

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Bachelor Thesis**

**Business Plan for e-shop DREVOBARVY.cz**

**Matěj Kurell**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## BACHELOR THESIS ASSIGNMENT

Matěj Kurell

Economics and Management

Economics and Management

Thesis title

**Business Plan for a Chosen Business**

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### Objectives of thesis

The main objective of this bachelor thesis is to create a business plan for already established company in Prague called Dřevobarvy.cz, which specialises in selling paints, evaluate its profitability and determine how much capital will be needed in order to fulfil their aim, which is to open a store in the city of Prague.

### Methodology

Literature research

SWOT analysis

Marketing Mix

Financial analysis

**The proposed extent of the thesis**

40 – 60 pages

**Keywords**

Business, Business plan, SWOT analysis, Marketing, Financial analysis

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**Recommended information sources**

ABRAMS, Rhonda M. *The Successful Business Plan: Secrets & Strategies*. Oregon: The Oasis Press, 1995. ISBN 9780966963564.

BARROW, Colin, Paul BARROW a Robert BROWN. *The Business Plan Workbook A Step-By-Step Guide to Creating and Developing a Successful Business*. 10th ed. London: Kogan Page, Limited, 2021. ISBN 9781789667387.

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SRPOVÁ, J. *Podnikatelský plán a strategie*. Praha: Grada Publishing, 2014. ISBN 978-80-247-4103-1.

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Prague on 14. 03. 2022

## **Declaration**

I declare that I have prepared my bachelor thesis "Business Plan for e-shop DREVOBARVY.cz" independently under the guidance of the supervisor of the bachelor thesis and using professional literature and other information sources that are cited in the thesis and listed in the list of used sources at the end of the thesis. As the author of this bachelor's thesis, I further declare that I have not infringed the copyrights of third parties in connection with its creation.

In Prague on 15<sup>th</sup> March 2022

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### **Acknowledgement**

I would like to thank my supervisor Ing. Tomáš Maier, Ph.D. for his advice and time spent during my work on bachelor thesis. I would also like to thank my family for support throughout the whole study and special thanks goes to my father, who provided me necessary data for my bachelor thesis

# **Podnikatelský Plán pro DREVOBARVY.cz**

## **Abstrakt**

Bakalářská práce se zaměřuje na podnikatelský plán již zavedené společnosti DREVOBARVY.cz. Cílem této společnosti je otevřít kamennou prodejnu v Praze v České republice, kde budou moci prodávat své produkty. Podnikatelský plán pomůže firmě s vyhodnocením její ziskovosti a určí, kolik kapitálu bude potřeba k realizaci cíle. Bakalářská práce se bude skládat ze dvou hlavních částí, části teoretické a části praktické. Teoretická část se zaměřuje na to, jak by měl podnikatelský plán obecně vypadat a jaké jsou potřebné informace, které musí mít každá sekce. V praktické části budou využity informace z teoretické části a dle instrukcí bude vytvořen podnikatelský plán pro konkrétní firmu. V praktické části bude také vytvořena SWOT analýza, Marketingový mix a doba návratnosti.

**Klíčová slova:** Podnikání, Podnikatelský Plán, SWOT Analýza, Marketing, Finanční Analýza

# **Business Plan for DREVOBARVY.cz**

## **Abstract**

Bachelor thesis focused on the business plan on an already established company called DREVOBARVY.cz. The company's aim is to open a store in Prague, Czech Republic, where they can sell their products. The business plan will help the company with an evaluation of its profitability and determine how much capital will be needed to implement the aim. The bachelor thesis will consist of two main parts, the theoretical part, and the practical part. The theoretical part focuses on how the business plan should look like in general and what are the necessary information that each section needs to have. In the practical part, the information from the theoretical part will be used and following the instructions, there will be created a business plan for a specific company. Also, the practical part there will be created SWOT analysis, Marketing mix and payback period.

**Keywords:** Business, Business Plan, SWOT Analysis, Marketing, Financial Analysis

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# 1 Introduction

In the world, many people have the desire to create their own business that will generate them enough capital, so they won't be able to work hard till they are very old and can enjoy money on all cutting-edge technology, vacations, houses, cars, etc. What many of them don't realise is how hard it is to fulfil the dream when starting a business from the ground.

It is very difficult and challenging to create a business from the scratch and slowly climb to make it all the way up to be able to say that it has been successful. Around 20% of new businesses fail in the opening year and almost 50% do not make it past the 5-year mark. It is not only about the idea, which by itself isn't an easy task but about the execution. Finding the gap in the market, checking the competition, locations where the business will be managed, who will be the customers and of course the most important part, the starting capital. All these things need to be considered and thoroughly thought out before starting.

Creating a business in the paint sales market isn't a piece of cake. The competition in the Czech Republic is tough because you are up against the very well-known firms that are here for ages like Hornbach, Bauhaus, Obi, etc. Even though their main priority isn't selling paints, it is a multifunction shop for handymen and people know they can find anything that is remotely close in there.

DREVOBARVY.cz is an e-shop, located in Prague, that focuses on selling paints, varnishes, oils and equipment related to it. It has been on the market for 10 years, attracting more and more new customers. So far it is only an e-shop with a small warehouse from where the products are shipped to the customers, not only in Prague but to the whole of the Czech Republic and Slovakia. The goal is to expand into a store, so more people can get to know the shop and spread the word about it and mainly to become more known throughout the capital city.

The bachelor thesis will consist of two main parts, the theoretical part, and the practical part.

The theoretical part focuses on what the business plan is and what it is supposed to look like. What parts are necessary to include and what information is needed in each section, so in the end to create a guideline.

In the practical part, the information and the created guideline from the theoretical part will be used and following the instructions, there will be created a business plan for a specific

company, Dřevobravý.cz. As a part of methodology in the practical part, there will be created SWOT analysis, Marketing mix and basic financial analysis.

# 1 Objectives & Methodology

## 1.1 Objectives

The main objective of this bachelor thesis is to create a business plan for a shop called DREVOBARVY.cz which is located in Prague and their main focus is to sell paints and equipment around it. The personal focus will be understanding the business mission and explaining it to the reader via a created business plan.

## 1.2 Methodology

To achieve the objectives of the thesis and obtain the needed data to conduct the conclusion following methods like SWOT and 4P analysis to get to know the firm better from the inside as well as outside to help and create a business plan and evaluate the firm's profitability. To understand more of the company's financial situation there is the usage of the balance sheet, looking up the income statement and from that calculation of net profit.

### 1.1.1 SWOT Analysis

SWOT is an acronym that stands for Strength, Weakness, Opportunity, and Threat. It is mostly used in a business, but can also be used for product, service, place.<sup>1</sup> Its main function is to examine the business on both external (opportunities and threats) and internal (strength and weakness) levels and provide information about the company's advantage and opportunities over the competitors and enable the chance to reduce potential failure.

The graphical presentation of the SWOT Analysis is usually in a square. The square is divided into two sections. The first is the rows which represent the internal and external factors. The second section is the columns where strength and opportunity are the positive factors that can help the company and the other column is a negative factor represented by weaknesses and threats.

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<sup>1</sup> SRPOVÁ, Jitka, Ivana SVOBODOVÁ, Pavel SKOPAL a Tomáš ORLÍK. *Podnikatelský plán a strategie*. 2011, s. 31

SWOT analysis is very useful and easy to make and shows key information about the company.

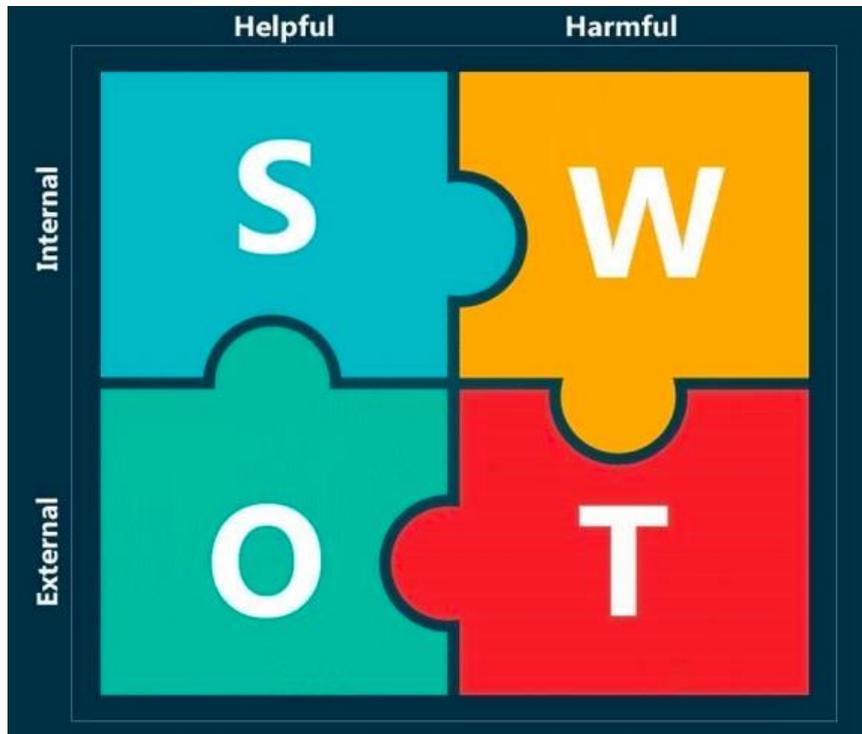


Figure 1 - SWOT Analysis:

Source: <https://www.projects4mba.com/swot-analysis-of-bank-of-baroda/5228/>

### 1.1.2 Marketing Mix

The marketing mix is commonly used when establishing a marketing strategy. It focuses on the company's target group and the product or service which you offer. The classic marketing mix that is most known and used is a 4P variation. It consists of Product, Price, Place and Promotion. Some use a 7P variation which to the existing 4P adds People, Public opinion, and Politics.<sup>2</sup>

Product refers to the activities that a marketer offers to perform, which results in a satisfaction of a need or want of the target customer. The necessary information needs to be provided.

