable mode of transport for urban dwellers.

Due to the significant size of rental car fleets, the industry has the ability to impact transportation-related emissions. The issue is generally well managed by the industry as fleets are, on average, much newer than owned cars and therefore more fuel-efficient. Car rental companies can also influence consumer demand for low-emission vehicles since they give customers the opportunity for an extended test run. Management (or mismanagement) of material sustainability issues, therefore, has the potential to affect company valuation through impacts on profits, assets,

liabilities, and cost of capital. Investors would obtain a more holistic and comparable view of performance if Car Rental & Leasing companies report metrics on the material sustainability risks and opportunities that could affect value in the near and long term in their.

Car Rental & Leasing companies rent or lease passenger vehicles to customers. Car rentals are typically for periods of less than a month, while leases are for a year or more. Moin (2019), explained, that the industry does not include rentals that include a driver but does include car-sharing business models in which rentals are measured hourly and typically include subscription fees. This industry does not include cars leased to purchase or leased to own.

According to Moin (2019) research, the global rental car industry is estimated to generate nearly \$50 billion in revenue, with publicly traded companies generating \$37.5 billion.

The industry is highly concentrated in the U.S., with the top three companies capturing a combined 62 percent share of the market. The largest company in the industry, Enterprise Rent-A-Car, is privately held, while the next two largest companies, Hertz Global Holdings, Inc. and Avis Budget Group, Inc., are publicly traded. Each of these three players has made acquisitions of other well-known rental car brands—Enterprise Rent-A-Car owns Alamo and National, and Hertz owns Dollar and Thrifty.

The larger companies in this industry operate globally and use a franchise or license model. For example, Hertz has corporate, licensee, and franchisee locations across all continents, with a presence in approximately 145 countries. Hertz's other brands, Dollar and Thrifty, have approximately 1,400 corporate and franchisee locations in 75 countries.

The Car Rental & Leasing industry can also be seasonal in some locations, with decreased business in the winter months and more demand in spring and summer. To accommodate these fluctuations, companies adjust the size of the workforce throughout the year, however, overhead costs associated with real estate, rent, utilities, etc. cannot be adjusted.

Car rental companies use contracts with automobile manufacturers to manage their fleets.

Regulations around fuel efficiency of engines and emissions was described by Moin (2019), how vehicle use are growing more stringent across the board. In the U.S., a sales weighted average fuel economy of 45 miles per gallon (mpg) is mandated by the 2021 model year. In California, 4.5 percent of cars sold in the state in 2018 must be zero emission vehicles (ZEV) or a mixture of ZEV and plug-in hybrid; by 2025, it must be 22 percent.

E.U. regulations are more rigorous and based on tailpipe emissions. While these II This section does not purport to contain a comprehensive review of all regulations related to this industry, but is regulations directly impact auto manufacturers, they also affect the types of cars



available for car rental companies to purchase for their fleet. Additionally, these regulations may shape consumer choice, driving the demand for more fuel-efficient cars and keeping up the resale value for the used fleet.

Meeting customer satisfaction standards for the Car Rental & Leasing industry means ensuring that vehicles are in proper working condition and that customers understand how to safely operate the vehicles. For companies in this industry, this can mean balancing the conflict between saving on costs and ensuring safety.

While the Car Rental & Leasing industry is not a likely candidate for direct climate-related regulation, it may be indirectly impacted in markets that develop emissions limits and fuel efficiency requirements. By providing fuel-efficient and alternative fuel vehicles, Car Rental & Leasing companies can limit environmental impacts of their services while serving growing consumer demand for more efficient vehicles. In addition to providing fuel efficient and low-emission fleets, companies in the industry are also adapting to changing vehicle needs by providing car-sharing services. In urban settings, car sharing is an attractive alternative to vehicle ownership that reduces congestion and environmental costs associated with private ownership of vehicles.

In Moin (2019) research, the most major car rental companies offer fuel-efficient rental options, including electric vehicles and hybrids. The Hertz Dream Car rental program recently started offering the Tesla Model S at a rate of \$400 per day. Avis requires that 100 percent of its economy, compact, and intermediate car classes meet the U.S. EPA's SmartWay Certified requirements. The company also offers different models of gas/electric hybrid vehicles and flex fuel cars for those customers who wish to reduce their environmental footprint through the use of ethanol fuel.

#### Value Impact

As the evidence shows, increasing demand for fuel efficient vehicles is likely to push companies to increase their capital expenditures and invest in fleet upgrades. Cash outflows from investing activities in the short to medium term can result in higher operating revenue and capture of a greater market share in the medium to long term. Moreover, the improved environmental impact associated with lower GHG emissions from rental vehicles can improve a company's reputation and ultimately its long-term revenue growth.

Furthermore, a more fuel-efficient fleet can lead to lower depreciation costs, reflecting a relatively higher resale value over time. As the demand for fuel efficiency rises, car rental companies will maximize resale value of their fleet by maximizing fleet fuel efficiency.

Conversely, resale value could be impacted for less fuel-efficient cars, reflecting a mismatch between supply and demand. Lastly, underperformance in fleet fuel efficiency may lead to costs or liability in markets that develop emissions limits and fuel efficiency requirements in the future.

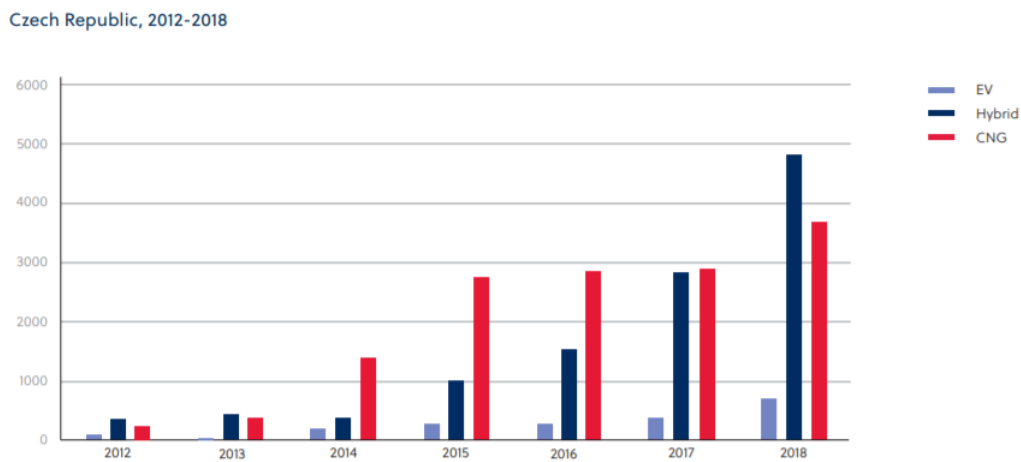
Companies in this industry recognize in their SEC filings that laws and regulations governing GHG emissions are likely to become stricter over time, making this issue increasingly material over the short to medium term.

### 3.8 Hybrid cars in Czech Republic

According to research from Czechinvest (2019), in the Czech Republic, from different fuels that are considered to be alternatives, the most promising of these are electricity and CNG. Due to stricter CO2 regulations, we expect growth in both segments.

The Czech authorities are also supporting research, development and implementation of hydrogen and LNG technologies as alternative fuels with strong potential for future mobility, especially with respect to long-distance driving.

Figure 2. New registrations of EVs, hybrids and CNG

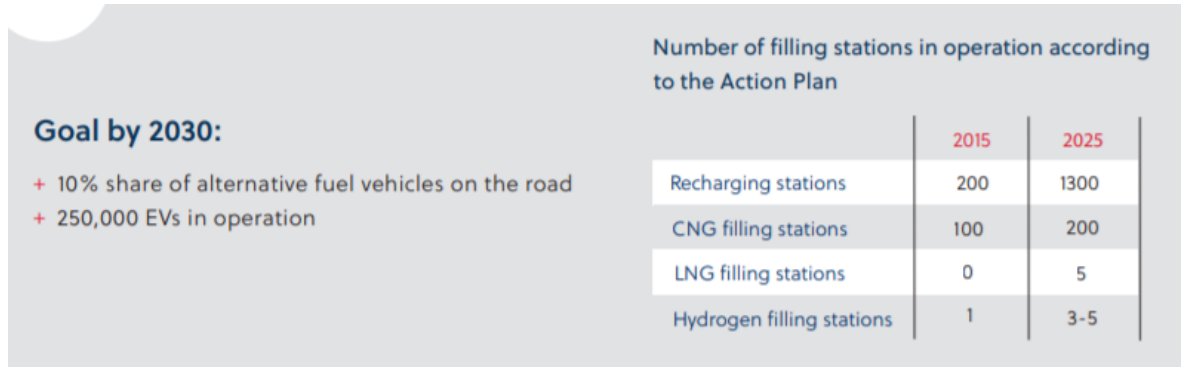


Source: [https://www.czechinvest.org/getattachment/Prioritasspektoren/Automobilindustrie/E-mobility/Green-mobility\\_ENG\\_UPDATE\\_2019\\_WEB.pdf](https://www.czechinvest.org/getattachment/Prioritasspektoren/Automobilindustrie/E-mobility/Green-mobility_ENG_UPDATE_2019_WEB.pdf)

To secure the competitiveness of the Czech automotive industry, at the end of 2015 the Czech government adopted a strategy to encourage the development of alternative fuels called National Action Plan for Clean Mobility.

