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## FACULTY OF BUSINESS AND MANAGEMENT

FAKULTA PODNIKATELSKÁ

## INSTITUTE OF MANAGEMENT

ÚSTAV MANAGEMENTU

# STUDENTS START-UPS: ESTABLISHMENT AND DEVELOPMENT

STUDENTS START-UPS: ESTABLISHMENT AND DEVELOPMENT

## BACHELOR'S THESIS

BAKALÁŘSKÁ PRÁCE

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# Assignment Bachelor's Thesis

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Problem definition, goal of the bachelor thesis  
Theoretical approach to solutions  
Business sector analysis  
Proposal of steps for the establishment of a small start-up for the sale of food supplements  
Conclusion  
Literature  
Attachment

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Based on the analysis of the business sector, propose steps to establish a small start-up

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The deadline for submitting the bachelor's thesis is set by the time schedule of the academic year 2021/2022.

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## **Abstract**

This bachelor thesis on the topic "Students Start-ups: Establishment and Development" will deal with the analysis, establishment, and development proposal of business idea of supplying CBD cannabis to stores throughout the Czech Republic.

## **Abstract**

Tato bakalářská práce na téma "Studentské start-upy: Vznik a rozvoj" se bude zabývat analýzou, návrhem založení a rozvoje podnikatelského záměru dodávat CBD konopí do obchodů po České republice.

## **Keywords**

Student start-up, business plan, CBD, Business model Canvas, SWOT, development

## **Klíčová slova**

Studentský start-up, podnikatelský plán, CBD, Business model Canvas, SWOT, vývoj

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**Affidavit**

I declare that the submitted bachelor thesis is original, and I prepared it separately.

I declare that the citation of the used sources is complete, that I did not violate the author's work in my work rights (in the sense of Act No. 121/2000 Coll., on copyright and on rights related to copyright).

In .....

David Tučka .....

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## List of abbreviations

**CBD** = Cannabidiol, it is a chemical in the Cannabis sativa plant.

## INTRODUCTION

This bachelor thesis on the topic "Students Start-ups: Establishment and Development" is very interesting for me personally because we came up with this idea by ourselves with a friend. We thought we didn't need to try a unique ground-breaking idea for our business. Just something where the numbers make sense, and the competition is not so big yet. So, we came up with the idea of producing and distributing CBD cannabis to local stores and for other health or food purposes.

At the outset, it is necessary to clarify an important point and the fact that CBD cannabis up to a THC content of 0.3% (which is our CBD certified with a laboratory report.) Is completely legal in the Czech Republic. The same standards apply to the cultivation of this cannabis as to the cultivation of poppies. This fact is still not completely publicly known, although CBD cannabis is already used for a variety of purposes. In addition, recently, mainly athletes have highlighted the positive effects of CBD. Especially for better regeneration, better quality sleep, calming and others without any hallucinogenic effects.

This bachelor thesis consists of two main parts: theoretical and practical.

In the theoretical part, describe the essence of the business itself. I will analyse and define several important concepts related to the understanding of the entire bachelor's thesis, such as entrepreneur, entrepreneurial risk and entrepreneurship or business plan and start-up. Furthermore, I will also analyse and define important situational analyses such as Porter's Five Forces Model, Marketing mix 4P's or SWOT analysis.

In the practical part we will use the knowledge that I analysed, defined, and quoted from the theoretical part. First of all, I will use situation analysis to analyse the current state of my start up idea. 4P' s of marketing, Porter's five forces Model and final SWOT analyses. They help me not only determine the current state of the business but make me think about all the circumstances on the part of customers, product, marketing, competition or in the case of SWOT analysis on the part of strengths and weaknesses or opportunities and threats.

Next, I will focus in depth on the analysis of the idea and present the business plan using the Canvas business model. This tool will help me to understand a business model in a straightforward, structured way. Using this Canvas will lead me to insights about the

customers we serve, what value propositions we offer through what channels, and how our company makes money.

The last main part is the financial plan. In this section I want to focus on raw numbers. I want to find out what the profit from this start-up can be. What are the costs and expenditures and sales in the first three years and what are the possible pessimistic and optimistic expectations and scenarios.

# **1. WORK OBJECTIVES, METHODS AND PROCESSING PROCEDURES**

## **1.1. Objective of the work**

The objective of this bachelor thesis is to create a suitable proposal of steps for the establishment of a small start-up for the production and sale of food CBD supplements to Czech stores.

## **1.2. Partial goals of the work**

The first partial goal will be the introduction, elaboration, and analytical evaluation of the business idea

The second sub-objective is to present financial calculations and possible scenarios.

## **1.3. Processing methods and procedures**

Methods of documentary data analysis were used in the elaboration of this bachelor thesis. This data was collected from referenced books, articles, and the Internet. Furthermore, methods of collecting qualitative data were used. I obtained these through personal visits, mobile or email communication with customers.

## 2. Theoretical approach to solutions

### 2.1. Entrepreneur

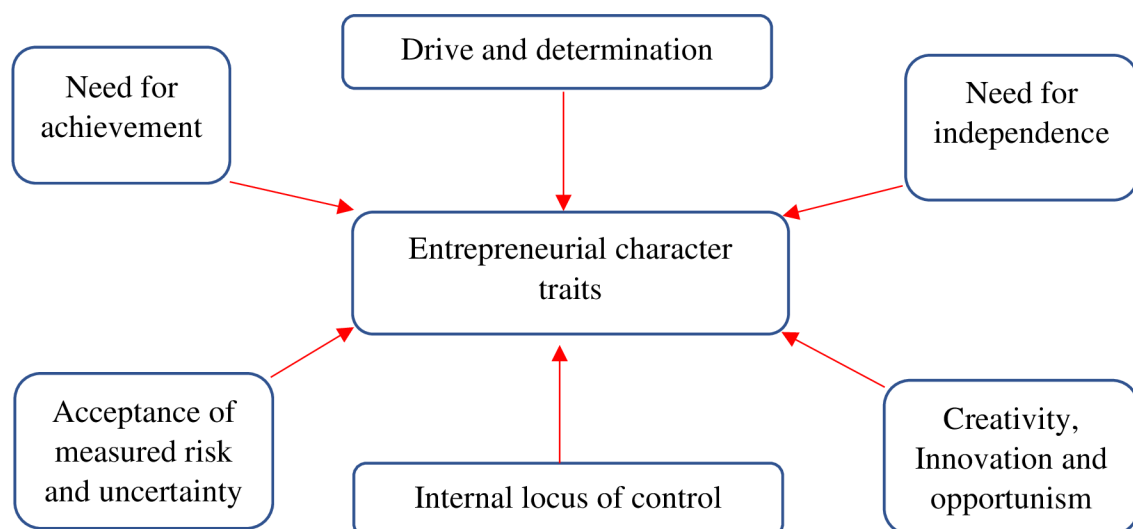
An entrepreneur is a person who must be motivated and understand his motivations deeply. He knows his strengths and weaknesses and he also know himself. An entrepreneur needs a certain amount of enthusiasm and determination. There will come moments in the life of every entrepreneur when he has to bounce back from below. It's a risky livelihood and everyone must reckon with a little daily uncertainty, sometimes loneliness. Therefore, the entrepreneur must be emotionally stable. But with the right perseverance and attitude, it can be a fulfilling and satisfying purpose of life for an entrepreneur with a vision of wealth and perhaps fame. (Burns, 2016)

The definition of an entrepreneur according to the Civil Code reads as follows:

"Anyone who, on his own account and responsibility, carries out a gainful activity in a trade license or similar manner with the intention of doing so systematically for the purpose of making a profit shall be considered an entrepreneur with regard to that activity."

(Act No. 89/2012 Coll.)

#### Entrepreneurial character traits



*Figure 1: Entrepreneurial character traits*

(Source: Own processing by Burns, 2016, page 62)

“An entrepreneur creates and/or exploits change for profit by innovating, accepting risk and moving resources to areas of higher return.” (Burns, 2016, page 10)

## **2.2. Entrepreneurial risk**

Entrepreneurial risk is very closely related to entrepreneur's decision-making. The entrepreneur very often decides on future business activities, based on certain assumptions and their consequences, which may or may not happen. If the entrepreneur knows these consequences with certainty, it is called decision-making for certainty. Unfortunately, for entrepreneurial activities, there are often cases where the entrepreneur does not know the future conditions, nor is he sure of the probability that they will occur. Entrepreneurial risk is directly related to changes that take place both within the company and in the external environment.