- The name, brand, features, quantity, warranty of the offered product

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<sup>2</sup> SRPOVÁ, Jitka, Ivana SVOBODOVÁ, Pavel SKOPAL a Tomáš ORLÍK. *Podnikatelský plán a strategie*. 2011, s. 23

- How long is the product going to be available?
- How will you proceed when changing the established products for newer versions or a different brand?

The price of the product is the value attached to it by the product provider and this must correspond with the customer's perception of the value. Price evaluation depends on demand and supply of the product, production cost and transport.

Place needs to include where the product or service will be provided to the customers. Where is the store going to be located and is it a good location for the company's target group? Will the product or service going to be available on the e-shop? Where will be the warehouse and how often will the supply run be?

Promotion is a communication mix that includes how the company is going to communicate with their current customers but also to lure the new ones. Advertisement campaign to help promote the company, usage of social media to attract younger customers.

### **1.1.3 Balance Sheet**

The main function of the balance sheet is to provide information about the financial position of the entity as of a fixed day. Usually, the balance sheet is done by the end of an accounting period.<sup>3</sup>

The balance sheet consists of 3 parts – assets, liabilities and equity.

Assets are everything that the company have that has a monetary value. Furthermore, it is divided into tangible assets that can be physically seen and touched (office equipment, building, ...), intangible assets which cannot be seen (software, license, ...), fixed (=long-term) and current (=short term) assets and cash.

Liabilities are debts that the company owns to its creditors. As it is with assets, liabilities are also divided into current liabilities (account payable, taxes payable, ...) and long-term liabilities (mortgage, loan, ...)

Equity is registered capital which represents the value of the owner's investment. Between these 3 parts, there is an existing relationship that is known as the balance sheet equation (also as accounting equation)

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<sup>3</sup> PINSON, Linda. *Anatomy of a Business Plan: The Step-by-Step Guide to Building a Business and Securing Your Company's Future*. 2008, s. 101

$$\text{Assets} = \text{Liabilities} + \text{Equity} \quad (1)$$

*Equation 1 -Balance Sheet equitation*

#### **1.1.4 Income Statement**

Also known as the profit & loss statement is an important tool in understanding the financial situation of the company. The main function is to show the firm if they are generating profit or if they are making losses.<sup>4</sup> The income statement is measured for a given period. There are two essential parts of the profit & loss statement, revenues, and expenditures.

Revenue is an increase in retained earnings that is the result of selling goods or services. The other part is an expenditure, which is a decrease in retained earnings which is the outcome of using assets in order to sell goods.

#### **1.1.5 Cash Flow Statement**

The Cash flow statement is a financial statement that depicts the cash that enters and leaves the business. Due to the cash flow statement the company is being able to see how well they are currently doing with cash to pay debt and fund expenses. The statement is divided into three main parts – operating activities, investing activities and financial activities<sup>5</sup>

Operating activities refers to the business activities that are done on daily basis and are short-term. Examples of those activities are cash from product or service sales, interests, dividends but also payrolls, taxes, payments to the suppliers.

Investing activities are referring to those that are more long-term like purchasing or eventually selling a fixed asset, receiving payments from loans.

Financial statements show the cash that is generated from the loans, gifts or sales of the company's share and the cash that is used to pay dividends.

The Cash flow statement is different from the profit and loss statement, and it is important for the company because it gives you a precise idea of your business's financial health.

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<sup>4</sup> PINSON, Linda. *Anatomy of a Business Plan: The Step-by-Step Guide to Building a Business and Securing Your Company's Future*. 2008, s. 104

<sup>5</sup> How to prepare and manage a cash flow statement. *GoCardless* [online]. London: GoCardless, 2017 [cit. 2021-11-02]. Dostupné z: <https://gocardless.com/guides/posts/how-to-prepare-cash-flow-statement/>

### 1.1.6 Break-Even Analysis

Break-even analysis is made to work out when you will reach a break-even point and shows when your business will become profitable by telling you how many numbers of units you need to sell in order to cover total costs. The Break-even point occurs when the revenues are equal to the costs. The figure below shows a visual example of break-even analysis

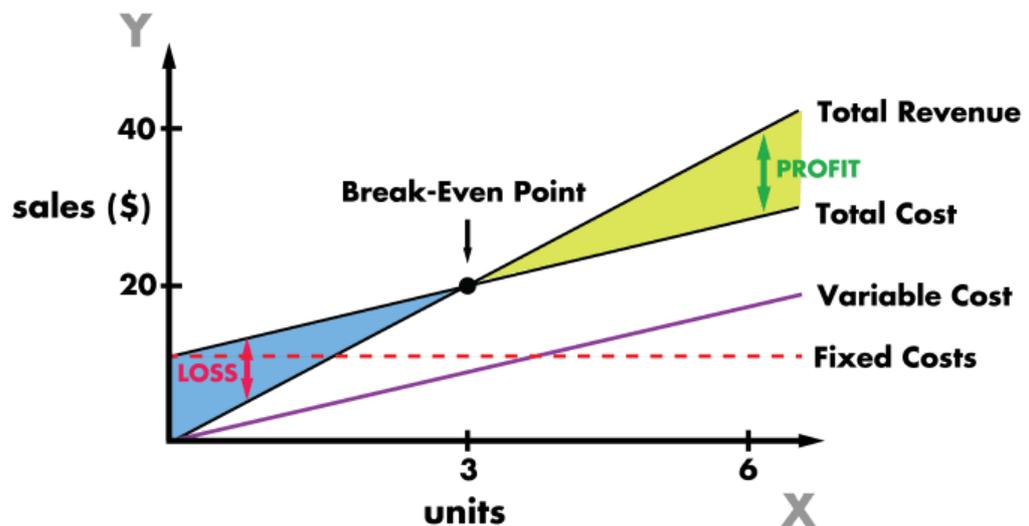


Figure 2 - Break-even Analysis

Source: <https://toughnickel.com/business/Breakeven-analysis>

To calculate the break-even point in a number of units you will need the following components, fixed costs, and contribution margin, which can be easily calculated just by subtracting variable cost per unit from the price per unit. Then use a formula for it. The result will give you a number of units that you need to sell to break even.

$$\text{Break - even point} = \frac{\text{Fixed Costs}}{\text{Price per unit} - \text{Variable cost per unit}} \quad (2)$$

Equation 2 - Break-even analysis

After you calculate the analysis, you will have an idea of how many numbers of units you will need to sell to break even and there is a chance that the number is higher than you anticipated. Then the question is you either raise the price of the product or service or find a

way to cut the costs, whether they are fixed costs or variable costs or somehow manage both at the same time. It is a very useful tool for start-ups as well as for already existing ones.

### **1.1.7 3-5 Year Financial Projections**

Forecast of business is a valuable planning tool. To the business, it gives a helping hand on how to run it to meet the goals and also to potential investors or lenders it presents information on which they can decide. When making financial projections there always need to be considered both scenarios, disaster one and more conservative one.

When a start-up company is making projections, they have to look for data from market research, looking up the inflation rate, unemployment rate, how much consumers were spending in the past year, because the economy is changing and what was trending last year may not be in this one. Already existing firms can use their own historical data in addition to looking for inflation, etc. In the projections, you always need to be realistic. If sales last year went down and the consumers can't afford certain products or services, even more, sales projections won't be going astronomically up.

One of the main parts is the sales forecast. Here when you are already established business you look up how much of each of your products or service was sold in the last year and combine it with current trends and economic situation you will determine how much you will sell in the upcoming year.

Another part is expenses. Here the questions are will you increase or decrease the volume of each product or service, will you invest more into marketing? How will the fixed costs and variable costs change in the upcoming year? Once again use apart from the company's historical data the economic situation. Prices are going up due to Coronavirus so it is more than possible that the fixed costs can as well be increased. All this must be considered.

The best way to visualise it for you and for potential investors or lenders is to create a spreadsheet where each year is divided into months and the numbers are clear to see.