The Plan is based on the principle of technological neutrality, Czechinvest (2019) wrote. The main goal is to bring the total costs of operation of clean vehicles in line with those powered by internal-combustion engines. This includes cash subsidies for new vehicles, exemption from excise and road taxes, lower toll fees, etc.

Figure 3. 2030 Goal



Source: [https://www.czechinvest.org/getattachment/Prioritasssektoren/Automobilindustrie/E-mobility/Green-mobility\\_ENG\\_UPDATE\\_2019\\_WEB.pdf](https://www.czechinvest.org/getattachment/Prioritasssektoren/Automobilindustrie/E-mobility/Green-mobility_ENG_UPDATE_2019_WEB.pdf)

Figure 4. Implementation of Priority Green Mobility Technologies



Source: [https://www.czechinvest.org/getattachment/Prioritasssektoren/Automobilindustrie/E-mobility/Green-mobility\\_ENG\\_UPDATE\\_2019\\_WEB.pdf](https://www.czechinvest.org/getattachment/Prioritasssektoren/Automobilindustrie/E-mobility/Green-mobility_ENG_UPDATE_2019_WEB.pdf)

## 4 Practical part

### 4.1 Executive summary

To launch Car rental service, with a focus on hybrid cars, a new company is being created in the form of LLC (s.r.o).

In this business plan, several scenarios of Car rental service organization were considered, as well as the following:

- Analyzed the current state of the market
- Competitors analyzed
- Defined target audience
- Analysis of available cars on the market
- Prepared a service promotion strategy. Marketing plan
- Organized business processes of service
- Considered insurance options
- Considered operational leasing options
- Prepared several possible strategies for starting the service
- Calculated possible launch options
- An analysis of the effectiveness of investments in this project has been prepared
- The risk analysis of the launch of the service

Key market figures:

- **50+** - Amount of car rental services in Czech Republic
- **230 CZK** - Minimum price for daily rent excluding fuel
- **1000+** - Number of cars in carsharing services (Car4Way, Ajo, Autonapul, Anytime, Uniqway)
- **1000+** - Number of cars in HoppyGo (C2C car rental service)
- **8** - Big international car rental services in Czech Republic

Based on the analysis of the market, the following can be distinguished:

- The main rental cars are budget cars of the Skoda brand (Fabia, Rapid, Octavia);
- There is a demand for small transportation in the city, since there is no good centralized system at an affordable price;
- Strong growth of hybrid and electric cars at the moment. Auxiliary conditions from state;
- Price and fuel consumption are the most important facts when renting a car.

There is 3 options to launch the business:

- Buying cars from foreign investment;
- Bank loan;
- Carrying out work through operational leasing.

At the start, there are no plans for large advertising costs. All possible options for free and low-budget promotion (social networks, platforms for posting ads, interacting with influencers on a barter basis) will be used. In the future, there will be targeted financing of advertising campaigns and the search for the most successful promotion channels.

The main idea of this business plan is to launch the service and work out all business processes in the first year, to find out the market from the inside. Therefore, it is initially planned to take from 20 cars and in the future begin the expansion of both the vehicle fleet and employees.

## **4.2 Description of the enterprise and scope the activities**

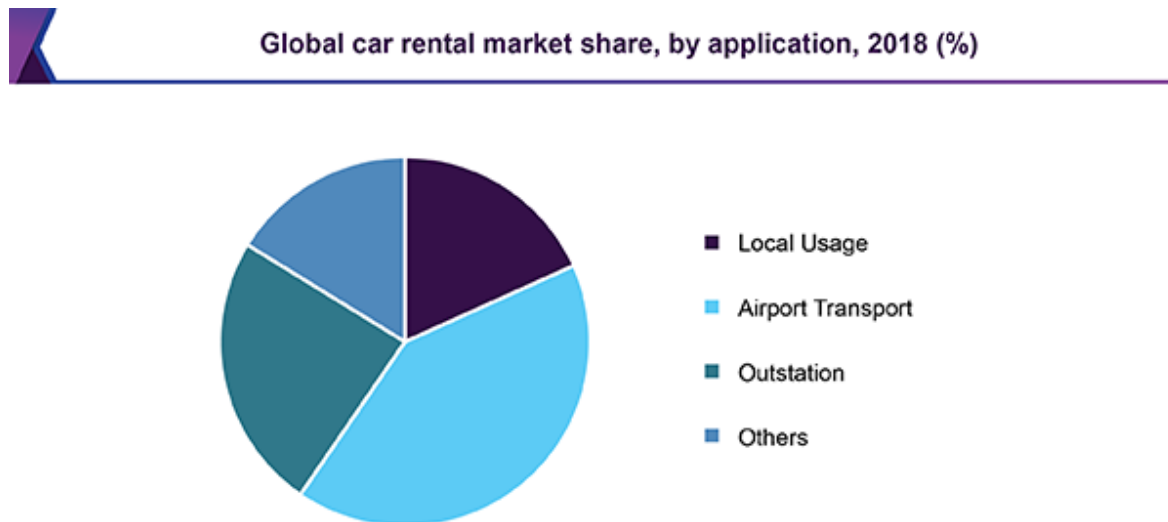
### **4.2.1 Description of the business sector**

#### 4.2.1.1 Market report

According to research from Grandviewresearch (2018), the global car rental market size was valued at USD 88.2 billion in 2018 and is expected to register a CAGR of 5.1% over the forecast period. Upsurge in travel and tourism activities across the globe is expected to drive the industry over the coming years. Improved road infrastructure, coupled with increased disposable incomes, especially in emerging economies, has resulted in growing frequency of leisure and business trips, which is further driving the market.

The car rental market has been segmented into luxury, executive, and economy cars, along with SUVs and MUVs. The economy segment dominated the market in 2018 with over 30.0% revenue share and is expected to retain its dominance over the forecast timeframe. The compact nature and cost-effectiveness of economy cars are among key advantages that result in them being preferred for airport and intra-city travels.

Figure 5. Global car rental market share



Source: [www.grandviewresearch.com](http://www.grandviewresearch.com)

Source: <https://www.grandviewresearch.com/industry-analysis/car-rental-market>

Local travel and outstation applications are expected to witness substantial growth over the next few years. Lack of route flexibility and standard timings of public transport services have resulted in shifting preference of travelers toward car rental services for day-to-day travels, majorly propelling the market. In addition, industry players are focusing on providing the option of choosing vehicles as per customer convenience. The outstation segment is poised to register high growth through 2025 owing to increasing demand for such services for weekend travels and inter-state business transport requirements.

According to this data, local travel and outstation will consider as an important target group for Car rental service.

#### 4.2.1.2 Competitors and services

The table below is a brief overview of the 30 most famous car rental and car sharing services from 2018 till beginning of 2020. The name, type, minimum price, number of available cars, international service or not, the presence of hybrid or electric cars, as well as the minimum deposit amount for renting presented.