### **a) Internal risks**

They occur within the company and the entrepreneur is able to sort them. These include the financial strength of the organization, management of production activities, products or personnel management

### **b) External risks**

They relate to the factors of the entrepreneurial environment and entrepreneurs must respect them or protect themselves from them. But he doesn't have many options to influence them. Economic changes can be an example of external risks (changes in interest rates, tax liabilities or exchange rates). Furthermore, changes in the situation on the labour market or in the market environment (customer requirements, business conditions, competition)

(Veber, Srpová, 2008)

## **2.3. Entrepreneurship**

Entrepreneurship is the process of creating something different that gains value by spending the necessary time and effort, assuming financial, psychological and social risks and obtaining the resulting reward in the form of financial and personal satisfaction. (Veber, Srpová, 2008)

### **2.3.1. Barriers to entrepreneurship**

The factors that make a person unwilling or unable to do business are called barriers to entrepreneurship. There are two types of barriers: internal and external.

#### **1. Internal barriers**

##### **Person does not want to do business**

- lacks the incentive to do business (he already has a good salary at work)
- is afraid of the risks of doing business (he is worried, he does not trust himself)
- does not have the necessary qualities to do business (he is not enthusiastic, determined, he lacks stamina, etc.),

##### **Person is not able to do business**

- has "nothing to do business with" (absence of know-how and idea)
- fails to evaluate opportunities
- does not know the basic requirements related to business
- does not have sufficient prerequisites to be able to do business (managerial skills, cannot deal with business partners)
- does not have the necessary resources at its disposal (lacks founding capital),
- does not have suitable premises for business
- lacks proper help from the environment (trust of banks, family and potential partners).

#### **2. External barriers**

##### **Economic environment**

- accounting, tax, customs, price and other requirements, business support, especially for start-ups

##### **Legal environment**

- establishment and operation of business activities (Trade Licensing Act, Commercial Code)
- operation of business activities (business relations, economic requirements, safety and health at work, requirements for production quality and consumer protection)

### **Business infrastructure**

- banking, insurance, communication, educational, consulting, information services, public administration

### **Public opinion**

- general environment and views on entrepreneurship and entrepreneurs, presenting only negative examples

(Veber, Srpová, 2008)

## **2.4. Business plan**

A business plan is an integral need of every entrepreneur, whether only written on paper or developed by a coherent sophisticated structure, a business plan is an essential part of founding a company. Every entrepreneur compiles a business plan, because only the writing of a business plan will force the author to think in about the future in detail. This business plan should serve as a management tool rather than a basis for obtaining external resources, due to the financing of the new company from its own resources. Here are some examples of business plan definitions:

*“A business plan is a written material prepared by an entrepreneur, describing all key external and internal factors related to the establishment and operation of the company.”* (Koráb, Mihalisko, 2005, page 23)

*“It is a document that serves both the business owners, their managers (executives) and external investors... provides the owner with guidance for his further planning activities, serves as an important tool in obtaining financial resources.”* (Koráb, Režňáková, Peterka, 2007, page 216)

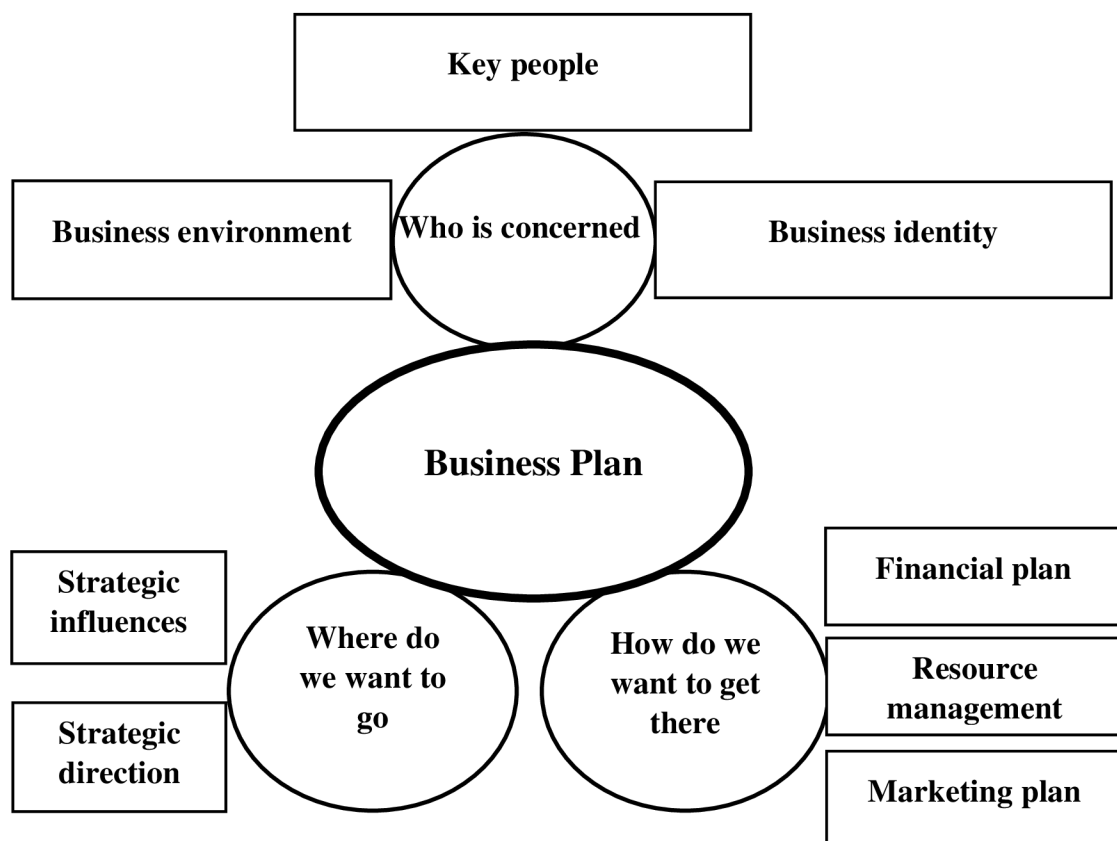
If the business plan is compiled correctly, it will show whether the project is viable, it will alert us to possible shortcomings before the very beginning of the business. It will



help in sorting out ideas, setting goals for your business, finding financial profitability. Project builds may appear during assembly. Through the financial part of the plan, you can better evaluate the feasibility, competitiveness and financial profitability of the company. A well-designed plan supports the entrepreneur in finding funds from banks or other possible external investors.

The business plan is important not only before the start of the activity itself, but also in its course. The business plan, which contains not only the current situation but also the future, is drawn up in order to become a reality and to minimize the risk of failure, it also serves as a basis for obtaining resources for financing the company. There is a growing hope that the company will get where the entrepreneur wants it to be, thus reducing the risk of failure. (Koráb, Mihalisko, 2005)

The following figure tells us the connection of the factors that need to be considered. The business plan is to answer these three basic questions: Where are we now, where do we want to go and how do we get there. (Koráb, Mihalisko, 2005)



*Figure 2: Purpose and meaning of a business plan*

(Source: Own processing by Koráb, Mihalisko, 2005, page 24)

## **2.5. Start up**

A start-up is a newly emerging business idea or project with a business plan that has the potential to be monetized. The start-up tries to solve the market situation locally and in an innovative way. Many start-up businesses are formed because the owner wants to work for themselves rather than for an employer. This is a very valid reason and is becoming a more and more popular dream.

Many start-up companies are formed as Limited Liability Companies. To form a Limited Company, you need to register it with the state. This is the equivalent of obtaining a birth certificate for the company and normally involves a small set of forms to be completed, together with the preparation of the company's constitution.

(Harris, 2018)

### **2.5.1. Developing a start-up**

#### **Team building**

It is essential to organize the right team to create a start-up. There can be a great idea for a project which promises outstanding innovations, has a vibrant waiting market, will have sound management methods and compelling additionality arguments, but if the team is not right the start-up is still likely to fail. This could mean the team of specialists that can be recruited to work with the start-up, such as employees or sub-contractors.

