

# **A Business Plan for Müsli Vending Machines**

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## **ABSTRAKT**

Cílem této bakalářské práce je prezentace podnikatelského plánu pro založení společnosti zabývající se zaváděním automatů mixujících müsli do škol. V úvodní, teoretické části bakalářské práce se tato práce zabývá postupem a praktikami používanými k napsání podnikatelského plánu včetně uvedení důvodů, proč jsou tyto jednotlivé kroky důležité. V praktické části bakalářské práce je již napsán podnikatelský plán, jehož úkolem je pomoci podnikatelům rozhodnout, zdali je daný podnikatelský záměr výhodný a stojí za rizika spojená s podnikáním. V závěru bakalářské práce je uveden daný podnikatelský záměr jako nevýhodný a jsou stanoveny důvody k tomuto rozhodnutí.

Klíčová slova: podnik, podnikatelský plán, podnikatel, podnikání, automaty, müsli

## **ABSTRACT**

The goal of this bachelor's thesis is to present a business plan for placing müsli mixing vending machines into schools. In the first, theoretical part of this thesis, process and practices of writing a business plan are provided including the reasons why these are important. In the analytic part of the bachelor's thesis, the specific business plan is written. The mission of the business plan is to help the entrepreneurs to decide whether the business is profitable and worth taking the risks connected to entrepreneurship or not. In the conclusion of the bachelor's thesis, this thesis is evaluated as non-profitable and the reasons for this evaluation are stated.

Keywords: business, business plan, entrepreneur, entrepreneurship, vending machines, müsli

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I hereby declare that the print version of my Bachelor's thesis and the electronic version of my thesis deposited in the IS/STAG system are identical.

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## INTRODUCTION

A business plan is a document serving the entrepreneur to give a form and shape to his business ideas. It serves not only for the beginning entrepreneurs who are about to start their business but also for the already established businesses as a form of control and evaluation tool. (Červený 2014, 1)

The importance of writing a business plan lies not only in the plan itself but also in the process of creating, analysing, evaluating and reworking the plan. (Abrams 2010, xxvi)

Another really important role of the business plan is being a document serving as a lure for investors and banks to invest or lend their money to the entrepreneur. And since investors and banks in most cases do not care about the business itself as much as they care about the return on their investment, it is usually the quality of the business plan which decides whether they invest in the business or not. Therefore, the business plan should be as failure-proof as it can be, with the clear and specific declaration of the goal, strategy, and tools for working in day-to-day existence. (Červený 2014, 1)

In this bachelor's thesis, a business plan for the müsli mixing vending machines is going to be presented. The business plan shows a great potential for the business when using static and ideal data. Starting with an executive summary and continuing through the whole business plan, the reader can get an idea what it is that the company is going to do, who is the potential customer, how will the business get to its customer and what costs and revenues of the company will look like. In the financials part of the business plan, the predictions using the ideal data and afterwards realistic data will be presented. It is in the financial part of this business plan that the readers learn that this business is not as profitable under stated circumstances as initially expected and therefore will not be pursued by the co-founders.

## **I. THEORY**

## 1 ENTREPRENEURSHIP

“...it is the process of assembling necessary factors of production consisting of human, physical, and information resources and doing so in an efficient manner.” (Lazear 2005, 649)

### 1.1 Entrepreneur

It is said that entrepreneur is not necessarily a person who excels in some one thing but rather a person who is competent in many. He should be a person that knows the business and is able to combine different resources in order to create a new or somehow better product. (Lazear 2005, 649-650) This is also confirmed in the notes of Tomas Bata, in which he says:

*“When asked what work I can do, I answered proudly that all and every work. The factory receiver only smiled and said “not needed”, an answer I could not understand and explain for a long time. Finally, I managed to advance so far as to be put on the line of job applicants and tested in one kind of work. I finally understood the legitimacy of receiver’s contemptuous smile: I realized that in my lifetime I could not master all work to such perfection of performance as it was then normally required in America.” (Bata 2016, 40)*

An entrepreneur can be also described as “someone who starts their own business”. (Cambridge Dictionary 2018)

## **2 BUSINESS PLAN**

Business plan is a tool serving the entrepreneur for the purpose of getting external funding, controlling the course of the business or organizing thoughts.

### **2.1 Definition of Business Plan**

A business plan can be defined as a written concept of a part of the business or a business as a whole, with the specific declaration of the goal of the entrepreneur, his strategies and tools for a day-to-day life of the business. (Červený 2014, 3) In a way, a business plan can be perceived as a roadmap showing the way to the successful implementation of the idea. (Shelton 2017, 23) It should be understandable without too much use of technical terms. This business can be not yet existent or already established. The reader of a business plan should get an insight into the internal structure of the business as well as the external factors that influence the business. It should clearly show the chances of success of the business and give the writer an opportunity to think about the business more deeply. (Červený 2014, 1)

### **2.2 Purpose of Business Plan**

There are more reasons to write a business plan as it serves more purposes. Probably first of them when considering starting a new business is the process of writing itself as it gives the writer a chance to sort his thoughts and ideas, makes him think about each step of the business more into depth and challenges him to figure out parts of the business that he did not yet think about at all. (Abrams 2010, xxvi)

The second purpose of a business plan is in being the core document required by the banks or investors in order to get a loan. If the business plan is well-written, persuasive and contains a promise of being profitable, banks and investors are more likely to invest their money into the business. (Červený 2014, 1)

Another purpose of a business plan is to be a guide or a checking tool for the development of the business. Since the business plan is written in order to state the strategy of the business and its goal, it is possible and also recommended to use this tool to check whether is the business still on the right track or whether has it changed its course. (Červený 2014, 1)