Table 6. Competitors

Name	Type	Min. Price (CZK)	Cars	Int.	Electro/Hybrid	Deposit (CZK)
Rentalcars	service	710,79	233	yes		
AVIS	rent	1381	15 types	yes		2560+
Budget	rent	689		yes		20480
Rent Plus	rent	844		yes		13696
Alamo	rent	1197		yes		25600
Enterprise	rent	1303		yes		10000
Hertz	rent	1772		yes		5120+
Sixt	rent	2052		yes		25000
Europcar	rent	2213		yes		15360
<b>Vozidloprotebe</b>	rent	300	54	no	no	5000
<b>Easyrent</b>	rent	572,75	86	no	no	3000+
Divis	rent	480	5	no	no	
car4way	carsharing	500-700		no	yes	1000/2000
autonapul	carsharing	408	73+	no	yes	5000
ajo	carsharing	288/552		no	no	3900/2500
vecar	rent	580	12	no	no	
trend	rent	787	5	no	no	
popojedu	rent	384,1	16	no	no	
Emuj (closed in 2017)	carsharing	400	23	yes	yes	
primapujcovna	rent	740	12	no	no	
autokrejcerek	rent	425,5	3	no	no	
s-car	rent	850	5	no	no	5000
barth-rent	rent	899	31	no	no	
autonemam	rent	900	12	no	yes	
taggart	rent	1500	32	no	no	10000+
arservis	rent	970	3	no	no	
cng	rent	822	11	no	yes	
drive-services	rent	770	3	no	no	
autokr nepo	rent	990	6	no	no	7500
Automoc	rent	490	9	no	no	
<b>Anytime</b>	carsharing	790	100	yes	yes	0
<b>Uniqway</b>	carsharing	290	25	no	no	200

Source: Own processing

The main competitors with the most interested business model:

**Vozidloprotebe** – is a small price, but the cars are quite old, as well as additional fuel costs.

**Easyrent** - also a relatively small price, a large fleet of vehicles, more than 80 cars, less deposit than in Vozidloprotebe.

**Anytime** is currently the most interesting car sharing option available on the market. Hybrid cars available in almost any part of the city. There is no deposit. The price of 790 CZK is not bad, since there is no cost of gasoline, but there is a limit on the mileage of 90-110 km. After you have to pay for every kilometer.

**Uniqway** - car sharing for students with nice prices. When renting a car for small distances will be more profitable than Anytime. Farther than 100 km, the price will be about the same. There are several cars with an automatic transmission, most with a manual. Available only for students of CVUT, VSE, CZU. This immediately reduces the competitive potential for them, since a large audience cannot initially be covered by them.

Figure 6. HoppyGo Key Performance Indicators for 2017 and 2018

**Key numbers:**

2017 – **9 750** clients

2018 – **42 000** clients

Registered cars - **1500**

Available cars - **965**

Paid out for 2018 - **10 000 000 Kč**

~ avg. revenue for 1 car/year – **14 286 Kč**

Total rent days in 2018 – **24 820**

~ avg. rent days for 1 car/year – **35**

Min. Price – **230 Kč**



Source: HoppyGo and own processing

**Available cars:**

Praha	61%
Brno	12%
Ostrava	6%
České Budějovice	1%
Hradec Králové	3%
Jihlava	1%
Karlovy Vary	1%
Liberec	2%
Olomouc	4%
Pardubice	2%
Plzeň	2%
Ústí nad Labem	2%
Zlín	3%

Skoda	24%
VW	9%
BMW	8%
Toyota	3%
Ford	7%
Audi	4%
Electro	2%
Fuel	94%
IPG/CNG	4%
Van	9%
Econom	72%
Minivan	7%
SUV	8%

**The most rented cars:**

1. Skoda Octavia
2. Skoda Fabia
3. VW Transporter

Skoda Octavia	8%
Skoda Fabia	5%
VW Transporter	2%

According to the latest data, in the beginning of 2020, more than 1800 cars were registered on the service. In 2019, the service received its car pick-up point in the Chodov shopping center. Additional services were launched: SharyGo - rental of skis, snowboards, tents and other equipment with the car, rental of electric scooters, as well as with the car.

The service is developing, it is trying to capture new markets and is being transformed into a full-fledged rental platform, not only providing car rental services.

HoppyGo partnered with Skoda and AXA insurance company.

HoppGo observed not only as competitor, but also as a possible platform to advertise Car Rental Service which is going to be one of full-fledged sales channels.

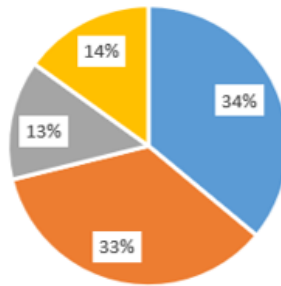


As shown on statistics, the most rented cars are Skoda Octavia, Fabia and VW Transporter.

Figure 7.. Rent price per day on HoppyGo

Price per day in Prague:

<b>Less 700 Kč</b>	196	34%
<b>700 – 1200 Kč</b>	191	33%
<b>1200 – 1700 Kč</b>	75	13%
<b>1700 Kč +</b>	82	14%



Source: Own processing

According to the Figure 7, 387 cars available for the less than 1200 CZK.

4.2.1.3 Available cars

The tables below provided the cars available on the Czech market for purchase or operational leasing.

Table 7. Available hybrid and electric cars from authorized dealers

Auto	Type	min Price (CZK)	Km/1 charge	L/100km
TOYOTA Yaris	Hybrid	400 900		3,7
TOYOTA Corola HATCHBACK	Hybrid	559 900		3,3
TOYOTA Corola SEDAN	Hybrid	569 900		3,4
TOYOTA CH-R	Hybrid	634 900		3,8
Kia Niro	Hybrid	684 980	58	3,4
Renault KANGOO Z.E.	Electro	699 900	270	
Hyundai IONIQ Plug-in Hybrid	Hybrid	701 990	63	1,1
HONDA CR-V 2.0 i-MMD	Hybrid	769 900		5,5
Hyundai IONIQ Electric	Electro	832 990	280	
Renault ZOE	Electro	837 000	200-300	
TOYOTA RAV4	Hybrid	864 900		4,5
VW Golf GTE	Hybrid	885 461	50	1,6
Hyundai Kona Electric	Electro	899 990	449	
TOYOTA Camry	Hybrid	920 000		4,3
NISSAN LEAF	Electro	937 000	270	
FORD MONDEO HYBRID	Hybrid	946 900		4,4

TOYOTA Prius Plug-In	Hybrid	990 900		1,3
VW e-Golf	Electro	993 900	300	
NISSAN e-NV200	Electro	1 012 770	200-300	
NISSAN E-NV200 EVALIA	Electro	1 086 000	200-300	
NISSAN LEAF E+	Electro	1 162 000	385	
Volvo S90 Hybrid	Hybrid	1 831 100		
Kia Soul EV	Electro	869 980	250	
Hyundai IONIQ Hybrid *	Hybrid			3,4
Škoda Citigo-e iV 2020 *	Electro		265	

Source: Own processing

According to the Carisimo.cz, (2019) the minimum price for the Hybrid car is 347 900 CZK for Suzuki Swift. The second lowest option is Toyota Yaris with 380 855 CZK. Both of the cars are in subcompact cars category with 5 seats and small trunk. The table below provided the other hybrid cars available on the Carisimo.cz.

Table 8. Available hybrid cars on carisimo.cz

Auto	Type	min Price (CZK)	km	L/100km
Suzuki Swift from 9/2019	Hybrid	347 900		4
Toyota Yaris	Hybrid	380 855		3,7
Suzuki Baleno	Hybrid	404 900		4
Toyota Auris	Hybrid	504 355		3,5
Mazda 3 hatchback	Hybrid	510 482		5,1
Mazda 3 sedan	Hybrid	510 482		5,1
Toyota Corolla	Hybrid	531 905		3,3
Toyota Corolla sedan	Hybrid	541 405		3,4
Toyota C-HR	Hybrid	603 155		3,8
Kia Niro	Hybrid	624 980		3,8
Toyota Prius	Hybrid	707 655		3,3
Lexus CT	Hybrid	712 500		3,6
Ford Mondeo HEV	Hybrid	804 908		4,2
Honda CR-V	Hybrid	815 904		5,3
Toyota RAV4	Hybrid	821 655		4,6
Lexus UX	Hybrid	835 120		4,1
Hyundai Ioniq PHEV	Hybrid	845 906		1
BMW 2 Active Tourer	Hybrid	869 505		2,7
Volkswagen Golf GTE	Hybrid	885 461		1,6
Audi A3 Sportback e-tron	Hybrid	915 721		6
Mini Countryman	Hybrid	933 660		2,4
Volkswagen Passat GTE	Hybrid	942 421		1,6
Land Rover Discovery Sport	Hybrid	1 056 076		5,5

Source: Own processing

On to the Carisimo.cz, (2020) Škoda Citigo-e iV could be order for 451 900 CZK with 1 charge ride up to 265 km. Volkswagen E-Up is almost the same car as the the Škoda Citigo-e iV.