### 1.1.8 Depreciation

Depreciation is a term used in accounting that helps the business to deduct some parts of its assets throughout the years. In your business, you have a lot of assets which can be building where you conduct the business, pieces of machinery, office equipment, computers, furniture, transport vehicles, etc. You buy them at a certain price but as the years go by their value will decline through its wear and age.<sup>6</sup>

There are many types of depreciation but the most common one is the straight-line method. It is very simple to calculate. All you need is an initial cost of the asset that was it bought for, then a salvage value, which is interpreted as a price of the asset that you can sell it for after it reached a point in time that it stopped being useful and expected useful life. All the assets are divided into different groups according to their useful life expectancy. Put the numbers into the formula and the output of it is how much depreciation you will be able to deduct for each year of its useful life

$$\text{Depreciation} = \frac{\text{Initial cost} - \text{salvage value}}{\text{useful life}} \quad (3)$$

*Equation 3 - Depreciation equation*

In the figure below you can see all the depreciation groups and their useful life to help calculate the depreciation of your business assets.

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<sup>6</sup> What Is Depreciation? and How Do You Calculate It?. *Bench* [online]. 2020 [cit. 2022-01-19]. Dostupné z: <https://bench.co/blog/tax-tips/depreciation/>

<b>Depreciation group</b>	<b>Assets</b>	<b>Minimum depreciation period (years)</b>
1	Office machines and computers, tools	3
2	Engines, motor vehicles, machines, audio-visual equipment	5
3	Elevators, escalators, turbines, air conditioning equipment, electric motors, and generators	10
4	Buildings made of wood and plastic, long-distance lines, and pipes	20
5	Buildings (except for those listed in groups 4 and 6), roads, bridges, tunnels	30
6	Administrative buildings, department stores, historical buildings, and hotels	50

*Figure 3 - Depreciation Groups*

Source: <https://taxsummaries.pwc.com/czech-republic/corporate/deductions>

## **2 Theoretical Part**

### **2.1 Why create a Business Plan?**

At the start of every successful business, there always must be an idea. The idea doesn't necessarily need to be something new like product, service, technology but it can be an upgrade of an already existing one. The goal is to turn an idea into a business that will generate profit.

The business plan itself isn't just a thing that you create in order to get a loan from a bank or to persuade potential investors to give you enough capital to kickstart the business, it is for you as an entrepreneur a helpful and useful tool when it is done thoroughly and swells, and it can be used to achieve not only the short-term goals but mainly the long-term.

The business plan to work needs to be thoughtfully done with a clear description of the business idea and its goals. Well thought out strategy to explain how to achieve those set goals with understanding the marketing and financial part of it. The created business plan will function as a roadmap on how to develop a successful enterprise that will generate profit and maintain its success with years to come.

Making a business plan has plenty of benefits and it doesn't matter whenever you are starting a new business or have a long-established one. The plan allows you to understand your business from within as you learn about the market, where you are conducting the business, your competitors, whom themselves want to be better, the financial situation of the enterprise, such as cash flows, resources.

With the knowledge, you will be able to make decisions about the daily activities or strategies and changes in individual parts, like changing the target market or expanding into the completely new one, because while making the plan you discovered a gap in the market. A good business plan will be able to help to achieve the goals and long-term success.

## **2.2 Types of Business Plan**

Business plans may differ from one to another according to whom the plan is written. Differences will be seen in each type of the plan while some plans are written with the intention to get a bank loan and that specific business plan will be more focused on the company itself and its financial part where you provide cash flows and forecasts. Others can be aimed for more internal use so there won't be necessary to include detailed information about the company. Before creating the plan, you need to know the consumer of the plan and write it accordingly.

### **2.2.1 Start-Up Business Plan**

The start-Up business plan is the most common one when starting a new enterprise. Usually, it is used to seek funding from a potential investor, a loan from a bank or a partner to your business idea. Normally the business plan contains an executive summary where the whole company is presented, a description of who started the company, management of the firm. Get to know a little about the product or services they are offering, the short-term goals of the company as well as the long-term. Then the marketing part is included as well as the financial part, where the forecast and analysis, three years income projection will be shown.

### **2.2.2 Internal Business Plan**

The internal business plan focuses on the enterprise from within. It is written to give the managers of the company a view of their resources, finances, personnel, profitability, and potential plan to expand. The plan itself evaluates the competition, market, from the size of the market to target customers. The output is a strategy that the firm should follow with the information associated with hiring, technical costs, and marketing. It is a very helpful tool for smaller companies or start-ups. When writing the internal business plan, you are not obligated to include the details about the firm because the usage will be internal.

### **2.2.3 Strategic Business Plan**

A strategic business plan looks very much alike to the internal business plan, it also includes similar bits, but the difference is that it is more detailed in the strategy section of it. The plan contains the same components as a standard business plan such as executive summary, marketing, and financial part but the difference is that the strategic plan will pay more attention to the goals of the company and lay down a plan on how they will be achieved.

It will also include extensive market research, analysis of current and potential competitors and current trends. Usage of the strategic plan gives the company benefits such as example identifying the target market and then creating a strategy on how to attract those potential customers and later acquired them.

#### **2.2.4 Feasibility Business Plan**

A feasibility business plan is used when a company wants to expand and sell their current product or service to a completely new market or they invented a new product and seek to produce it on an existing market. The focus of this plan is on the potential customers, to find out which market would buy the product and if the firm can turn it into a profit. In this plan, you need to include the description of the product or service, market research, for example testing the product, and required capital.

#### **2.2.5 Operational Business Plan**

An operational business plan is also known as an annual plan is designed to help the company fulfil their goals by arranging daily operational activities within the firm, laying out the management, employees, and each department's responsibilities. The plan contains operational objectives, resources and activities that are required to complete them, implementing markers and deadlines for the year.

#### **2.2.6 Expansion Business Plan**

An expansion business plan or growth business plan is used when the company wants to expand and seek financial investment. The plan describes in detail the growth that is projected and with that a solution on how it will be done. The expansion plan can be written for internal or external purposes, whether the company needs outside investment or a loan.

When creating the plan for internal purposes it means that the revenue of the business is enough to cover the growth you can exclude the detailed information about the company and description of the service or product, but it should include projected sales, expenses in more detailed form

If the company is looking for external funding which can be an outside investor or a bank loan the plan needs to have a detailed description of the company itself, its management and background, details about the product or service which the firm is offering on the market,

full market analysis, and most importantly financial projection in detail, basically more in-depth standard business plan.<sup>7</sup>

### **2.3 Outline of the Business Plan**

The outline of any business plan should meet the requirements. Information in some parts may differ from one business plan to another due to who is the business plan made. Investors and banks can be keen to know different information regarding your financial stability and the ability to repay the potential loan, so you always need to be aware of that. The business plan needs to consist of following

- Cover page
- Table of contents
- Executive summary
- Organizational plan
  - o General description of the company
  - o Product or services
  - o Management of the business
- Marketing plan
- Financial plan

### **2.4 Cover Page**

A cover page is the first thing the readers will see. If the business plan is like a book, then this is its cover. If it looks good, it will give the reader a good first impression and vice versa. Here the reader will find all the necessary information regarding the company.

The cover page should include

- Name of the company
- Address
- Phone number to contact the company
- Web address, if don't exist just skip
- Logo of the company

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<sup>7</sup> 6 Types of Business Plans. *CHRON* [online]. 2019 [cit. 2022-01-19]. Dostupné z: <https://smallbusiness.chron.com/6-types-business-plans-2591.html>

- Name, address, and phone numbers of the owners or corporate officers
- Month and year of when the business plan is made
- Number of the copy
- Name of the one who prepares the document

Also, you can include here confidentiality statement, but it is not mandatory.

## **2.5 Table of Content**

This part is done after the plan is created. It is a guideline for the reader that can be found in the document. Contents need to be well-arranged so that when the reader want to look up some specific thing, for example, SWOT analysis, he can easily find the table of content on what exact page it is located. The length of the table shouldn't exceed more than one and half of the A4 page.

## **2.6 Executive Summary**

Very often this part is written after the plan is finished to summarize key information in the business plan on a few pages. It is placed in the front of the document to hook the reader in, so he wants to continue to read the rest of the document. The function here is very similar to when someone is deciding whenever to watch a certain movie or not. They either watch the trailer for it or read a basic synopsis and then decide whether it is worthy of their time or not and the same is with an executive summary in the business plan.

After the reading of the summary the reader should know what the mission of the company is, market opportunities, how are you using your funds, information about the owners and competitors, financial projections for the next three-to-five-year period.

The best way to write the summary is to answer these questions as they summarize the important information about the company.

- Who you are?
- What does your company do?
- Where is the company going?
- When will it get there?

- Why is it going there?
- How will it get there?<sup>8</sup>

Answering these questions will give the reader a valuable view of your company.

Then you need to answer the important question and that is “For who is the business plan for”. It differs in the way what specific information you will include in the summary.

If there is no need for funding and the use will only be internal, then there would be only the summarization of the goals that the company have and how it is on meeting the projections.