Once the team is organised it is important that all team members meet at least once while the proposal is being written. There are strong parallels to the writing of a business plan here. The meeting will be very important for planning the project and ensuring everyone agrees with it. It will also give everyone an opportunity to get to know each other a little so that if any problems occur, there is a chance to fix the issue or find a replacement. Perhaps of most importance though is that it allows everyone to show their commitment to the project.

(Harris, 2018)

According to the results of the Start-up Report 2017/2018, the term start-up means:

*"a company that offers a unique, scalable solution that ideally changes people's lives."*

The goal of start-ups is to grow as quickly as possible into a profitable, viable and stable company that is no longer a start-up.

### **The life cycle of start-ups**

The life cycle of start-ups can be divided into four phases:

#### **I. Pre-seed, Early Stage**

The initial phase of an idea when the company's organizational structure does not yet exist. The founders of the early-stage start-up believe that they have found an innovative solution to a problem or gap in the market that could be monetized.

#### **II. First investment (Seed)**

The idea has been brought to life and there is already a legally established company.

The company is trying to launch the first prototypes of its products or services.

#### **III. Growth**

At this stage, the company has a finished product and is trying to grow and expand as quickly as possible.

#### **IV. Start-up**

A fully fledged business idea. The company already has a clear structure, is stable and can work on further growth, which, if it continues, should result in the establishment of a classic business.

The most successful start-ups are called "unicorns". It is a designation for start-up companies with a value of at least USD 1 billion (Uber or Airbnb).

(Start-up Explore [online], 2020)

## **2.6. Situation analysis**

### **2.6.1. SWOT analysis**

SWOT analysis is a simple tool that focuses on the characteristics of key factors affecting the strategic position of the company. It is an approach of continuous confrontation of internal resources and abilities of the company with changes in its surroundings. The SWOT analysis also uses other analysis by defining the main strengths and weaknesses of the company and comparing them with the main influences from the company's surroundings.

The SWOT analysis approach distinguishes between two characteristics of the company's internal situation - strengths and weaknesses, and two characteristics of the external environment - opportunities and risks. At the same time, however, this approach implies a significant limitation of the SWOT analysis, caused by the need to distinguish strengths from weaknesses and opportunities from threats.

The basic goal of the SWOT analysis is to develop strengths and suppress weaknesses and at the same time be prepared for potential opportunities and threats. The aim of the SWOT analysis is by no means to compile a list of potential opportunities and threats and strengths and weaknesses, but above all the idea of a deeply structured analysis providing useful knowledge.

(Sedláčková, Buchta, 2006)

### **3 basic steps to implement a SWOT analysis**

1. Finding and predicting the main changes in the company's surroundings, which will be served by the outputs of many other analyses. It is good to pay special attention to the driving forces of change and key success factors.
2. Utilization of the outputs of parts of the internal resources analysis and the company's ability to identify strengths and weaknesses and certain strengths
3. Assess the interrelationships of individual strengths and weaknesses on the one hand and the main changes in the business environment on the other. To do this, you can use the representation of individual characteristics in the form of a SWOT analysis diagram.

(Sedláčková, Buchta, 2006)

As shown in the following figure:

<p><b><u>Strengths</u></b></p> <ul style="list-style-type: none"> <li>• Able to work in groups and individually</li> <li>• Able to adapt to various work environments</li> <li>• Goal &amp; customer oriented</li> <li>• Involved in the business community outside of academics</li> <li>• Creative problem solver</li> <li>• Strategic thinker</li> <li>• Ambitious / Calculated risk taker</li> </ul>	<p><b><u>Weaknesses (areas that I am working to improve)</u></b></p> <ul style="list-style-type: none"> <li>• Time efficiency</li> <li>• Lack of experience in market researching</li> <li>• Lack of variety in business environments I've worked in</li> <li>• Learning to be more detailed</li> </ul>
<p><b><u>Opportunities</u></b></p> <ul style="list-style-type: none"> <li>• Entrepreneurship: The required resources to operate a business are decreasing</li> <li>• Information Accessibility: With an increase in the number of free and inexpensive resources available is increasing</li> <li>• Technology: It is easier to collaborate with people outside of our physical reach through technology such as video conferencing</li> </ul>	<p><b><u>Threats</u></b></p> <ul style="list-style-type: none"> <li>• Entering a job market with 8% unemployment rate</li> <li>• Globalization: More applicants on average are applying for the same job position</li> <li>• Technology is constantly changing, increasing the importance of constantly learning</li> </ul>

*Figure 3: SWOT analysis diagram*

(Source: Study.com)

### **2.6.2. Porter's five forces**

Porter's analysis of the five forces is one of the basic tools for analysing the company's competitive environment and its strategic management. Porter considered the SWOT analysis to be too general, so he tried to replace it with his own analysis.

The main purpose of Porter's analysis is to derive the strength of competition and thus the profitability of a particular sector in the market. The state of competition depends on the action of five basic forces. Here, we assess the strength of competition, the threat of new competitors entering the market, the contractual strength of customers, the contractual strength of suppliers and the possibility of replacing your product or service.

#### **The power of competition**

In most cases, there are several companies operating in the same field on the market. This creates a competitive environment. Every company tries to find its competitive advantages, thanks to which it will gain more customers. Porter cites two options for competitive advantage. Cost and differentiation.

The cost advantage allows either a higher profit for the same price of goods, or higher quality for the same price, or a lower price for the same quality product or service.

The differentiating advantage will allow you to differentiate yourself from the competition. It can be speed of delivery, better taste (in the case of food) and other added value.

It is generally believed that it is ideal to have three specific things, thanks to which the customer chooses our product. Technological innovation, better customer service, new products on the market, etc. serve to gain this advantage.

### **The threat of new competition entering the market**

Are there barriers to entry. How difficult is it to enter the market. Theoretically, a new company can enter the market at any time, in practice it is more complicated. In many fields, the entry of new competitors is hampered by, for example, knowledge of technology, legislation, difficulty in building a distribution network, high need for finance to enter the market, know-how or high client loyalty to an existing company.

### **Contractual strength of customers**

How strong is the position of customers. They can negotiate a price. Customers also have bargaining power. Recently, the negotiating position of small customers has been growing. One negative review on the Internet can discourage many other clients from buying, especially in e-commerce or hotels.

Individual clients differ from each other:

By size - When analysing, it is useful to find out what percentage of sales fall on specific customers. E.g., The hypermarket will take much more goods than a small shop in the village. What is the bargaining position for a shop in the village and in which hypermarket?

By growth (number of pieces taken in the future) - Some companies may consume relatively little today, but if you see that they really have the potential for dynamic growth, they may be a much more important client in the future than they are today.

By requirements for the quality of products or services.

### **Contractual force of suppliers**

How strong is the position of suppliers. We can easily replace suppliers. Manpower, materials, components, supplies or energy. We usually handle all this with different suppliers. Relationships with suppliers affect not only the price, but sometimes also the

quality of delivered services or products. The strength of the bargaining power of suppliers is influenced by many factors.

### **The threat of substitution products**

How easily our products and services can be replaced by substitutes. Products from other industries may in some cases replace our product or service, at least for a certain group of customers. Substitution products are not direct competition. A train can be a substitute for an airplane, replacing a restaurant with food at home.

(Evolution marketing.cz, 2019)

### **2.6.3. 4P' s of marketing**

4P's of marketing is a tool that helps a company achieve its goals. This tool forces entrepreneurs to think about the needs and wishes of the customer in relation to the product, price, promotion, and place.

#### **Product**

The product is not only the product itself but also the level of quality, design, packaging, manufacturer's image, or warranty. A product can be any good or service that satisfies consumer needs.

#### **Price**

Price is the value of the product expressed in a given currency. But price is not just value. It can also include discounts, payment terms, etc. The price directly affects the profitability or loss of the company. The price can also be moved for greater access or exclusivity.

#### **Place**

This means where the product will be sold and what distribution channels will be used. So how do we get the product from us to the place where we want to sell it. This also includes the area of supply and transport. The main purpose of distribution is to make the product accessible to the customer at the best time in the best place.