Table 9. Available electric cars on carisimo.cz

<b>Auto</b>	<b>Type</b>	<b>min Price (CZK)</b>	<b>km</b>
Škoda Citigo-e iV	electro	451 900	265
Volkswagen E-Up!	electro	449 900	260
Smart Fortwo	electro	568 900	155
Smart EQ forfour electric drive	electro	578 900	155
Renault Kangoo Z.E.	electro	650 907	270
Volkswagen ID.3	electro	770 000	330
Renault Zoe	electro	803 520	300
Volkswagen E-Golf	electro	844 521	284
Hyundai Ioniq EV	electro	864 791	280
Kia Soul EV	electro	869 980	212
Hyundai Kona Electric	electro	878 741	312
Nissan Leaf	electro	931 000	377

Source: Own processing

Almost any bank has an operational leasing service. For this calculations, it is necessary to contact and discuss the conditions directly.

100 Anytime car sharing machines are leased by UniCredit Fleet Management and insured at Česká pojistovna.

These calculations are indicative. The final conditions depend on the car, type of company, lease term and available km per year.

The leasing price may include: compulsory insurance, emergency insurance, after-sales service, winter tires and extra. services.

#### 4.2.1.4 Insurance

Obligatory insurance

CSOB Pojistova. Example on Toyota Yaris

Table 10. Toyota Yaris

<b>Auto</b>	<b>Type</b>	<b>min Price</b>	<b>L/100km</b>	<b>engine kW</b>	<b>weight kg</b>	<b>engine cm3</b>
Toyota Yaris	Hybrid	380 855	3,7	74	1119	1497

Source: Own processing

Table 11. Obligatory insurance

<b>Obligatory insurance</b>	<b>Standard</b>	<b>Dominant</b>	<b>Premiant</b>	
Damage to property	35	60	200	mil. CZK
Damage to health	44	60	200	mil. CZK
Driver accident insurance	100 000	200 000	300 000	CZK
Accident insurance	5 000	10 000	15 000	CZK
On-site repair or towing of a car	2 000	2 000	2 000	CZK
Alternative transport or accommodation in the event of a car breakdown or accident	3 000	3 000	3 000	CZK
Insurance against damage to your car in case of an accident	-	-	10 000	CZK
Car rental in case of an accident	-	-	10 000	CZK
<b>Price per year</b>	<b>8 563</b>	<b>8 991</b>	<b>9 933</b>	<b>CZK</b>

Source: CSOB Pojistova

Table 12. Emergency insurance

<b>Emergency insurance</b>	<b>Standard</b>	<b>Dominant</b>	<b>Premiant</b>	
Damage to your vehicle in any accident, including collision with animals	Car cost on the day of damage	Car cost on the day of damage	The guarantee of the value of a modern car is a maximum of 5 years	
Insurance against all elements	Car cost on the day of damage	Car cost on the day of damage	The guarantee of the value of a modern car is a maximum of 5 years	
On-site repair or towing in the event of a car breakdown or accident	2000	2000	2000	CZK
Alternative transport or accommodation in the event of a car breakdown or accident	3000	3000	3000	CZK
Car insurance against theft	-	Car cost on the day of damage	The guarantee of the value of a modern car is a maximum of 5 years	
Deductible: pay for your damage from your pocket	10 %, min. 10 000 CZK	10 %, min. 10 000 CZK	10 %, min. 10 000 CZK	
Price per year	14536	15117	16752	CZK

Source: CSOB Pojistova

#### 4.2.2 Brief historical background of the emergence of the company

The idea to organize a car rental company arose after one of the trips with friends, when after the calculations it turned out that if 3-4 people were traveling, then it was cheaper than getting on the buses from FlixBus, RegioJet, which are some of the cheapest in Europe, it's also cheaper to buy train and plane tickets, while having the advantage of further travel if the purpose of the trip is not just to walk around the city center.

Also, the lack of a car, led to the periodic need to rent a car for personal purposes to move around Prague. Repeatedly rented a car for a day both in car rental services and in car sharing, which allowed to evaluate the positive and negative sides of these two types of services.

The final step in making decision was the influence of my father, since all his life he was connected with the automotive industry and I was always partially involved in this. The interest

instilled in me from early childhood prompted the preparation of this business plan and possibly the founding of the company in the near future.

#### 4.2.3 Organizational structure of the enterprise

Car rental service will begin operating with 5 full time positions. The main duties of management and described in the table below.

Table 13. Job positions and duties

Position	Main duties	#
<b>Executive Director</b>	<ul style="list-style-type: none"> <li>- Financial strategy development</li> <li>- Management</li> <li>- Logistics</li> <li>- Administrative issues;</li> <li>- Scheduling and planning;</li> <li>- Guiding and support at every operational levels.</li> </ul>	1
<b>Marketing/Sales Associates</b>	<ul style="list-style-type: none"> <li>- Sales both onboard and online;</li> <li>- Accountancy;</li> <li>- Promotional campaigns and social media.</li> </ul>	2
<b>Customer &amp; Technical Support</b>	<ul style="list-style-type: none"> <li>- Resolve customer complaints;</li> <li>- Advise on company information;</li> <li>- Assist with placement of orders, refunds, or exchanges;</li> <li>- Vehicle inspection and maintenance,</li> </ul>	2

Source: Own processing

#### 4.3 Description of products (services)

To launch the car rental service, the basic strategy was defined, which includes:

- 10 Toyota Yaris Hybrid;
- 10 Škoda Citigo-e iV.

Using only hybrid and electric cars will reduce parking costs, as well as car maintenance. Chosen cars are compact enough to simplify the search for a parking space, which is quite a big problem in Europe. Additional fuel economy for our customers will be one of the key advantages of our service and since the batteries for Toyota Yaris Hybrid are charged during the operation of

the gasoline engine and when braking, you won't have to spend time on long charging, which is currently an urgent problem in the Czech Republic, in particular in Prague.

In the future, 2021-2022 was planned to add VW eCrafter, which will be on sale in 2021, according to Volkswagen Commercial Vehicles (2020). This car is from completely different class, in comparison with Yaris and Citigo, will allow us to become part of an additional segment for the transportation of small cargo and transfers of groups of people. VW eCrafter is one of the most attractive electric trucks on the market.

The main services in the company will be following:

*Table 14. Company's services*

<b>Type of service</b>	<b>Description</b>
<b>Short-term rent</b>	From 1 hour and up to 6 days, with simple digital contract signed online.
<b>Long-term rent</b>	From more than 1 week, the car will be provided with discounted prices. Possibility for rent with annual payment.
<b>Rent for Enterprise</b>	Business solution for the companies, with special tailor-made conditions.
<b>Additional services</b>	GPS Navigator, Baby chair, SIM card with Internet connection, valid in most European countries, Transfer of a car to the customer's address.

*Source: Own processing*

## **4.4 Marketing**

### **4.4.1 Target audience**

#### **Main group**

According to market report from SmileCar and HoppyGo (2019), the main target group in Czech Republic defined as a male with age between 23-40 years, with driving license B and without car. He needs a car for tourism, trips within and out of Czech Republic and sometimes for shopping. This person can be both local and tourist.

Summary:

- Man
- 23-40 years

- Driving license B
- Without car
- Need car for tourism or shopping
- Local or tourist

Small amount off cheap car rentals for tourists

Decision-making: fuel consumption, price, deposit.

Car: Toyota Yaris, Skoda Fabia, Hyundai i30, KIA Ceed.

Rent time: 1-7 days.

Can grab some part of market by negotiation of price and type of car.

### **Other groups of people who use the services of car rental services**

#### **Group B. Work or transporting.**

- Man
- With Driving license or without ( + driver)
- Without car or need a bigger car
- Sometimes need a car for work or moving stuff

Decision-making: fuel consumption, price, car size.

Car: VW Transporter, Toyota Proace

Rent time: 1-2 days.

Additional group, not regular. Time to time transportation or transfers.

#### **Group C. Business.**

- Man or Woman
- With Driving license or without ( + driver)
- Not local person
- Need a car for work, moving around city

Mostly covered by big players. Huge competition. Need an expensive car. High risk

#### **Group D. Car in service.**

- Man or Woman
- With Driving license
- Local
- In process of buying new car or car in service

Decision-making: fuel consumption, price, car size.

Car: Toyota Yaris, Skoda Fabia, Hyundai i30, KIA Ceed.

Rent time: 1-5 days.



They will be rare clients from additional source.

**Group E. Taxi or transfers.**

- Man
- With Driving license
- Local
- Working as taxi driver in Uber, Bolt or Airport transfers.

Decision-making: fuel consumption, price, car size.

Car: Skoda Fabia, Hyundai i30, KIA Ceed.

Rent time: 30 – 365 days.

Long-term rent. Good option for constant profit. Cars always work. Big competition.