If the plan is to get funding in form of a bank loan, for example, open a brand-new store, they will need to see, that you are able to pay the money back. Include here financial statements, a breakdown of your funds.

You can also aim for direct investors that will fund the capital into the company and in return, they will gain an adequate share of the company.

## **2.7 Organizational plan**

The main function of the organizational plan is to introduce to the reader the firm itself. Here you present the description of the business, its products, or services which they provide and finally the management of the business, who is occupying which position, where are they located.

### **2.7.1 General description of the company**

The starting point should be telling the reader when and why was the company created, as well as mentioning its' founders and location. After a general history, it is good to give a piece of brief information about the product or service which is providing to its customers. Give an idea of the business mission and goals as well as the strategy in which the company is operating. In the strategy part, you should include a SWOT analysis of your business. SWOT analysis is an acronym that stands for Strength, Weakness, Opportunity,

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<sup>8</sup> PINSON, Linda. *Anatomy of a Business Plan: The Step-by-Step Guide to Building a Business and Securing Your Company's Future*. 2008, s. 22

and Threat and highlights the company's internal and external factors. It helps to see where the firm is having strong sides and where is room for improvement.

When establishing the location of your business address as well potential store that the company may have. To open a store in the Czech Republic you need to meet several requirements. Firstly, and most importantly to establish a trade licence. To do that you go to the Trade Licence Office with your ID Card where you fill out a form, pay 1000 CZK and within a week you will get the extract from the trade register with your ID number. Then is a matter of choosing your location of a store and it depends on where you want to conduct your business. A big shopping window and the ground level is usually the best for a store. After you pick the place you need to buy all necessary furniture for goods, computers, cash register, advertisement banners for the outside of the store. When you are renting the place it all needs to have permission from the property owner.<sup>9</sup>

### **2.7.2 Product or service**

In this part, you will detailly describe your product or service. It is good to say whenever it is a brand-new product/service or already established one that you are just doing a resell. Provide information about the product catalogue where can only be mentioned the main categories with brief information about each category.<sup>10</sup> It needs to be said why the customer needs to buy and own your product and what are benefits of it. Key thing is to persuade the customer that this company is better than its competitors and that they should be buying the specific product here and nowhere else.

### **2.7.3 Management of the business**

In this part, the main focus is to describe in more detail the administrative side of the business.

A legal structure can differ but, in many cases, you will need to explain which one you have chosen, why have you chosen it and why the chosen one is the best for the business. Most likely the choice is between the sole proprietor, where there is a need to prove you have abilities as well as experience. Then there is a partnership and explanations are in order

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<sup>9</sup> CO JE TŘEBA K OTEVŘENÍ KAMENNÉ PRODEJNY?. *Eurostock* [online]. Praha, 2018 [cit. 2022-02-18]. Dostupné z: <https://www.eurostock.cz/co-je-treba-k-otevreni-kamenne-prodejny/>

<sup>10</sup> SRPOVÁ, Jitka, Ivana SVOBODOVÁ, Pavel SKOPAL a Tomáš ORLÍK. *Podnikatelský plán a strategie*. 2011, s.

why you have chosen this particular partner and his benefit to the business.<sup>11</sup> Another choice is the creation of a corporation or limited liability company (equivalent in the Czech Republic is s. r. o.)

After explaining the legal part of the company, it is time to introduce to the reader the management and personnel of the company whenever are already working one or the one you will recruit. Essential is to present the company's CEO, CFO, COO, CTO, CMO as they are mainly responsible for the running of the firm. If it is a larger company that the business plan is about or one that wants to expand you must also mention the employees that are or will be working within the company. List the payrolls, working hours, positions which they are occupying.

## **2.8 Marketing Plan**

One of the most important parts of the business plan. In this section, you present a more detailed marketing strategy that is related to your business. Introduce your target market, competition, advertising, sales strategies, customer service and more.

What to include depends on how big the business is. In smaller ones, only the main parts will be written here and vice versa the bigger ones will include most of them. In this part, the marketing mix is included.

### **2.8.1 Target Market**

A key part of the business is to know who are you selling to and how are you going to reach them. Every market has a different ideal customer and different strategy to attract them because what tends to work on 15 years old will certainly not work on 65 years old.

The description of an ideal customer needs to be thorough for example for a car dealership, who sells used cars, an ideal customer could be a freshman, who is making around 18 000 a month on a part-time job, living in a dorm, want just to have access to go from university to job and to home, looking for a car that is cheap and will be reliable for the next 5 years.

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<sup>11</sup> PINSON, Linda. *Anatomy of a Business Plan: The Step-by-Step Guide to Building a Business and Securing Your Company's Future*. 2008, s. 38

What is helpful when finding the target market is to make a market segmentation, when you divide the market into the main segments and see which markets present the greatest opportunity. The main segments are geographic, demographic, and psychographic<sup>12</sup>

In geographic segmentation, the market divides into nations, states, countries, cities, neighbourhoods. Here companies decide whether to operate in one or all areas.

Demographic segmentation focuses on age, family size, income, occupation, education, etc. The outcome shows what different people in parts of their life want and need. You can divide them into generations like Baby Boomers, Millennials, Gen Z, etc. and see the characteristic of each group.

In psychographic segmentation the people are divided based on their lifestyle, where and how are they spending money, where they shop, etc.

After researching each segment, you will have a clear vision of your target market.

## **2.8.2 Competition**

Competition occurs in almost every market. It is a natural thing in the economy. It is necessary though to be and do better than your competition in order to survive in the given market. When creating a business plan, research of your protentional competition is more than a significant part of it. It will uncover their strengths and weaknesses in comparison to your own business and show what can be done better. Also, you can find out, for example, that some competitors that had you worry about in the first place are aiming at an entirely different market (like demographic, geographic, etc.) than you want.

After conducting the research there will be a clear vision of who are the competitors and who are not. Divide them into the classes as primary, secondary, etc. it will divide the marketing strategy for each group.<sup>13</sup> Create categories that you will need to find out about each competitor like size, profitability, prices, number of workers, opening hours, etc.

Provide a brief description of the competitors with the information that you found, and you can create a table that will include relevant characteristics of each competition so the readers will have also a visual and can compare themselves.

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<sup>12</sup> PINSON, Linda. *Anatomy of a Business Plan: The Step-by-Step Guide to Building a Business and Securing Your Company's Future*. 2008, s. 47

<sup>13</sup> BARROW, Colin, Paul BARROW a Robert BROWN. *The Business Plan Workbook A Step-By-Step Guide to Creating and Developing a Successful Business*. 2021, s. 61

Living in the 21<sup>st</sup> century has a massive benefit and that is everything to know about your competitors can be found online. Be prepared that some firms will not be putting everything about themselves up on the internet, so in order to gain the desired information, you will have to for example do field research. It can be done by phone, mail, online questionnaire or just going there in person. With the found information create a plan that will give the edge towards your business whether it is in lower prices, better deals, etc.

### **2.8.3 Marketing strategy**

To achieve the business objectives that you have set you will need to come up with an extensive marketing strategy that fits within the scope of your business. First things first are to gather information about the market you are in or what to operate in and the competition that is based there. When creating the strategy combination of an online and offline part will be effective such as in the promotion of the product or service, advertisement of the company itself.

Almost every business in the world has its own website where customers can search more detailed information regarding the product or service itself but also about the firm such as where is the store located, if there is any, where they can have the opportunity to collect their order, apart from that a customer chat or direct contact for a person who can help them or provide information that is not included in the details about product or service. When buying via the website often you fill out your email to be noticed about the order. To the returning customers, you can offer through email potential sales on certain goods related to their purchase. Promoting sales on your website so when customers go visit there it is the first thing they see.<sup>14</sup> These sales are usually done when you want to make more room for other goods or products that are reaching the expiration date and you don't want to lose more money by throwing it away. Using social media, you can promote your business very well. Every social media from Facebook to Twitter have generated ads that you can't get rid of. Using social media, you can lure in potential customers, but you need to take into consideration that certain groups use different social media, for example, Facebook is more used by Boomers than Gen Z that prefer more Twitter and Instagram. Thus, target mainly those that fit your target market description.

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<sup>14</sup> SRPOVÁ, Jitka, Ivana SVOBODOVÁ, Pavel SKOPAL a Tomáš ORLÍK. *Podnikatelský plán a strategie*. 2011, s. 26

Promoting your business outside the internet costs more. When having a store, you need to have banners and a shopping window where you display a taste of your product or service that hook passer-by. From the outside of the store, it should be well known what the place is offering and potentially spark curiosity to even visit inside the store. Creating a brochure, flyers or offering a sampling to the people on the street if it is possible or in case of flyers throw it in their mail is also a way to raise awareness about your business.<sup>15</sup>

Essential is to plan specific and realistic goals that you set the time when they should be achieved and measure them.

Answering these questions will help to understand the goals of your marketing and then just adjust them.

- Who are the customers?
- What are you selling?
- Where is your target market located?
- How will you reach your customers?