#### **Promotion**

Promotion tells us how the customer finds out about our product. It includes all types of advertising, direct sales, word of mouth, public relations, marketing strategy, advertising budgets and the like. The main purpose of promotion is to increase product awareness.

(Corporatefinanceinstitute.com, 2022)

#### **2.6.4. Business model Canvas**

The Canvas model is the perfect format for consolidating a business plan, it clearly emphasizes where to start and during the creation the author acquires a lot of knowledge (Maurya, 2016).

This plan is very simple, relevant, intuitive, understandable; however, the wording of this model should not be too simplistic. Canvas includes knowledge about the company, competition, and potential market. The business model is composed of nine elements, which are arranged logically and thus show the possibilities of becoming a successful company (Osterwalder, 2015).

#### **Nine parts of the Business Model Canvas**

##### **1. Customer Segments**

- Target groups of people or businesses that we want to attract and engage in cooperation.

##### **2. Value Proposition**

- Propositions of products and services that make value for a certain customer segment.

##### **3. Channels**

- How a company communicates with and reaches its Customer Segments to deliver a Value Proposition. Communication, distribution, and sales Channels comprise a company's interface with customers. Channels can be direct or indirect, owned or partner channels.

##### **4. Customer Relationships**

- Types of relationships a company establishes with specific Customer Segments.

##### **5. Revenue Streams**

- Sources of cash that the business obtains from customer segments.

##### **6. Key Resources**



- Important resources that are necessary for the function of the canvas business model. These resources allow an enterprise to create and offer a Value Proposition, reach markets, maintain relationships with Customer Segments, and earn revenues. Key resources can be physical, financial, intellectual, or human. They can be owned or leased by the enterprise or acquired from key partners.

#### **7. Key Activities**

- The most important activities that need to be done to make its business model work. These are the things that are needed to create and offer value, reach markets, keeping customer relationships and build revenue.

#### **8. Key Partnerships**

- A list of suppliers and partners that make the canvas business model work.

#### **9. Cost Structure**

- Every cost created to run a business model.

(Spremutedigitali.com, 2013)

### **3. Analysis of the current situation**

#### **3.1. 4P' s of marketing**

##### **3.1.1. Product**

CBDLEVNE.CZ products are dried and cured CBD buds, which can be consumed by inhalation or turned into CBD oil, from which it is possible to create many other products from which the proven health benefits of CBD can be used. Our product is a physical product delivered in a raw version, then it has a wide range of usability. To satisfy customer demand, we focus primarily on the B2B market. This means that we offer a larger amount of CBD for individual retailers or stores. There is still room for negotiation or seasonal sales of packages if there is demand for them.

Why should individual sellers and stores shop with us?

As I have already mentioned, we found that there are not many local growers in the Czech Republic who focus on the B2B market, there is not a large one in the Czech Republic. We therefore offer a local alternative to a foreign CBD at higher prices. Our advantage is that we are established in the Czech Republic, and we solve many problems faster, in the local language and, above all, customers can check us directly on the farm.

How is CBDLEVNE.CZ marked?

We focus our brand on the B2B market, we focus primarily on individual small shops and retailers throughout the Czech Republic. At the beginning, we would focus on the South Moravian region. To make it more attractive to our potential customers, we plan to run ads as well as seasonal sales packages to increase sales. We would use semi-formal to formal communication because we will be dealing with sellers and store owners, which usually makes a better impression when talking about current and future sales.

##### **3.1.2. Price**

With our defined product, we must define the price of our product. To define the price, we need to know who our target group is. Our customers are local CBD stores or ecommerce, who are interested in a new cheap variety and are interested in CBD and especially its medical benefits. Prices are always tricky and can be a sensitive topic. Our

customers will be particularly picky about price because we need to keep in mind that we will be working in the B2B market. So, our customers must also have room for profit.

Our price for a large consumption, at least one kilogram is set from 30 to 40 CZK per gram. We will not even carry out smaller consumption. However, with the price set, we are open at a discount if the purchase is large enough. We offer packages in premium quality weighing from 1 kg. Because we want to diversify our selection and adjust find the best way.

Because the CBD market is becoming more popular, and legislation is following this trend. In the coming times we can expect and grow competition. We want our price and advantage to be so that we can beat the competition.

### **3.1.3. Place**

The place where our business will take place will be mostly physically directly at local CBD online stores. We can also use our own storage space.

We will also use the e-shop connected with a personal meeting, but it is not planned for this season. In terms of our presence and marketing communication, we will use not only direct access and communication with the customer, but also the word-of-mouth method and online platforms and social media. Our main online presence will be available to view and reach via our Facebook and Instagram websites. We bought and own the domain CBDLEVNE.CZ. And we can use it and create only a landing page about us and transfer the shopping portal of our Facebook and Instagram pages. Future websites will be used mainly to present our brand in order to increase the reach of our other sites.

We firmly believe that our combination of e-commerce and personal meeting is enough for us to manage our brand. The reason is that our target audience spends more time and activities on Instagram or Facebook.

### **3.1.4. Promotion**

Our sole goal of our promotional strategy is to increase awareness of our brands and, at best, to increase sales. The first step for our customers is to see and notice our marketing posts on Facebook and Instagram.

Our contributions should act as a binder for public relations and also as a tool for announcing our promotional strategy, seasonal packages. The last but important way to promote our business is word of mouth, which is probably the most effective way to market, especially when customers pass on experience and thus advertising to themselves. It's free and people are creating a real appeal for our brand.

### **3.2. Porter's five forces Model**

Let's look at our Porter's Five Forces Model. It will help us find out who has the most power in a given situation.

#### **3.2.1. Supplier power**

Since we are suppliers ourselves, our suppliers have very little power over us. The only thing that must be supplied to us are seeds, which can be obtained from various sources. When our supplier raises prices, we simply move on to the next one.

The idea that all CBD seed suppliers would raise prices is minimal.

#### **3.2.2. Buyer power**

There are not many of our target customers yet. Therefore, I am afraid that they may have an effect on lowering the price and therefore have quite substantial power. Naturally, in such a case, we would try to expand our target audience, but it would not have to be easy for possible new conditions of cooperation and we would also discard the established contacts.

On the other hand, we would be other domestic suppliers and our prices are already so low. Here, too, there is still the opportunity to move directly to the B2C market, where there would be a huge number of customers and their power above us would be negligible.

With this in mind buyers' power is medium.

### **3.2.3. Competitive rivalry**

Although there is no big major competitor in the Czech Republic, there are many foreign ones. Especially those from Spain or Italy can compete with us on prices. They have their advantages as better climatic conditions for cultivation. They also have their disadvantages, namely transport costs, cooperation across half of Europe and the complexity of controlling the delivered product.

Looking at our prices, our mutual product quality is comparable. Unlike us, however, it also offers more expensive options with better premium quality.

I see the weakness of the competition in marketing. Because they are long-running large suppliers, they don't care so much about marketing. We can appeal to this aspect as a new competitor. Social networks, various competitions or pay per click ads can be our advantage.

Taking into account the above power of competitive rivalry is medium.

### **3.2.4. Threat of substitution**

The threat of substitution is clearly high. Our customers can turn to many other suppliers, albeit at slightly higher prices. They may even outsource the growth and adjustment of CBD to someone else. Theoretically, they can grow their own CBD products.

In that case, however, most CBD stores would lose their ease of marketing and ease of resale. Our product is not so difficult to grow with the necessary know-how. But as mentioned earlier, demand in the Czech Republic is still in its infancy, so end customers are purchasing the product gradually and selling out a few pounds of CBD during the season is the biggest challenge.

So our customers can get our product elsewhere quite easily. But most of them will not change their long-running business resale plans.

Overall, however, I still rate the threat of substitution as high.

### **3.2.5. Threats of new entry**

Threat of new entry is another serious force that needs to be reckoned with. Our position can be easily threatened by the entry of new entities into the market. As we know this

well, it does not require a lot of money for such an entry, the know-how and the technology used can be studied online via scientific articles or even YouTube. Even a legal party about which there is still no public awareness is becoming freer and more, and only with a notice to the customs office and permission from the local mayor, an almost unlimited amount of CBD cannabis can be grown.