**4.4.2 Pricing**

Based on the analysis of competitors and market research, the minimum price for Toyota Yaris – 799 CZK/day with 90 km or 4,99 CZK/km from Anytime (March, 2020).

The pricing policy will be slightly below average, since the price is one the most important factor based on data from Grandviewresearch (2018). The strategy defined as follows:

*Table 15. Pricing*

<b>Product classification</b>	<b>Price (CZK)</b>	<b>Additional description</b>
1-hour rent for Yaris	189	(5.9 CZK per km after 10 km)
1-day rent for Yaris	989	(5.9 CZK per km after 90 km)
1-week rent for Yaris	4890	(5.9 CZK per km after 500 km)
1-month rent for Yaris	8890	(5.9 CZK per km after 1500 km)
1-hour rent for Citigo	169	(4.9 CZK per km after 15 km)
1-day rent for Citigo	789	(4.9 CZK per km after 100 km)
1-day rent for Citigo (NO LIMITS)	1589	(without km limits)
1-week rent for Citigo	4490	(4.9 CZK per km after 600 km)
1-month rent for Citigo	8290	(4.9 CZK per km after 1700 km)
GPS Navigator	100	per day
Baby chair	100	per day
SIM card with Internet connection	300	Vodafone 1GB internet data included
Transfer the car	500	To the customer's address in Prague

*Source: Own processing*

#### 4.4.3 Sales and marketing channels

As previously mentioned, no large advertising costs are planned. There will be 2 main client sources:

- Partners;
- Business clients from direct sales.

There are enough ways to present your product to a client without spending a dime. It is planned to maximize the use of low-cost sales channels at the initial stage, since the vehicle fleet is small, achieving 70% expected load at the end of the first year is considered to be a fairly simple task.

Other sales and marketing channels:

##### 1) Convenient site with good SEO and multi languages.

It is planned to make a convenient site. After analyzing our competitors, not everyone has the opportunity to quickly find important information. Since the site is the first acquaintance of a potential client with us, we need to leave a good impression and try to provide the most convenient information that our client needs.

SEO stands for “search engine optimization.” It is the process of getting traffic from the “free,” “organic,” “editorial” or “natural” search results on search engines. All major search engines such as Google, Seznam, Bing and Yahoo have primary search results, where web pages and other content such as videos or local listings are shown and ranked based on what the search engine considers most relevant to users. Payment isn’t involved, as it is with paid search ads.

The higher our site is in the search, the more customers we will receive.

Since SEO takes time to work, search results are updated at different intervals, the results are not expected in the first months of work, but in the future this can become one of the main sources of attracting customers.

Multi languages will help increase coverage among tourists from different countries. Although now, anyone can easily translate the page in a few clicks, multilingualism will help us to be on the lookout for queries in other languages. For example:

«Noleggia un'auto a Praga» or «Leihwagen Prag».

The site will also play an important role in the future, since one of the desired stages of development is the online conclusion of contracts using a digital signature, which will save time at the stage of concluding a lease agreement, which will be a positive factor for the client (saving time), and for us (process optimization).

It will also be possible to leave a request on the site, which will allow us to collect a database of potential customers.

## **2) SMM, work with influencers.**

To promote the service, pages will be created on social networks Facebook, Instagram, where it is planned to conduct blogs with stories, interactives, as well as tips on how to use a car rental (how to travel to the lakes in Austria and save 300 euros on transport).

To increase coverage, barter collaboration with bloggers is planned. We will provide our cars for free for advertising about us. It's possible that our coverage is auto / fuel / service, or just a car. Basically, the focus will be on auto bloggers and travel bloggers, including foreign ones.

Of course, responses to such an offer are not expected from large bloggers, but small and medium ones can agree. Especially foreign, who come for a few days to Prague. There are tools to find bloggers at their current location, that is, if any Italian blogger is in Prague, we will contact him and offer to use our service for free, for several publications about us. In the future, his audience, when visiting Prague, may use our services.

It is also planned to periodically launch contests with free trips from us, which will also allow us to increase our reach and more people will know about us.

## **3) Work with partners. Hotels, car repair services.**

To work with partners, vouchers / flyers will be developed that will be distributed to hotels and service centers, providing special discounts.

Two options are possible:

- A. Hotel workers (receptionists) will receive bonuses from car rental, which may interest them to offer to use our services.
- B. Easy racking with useful information.

As described in the target audience, one of the potential customers is people who handed over their cars to a repair service and are temporarily without a car. Some services have their own cars for rental, and those that do not have may offer to use our services.

## **4) Airbnb experience.**

One of the hidden opportunities for advertising car rental could be a section on the Airbnb website - Experience. Of course, to post there, it will be necessary to think over a concept. For example: a trip to Karlstejn or Czech Krymlov, on the way there, the prepared information from the guide will be reproduced in the car, telling interesting facts, important information. Also, tips will be attached that you can see where to eat and so on.

A complete travel plan is possible.

Figure 6. Example of advertising on Airbnb

Prague, Czech Republic / History Tours



HISTORY

## From the airport with sightseeing tour

- 📍 Praha
- 🕒 1 hour total
- 🍹 Drinks
- 🗣️ Offered in English

### About your host


I have been working in Prague as a professional driver for seven years. I love Prague's culture, history and monuments and that's why I want to show you.

Source: Airbnb

### 5) Placement on ad submission sites.

Very important sales channels will be such sites as bazos.cz, sbazar.cz and facebook marketplace.

Figure 7. Example of advertising on bazos.cz

	<b>UBER, BOLT - Pronájem vozu Octavia II TDI - TOP</b> - [2.2. 2020]	<b>4 000 Kč</b>	Praha 3 130 00
<small>Škoda Octavia II TDI 4000Kč/tyden V CENĚ ZA PRONÁJEM VOZU: Havarijní pojištění spoluúčast 1% min. 1 000Kč Povinné ručení, zelená karta Dálniční známka pro ČR autoradio Veskerý servis vozu ( olej, fitry, brzd. destičky-kotouče atd ) Zimní a letní pneu Půjčované vozidla v perfektn ...</small>			

Source: bazos.cz

Accommodation on them is free, there is the possibility of promotion for a small payment on bazos and sbazar.

On Facebook, remember the use of the marketplace, there is the possibility of free promotion through groups with ads.

### 6) Coupons and discount sites.

Placement of coupons on sites:

- <https://www.slevydnes.cz/>
- <https://skrz.cz/slevomat>
- <https://www.slevomat.cz>
- <https://www.zlateslevy.cz/>

Terms from the Slevomat.cz (2020) website:

Payment for the accommodation - 25% of the coupon price:

- Up to 50,000 users addressed
- Team of experts
- Possibility of reservation or ordering system
- Where your action appears
- All offers and categories according to the type of event at Slevomat.cz
- Newsletter Slevomat Můj

Payment for placement - 30% of the coupon value:

- Up to 250,000 addressed users
- Team of experts
- Possibility of reservation or ordering system
- Where your action appears
- All offers and categories according to the type of event at Slevomat.cz
- Newsletter Slevomat Můj
- Text link for daily action
- Text link in the newsletter All new offers

Payment for placement - 40% of the coupon value:

- Over 300,000 users addressed
- Team of experts
- Possibility of reservation or ordering system
- Where your action appears
- All offers and categories according to the type of event at Slevomat.cz
- Newsletter Slevomat Můj
- Text link for daily action
- Banner in newsletter All new offers
- Main page of Slevomat.cz first day of presentation of the offer on the internet
- Advertising on Google, Seznam and Facebook with a guaranteed reach of at least 100,000 customers

## **7) HoppyGo**

As already stated in the market review, HoppyGo is a service that connects car owners and drivers who want to rent a car. To increase coverage, we will submit an ad there too.

## **8) ISIC**

Providing discounts for students with ISIC, IYTC, ITIC, ALIVE cards.

For official use of the discount system, posted on isic.cz, payment for cooperation is required. At the initial stage, it is not planned to use their system, but we can provide discounts to students.

That is, there will be no definite binding to this system, but it can help to get additional loyal customers from students.

### **9) Google AdWords**

Targeted ads for our target audience.

It is possible to use free coupons for posting ads.

### **10) Direct Sales**

Sales Associate will be responsible for direct sales to the decision making people from business industries, such as consulting, audit and many others, who needs a car time to time.

The main source of reaching this people by phone calls, emails or personal messages would be LinkedIn, Xing and other.

### **Summary:**

It is planned to test all possible sales channels, obtain statistical information, which channels attract a greater number of customers and in the future, to work out a detailed marketing campaign using the data obtained.