#### **2.8.4 Pricing**

Setting the price is a crucial part in order to survive on the market and also to make a profit. When thinking about the selling price often people make the most commonplace mistake and that is set the prices too low, to have undercut potential competitors. All the costs must be considered when setting the price.<sup>16</sup> In the beginning, the main target is to survive and make enough money to cover explicit costs and then move onto the long-term plan which is to make a profit.

Understanding the competition and their prices is very helpful to set and present the price floor and price ceiling where the product or service, that is offered, will be shifting. Apart from the competition, the price is affected by multiple factors that are necessary to take into account. For example, when you are selling toys for children you can and probably will set the price differently during the Christmas season, because it is well known that parents will be buying those toys more and if there is a slight price increase it will not matter

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<sup>15</sup> ABRAMS, Rhonda M. *The Successful Business Plan: Secrets & Strategies*. Oregon: The Oasis Press, 1995, s. 120

<sup>16</sup> BARROW, Colin, Paul BARROW a Robert BROWN. *The Business Plan Workbook A Step-By-Step Guide to Creating and Developing a Successful Business*. 2021, s. 104

to them. The same goes for capacity changes. When you need to make more space in the storage or you have plenty of goods that you need to sell, you will price it down put on a sale like 1+1 free, so that people are more likely to buy it. The key takeaway is that price is elastic, and any factor can affect it so the pricing strategy must be explained in this section.

### **2.8.5 Sales Strategy**

In today's world, more and more traditional sale strategies like flyers, brochures, etc. decline and online marketing have risen. With the Covid pandemic people had no choice but to stay home and do everything from there, including shopping and with things getting slowly to normal people are more used and comfortable to shopping online. When the situation slowly climbed back to “normal” in terms of going into the stores, pubs and simply freely outside, people once again started to enjoy more of shopping in stores and seeing the product with their own eyes, interact with it and also get more information right away in the shop.

Include in your business plan the strategies that your company will use to attract the target market. Online sales require a website that will be described in more detail here.

## **2.9 Financial Plan**

The financial plan turns words from previous parts into numbers and shows the reality of the business plan from an economic point of view, it shows the past, present and future. When starting a new business or expanding already existing one financial plan allows you to track the financial situation and have a better understanding overall.

This is an important part when your business plan aim is to try persuading potential banks for a loan because here you will need to prove, that you can repay.

When constructing the financial plan include in this part the balance sheet, cash flow statement, profit and loss statement, also include three-year income projection sheet and other forecasts.

## 3 Practical Part

### 3.1 Cover Page

Name of the company: DREVOBARVY.cz

Address: Petrohradská 10, Praha 10, 101 00

Phone number: + 420 774 050 795

Contact email: obchod@drevobarvy.cz

Web address: www.drevobarvy.cz



*Figure 4 - Logo of the company*

Owners of the company: Zdeněk Toman

Tomáš Kurell

Date of incorporation of the company: 30. 9. 2019

Number of copies: 1

Made by: Matěj Kurell

## 3.2 Executive Summary

The company, DREVOBARVY.cz, was created in 2011 as a Czech organizational unit of the British company called Artoma Trade Limited. The company created a specialized e-shop whose focus was to sell paints and related equipment. Due to the Brexit, the Artoma Trade Limited ceased to exist, the e-shop was passed into the hands of the new owner and the company was created. The main goal is to generate profit – especially from the operation of an e-shop focused on the sale of paints and supplies from craftsmen. Sales are also carried through wholesale which would extend the sales channels to retail sales in the company's own store. The purpose should be to increase the profits and better awareness of the company. The company has 2 owners, Mr. Tomáš Kurell and Mr. Zdeněk Toman.

The desired location of the store is on Prague 6. The store should have the size of 100 m<sup>2</sup> with the connected warehouse which size should be 150-200 m<sup>2</sup>. Outside the store, there is a need for a parking space for the customers and for the delivery companies, so that they can take the bigger orders into their cars, vans easier. The assortment consists of premium brands of paints used mainly for wood surfaces with the equipment needed for painting like brushes, paint containers, etc. With that there will be a mixing machine, that can mix any shade of colour for the customer's choice. Apart from that, the company offers a professional consultation service. Customers have the possibility to ask about the product itself, what paint will be the best, how many will they need etc.

The market that the company target is a hobby and professional usage. The main target groups are the end-users, craftsmen, and smaller building companies. The construction market, where the company operates has been increasing with the building boom in recent years. Main competitors are big hobby markets like OBI, Hornbach, Bauhaus, lots of e-shops and smaller building materials companies and independent stores with e-shops. What the advantage for DREVOBARVY.cz is all of the competitors lack as good professional consultants as the company can offer. Risks that are connected to the company are the increase in inflation, price wars with the smaller e-shops, changes in consumer behaviour, with the current trend of increasing prices for everything and the increase in the prices of raw materials.

The funding for the store will come in form of their own capital and it will be 500 000 CZK, which would see to cover the initial costs for the store as well as the operating costs for the first months. The estimated profits for the first year are 416 500 CZK including taxes.

### **3.3 Organizational Plan**

#### **3.3.1 Company's description**

The company was established in 2011 as an organizational unit in the Czech Republic of the British company called Artoma Trade Limited, which was represented in the Czech Republic based on a general power of attorney by Mr. Tomáš Kurell in the position of sales director.

From the beginning, the company's goal was to create and operate a specialized e-shop called DREVOBARVY.CZ which was mainly focused on the sale of paints, oils, and varnishes intended for wood protection.

At the time, it was one of the first e-shops, that was directly focused on the sales of paints and that involved many difficulties. One of the first ones was a distrust of producers and distributors who sell the products because they didn't trust the sales channel and they were afraid of breaking the existing sales practices, which involved a network of contract stores serving their own region. Those principles were with the e-shop, which has a reach throughout the Czech Republic. Another problem was the courier services. They were reluctant about transporting liquid chemical products, in this case, the paints, in their ordinary vans.

Fortunately, these obstacles were overcome, and the e-shop started successfully and worked without the major problems until Brexit came and the original company, Artoma Trade Limited, ceased to exist in 2019. The e-shop was passed into the new owner's hands, Mr Tomáš Kurell an entrepreneur in the Czech Republic.

After a partial consolidation and relocation of the distribution warehouse to the new location, which now is in Prague 6, the situation was again stabilized with the increase of orders and volume of goods sold. Mr Zdeněk Toman joined the current owner in 2020 as a partner and a Company (formerly an association without legal personality) was created.

The Covid-19 pandemic had a positive outcome for the e-shop and helped in a way because many current and new customers learned how to use the online environment and shop online from their homes. This caused a sales increase of more than 100% and stimulated the owner's efforts to further develop the company.

The current goal of the company is to expand and purchase a store in the capital city of Prague, which would become in a way the main headquarters of the firm. There are also plans to expand the range of products and equipment for handymen and craftsmen. The

shopping area itself should be about 100 m<sup>2</sup> and with a connected warehouse that would be around 150 m<sup>2</sup>. The location of the store shouldn't be in the city centre, the ideal one is around the edges of the city, like Prague 6. Customers should be able to arrive and have the possibility to park right outside or nearby. This would allow buying more volume orders.

### 3.3.2 SWOT Analysis

Table below shows conducted SWOT analysis for the company. The table is divided into 4 sections with each section represents one part of the SWOT analysis.

*Table 1 - SWOT Analysis*

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>- Products availability</li> <li>- Premium products</li> <li>- Low cost</li> <li>- Partnership with Mall.cz</li> <li>- Long-term customer relationships</li> </ul>	<ul style="list-style-type: none"> <li>- Missing a store</li> <li>- Limited customer service</li> <li>- Missing a payment method by card</li> <li>- Insufficient product differentiation</li> <li>- Missing marketing strategy</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>- Expansion to the markets (foreign countries)</li> <li>- New market segmentation</li> <li>- Partnership with new suppliers</li> <li>- Cooperation with construction companies</li> <li>- Bonus program extension</li> </ul>	<ul style="list-style-type: none"> <li>- Loss of customers, suppliers</li> <li>- New competitors</li> <li>- Decrease in consumption</li> <li>- Price increase in raw material, energies</li> <li>- Price wars with competitors</li> </ul>

Source: Authors creation

Looking at the strengths one of the main is the availability of the offered product with over 10 000 pickup locations available for the customers throughout the Czech Republic and Slovakia with transport being provided with a courier. The e-shop offers a premium brand, where the customer pays more but gets quality, functional and durable products in return. When buying cheaper and less quality brands there is a possibility of repainting more frequently and therefore the cost for a job will be higher so the customer will not save that much money. These days it is not necessary to have a large warehouse. The e-shop is having a smaller warehouse which comes with a lower cost. The warehouse won't hold too many products, but the location is more than better because in case of a quick restock of products, the supplier warehouses are within available distance. Apart from that when packaging, the filling of the box is mostly from recycled material. As of 2022 e-shop has partnered up with shopping gallery, Mall.cz. This is extremely beneficial for DREVOBARVY.cz because it spreads the awareness of the e-shop to the potential customers, who do not fall into the target market and it gives credibility to the e-shop itself, because Mall.cz would not partner up with unverified companies.