So, with the growing interest in CBD products, there will certainly be more new rivals in our market. Therefore, our long-term vision is to be the largest number one supplier on the Czech market to radically reduce this threat. If someone new enters the market, we could surpass them with prices, history, brand and generally already established cooperation.

It is also necessary to consider that the CBD market in the EU, which we have found so far, is dominated by several large suppliers. There is no such supplier in the Czech Republic yet and our vision is to become such a supplier.

Now, our market position is zero. We enter with a great risk that someone else will overtake us. The threat of new entry is therefore very high.

### **Conclusion of Porter's Five Forces Model**

*Table 1: Porter's five forces*

<b>Factor</b>	<b>Degree of impact</b>
<b>Supplier power</b>	<b>Low</b>
<b>Buyer power</b>	<b>Medium</b>
<b>Competitive rivalry</b>	<b>Medium</b>
<b>Threat of substitution</b>	<b>High</b>
<b>Threats of new entry</b>	<b>Very High</b>

(Source: Own processing)

### **3.3. SWOT analyses**

In this part I am going to identify and investigate our strengths, weaknesses, opportunities, and threats for our business case. My earlier analysis of 4P's of marketing showed us important information about our product, price, place, and promotion. Now I will investigate our individual and specific case in terms of our advantages and disadvantages.

#### **3.3.1. Strengths**

##### **The price-performance ratio of our product**

Definitely the strength number one. There is no competitor in the Czech Republic who would supply our Tatanka CBD variety at better prices.

##### **Local production**

We offer solid added value of Czech production. no shipping fees, use of only Czech raw materials. Our customers also contribute to the improvement of Czech GDP and together we are strengthening our strength in the market. Last but not least, they also support young students and student start-ups.

##### **Transparency**

Our customers can visit us at any stage of production, see our methods and procedures. They can see us directly on our premises, check our supplementation and that we use only natural ones and that all our products are free from pesticides.

##### **Adaptability of production on request**

Thanks to transparency, agreement and adaptability are also possible. We can offer various grown outdoor varieties as well as supplementation or drying methods and possibly also packaging of the product.

##### **Long-term cooperation**

We rely on long-term cooperation. For our customers, we want a contracted subscription for the next seasons. They can rely on us for long-term delivery of our cbd and also for long-term benefits.

##### **The more we grow, the bigger the margin**

In our business model, the margin is really huge. We sell a gram of CBD for 40 CZK. Last season when we grew on 300 square meters one gram cost us about 10 CZK. We can already see from this that we have a great strength. And that is the possibility, if necessary, to reduce the margin and still be profitable.

And that brings us to the next point. The larger the area we grow, the more product we will produce at a lower cost. In our business model, the harvest and profitability of the product is not directly proportional to our costs.

### **Own space and cost reduction**

As I mentioned earlier last season, we did not have any costs to rent the field or even the water provided by the flowing river. We also had our own drying and storage facilities. This has allowed us to drastically reduce overall costs. However, it will not be possible to count on such a future in the future, as we want to grow.

### **Flexibility**

Because we are flexible, we can change or adjust our plans and strategy. We are young and we are not reliable in the income of our business case. We are in a position to try many different approaches. If necessary, we can find new solutions and approaches that are critical enough to come up with a different method. We also try to think outside the box.

## **3.3.2. Weaknesses**

### **Lack of experience and expertise**

None of us had experience setting up a business or growing so many plants for profit. Due to this weakness, we could not grow as we expected from our calculations. Which is a huge weakness considering that we expected twice as much CBD product as we finally got.

### **A small number of CBD stores in Brno and the whole Czech Republic**

Since we only grow one variety so far, we may not have anyone to sell quickly, even if there is interest. According to our research, customers will purchase the product from us in a maximum of kilograms. But the number of CBD stores in the Czech Republic theoretically suitable for taking our product is about 15.



As we want to grow, we soon grow into tens to hundreds of kilograms of product. It will no longer be possible to achieve such consumption throughout the Czech Republic.

#### **Not yet established cooperation with customers**

Although we already have our key contacts, but still not with customers. We can grow as much product as we want, but if we don't have anyone to sell it to, it's useless. This is a major weakness, but it can be addressed and quickly turned into a strength.

#### **Small area of the growing field**

If we had twice as big a field last season, we would theoretically have twice as much profitability. But costs would rise much less than twice. Therefore, if we already had a larger growing area, we could have many times higher returns on our capital.

#### **Insufficient equity for greater growth and expansion.**

After all, we are students and we cannot invest in growth in the form of fields of tens of hectares, and the huge staff costs associated with this simply cannot be afforded.

### **3.3.3. Opportunities**

#### **Interest in CBD products is flourishing**

Demand for CBD products is growing. We can therefore assume that supply will also increase. Interest is growing in all possible sectors, whether medicine, sleep quality, stress, sports and regeneration or gastronomy and cooking. The Czech Republic is still in its infancy in the field of CBD. I think growth is inevitable here too. The offer is quite limited and therefore creates space for opportunities.

#### **Absence of local competition in the Czech Republic**

There is still no major CBD supplier in the Czech Republic. So far, all competition is abroad. For now, we can focus on the Czech market, laws and demand, and this gives us huge leverage for future competitors.

#### **Ongoing legalization of the CBD**

In Europe, it is finally realizing that CBD is not a drug and has no negative effects. Therefore, individual states downplay the conditions for handling, selling and using CBD products. In the Czech Republic, for example, the maximum value of THC in CBD products was 0.3%. Recently, the laws adjusted the value to 0.9% - that's three times the

original rate. This gives CBD products a whole new range of opportunities and possibilities.

### **Potential legalization of THC**

This opportunity is quite in the future. But depending on the situation in America and their steps to legalize THC products, we can expect something similar to happen in Europe. After all, the current unregulated black market in these products does not give the state any benefit and, above all, no profit from taxation.

This point is closely related to our CBD project as these products are obtained and grown in exactly the same way. So far, we are gaining experience, expertise, capital, and a market position. As soon as THC laws and regulations change, we will be ready to enter and occupy this market quickly.

### **Subsidies from the European Union**

Another huge opportunity is the possibility of obtaining subsidies from the EU for agriculture. Not only are we student start-ups, and we create products used in medicine, but we are organic growers. Therefore, it is not at all unrealistic to get any contributions from the EU.

### **Possibility to attract investors**

We could also be of interest to investors with the necessary and demonstrable know-how. They will definitely be needed for potential expansion. And if we offer them an interesting investment with covered risks, we can get the necessary external capital

## **3.3.4. Threats**

### **Uncontrollable threats such as weather**

Cannabis is basically a weed, which means it doesn't need much to survive. Adverse weather, however, results in poorer final product quality. It may even happen that due to excessive rain in the season, the entire crop may become mouldy, or the product may be otherwise damaged and therefore not for sale. Likewise, sunshine or frost overnight can have fatal consequences for the CBD.

### **Risk of new competition coming.**

As there is still no solid CBD supplier in the Czech Republic, there is a great threat of new local competition. After all, our concept is simple, and its successful implementation requires just high-quality know-how.

We may also be replaced by new or existing foreign competitors with their arrival on the Czech market. The vast majority of CBD stores buy their raw CBDs from foreign suppliers. These suppliers already have a functioning model in place, so it is not a problem for them to expand into the Czech Republic. Their disadvantage is, of course, the cost of transportation. And great distance from buyers to control production.

### **Possibility of mould occurring during the drying phase or storage**

Another significant threat that can cause significant to fatal damage to our project. The drying phase is the removal of water from the product. Therefore, the risk of mould is enormous. In case of insufficient control and poor equipment of drying rooms, it is possible that the whole cultivated product will be unusable.

### **Change of laws or regulations on legal CBD products**

This threat is unlikely, but not unrealistic. Laws and regulations can change very quickly. We do not know why or why the legal aspect of the CBD should change, but it certainly needs to be taken into account.

### **Conclusion of SWOT analysis**

From the SWOT analysis, I can say that we have an interesting, feasible, albeit risky and profitable business idea, which needs to be implemented as soon as possible. This is primarily due to the threat and risk of new competition.