We will receive the sources of our clients through promotional codes, questionnaires with the question of how we were found, as well as direct questions when transferring the machine.

Presented sales channels will allow you to launch a project with minimal investment with advertising and getting the first customers. In the future, it is also planned to hire a marketer, or transfer the advertising part of the project to outsourcing.

Marketing for us is primarily the delivery of the final product to our customers. And for this, we will use all possible promotion schemes.

## **4.4.4 SWOT**

### **Strength:**

- Price / km in the class of electric / hybrids;
- Fuel consumption in the class of conventional cars thanks to an electric motor;
- New car. Not every car rental has new cars;
- The ability to not waste time charging in the electro class;
- The ability not to spend money on fuel in EV mode among ordinary cars.

**Weakness:**

- Large advertising budgets from competitors;
- Debugged business processes from competitors;
- Strong competition;
- Small number of machines, not a large assortment;
- Lack of own service, increase in maintenance costs;
- Not a large number of electric charges;
- Limit km in leasing.

**Opportunities:**

- Fleet increase - increase in profits;
- Opening a service - reducing maintenance costs, increasing company profits;
- Car rental for taxi;
- Expansion to nearby countries Slovakia, Poland;
- Organization of transfers and freight.

**Treats:**

- Increased competition;
- The emergence of car sharing with the state support (tender was postponed);
- Excess km in leasing, depending on the contract;
- Cancellation of parking privileges for hybrids;
- Accident, car theft.

## 4.5 Production plan

There will be no production in our project, but there are factors important for the organization of work, such as an office, a parking place, car service and more.

**Office.**

Living in the digital age, for the implementation of all activities, we do not need an office. For registration of the company, we will use a virtual office, which will allow us to have a mailbox to receive the necessary information from important authorities. For negotiations with partners, hourly meeting room would rent.

There are no objective reasons to maintain an office at the initial stage of launch.

**Remote car control.**

For organizing remote control on the cars, was decided to use PATRIOT EU communication module, from the Czech company F&B Company s.r.o.

According to Patrioteu.com (2020), this module based on the latest technologies. It is designed to protect the vehicle and transmit information to the user via the mobile application. It can work either autonomously or be connected to the car alarm. The Module is equipped with a 3D acceleration sensor which detects not only unauthorized movement and the vehicle tilt but also the vehicle accident. Thanks to small dimensions (68 x 70 x 23 mm) and integrated GPS and GSM antennas the installation is very easy and quick. Integrated back-up battery ensures the functionality also after the main power supply disconnection.

This device will be used for remote control on the car for following issues:

- Communication via mobile;
- Car emergency;
- Output control;
- Vehicle inspection;
- Speed limit and others.

#### **Payments.**

For processing payments, GOPAY system will be used on the website. According to Gopay.com (2020), this service provided without annual payments for over 15 000 CZK per month. Transaction fee will be from 0,9% to 2,2% + 3 CZK.

Depends on the volume, this condition might be improved.

#### **Parking.**

For Toyota Yaris and Skoda Citigo, since they are hybrid and electric cars, the parking will be available anywhere in the city for 100 CZK per year;

#### **Auto service. Washing.**

According to the terms of the car rental for the long term, the car is returned in the same form as it was accepted, therefore, it must be clean, if not, then additional fees will be charged. washing fee. The washing is planned to be carried out at Jateční 17, Holešovice, Praha 7. Price 200 CZK.

#### **Auto service.**

Auto service is planned to be carried out by official dealers.



## 4.6 Financial plan

In financial part of the business plan, there is information about prior to start-up costs, operating costs, operating revenues, and overall appreciation with an outlook for three years.

### 4.6.1 Initial investments

Initial investments include administrative costs for company formation, enrollment to the Commercial Register and other associated costs. Those will be approximately 25 000 CZK.

Largest expenditure will be the cost of buying cars, which is expected to be 3 808 550 CZK for the Toyota Yaris and 4 519 000 for the Skoda Citigo. Another item, that will need to be covered, is promotion cost. The budget of 10 000 CZK will be allocated to PPC campaign in Google Adwords and Facebook Ads (including Instagram), which will boost our SEO by views from ads. Social networks are free of use, we will only have to pay for creation of websites. This will be around 15 000 CZK.

Second largest expenditure will be cost of car equipment, such as remote car control system (3 790 CZK per 1), baby chair (1 500 CZK), GPS Navigator (1 095 CZK). Travel stickers in Czech Republic, 1 500 CZK per 1 item, parking registration 100 CZK per car for 1 year.

Table 16. Initial investments

<b>Initial cost</b>	<b>Amount (CZK)</b>
Administrative costs	25 000
Web	15 000
Toyota Yaris Hybrid (x10)	3 808 550
ŠKODA Citigo iV (x10)	4 519 000
Remote car control (x20)	74 400
Baby chair (x5)	7 500
GPS Navigator (x10)	10 950
Promotion	10 000
Vignette CR (x20)	30 000
Parking (x20)	2 000
Initial cash for operations	400 000
<b>Total</b>	<b>8 902 400</b>

Source: Own processing

#### 4.6.2 Operating expenses

Among operating cost belong expenditures, that will be paid repeatedly and regularly, for example wages, insurance, purchase of offered good and purchase of necessary overheads.

Wages will be paid monthly to each employee according to their job positions.

Table 17. Wages

<b>Job Title</b>	<b>Amount per month (CZK)</b>
Executive Director	35 000
Marketing/Sales Associates (x2)	23 000
Customer & Technical Support (x2)	20 000
<b>Total Fix</b>	<b>121 000</b>

Source: Own processing

All cars in the fleet have to be insured, in case of any unpredictable situations. Based on calculations from CSOB Insurance (2020), monthly payment per 1 car will be 2223,75 CZK. According to our strategy, to not waste money for the expensive office and work remotely, virtual office for posts and other administrative issues will cost 200 CZK per month, according to Jake & James Accounting (2020). Phone and internet provider will charge around 500 CZK every month.

LLC, which annual revenue exceed 1 000 000 CZK, automatically becomes VAT a subject to VAT and have to send annual tax reports every month. This will be covered by other company, who will do accounting on outsource with monthly payment of 3 000 CZK, according to Jake & James Accounting (2020).

Every month budget for PPC campaigns will be around 10 000 CZK for onboarding new clients.

Since Toyota Yaris is a hybrid card, there is also need to fill the tank. The tank size is 36 l., with average fuel consumption of 3.7 l. per 100 km, which will allow to drive the car only on the fuel around 900 km. According to Dennis Publishing (2020), CVT automatic gearbox and electric motor provide smooth and quiet acceleration up to 80% of the time, before the 1.5-litre petrol engine chimes, while driving in the city. So, the full tank will allow to drive this car approximately 1500-1600 km. Due to this estimation, 1 full-filling the tank per car planned every month. Base on data from Kurzy.cz (2020), average price for Natural 95 is 27.6 CZK in November 2020, which means it will be necessary to spend around 10 000 CZK for the fuel every month.

Straight-line depreciation for all vehicles provided for 5 years, since this type of assets are in group 3 according to Standard Depreciation of Goods in Czech Republic (2011). The tables below contented results from depreciation for Toyota Yaris and Skoda Citigo.

Table 18. Straigh-line depreciation for

<b>Year</b>	<b>Beginning Book Value</b>	<b>Depreciation Percent</b>	<b>Depreciation Amount</b>	<b>Accumulated Depreciation Amount</b>	<b>Ending Book Value</b>
1.	451 900 CZK	20%	90 380 CZK	90 380 CZK	361 520 CZK
2.	361 520 CZK	20%	90 380 CZK	180 760 CZK	271 140 CZK
3.	271 140 CZK	20%	90 380 CZK	271 140 CZK	180 760 CZK
4.	180 760 CZK	20%	90 380 CZK	361 520 CZK	90 380 CZK
5.	90 380 CZK	20%	90 380 CZK	451 900 CZK	0

Source: Own processing

Every month it is necessary to deduct 7531 CZK per 1 Skoda Citigo or 75 310 CZK for 10 cars.

Table 19. Straigh-line depreciation for Toyota Yaris

<b>Year</b>	<b>Beginning Book Value</b>	<b>Depreciation Percent</b>	<b>Depreciation Amount</b>	<b>Accumulated Depreciation Amount</b>	<b>Ending Book Value</b>
1.	380 855 CZK	20%	76 171 CZK	76 171 CZK	304 684 CZK
2.	304 684 CZK	20%	76 171 CZK	152 342 CZK	228 513 CZK
3.	228 513 CZK	20%	76 171 CZK	228 513 CZK	152 342 CZK
4.	152 342 CZK	20%	76 171 CZK	304 684 CZK	76 171 CZK
5.	76 171 CZK	20%	76 171 CZK	380 855 CZK	0

Source: Own processing

For the Toyota Yaris, the monthly depreciation will be 6347 CZK with total 63 470 CZK for all vehicles of this type.