As for weaknesses, the biggest one is the missing store. For some customers, it can raise a thought of untrustworthy. It is a psychological factor that customer is more ensured about a shop when he knows that behind an e-shop is a real place that they can physically see and visit and that is why DREVOBARVY.cz is looking to open a store. Currently, customer service is mostly done via chat on the website and e-mails. Customers can call the help centre but only in a limited time from 9 am to 3 pm during workdays. This is caused by lack of employees which will be resolved swiftly once the store is opened. The e-shop is mainly focused on the area of paints that are intended for painting wood. With that, there are only certain types of customers that can shop here. An additional weakness for the e-shop is the choice of payment method. Now the only available options are paid by bank transfer or cash on delivery. Costs of having a card method are high and for the e-shop, it is economically disadvantageous. In terms of marketing strategy, the e-shop is missing a well thought one. Without a marketing strategy, it is difficult to attract new customers. Each of the target audiences requires an individual marketing strategy to meet their needs and wake in them the want to come and visit the store and buy from there.

In terms of opportunities, there is a wide range of them. Firstly, there is a chance to expand into the new markets, including foreign countries like Slovakia. The e-shop is offering a choice to send an order to Slovakia, but it is not so frequent and not on daily basis.

It has been said that the range of products is mainly aimed for paints for painting wood. It is planned to widen the range of offered goods like products for workshops, gardens, or craftsmen whenever it is paints or tools. Expanding into a new market segment means there will be new partnerships with suppliers needed. From tools and gear for handymen or craftsmen to new brands of paints like OSMO, DULUX or ADLER in order to expand the range of goods. A great opportunity lies with working with construction companies. These companies need large order to do the job and by cooperating with them the e-shop will be generating a great amount of money.

Bear in mind that with opportunities can come also threats. The main one can be losing customers or suppliers. With the plan to open a store the strategy can shift to focus more on selling through the store and put the e-shop on the side. Possible is also that the supplier can leave the Czech market or that the supplier company will create their own website and focus on selling there. Competition is always a threat. Smaller firms that would not survive on the market on their own merge together to create more competitive larger companies. Staying with the competitors another danger from them are price wars. Smaller e-shops that operate within their own home, garage, having no stocks and just using it to make more money to their normal jobs. With zero costs they can afford to sell low. When prices of raw materials and the energies prices go up, the product prices will increase as well and that can lead in decreasing in consumption because customers will lose purchase power.

### **3.3.3 Company's Management**

The legal form of business is currently a company which before it was established as the company it was formerly an association without legal personality. There are 2 owners, Mr Tomáš Kurell and Mr Zdeněk Toman, they both are a self-employed person (OSVČ). The subject of the business is production, trade and services not listed in annexes 1 to 3 of the Trade Licensing Act.

### **3.3.4 Provided Product and Service**

On the e-shop, a customer can find mainly a variety of products that are used when painting or taking care of the wood. Mostly paints, varnishes, oils, sealers, waxes and more. Adding to its customer can find here everything related to painting. Brushes, rollers in all different sizes according to the needs of the customers and type of paint, adhesive tapes, spatula, paint tray or container to hold the paint which is offered in different sizes.

With the goal to open a store, the plan is to expand the assortment to more paints that can be used on different types of surfaces, more equipment for the craftsmen like ladders.

Apart from the product now the e-shop is offering a service in terms technical advice to the customers. In today's world is often hard to find a real professional that has the knowledge and can give good advice to the customer. In the large hobby, markets are usually salesmen from another industry who provide only basic information about the product. This is a big advantage for DREVOBARVY.cz because they have an expert who is moving in this field for 20 years. With a truly trained salesman, the firm can offer an on-site solution and is able to recommend the correct coating procedure. With a personal approach to the customer, it is also possible to offer a service in the form of creating a workflow and price calculation of the customer's project. This type of service affects the customer positively and after the consultation, he returns to make the purchase.

Additional service offered is the possibility of inspection and then rental of real colour swatches. The colours can also be provided in the form of small samples, which a customer can test directly on the construction site. When generally selling through an e-shop, the shade of the colour on the monitor is not always identical to reality and there are negative reactions from customers. This opportunity helps the customer to see the sample for themselves and then decide whether it is desirable or not.

Another offered service by the e-shop is custom colour mixing. Now with the e-shop, it takes more time, but with the planned store opening the job will be done much quicker. Sometimes the customers want a specific colour they found in the swatches. They just simply submit the chosen colour, and the mixing machine will do it while the customers wait in the store. The current technology also offers to scan the shade with a spectrometer and mix the paint according to the enclosed imported plaster, wood, or other material.

### 3.4 Marketing Plan

The company is based in the building materials market. There is currently a relatively large market for building materials in the Czech Republic. Large development construction of apartments and office buildings is underway. The very typical thing in the Czech Republic is large numbers of cottages and weekend buildings where families go on the weekend to rest or work on the said cottage. More and more people are starting or already are into DIY (do-it-yourself) or self-help work.

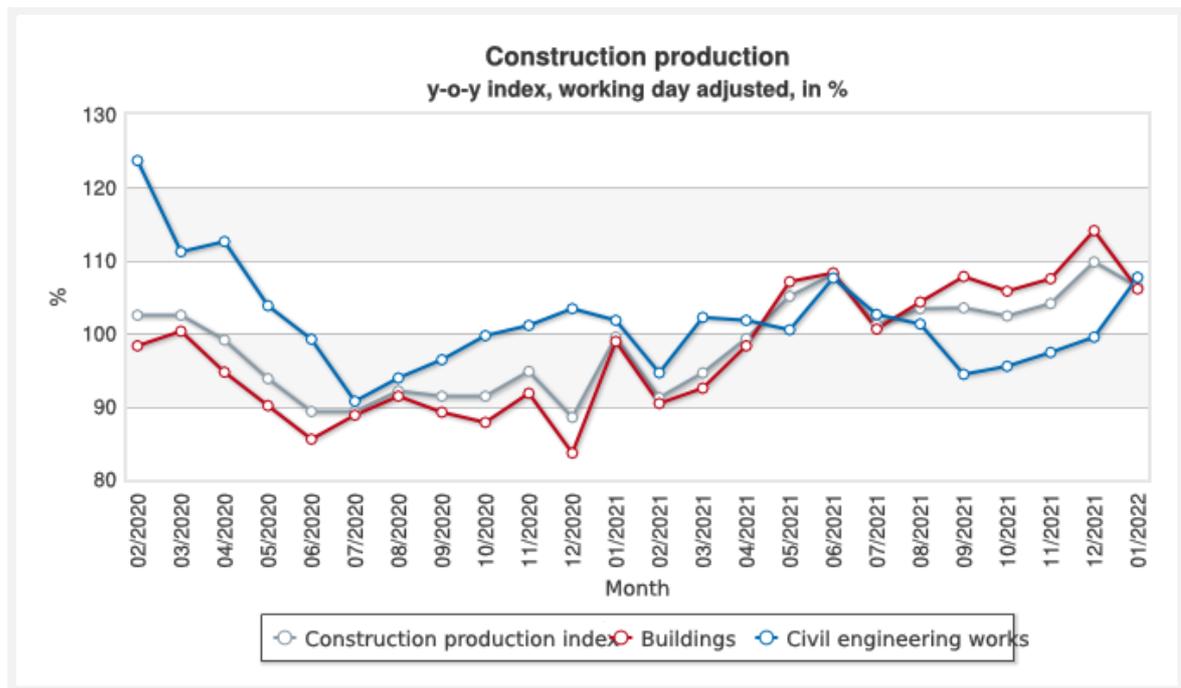


Figure 5 - Construction Production 2020-2021

Source: [https://www.czso.cz/csu/czso/construction\\_ekon](https://www.czso.cz/csu/czso/construction_ekon)

The graph above shows data from the beginning of 2020 to the end of 2021. We can clearly see that from the start of the Covid-19 pandemic, which started here in March, there was a decline in construction production. This was due to the quarantine, huge firms literally stopped, transport of materials were unavailable during the lockdown times. In this period people started to save money on vacations because they weren't allowed to leave a country. The only option was to go to the weekend houses, cottages, etc. and when the situation went a little bit better people with the money saved and time to spend, started to repair, build new ones so we can see from the graph a stable increase in constructions. The only exception is December of 2020 when the second wave hit hard.

### **3.4.1 Target Market Segmentation**

The DREVOBARVY.cz is selling paints, varnishes, and necessary equipment for painting. With a wide assortment, there isn't only one target group to be addressed. There are 3 main target market groups that the company is aiming for, the end-user, craftsmen, and medium-sized companies.

The first one is a typical end-user. This is a typical man between the age of 30-40 having a family, medium flat or smaller house with a cottage outside the city, where he and his family spend weekends and do craftsmanship as a hobby in his free time. This type of customer doesn't necessarily need the premium paints and certainly don't buy them in large orders. The most usual will be that he comes from the street hoping to find a "value" type of paint or other offered product that won't cost him too much but can do the desirable job with it, like paint a single wall or repair a hole in the flat or at his weekend house. He doesn't necessarily know much about it, so some help from the expert in the shop is more than welcome.