The threats also show us uncontrollable threats such as weather, possible mould, or other reversals. However, these events are normally insurable for growers. The insurance probably won't pay the lost profit, but it will certainly prevent the season from falling into a loss or deprivation.

In terms of opportunities, we can see that interest in CBD products is generally growing and the Czech Republic is in this respect, still in its infancy in terms of local competition, regulations and applicable laws, sales, marketing, supply, or processing.

A huge opportunity is the possibility of obtaining subsidies from the EU for agriculture. Such a subsidy would cover most of our costs, make us more legitimate and, above all, allow us to expand throughout the Czech Republic and possibly beyond. As well as the opportunity to attract investors. But here, of course, is the other side of the coin, to share with them a profit or a share in the company.

Given the strengths and weaknesses, I would say that the strengths outweigh the weaknesses that can still be worked on.

## 4. Small business establishment and development proposal

### 4.1. Business model Canvas

To characterize business plan for cbdlevne.cz I choose the business model canvas. The canvas is a great tool to help me understand a business model in a straightforward, structured way. Using this canvas will lead me to insights about the customers we serve, what value propositions we offer through what channels, and how our company makes money. Of course, we will never have the perfect final canvas as it will change and expand throughout the business.

<b>Key Partners</b>  - Czech-CBD.cz For seeds	<b>Key Activities</b>  Growth, marketing and sale of CBD flowers	<b>Value Propositions</b>  We bring high quality cbd flowers for the best price in market.	<b>Customer Relationships</b>  We provide best prices and best quality. So all love us	<b>Customer Segments</b>  Either e-shops or physical stores who sell CBD flowers and products
<b>Key Resources</b>  Our own financial + personal resources + our own land			<b>Channels</b>  -Email -search engines -social media -ecommerce store	
<b>Cost Structure</b> - Seeds - Workforce - Rent for storage place - Equipment - Transport expenses - Packaging costs			<b>Revenue Streams</b>  - B2B sale of our product	

*Figure 4: Business model Canvas*

(Source: Own processing)

#### 4.1.1. Customer segments

The customer segment is quite clear. As we are primarily oriented to the B2B market, we must focus only on CBD product stores throughout the Czech Republic. Whether e-shops or physical stores. Our target customer fits into a segment focused on average quality at the best possible price. They are also happy to welcome and support the Czech market with local production without unnecessary transport costs. Our ideal customer is also

looking for long-term cooperation and is not afraid to risk entering the market with our newly offered Tatanka CBD variety with an optimal price-performance ratio. The premise, of course, is that our customers no longer offer this variety and do not have agreed contracts with foreign suppliers.

The transition to the B2C market is not yet planned, as we want to focus primarily on large-scale supply and the fastest possible purchase from our contracted customers.

#### **4.1.2. Value proposition**

Maybe it sounds unbelievable, we can create a product at the best price on the Czech market and still take the margin from it. Details on financial numbers, costs and sales prices will be shown in the next chapter.

As already mentioned, our greatest value comes from the price-performance ratio. Price comparable to the cheapest European suppliers and quality corresponding to the competition on the Czech market.

Furthermore, our value is in the ability to process the entire plant according to the customer's wishes, we do not have to sell only flowers, but we can also use stems and leaves to produce CBD oils or other products. Our customers can follow the whole process in detail, as our premises are only a few kilometres from Brno.

#### **4.1.3. Revenue streams**

Our main source of income is B2B sales. But if we find demand in the B2C industry, we can focus there as well. In this case, we would omit the intermediary and the margin would be much higher. But only if there is demand and we do not sell the whole product business to business.

All cultivation is carried out outdoors, and we do not even plan the transition of cultivation to indoor areas. Our business is only seasonal, when plants are planted in the spring and harvested in the autumn. Revenue streams are expected regularly every year at the end of autumn. After that, he will sell all the stocks to our contracted customers in as many quantities as possible. As we have only one variety so far, it is possible that we will not be able to sell all the stocks in the Czech Republic. In that case, expansion to other countries would be possible, but about that in the next chapter.

#### **4.1.4. Channels**

We already handle most communication by email and telephone. But once we get to the stage of presenting samples of our product, the main channel of personal communication will be faced to face. This channel is essential for us, because at this stage we will either gain a customer or discourage him. We get immediate direct feedback from the customer, which is very important to us. The customer, i.e., the CBD seller, will get a chance to move and grow on the Czech market with our new product (if it does not already offer it) and we will get a unique chance to achieve our goal, i.e., to establish long-term cooperation and acquire the contracted customer of our CBD.

Another necessary channel is social media and your own website. In terms of marketing, these will be the most presented channels, especially if we can promote these tools on the front pages of search engines or various pay per click ads. They will also serve as online communication and support with the customer. They are also very important for building the company's history and especially trust. These are also essential qualities for future growth.

And finally, we are also considering our own e-shop. In case of great growth or transition to business to customer market, it is a necessity.

#### **4.1.5. Customer relationships**

Customer relationships are key for us. If we secure the purchase of the product for the next seasons, we can grow on a much larger scale. And when our product is of good quality and unbeatable prices, customer relationships can only thrive.

In addition to a friendly approach from our young, energetic student side, we can support relationships by sending certified free samples for testing. Refunds in case of dissatisfaction or any damage to the product are a matter of course. A pleasant unusualness for our customers is the possible visit of our farm at any stage of cultivation, quality control, used supplements and others. Furthermore, we can offer our long-term customers discounts in the form of a percentage for each kilo of product taken.

#### **4.1.6. Key activities**

We have two key activities:

##### **a) Growth**

This phase is clear. To sell, we must first obtain a product. Because we are suppliers, we have minimal cost for our product. This key activity is the alpha omega of our company. We must take care of every aspect and detail in cultivation. Although cannabis is actually a common weed, the slightest deficiency or surplus results in a significant impact on the resulting CBD values. But we must sacrifice a lot of time, work, and nerves and, above all, have hard-earned know-how.

##### **b) Marketing and sales**

Once we have a satisfactory product of sufficient quality, we can reach our customers, introduce ourselves to them, introduce them to our samples and our variety, and create potential business partners to whom we sell our CBD flowers.

#### **4.1.7. Key resources**

The first key resource will be our school team IMEUS. This will provide us with the necessary seed costs. The rest of our costs will be covered by our own resources. However, these expenses are minimal compared to the cost of quality seeds.

Another key source is its own growing area with an unlimited source of water. We have in the family a relatively large field near the river and established water, so perfect for cultivation. This will save us a lot of the cost of renting the land and ease the worries of regular watering.

There is also the possibility of obtaining agro subsidies from the European Union, especially for a student project. Such a subsidy would allow us to expand in a really serious way and endanger even European competition. So far, this is just a possibility and a question of the future.



#### **4.1.8. Key partners**

Our main key partner is Czech-CBD.cz. We can't do these guys. They provide us with the import of seeds from Spain from one of the most premium seed banks, Royal Queen Seeds. This seed bank provides us with quality feminized seeds (i.e., the success rate that females grow from flowers, which, unlike males, produce flowers is 100%). Their seeds also guarantee 99% germination success. The best part is that even though we bought only 300 seeds this year, we negotiated wholesale prices that are unbeatable compared to other Czech suppliers. They can also help us with the sale and purchase of our product.

Another partner is AQUATEST a.s. where they take care of the certification and legality of the final product. They are happy to help students in research, so we have a 50% discount. Without them, we would be engaging in illegal activity. But we have nothing to fear now with the correct and demonstrable values of our CBD.

#### **4.1.9. Cost structure**

Our most important cost is, of course, quality seeds. In addition, there are a lot of other costs, such as:

##### **Labour costs**

This season, we took care of almost the entire process ourselves to gain the necessary know-how. With the help of friends, we only needed a few part-time workers for the final harvest. In the case of another season and expansion of production, labour costs will be the largest cost. The whole process requires a lot of attention and a lot of time, especially in the final stage of product modification.

##### **Water and other plant supplements**

Plants need a lot of water, especially in the growth phase. We can't just rely on rain, so we need units of cubic meters of water. Supplementation will vary from season to season. For example, plants will always need nitrogen to grow. Additional supplements will depend on the current state of the plant, soil acidity, the amount of rain or sun exposure.