Table 20. Operating expenses

<b>Operating expenses</b>	<b>Amount per month (CZK)</b>
Wages	121 000
Car insurance	44 475
Virtual office	200
Accounting outsourcing	3 000
Phone and internet	500
Promotion	10 000
Cleaning	4 000
Fuel for Toyota Yaris	10 000
<b>Total</b>	<b>193 175</b>

Source: Own processing

The total operating expenses without depreciation for the first year expected to be around 2 318 100 CZK.

#### 4.6.3 Operating revenues

Operating revenues will be highly dependent on the occupancy of the cars. People will use our services during specific months more than in others. According to the research from Grandviewresearch (2018), the average occupancy rate is around 70%, which means 21 days in month 1 car will be used by the client. The main goal for marketing and sales are to reach 70% of occupancy rate in the second year.

The average cost per click for automotive industry in Facebook Ads is 5 CZK, according to the research from Metricool (2018). Based on data from Two Wheels Marketing (2020) the average conversion rate for CPC campaign for automotive industry is 6.03%. With budget of 10 000 CZK per month, CPC campaigns will let to generate 120 clients every month and 1440 in a year with average repeat purchase rate of 30% based on case studies from Telepath Data (2018), we can assume that only from the CPC, at least 1872 rents will come.

According to Forbes (2015), SEO optimization will show results in 6 months. SEO, SMM and other free sales channels will let company to reach following volumes.

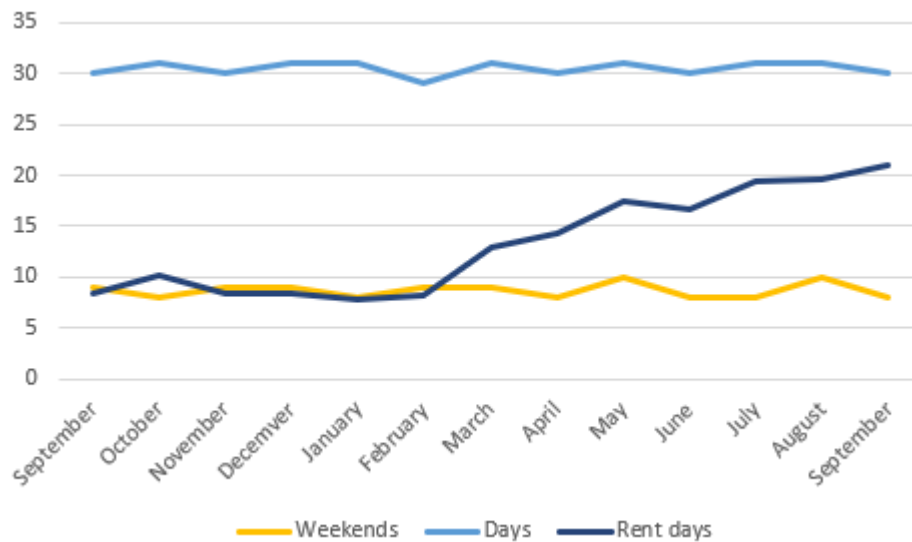
Weak months due to lack of tourists are determined based on observation and experience of competitors and described as a season rate in table below. The period between September 2019 and September 2020 chosen as an example.

Table 21. Example of occupancy during the 1st year based on days from 2019

Year	Month	Occupancy rate	Season rate	Holidays	Weekends	Days	Rent Days
2019	September	0.1			9	30	8.4
2019	October	0.1		1	8	31	10.2
2019	November	0.2	-0.1		9	30	8.4
2019	December	0.2	-0.1	3	9	31	8.5
2020	January	0.3	-0.2	1	8	31	7.9
2020	February	0.3	-0.2		9	29	8.3
2020	March	0.4	-0.1		9	31	12.9
2020	April	0.4		2	8	30	14.4
2020	May	0.5		2	10	31	17.5
2020	June	0.5			8	30	16.6
2020	July	0.6		1	8	31	19.4
2020	August	0.6			10	31	19.6
	<b>Average</b>	<b>0.41</b>			<b>Total</b>	<b>366</b>	<b>152.1</b>

Source: Own processing

Figure 8. Rent days growth



Source: Own processing

In the first year, the average occupancy rate expected to be around 41%, 12.67 days per month. With average bill of 900 CZK, expected monthly revenue will be around 228 150 CZK.

Based on occupancy, expected monthly revenue for the first year prepared below.

Table 22. Operating revenues

<b>Operating revenues</b>	<b>Amount per month (CZK)</b>
September	151 200
October	183 600
November	151 200
December	153 000
January	142 200
February	149 400
March	232 200
April	259 200
May	315 000
June	298 800
July	349 200
August	352 800
<b>Total</b>	<b>2 737 800</b>

Source: Own processing

#### 4.6.4 Comparison of annual sales and costs

In following table there is comparison of revenues and costs in the first year. As we can see, the first year will be a bit profitable, but will not cover our initial investments.

Table 23. First year estimated results

Initial investment	8 902 400 CZK
Revenues in 1st year	2 737 800 CZK
Expenses in 1st year	2 318 100 CZK
Profit in 1st year	419 700 CZK

Source: Own processing

#### 4.6.5 Expected cash flow

Estimation for next 5 years provided with average inflation rate in Czech Republic of 3%, according to Trading Economics (2020). Cumulative inflation rate in 5 years will be 15.93%.

As defined before, from the second year is expected to reach 60% of occupancy rate, which will let to achieve 30% annual revenue growth. In the third year, annual sales should be 10% higher compare to previous year.

Initial state of cash of at the beginning, must be 400 000 CZK. This amount is necessary to cover operations expenses until the company will able to operate by own finance, approximately after first 7 months.

The estimated income statement, adjusted by inflation rate, provided in following table.

Table 24. Income statement. Strategy 1

(CZK)	1st year	2nd year	3rd year	4th year	5th year
<b>Initial state of cash</b>	400 000	819 700	2 097 971	3 671 205	5 251 310
<b>Revenue</b>	2 737 800	3 665 914	4 032 505	4 113 155	4 195 418
<b>Expenses</b>	2 318 100	2 387 643	2 459 272	2 533 050	2 609 041
<b>Gross Profit</b>	419 700	1 278 271	1 573 233	1 580 105	1 586 377
<b>Depreciation</b>	1 665 516	1 665 516	1 665 516	1 665 516	1 665 516
<b>EBT</b>	-1 245 816	-387 245	-92 283	-85 411	-79 139
<b>TAX</b>	0	0	0	0	0
<b>Net Earnings</b>	-1 245 816	-387 245	-92 283	-85 411	-79 139
<b>EBITDA</b>	419 700	1 278 271	1 573 233	1 580 105	1 586 377
<b>Final state of cash</b>	819 700	2 097 971	3 671 205	5 251 310	6 837 687

Source: Own processing

Adjusted by inflation rate means, that all operating costs, as well as operating revenues expected to be increased by 3% annually.

After 5 years, the company assets will contain 6 837 687 CZK in cash and the fleet of 20 vehicles.

Tables 25 and 26 provide the potential price to sell 5-years old Skoda Citigo and Toyota Yaris based on statistic from Automobile Association Developments (2020).

Table 25. Potential price for Skoda Citigo iV after 5 years

Vehicle Age	Depreciation Rate	Total Value Lost	Car's Value
1	25%	112 975	338 925
2	15.6%	165 847	286 052
3	15.6%	210 471	241 428
4	15.6%	248 134	203 765
5	15.6%	279 922	171 978

Source: Own processing

The following table contains results from Toyota Yaris depreciation.

Table 26. Potential price for Toyota Yaris after 5 years

Vehicle Age	Depreciation Rate	Total Value Lost	Car's Value
1	25%	95 214	285 641
2	15.6%	139 774	241 081
3	15.6%	177 382	203 472
4	15.6%	209 124	171 730
5	15.6%	235 914	144 940

Source: Own processing

The predicted selling price for Skoda Citigo will be around 171 978 CZK and for the Toyota Yaris deducted price will be approximately 144 940 CZK. The total amount from sales should be around 3 169 180 CZK.

The total assets in the 5th year will be equal to 10 006 867 CZK.