Other types are craftsmen, painters, carpenters. Usually, there are professionals working on their own and are hired to do the job for someone, who isn't manually skilled, like paint the entire flat, rooms, fences around the house, build some furniture etc. These types of customers have a decent knowledge about the products and know what they are looking for. Depending on what job there are doing but mostly their target product is more in the mainstream section as well as in the premium. Apart from paints, varnishes, or oils, they like to spend money also for equipment like brushes, adhesive tapes, paint containers, etc.

The last type of target customer group is the medium-sized companies. Generally, these types of firms are ordered when someone is wanting to repair the whole flat, build an entire cottage or smaller houses. The premise is the customer pay for everything and the company make sure they build everything, paint everything outside as well as inside. Therefore, these types of companies make an important client to the DREVOBARVY.cz. They aim more for the premium products, and to top that they buy in larger volumes because they need to cover a large area. Apart from that, they tend to go for all others equipment needed for their task and once again they don't buy for example only one brush but five or six.

These three groups are the target customers for the company.

### **3.4.2 Main competitors**

Every market has competition. DREVOBARVY.cz also has a competitor. These competitors can be divided into classes.

The biggest ones are the big hobby markets, having chain stores here, Hornbach, OBI, BAUHAUS. They own a large store across Prague and their assortment is widespread to cover all parts that are needed for craftsmen. Hornbach has a headquarters in Germany and here in Prague has 4 chain stores. OBI also came from Germany and offered to the customers 5 stores. Finally, Bauhaus is originally from Germany but now is based in Switzerland. In Prague, they have 3 stores to choose from. The big advantage they have is that their name is very well known, and customers can visit the store from the morning to late at night. Their range of paints mostly consists of cheaper Czech brands adding to their own colour brands that are exclusively produced for them at a lower price and lower quality. In the premium section, they usually have only one foreign brand (eg Bondex, Dulux). The main disadvantage in these chains is the lack of professional advice to the customers. A salesman working there have a certain knowledge about their product and can help with basic problems, but when it comes to a more complex problem, the advice is not desirable and sometimes will not solve the problem. Prices are generally higher, but they make discounts, where those discount prices are often like those purchased by a smaller paint retailer from wholesalers.

Other classes are e-shops and stores that fall into building materials.

First to mention is DEK. This company operates 3 stores in Prague and offers a full range of paints for wood as well as for metal or interior. The customer here has a wider range of foreign paints to choose from like OSMO, Remmers, Caparol. DEK's disadvantage lies in the stocks of the products. What customers see on their e-shop are stocks that are often in the central warehouse and in order to get them from a certain individual store, they need to be ordered and moved there, which takes time of a couple of days. Consulting work is slightly better than those in big hobby markets but still works to a certain extent. Another problem they have is frequent customer fluctuation. Prices set by DEK are at the medium price level.

Artisan falls into the same category as DEK. They are the biggest e-shop with paints, which operates 13 stores across the Czech Republic with the possibility to ship orders to Slovakia. However, their main focus is on the sales of paint but on the sale of the wood itself, whether is floorboards, floors, fences, slats etc. The sale of paints is secondary. This

corresponds to the fact that most stores have a limited amount of paint and if the customer wants something that isn't currently at the selected store it must be ordered online and delivered to the store which again takes time. Prices are set to be higher, but they provide a sophisticated discount system for craftsmen and companies.

The final section of competitors is independent stores. Examples of this section are Barvy Laky Hostivař, Dům Barev and Colorlak. Here it varies from store to store depending on the size and focus. There can be found some that run only the Czech manufacturers with a focus on low prices and not offering more expensive foreign brands. Others and it is most of them shifted their focus to the sale of foreign brands as a primary objective. Some also have an unwritten exclusive representation from the premium brands for their region and thus have better prices. These stores sometimes have paint mixing machines to make a specific shade to customer needs. Here the consulting work is at a decent level, but when it comes to solving more complex technological procedures, they refer to the technical advisors of individual manufacturers. In the table below is a general summary of the 3 main competitor sections.

*Table 2 - Competitor's comparison*

<b>Large Hobby Markets</b>
<ul style="list-style-type: none"> <li>- Cheaper Czech brands</li> <li>- Limited premium brands</li> <li>- Small level consulting service</li> <li>- Higher prices in general</li> </ul>
<b>Buildings Materials</b>
<ul style="list-style-type: none"> <li>- Full paint assortment</li> <li>- Foreign brands</li> <li>- Stocks generally in a central warehouse</li> <li>- Limited consulting service</li> </ul>
<b>Independent Stores</b>
<ul style="list-style-type: none"> <li>- Different range depending on size</li> <li>- Own mixing machines</li> <li>- Lower prices</li> <li>- Decent level of consulting service</li> </ul>

Source: Authors creation

### **3.4.3 Marketing Strategy**

The DREVOBARVY.cz will be operating both online through their e-shop as well as the store. There are 3 main target groups of customers, and each group will need to address in a different way since they differ from each other.

Almost everyone who has a smartphone has a Facebook or Instagram profile or both. People spend a huge amount of time on those social apps, so it must be used in marketing to promote the company. There is the company's Facebook and Instagram page so that it can reach new people, but so far there hasn't been so frequent posts. On the page is information about the company and promotion of products in sale. To reach more audience there need to be more frequent posts about special deals, the idea of competition, that will be created just for Facebook and Instagram, between customers to win prizes like additional sales, free brush, etc. In the charge of the Facebook page are the owners themselves.

In addition to online marketing print media will be used as well. To get into the people's awareness print media will be used. A local newspaper is a reasonable choice so that people going to work can read it and get the information about the new store with paints has been opened near their home.

Another part of the marketing strategy is to get customers to go physically into the newly open store. To attract to go there the company will create a special offer. Those who order on the e-shop and choose to pick up the order in the store will get an additional 1% off their purchase. It is not much but people tend to save money whenever they can. When the customer will go inside the store to collect the goods, there is a chance that he might pick up an additional product like brush or thinner.

To attract the professionals' target group of customers like craftsmen, painters, etc. as well as the final target group consisting of medium-sized companies, there will be bonus programs. These programs will allow these types of customers to make larger volume purchases with an additional discount. The size of the discount will depend on how big the company is and how often do they come for the purchase.

Marketing will be tailored to the season. In the winter season, there will be more emphasis on promoting products that are more suited to the interior. This will take place from around the middle of September to the middle of March. Normally weather outside during this time isn't the best to spend all day outside, not to even work outside for example on the cottage. Of course, there are exceptions where can be a week in November when is sunny almost late summer outside but generally, it is colder, and people tend to be inside. In

the summer season, which occurs from the middle of March to the middle of September, the promotion will be more focused on the exterior. It is that time of the year when people go on a weekend outside the city to relax and work on the cottage.

### 3.4.4 Marketing mix

Table 3 - Marketing Mix

PRODUCT	PRICE
<ul style="list-style-type: none"> <li>- Premium brands (Herbol, Remmers, PNZ)</li> <li style="padding-left: 20px;">- Mainstream brands (Bondex)</li> <li>- Value brands (Industrol, Sokrates, Lazuro)</li> <li>- Professional consultant service (advice to customer)</li> <li style="padding-left: 20px;">- Single packs, on-packs, multi-packs, economy packs</li> </ul>	<ul style="list-style-type: none"> <li>- Price includes the price of product + professional consultant service</li> <li>- Discounts to medium-sized companies + returning customers with a large purchase</li> <li style="padding-left: 20px;">- Methods to pay               <ul style="list-style-type: none"> <li>○ Cash on delivery</li> <li>○ Bank transfer</li> <li>○ Cash (store)</li> <li>○ Card (store)</li> </ul> </li> </ul>
PLACE	PROMOTION
<ul style="list-style-type: none"> <li>- Store + warehouse</li> <li>- Location - Prague 6</li> <li>- Shipping methods               <ul style="list-style-type: none"> <li>○ Zásilkovna (CZK 70–180)</li> <li>○ Balíkovna (CZK 30–65)                   <ul style="list-style-type: none"> <li>○ DPD (CZK 85)</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Facebook, Instagram page + adds</li> <li>- Print media (local newspaper)</li> <li>- Competitions on Facebook for prizes)</li> </ul>

Source: Authors creation

### 3.4.5 Pricing

Setting up the prices needs to be in consideration of the supplier's prices they give and competitors. The prices of the assortment also need to be flexible reflecting the stocks and season.

Prices of ordered goods with the suppliers differ from each other and each of the suppliers gives a different discount according to the volume  $r$  and how frequently the company order. With the supplier from the Czech Republic, it is agreed that when ordering goods, the discount from the price list is moving between 10-15%. When dealing with companies that are not from the Czech Republic the discount from the price list is more around 20-40%. In addition to the goods, the firm will negotiate that the suppliers will add shelves and banners for the store, where their products will be displayed. This will eliminate some cost for the shop equipment.