##### **Rent for fields and drying and storage facilities**

Another important cost in the future when our own land will not be enough. Land will be needed both in the vicinity and at the source of clean water. The soil quality must be at least brown soil and the soil must not be hard or stony. Black soil would be the best option.

Such rent will not be in small amounts. Storage spaces will be cheaper, as we only need a remote place in the countryside, such as a barn.

### **Cost of packing**

It is also worth mentioning. It will very much depend on our customers if they want packaging with our brand or they will leave their own packaging only from the origin of our brand origin. In the case of business to customer. The cost of packaging would be among the top. It is not cheap to divide tens of kilos into packages of grams or units of grams.

Additional costs are in small amounts. Flowerpots, car transport costs, social media advertisements, own web domain.

## **4.2. Financial plan**

In this section, I want to focus on raw numbers. I want to find out what the profit from this start-up can be.

### **4.2.1. Financial resources**

Since the big plus of this idea is the minimal cost, we paid all the costs from our own resources. My colleague and I each have 35,000 CZK to invest in the project, so together we have 70,000 CZK from our own resources. This should cover all our planned production costs, processing, and distribution of our product.

The costs are also so low because we have no employees. All our labour costs are within two weeks of harvesting and processing the product, and a maximum of 5 temporary workers is required.

### **4.2.2. Start-up costs**

These are the necessary costs required to produce the product itself. It is also a cost as we already know to produce 8 kg of CBD flowers. They contain basic items such as seeds, plant feed and transport costs to the field.

The table below also shows the cost of renting the field, which was provided to us for free, and rent for the administration and maintenance of an e-commerce, which is not yet needed for our needs.

*Table 2: Initial costs for the first season*

Year 1				
Item	Amount/pcs	Price per piece	Total	Total Purchases (without rent)
Seeds CBD	250	100,0 Kč	25 000,0 Kč	<b>36 750,0 Kč</b>
Nutritions	1	2 000,0 Kč	2 000,0 Kč	
Water 1000l	10	90,0 Kč	900,0 Kč	
Pesticides	1	2 100,0 Kč	2 100,0 Kč	
Petrol 1l	200	25,0 Kč	5 000,0 Kč	
Pots	250	7,0 Kč	1 750,0 Kč	
E-commerce rent	12	750,0 Kč	9 000,0 Kč	
Rent	12	500,0 Kč	6 000,0 Kč	
<b>Rent total</b>			<b>15 000,0 Kč</b>	

(Source: Own processing)

Start-up costs are 36 750 CZK. The mentioned amounts are calculated at the time of planting last year, they are not current, but they are our real costs.

Our major additional cost was for the labour. These are expenses for temporary workers for harvesting and subsequent processing of the product. That cost us 32 400CZK.

*Table 3: Calculation of expenses for temporary workers*

Items	Amount	Cost per one worker in CZK	Number in hours worked	Total price in CZK
<b>Temporary workers for harvest</b>	5	150	21	15 750
<b>Temporary workers for processing flowers</b>	5	150	22,2	16 650
<b>TOTAL</b>	10	150	43,2	<b>32 400</b>

(Source: Own processing)

**Total start-up costs: 36 750 + 32 400 = 69 150 CZK**

With all these costs mentioned, we no longer have any operating costs. Packaging is not required from us

### 4.2.3. Obtaining financial data

In order to base my calculation on real numbers, I did a little email research to get the data we needed.

So, I sent emails to thirteen CBD stores that could be our customers in the Czech Republic with basic questions:

1. What quality of CBD cannabis they require, especially what percentage of CBD value
2. What price level do they imagine for one gram.
3. The amount of CBD they can take from us in one season
4. Whether they are willing to establish long-term cooperation or not.
5. Any other conditions if they have it on us

Ten of them responded with interest and answers. I want to choose the three most suitable CBD stores and I will base my calculation on them.

*Table 4: List of contacted CBD stores*

Table of other potential customers and the differences between them					
Name of the store	Quality	Price	Quantity of consumption	Long-term cooperation	Other conditions
<b>Store N01: Clement's CBD Store</b>	At least 8%, with a maximum THC	Maximum of 25 CZK per gram. Premium	At least 1 kilogram, at most 5 kg	Not a problem	They would like to see small testing sample first

	value of 0.2%	quality 35CZK per gram			
<b>Store N02: CBD SHOP</b>	Minimum amount of CBD above 10%.	Maximum of 35 CZK per gram	They first want 100 grams to try and then they can take up to 3 kg	long-term cooperation is not hindered.	Test of 100g packed in packages of 1 to 5 grams
<b>Store N03: CBD Store</b>	They accept from 4%	Up to 40 CZK per gram	From one kilogram	Possible	Possibility of flavouring our CBD with their ingredients
<b>Store N04: CBD Group</b>	Minimum amount of CBD above 8%	Maximum of 20 CZK per gram	Up to 5 kg	He will be happy for long-term cooperation	Deliver our CBD in any airtight dark container.
<b>Store N05: CANNA SHOP</b>	From 5% of the CBD value	Maximum of 25 CZK per gram	They can buy 0.5 kilograms for the test	Yes	Grow another variety of their choice
<b>Store N06: Green MEDIC</b>	This CBD store wants to physically see and try samples of our finished product for the first time, and then we can talk about the conditions of cooperation. But in advance we can talk about 20 crowns per gram.				
<b>Store N07: CBD STAR</b>	They do not want raw CBD flowers in grams, but already finished pressed CBD oil with a CBD content of at least 10%. In this case, they could buy 10ml of oil for up to 500 CZK.				

<b>Store N08: CBDBRNO EXPRESS</b>	From 5% of the CBD value	18-26 CZK per gram	From 0,5 to 2 kilograms	Yes	No other special requirement s
<b>Store N09: CBD PHARMA E- SHOP</b>	This e-shop is interested in cooperation only when we supply CBD oil.				
<b>Store N10: CBD svět.cz</b>	CBD above 5%	15-25 CZK per gram.	Up to 3 kg.	If we accept all the conditions, yes	Own brand, packaging

(Source: Own processing)

## **Selection of the three best customers for us**

### **1. Clement's CBD Store**

Our favourite CBD Store with a very nice and helpful owner who is open to all kinds of suggestions.

We meet its required quality of 8% of the CBD value

He can buy 1-5 kg from us, so we expect an average of 2.5 kg.

With a purchase price of 25 CZK per gram, it is not the most profitable, but with long-term cooperation and the possibility of growing other varieties, it is our number one customer.

### **2. CBD Store**

We choose this store due to the offered purchase price of 40 CZK per gram. It requires high quality, but here we meet at least part of our harvest. After testing, they can take 1 kilogram.

### **3. CBD Group**

We put this Store in third place mainly because of the larger purchase capacity - up to 5 kilograms. Although it pays only 20 CZK per gram per gram in the event of the need to sell out, this store is very suitable as a customer for long-term cooperation.

We take into account the cooperation with the above-mentioned three CBD stores after the result of the email analysis.

$$2,5 + 5 + 1 = 8,5 \text{ Kg}$$

Together mentioned shops can buy up to 8,5 kilograms of our product. That is sufficient for our supply and stock of 8 kilograms

$$62\ 500 + 40\ 000 + 90\ 000 = 192\ 500 / 8\ 000 = 24,0625$$

On average, all three shops will have a purchase price of 24,0625 CZK per gram

#### 4.2.4. Planned expenses and incomes

From the above-mentioned total costs of 69,150 CZK and of which 8 kilograms of CBD flowers grown, we can calculate the cost per gram of CBD.

$$69\ 150 / 8\ 000 \doteq 8,64 \text{ CZK}$$

8.64 CZK are expenses per gram of CBD. The room for profit and margin is therefore large.

After the final processing of our product, we can sell all our stocks directly to our three mentioned stores once. So, we can count on the following realistic profit in the first season i.e., for the first year.

*Table 5: Realistic annual sales and expenses for the year 1*

	Clement's CBD Store	CBD Store	CBD Group	TOTAL
<b>Number of grams sold</b>	2 500	1 000	4 500	8 000
<b>Sales</b>	62 500	40 000	90 000	192 500
<b>Costs</b>	21 600	8 670	38 880	69 150
<b>Profit</b>	<b>40 900</b>	<b>31 330</b>	<b>51 120</b>	<b>12 3350</b>

(Source: Own processing)

The calculated realistic profit for the first year is therefore 123 350 CZK.