There is additional strategy for the company's future. Invest 4 519 000 CZK from the available cash to 10 cars, the similar as Skoda Citigo, which will allow to increase operating revenue at least in 1.4 times.

In that case, the income statement for the 5th year will be as in following table.

Table 27. Income statement. Strategy 2

(CZK)	5th year
<b>Initial state of cash</b>	5 251 310
<b>Revenue</b>	5 873 586
<b>Expenses</b>	7 128 041
<b>Gross Profit</b>	-1 254 456
<b>Depreciation</b>	2 569 236
<b>EBT</b>	-3 823 692
<b>TAX</b>	0
<b>Net Earnings</b>	-3 823 692
<b>EBITDA</b>	-1 254 456
<b>Final state of cash</b>	3 996 853

Source: Own processing

By this strategy, the total assets in the 5<sup>th</sup> year will be equal to 11 905 104 CZK with continue grow in the next years.

Totally, 2 strategies were observed with following results:



- Strategy 1. Without any changes in company's operation during the 5 years, the total assets will be 10 006 867 CZK.
- Strategy 2. At the beginning of the 5<sup>th</sup> year, 10 additional vehicles on total amount of 4 519 000 CZK will be purchased by the company. The total assets at the end of the year estimated to be 11 905 104 CZK.

## 4.7 Project focus and effectiveness

Efficiency is a category reflecting the conformity of the project with the goals and interests of its participants. This part will present NPV and IRR for all strategies.

### 4.7.1 Net Present Value and Internal Return Rate

NPV and IRR prepared based on the data from the 5-year income statement and after making the calculations in the correct formula, with assuming that the business will be sold at the end of the period. It becomes clear which business strategies are more effective with regard to PV and can be safely invested.

According to Trading Economics (2020), the average deposit interest rate in Czech Republic is 0.38%. CSOB (2020), provide 0.30% for the deposits from 500 001 CZK to 1 000 000 CZK.

NPV and IRR for the strategy 1 provided in following table.

*Table 28. NPV and IRR for the strategy 1*

(CZK)	0 year	1st year	2nd year	3rd year	4th year	5th year
Cash Flow	(8 902 400)	419 700	1 278 271	1 573 233	1 580 105	4 755 557
r=0.38	<b>NPV = 560 164 CZK</b>					
	<b>IRR = 1.96%</b>					

*Source: Own processing*

Provided NPV shows that after 5 years the strategy 1 will cover initial investments and let to earn 560 164 CZK more compare to simple investments in to the bank deposit. IRR showed result of 1.96%.

The strategy 2, which consider to buy new vehicles at the beginning of the 5<sup>th</sup> year, estimated to have a bit different results, according to the NPV in table 29.

Table 29. NPV and IRR for the strategy 2

(CZK)	0 year	1st year	2nd year	3rd year	4th year	5th year
Cash Flow	(8 902 400)	419 700	1 278 271	1 573 233	1 580 105	5 529 924
r=0.38	<b>NPV = 1 317 108 CZK</b>					
	<b>IRR = 3.93%</b>					

Source: Own processing

In this case, the NPV is also positive, but with better results. If the present value of these cash flows had been negative because the discount rate was larger than 3,93%, according to the IRR, or the net cash flows were smaller, the investment should have been avoided.

#### 4.7.2 Return on Investments

Like other cash flow metrics NPV and IRR, ROI takes an investment view of the cash flow stream that follows from an action.

Table 30. ROI

(CZK)	Invested amount	Returned amount	Gain or loss	ROI
<b>Strategy 1</b>	8 902 400	10 006 867	1 104 467	<b>12.41%</b>
<b>Strategy 2</b>	8 902 400	11 905 104	3 002 704	<b>33.73%</b>

Source: Own processing

Based on the estimation, the strategy 2 provided better performance, 33.73% compare to the strategy 1 with 12.41%.

#### 4.7.3 Weighted Average Cost of Capital

WACC is another metric to estimate return rate and evaluate risk of investments.

Based on data from Trading Economics (2020), Czech Republic 10Y Bond Yield is 1.26%, according to over-the-counter interbank yield quotes for this government bond maturity. This bond will be used as a risk-free rate of return.

The average stock market return (S&P 500) for 10 years is 9.2%, according to Goldman Sachs (2020) data for the past 140 years.

Beta defined as average between similar companies in the related industry and sector. Data provided by Finbox (2020) in the following table.

## Beta

Table 31. Beta from the industry

Name	Ticker	Beta (5 Year)
Penske Automotive Group, Inc.	NYSE:PAG	1.71
<b>Sixt SE</b>	<b>OTCPK:SIXG.F</b>	<b>1.91</b>
Ryder System, Inc.	NYSE:R	1.99
Daseke, Inc.	NASDAQCM:DSKE	2.40
<b>Avis Budget Group, Inc.</b>	<b>NASDAQGS:CAR</b>	<b>2.49</b>
<b>Herc Holdings Inc.</b>	<b>DB:H9B1</b>	<b>3.13</b>

Source: Own processing

Table 32. Cost of equity

Risk free rate of return	Market rate of return	Beta	Cost of equity
1.26%	9.2%	2.24	<b>19.03%</b>

Source: Own processing

Table 33. Weighted Average Cost of Capital

(CZK)	Cost of equity	Total equity	Cost of debt	Total debt	Corporate tax rate	WACC
<b>Strategy 1</b>	19.03%	10 006 867	0	8 902 400	19%	<b>10.07%</b>
<b>Strategy 2</b>	19.03%	11 905 104	0	8 902 400	19%	<b>10.89%</b>

Source: Own processing

According to estimations, WACC for the strategy 1 and 2 are 10.08% and 10.89%, compare to IRR of 1.96% and 3.93%, we can assume that both strategies are with high risks and in case of investing it is safely to invest in S&P 500 for example.

## 4.8 Risks and Warranties

Risks are an indispensable element of business and it is important to know their main types and be able to calculate.

- a) Production - related to the fulfillment by the enterprise of its tasks and goals.

### **Solution: low speed start.**

Without overestimating their strengths and capabilities, it is planned to start at low revs and develop gradually. With proved out business processes and own insides from the market, it will be easier to achieve goals.

- b) Financial - it is impossible for an enterprise to fulfill its financial obligations to partners. Often financial risks are associated with errors in bookkeeping and document management.

**Solution: transfer of accounting to outsourcing.**

In order to avoid problems associated with incorrect filed statements, delays in the deadlines for filing reports from the very beginning, all this will be transferred to the accountant.

- c) Commercial - often arise for external reasons and are associated with the inability to sell goods and services or a decrease in its volume.

**Solution: diversification.**

The use of several groups of potential customers (tourists, local residents, business), different sales channels (10) with sales promotion through promotions and discounts. Also, the use of several types of cars will diversify the source of income and will further help expand taking into account the demand for specific groups.

- d) Insurance - this is the risk of insured events, that cannot be predicted and calculated, but their monetary equivalent can be measured. For example, vehicle insurance against car accidents, fires, robberies, deliberate damage by intruders.

**Solution: full insurance.**

All our cars will be purchased full insurance covering the full cost of the car in case of theft, destruction or partial damage.

## 5 Conclusion

Bachelor thesis aims to develop a business plan for low emission car rental service in Prague, Czech Republic. The purpose of business plan is to create strategy for running a new business.

The theoretical part is aimed on collecting all the relevant information about business planning based on literature research. In the theoretical part, the author provides a clear platform for the future developing of practical part based on the main books.

In practical part, the author creates a business plan for the company. Low emission car rental service is a new company on car rental market. The main goals are aimed to be social useful by improving our environmental and, to be profitable at the same time.

By using competitive analysis, creating and comparing few different strategies, were decided to purchase 20 vehicles with future investments into new cars. Initially, it was determined to buy new cars at the 5<sup>th</sup> year, but it also possible to invest available money early to increase operational revenue.

Additional reason why this service should be run with small car park compare to other car rental and carsharing services is waiting for new hybrid car Superb iV by Skoda.

According to the market research, it is also possible to reduce initial investments by negotiating with vehicle distributors for additional discount, due to big order. 10% discount would save 832 755 CZK and increase IRR to 6.5%.

During the work on this project, there were few updates on the market:

- New carsharing services GreenGo, E-Carsrent with electric cars in Prague
- Revolt added electric cars
- New bunch of Toyota Yaris and Toyota Corolla from Anytime
- New petrol and diesel cars to be banned from 2030 in UK.

By those changes we can see that we are not unique with this concept and other companies also benefit from electric and hybrid cars, since this is view for the future.

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