Prices assortment that customers can find on the e-shop is divided into 3 segments. The value, mainstream and premium products. The “value” products are usually the Czech brands that sell but due to the price wars between competitors and pressure on low prices the profit margin on those is between 10% to 20%. To the “mainstream” products belongs the premium Czech brands and cheaper foreign brands. Here the price is set so that the profit margin is 20-30%. The premium products are the more expensive foreign products, and they are the most reliable of the whole range. The profit margin varies from 20% to 40%.

To some, it may seem that the prices are high, but what they don’t realize is that the price includes the product itself, fast delivery if needed, and the professional consulting service to those customers that aren’t sure about which product and how much to take.

DREVOBARVY.cz will also be offering price packs where customers can save money. The first example is what is called multi-packs. Essentially, specific products will be chosen for this promo, so for example, when a customers buy 2 of them, they will receive another one completely free for the same price. Apart from multi-packs, there will also be on-packs. They allow getting 2 separate things in price the customer pays for one. The benefits of the on-pack for customers will be that with the purchase of paint they will receive a small brush or thinner at the same price. On-packs will be mostly promoted goods that in a certain time is not in the season. Last to offer will be economy packs. This type of pack will be used for larger volume paints. In economy packs, customers can buy for example 10 litres of paint with additional 3 litres for one price. The customer pays for this pack less than he would pay for 10 litres and 3 litres separately.

### 3.5 Financial Plan

#### 3.5.1 Initial costs

In the table below there can be seen initial costs that are connected to the store opening. These costs are played at the beginning when the store would be open. Before the store can be open the inside and outside need to be done. On the outside of the store as well as inside the shop window should be banners, stickers with the name of the shop so that the customers can see it. Product banners will be provided by the suppliers themselves. Inside the store products will be displayed on the shelves that will stay there until the store shut down. Part of the shelves will be again directly from the suppliers, as well as the mixing machine. Computer, cash register, a printer is essential part of the store and will be there from the beginning.

Table 4 - Initial Costs (in CZK)

<b>INITIAL COSTS WHEN OPENING THE STORE</b>	
Equipment (shelves, counter)	90 000,00 CZK
Computer, printer, cash register	35 000,00 CZK
Banners, Store window stickers	10 000,00 CZK
<b>TOTAL</b>	<b>135 000,00 CZK</b>

Source: Authors creation

### 3.5.2 Operating Costs

Table 5 - Operating Costs (in CZK)

In the operating costs contained wages for 2 employees who will work in the store. Due to the desired size, there will be a need for 2 employees. Their job will be to ensure the sale, preparation, and shipment of the orders from the e-shop and the organization of the warehouse. Their gross wage is 28 000 CZK. In the table is included the employers' costs for the employees. Another item in the table is store rent which is self-explanatory. Overhead costs include utilities for the store, house fees and waste where the store will be located. Advertisement in terms of Facebook ads, Google search will cost 10 000 CZK per month. Monthly purchased goods are variable due to the number of sales that will be made. In the season more sales are expected therefore more restock will be needed and, in the off-season, fewer sales means there is not necessary to make restock more frequently. Depreciation is also calculated from the store equipment, and it is 18 000 CZK for 3 years.

<b>OPERATING COSTS</b>	<b>MONTH</b>	<b>YEAR</b>
Wages (2 employees)	75 000	900 000
Store Rent	50 000	600 000
Overhead costs	10 000	120 000
Advertisement (Facebook, Google)	10 000	120 000
Goods*	570 833	6 850 000
Depreciation	-	18 000
<b>TOTAL COSTS</b>	<b>715 833</b>	<b>8 608 000</b>

Source: Authors creation

\* It is the Average cost that is calculated from the whole year because the monthly cost of goods varies from month to month depending on customers

### 3.5.3 Estimated Revenues

Revenues are estimated for the first year of the store opening and include taxes, which are 21%. The numbers in the table are based on the experience of the owner, who has been in this market for the last 20 years and throughout the years he has been delivering to the stores. With the addition of running the e-shop for the past 10 years. The table shows estimated revenues split into the average daily revenues and months. In the beginning, the revenues are lower because it is a new store and it is off-season for paint sales.

Table 6 - Estimated Revenues

<b>ESTIMATED REVENUES FOR FIRST YEAR</b>	<b>AVERAGE DAILY</b>	<b>MONTH TOTAL</b>
January	9 000	279 000
February	10 000	280 000
March	11 000	341 000
April	14 000	420 000
May	37 500	1 162 500
June	46 250	1 387 500
July	42 000	1 302 000
August	43 000	1 333 000
September	36 000	1 080 000
October	34 000	1 054 000
November	9 000	270 000
December	7 500	232 500
<b>YEAR TOTAL</b>		<b>9 141 500</b>

Source: Authors creation

Profit Margin on goods is 10-40% depending on the type of good

### 3.5.4 Profit & Loss Statement

Table 7 - Profit & Loss Statement (in CZK)

PLANED PROFIT & LOSS STATEMENT FOR FIRST YEAR	Pessimistic Variant	Realistic Variant	Optimistic Variant
1st year plan	Decrease in sales by 5%	Increase in sales	Increase in sales by 5%
Estimated revenues	8 684 425	9 141 500	9 598 575
Operating costs	1 740 000	1 740 000	1 740 000
One-off costs	135 000	135 000	135 000
Costs of purchasing goods	6 850 000	6 850 000	6 850 000
Accumulated depreciation	18 000	18 000	18 000
<b>Net Profit (after Taxation)</b>	<b>- 40 575</b>	<b>416 500</b>	<b>873 575</b>

Source: Authors creation

The table above shows 3 possible scenarios for the first year of having a store. The realistic scenario calculates with the estimated revenues that were shown in the previous table. It is the most likely scenario for the store in the opening year of its existence. This variant generated 416 500 CZK profit. It is always good to be prepared for the worse scenarios as well. The pessimistic version has the sales decrease by 5%. With this option happening it will cost the company 40 575 CZK as they will be at loss for the year. This scenario can occur if the sales aren't as good as they were anticipated. The last variant is optimistic. If the revenues exceed the expectation by 5% then the company end up with a profit of 873 575 CZK.

### 3.5.5 Cash Flow Statement

The table above shows the cash flow statement for the first year. Own capital is 500 000 CZK which the company generated from the e-shop and can now be put into the store. The capital serves as the starting point, which allows the company to cover initial costs and operating costs in the opening months that the store require. From the table, there can be seen that the cash flow is 916 500 CZK.

Table 8 - Cash Flow Statement (in CZK)

CASH FLOW	
Own capital	500 000
Revenues from product	9 141 500
<b>Cash inflow</b>	<b>9 641 500</b>
Initial costs	135 000
Operating costs	1 740 000
Purchase of goods	6 850 000
<b>Cash outflow</b>	<b>8 725 000</b>
<b>Cash flow</b>	<b>916 500</b>

Source: Authors creation

From this, there can be calculated the payback period, which shows how many years will it take to get the invested capital back.

The equation is following

Equation 4 - Payback Period

$$\text{Payback Period} = \frac{\text{Investment}}{\text{Annual Cash FLOW}} \quad (4)$$

To put the numbers into the equation.

Equation 5 - Payback Period Calculation

$$\text{Payback Period} = \frac{500\,000}{916\,500} = 0,54 \text{ years} \quad (5)$$

The payback period is 0,54 years which is 6 months and 2 weeks.

## 4 Conclusion

The aim of the bachelor thesis was to create a business plan for a company called DREVOBARVY.CZ, that's goal is to expand from an e-shop and open a store located in Prague, Czech Republic. The business plan will help the company with the evaluation of its profitability and determine how much capital will be needed to implement the aim.

The theoretical part was described what the business plan is in general, what types of plans can be made. Furthermore, it was shown how the business plan is constructed, how many sections does it need to have and what information each part should include in and what to leave out.

In the practical part, the business plan for DREVOBARVY.cz was created according to the information from the theoretical part. The SWOT analysis was conducted and showed the main strengths and weaknesses of the business as well as potential opportunities and threats that can help the company in the future. In the marketing part, the main groups of competitors were identified. Information about each group was provided and also their advantages and also disadvantages in comparison to the DREVOBARVY.cz. The target market was recognized, and target customers were divided into the 3 main sections. The end-users, that are looking to buy in small volume and for cheap. The professionals, like painters, craftsmen. This group is buying more expensive products and are coming back to buy again. The last are medium-sized companies that are looking for expensive products and their purchase is in large volume.

In the financial part, the estimated revenues for the first year were displayed to see how much the company will earn, the profit and loss statement was created with 3 possibilities from pessimistic scenario to optimistic one. The cash flow statement was conducted to get the idea about the cash inflow and outflow during the year.

From the cash flow statement, there was a payback period calculated and revealed that with a 500 000 CZK, as an own capital invested in the opening of the store and annual cash flow of 916 000 CZK, the investment will be paid back in 6 months and 2 weeks.

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