#### 4.2.5. Expected realistic expenses and incomes

Our start-up assumes stable sales growth due to the growing awareness of our start-up and CBD in general. That is why we are planning to double the number of CBDs for the second year. This would mean adding more customers for more consumption. We assume that their purchase price will be lower - 20 CZK per gram. Then the expected sales and expenses for the second year would look like this:

*Table 6: Expected annual sales and expenses for the year 2*

	Clement's CBD Store	CBD Store	CBD Group	CBD stores to buy our offer	TOTAL
<b>Number of grams sold</b>	5 000	1 000	4 500	5 500	16 000
<b>Sales</b>	125 000	40 000	90 000	11 0000	365 000
<b>Costs</b>	43 200	8 670	38 880	47 520	138 270
<b>Profit</b>	<b>81 800</b>	<b>31 330</b>	<b>51 120</b>	<b>62 480</b>	<b>226 730</b>

(Source: Own processing)

The calculated expected profit for the second year is 226 730 CZK.

Suppose we increase our offer by another 10% for the third year and find suitable customers for excess consumption. Then the expected sales and expenses for the third year would look like this:

*Table 7: Expected annual sales and expenses for the year 3*

	Clement's CBD Store	CBD Store	CBD Group	CBD stores to buy our offer	TOTAL
<b>Number of grams sold</b>	5 000	1 000	4 500	7 100	17 600
<b>Sales</b>	125 000	40 000	90 000	142 000	417 000
<b>Costs</b>	43200	8 670	38 880	61 344	152 094
<b>Profit</b>	<b>81 800</b>	<b>31 330</b>	<b>51 120</b>	<b>80 656</b>	<b>244 906</b>

(Source: Own processing)



The calculated expected profit for the second year is 244 906 CZK.

In the following table we can see simplified profit and loss statement and expected cost and incomes in the first three years of business.

*Table 8: Simplified profit and loss statement*

	2022	2023	2024
<b>Loan</b>	0	0	0
<b>Sales</b>	192 500	365 000	417 000
<b>Total material and start-up costs</b>	69 150	138 270	152 094
<b>Earnings</b>	<b>123 350</b>	<b>226 730</b>	<b>264 906</b>

(Source: Own processing)

The next table shows us the expected realistic cash flow of the start-up.

*Table 9: Cash flow*

Year	2022	2023	2024
<b>Start</b>	70 000	193 350	420 080
<b>Loan</b>	0	0	0
<b>Incomes</b>	192 500	365 000	417 000
<b>Expenses</b>	69 150	138 270	152 094
<b>Cash flow</b>	123 350	226 730	264 906
<b>TOTAL</b>	<b>193 350</b>	<b>420 080</b>	<b>684 986</b>

(Source: Own processing)

#### 4.2.6. Pessimistic and optimistic expectations

Here we will show what are the possible pessimistic and optimistic financial scenarios of our start-up. The pessimistic scenario assumes possible damage to the product and thus the necessary discounts for the sale of 10% down. The optimistic scenario envisages a situation where our CBD matures above standard with a better smell, density or even the value of the CBD and we sell it 10% more expensive.

*Table 10: Pessimistic expectation for sales and expenses*

	2022	2023	2024
<b>Sales</b>	173 250	328 500	375 300
<b>Start-up costs</b>	69 150	138 270	152 094
<b>Profit</b>	<b>104 100</b>	<b>190 230</b>	<b>223 206</b>

(Source: Own processing)

*Table 11: Optimistic expectation for sales and expenses*

	2022	2023	2024
<b>Sales</b>	211 750	401 500	458 700
<b>Start-up costs</b>	69 150	138 270	152 094
<b>Profit</b>	<b>142 600</b>	<b>263 230</b>	<b>306 606</b>

(Source: Own processing)

*Table 12: Pessimistic expectation of yearly earnings*

	2022	2023	2024
<b>Loan</b>	0	0	0
<b>Sales</b>	173 250	328 500	375 300
<b>Total material and start-up costs</b>	69 150	138 270	152 094
<b>Earnings</b>	<b>104 100</b>	<b>190 230</b>	<b>223 206</b>

(Source: Own processing)

*Table 13: Optimistic expectation of yearly earnings*

	2022	2023	2024
<b>Loan</b>	0	0	0
<b>Sales</b>	211 750	401 500	458 700
<b>Total material and start-up costs</b>	69 150	138 270	152 094
<b>Earnings</b>	<b>142 600</b>	<b>263 230</b>	<b>306 606</b>

(Source: Own processing)

*Table 14: Pessimistic cash flow*

Year	2022	2023	2024
<b>Start</b>	70 000	174 100	364 330
<b>Loan</b>	0	0	0
<b>Incomes</b>	173 250	328 500	375 300
<b>Expenses</b>	69 150	138 270	152 094
<b>Cash flow</b>	104 100	190 230	223206
<b>TOTAL</b>	<b>174 100</b>	<b>364 330</b>	<b>587 536</b>

(Source: Own processing)

*Table 15: Optimistic cash flow*

Year	2022	2023	2024
<b>Start</b>	70 000	212 600	475 830
<b>Loan</b>	0	0	0
<b>Incomes</b>	211 750	401 500	458 700
<b>Expenses</b>	69 150	138 270	152 094
<b>Cash flow</b>	142 600	263 230	306 606
<b>TOTAL</b>	<b>212 600</b>	<b>475 830</b>	<b>782 436</b>

(Source: Own processing)

### **Conclusion of the financial plan**

According to the financial plan, the start-up will stay alive in the first years, but it is more of a hobby than a functioning profitable business. However, if the whole concept can be scaled to other customers and markets with an already current margin, the potential is great.

An interesting output is that according to the profit and loss statement, in neither the first year nor subsequent years is a start-up loss-making.

## 5. Conclusion

At the end of the bachelor's thesis, I will summarize what the thesis brings, whether the goal was met and if it was possible to supplement the work with something else.

The goal was to establish and develop proposal of my business idea of supplying CBD cannabis to stores throughout the Czech Republic.

The goal of the bachelor thesis was met. A business plan was created, which enabled the establishment of the CBDLEVNE.CZ start-up. It has also been analysed from all possible angles. And finally, the financial plan broken down in numbers i.e., costs and profits.

The beginning of the theoretical part dealt with the characteristics of the entrepreneur, his risks and entrepreneurship in general.

Another important part was defining the business plan and start-up and its development. The last part discussed situational analysis, namely SWOT analysis, Porter's five forces, 4P' s of marketing or Business model Canvas.

The mentioned theoretical knowledge was subsequently used in the analysis of the current state and transferred to a practical example of our start-up.

Thanks to a comprehensive analysis of the above techniques, I was able to think deeply about the entire business plan from all angles and be able to compare its advantages, disadvantages, opportunities, and threats and more.

Then it was possible to evaluate the feasibility of a start-up that bears the risks of the arrival of new competition or the uncontrollability of the weather. On the positive side, however, there is a growing interest in CBD products in the Czech Republic, and thus the possibility of greater potential sales. Also, the possibility of obtaining subsidies from the EU for agri-cultivation is a huge opportunity. As well as the opportunity to gain investors even at the cost of sharing potential profits.

In the development proposal, I described the Business Model Canvas tool, which integrated the entire business plan in a straightforward, structured way. Using the canvas led me to insights about the customers we serve, what value propositions we offer through what channels, and how our company makes money.

This was followed by the creation of a financial plan, thanks to which I found out what the real profit of the entire start-up is for the next few years. I analysed all the costs and,

by substituting the numbers obtained by the email research, I got a real cash flow and earnings.

To evaluate the whole business plans, it will stay surely alive in the first years and can be realised as profitable business with good margin. It is also necessary to say that there is not much room for some huge profits on the Czech market at the moment. However, if the whole concept can be scaled to other customers and markets with an already current margin, the potential is great.

Other suggestions for start-up development could be marketing. Also, the mentioned possibility of subsidies from the European Union for agriculture, what would be needed to meet this and what would be the amount subsidized.

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