### **2.3 Principles of Business Plan**

As business plan does not have any prescribed form and varies based on the purpose or the target reader, it can be as brief as an MS PowerPoint presentation, in case of being prepared for some investors, or very thorough, in case of being prepared for the banks. (Srpová 2011,

14) It should be therefore written according to the purpose of the business plan and fit the specific situation. Although the business plan is often written only for the entrepreneur himself, it should not be about him but rather about the market and customers of the entrepreneur. When this is not the case and the business plan is written in order to obtain a funding, it should be known that a sole business plan does not guarantee the obtaining of this funding. (Shelton 2017, 30)

## **2.4 Parts of Business Plan**

### **2.4.1 The Executive Summary**

This is probably the most important part of the whole business plan as it is the first thing potential investors will read in the business plan. The executive summary should be written clearly and contain a persuasive condensation of the business. (Abrams 2010, 53) It should answer each of the key questions of the business – why, who, what, when, where, how. (Sutton 2005, 35) Although the executive summary appears in the first place in the business plan, it should be written as last since it is a sum up of everything else that had been written. By writing the executive summary last, it is ensured that all the ideas that were before the business plan only thoughts are now stated in a clear and specific way and are summarized at the beginning of the business plan. (Abrams 2010, 53) The executive summary should include the basic information such as name, legal structure, required investment and the purpose for it and a repayment plan. (Sutton 2005, 35)

The whole purpose of the executive summary is to give the reader a brief but sufficient overview of the business concept, show him that this concept will work in practice, there are people in the management positions that are capable of executing the plan correctly and the business is an attractive possibility for the investors to make money. (Abrams 2010, 54)

There are two types of the executive summary. First is the synopsis summary, which is formally organized extract from all of the other sections of the business plan. It also asks for the financing straightforward without any euphemisms. The other one is the narrative summary. This type of the executive summary is more playful, less formal and tries to make the reader excited about the company or some of its features. It can be formed into a story of the first idea of the business or how the world with the business working might be better. The narrative summary, however, takes a skilled writer who knows the difference between an enthusiasm and a hyperbole. Also, for the most business plans, the synopsis summary is a much better choice. (Abrams 2010, 55-56)

### 2.4.2 Company Description

The company description part of the business plan consists of several other parts and serves the purpose of further describing the company, its;

- Name
- Legal form
- Mission
- Management
- Location
- Achieved milestones
- Financial status

No matter how relatively easy might selecting a company name look, there are more things into it. First of all, a company name does not necessarily have to be the same name that its product is known by. Any other name for the product or its brand can be chosen as the brand name and the company name are not the same thing. This part of company description is also the part when all the names including web domain can be stated. And since names of brands and services have their specific goodwill, the statement of the legal rights on those names can be also written in this part.

A mission statement is a place for the philosophy of the company. It should be written what is the goal of the company, its principles, general rules and the “corporate culture” should be defined. It serves to give the reader a hint of where the company is heading and how much it could grow. (Abrams 2010, 68-69)

In case of setting goals of the company, these should be compatible with the SMART principle. This principle is an abbreviation for Specific, Measurable, Achievable, Realistic, and Timed. (Srpová 2011, 18)

Another important part is the legal form in which it should be written what type of business is the business plan about. There are more legal forms of business, each with its specific criteria and rules. (Abrams 2010, 69) Choosing the right legal form might be vital to the business and should be paid necessary amount of attention.

Stating the management of the company in the company description serves the purpose of showing that the people running the business are experienced, capable and qualified enough to be in such position. It is desirable to state the names of the people that could persuade potential investor. (Abrams 2010, 76) Many investors are also interested in the history of the team. Whether the people in the business are working together for the first time or have a history of working together makes a difference. (Srpová 2011, 36)



When it comes to the location of the company, it is also beneficial to write it into the business plan. Not only the headquarters of the company but also other branches as well as the coverage area of the business. (Abrams 2010, 76) Whether it will sell only locally or across the whole state or even worldwide.

Also, the development stage and achieved milestones are key parts of the company description. This is the place where the development of the product should be specified, its progress, results of its testing and other achievements connected to the company, such as getting a good investor or getting a positive feedback from the potential customers. (Abrams 2010, 76-77)

The last part of the business plan is the financials. Although financials do not have to be necessarily written by the entrepreneur, it is vital for the business that the entrepreneur understands the financials of the company. (Haag 2013, 28) Financial status serves more as a quick overview. It should contain current financial obligations of the business, its loans and investments received and how much funding is requested from the investors. (Abrams 2010, 77)

### **2.4.3 Industry Analysis & Trends**

Since a business is opened, law-abiding and publicly reachable entity, there are some factors that influence a company. This part of the business plan serves to define and describe the industry the company is in, it also provides information about the trends in the industry and its strategic opportunities. For this part to be written accurately, objectively and being up to date it is required to do a research, which will provide the overview about: (Abrams 2010, 83)

- Economic sector

Is divided into four main sectors. First is service, second manufacturing, third retail and fourth distribution. The company, however, does not have to be in one sector only as they are not exclusive.

- Industry

As well as in the economic sector, the company might not be in one industry exclusively, since these can be linked. (Abrams 2010, 83) The industry can also be specified according to the saturation. The market can be monopolistic where one business controls most of the market, oligopolistic where few companies with almost the same product are in the market, or competitive where there are many companies and almost no barriers of entry. (Haag 2013, 24)

- Size and growth rate

By focusing on the size of the industry the business is in, its size and growth rate, it can be compared to the GDP of the country the business is in and by such comparison, the health of the industry can be deduced.

- Seasonality

It is crucial for the company to take seasonality into account as there might be huge differences between revenues according to the season for some businesses. Also, the time difference between expenses and incomes plays a role and should be paid attention.

- Regulation

There are some business industries in which certain rules are set by the government. If that is the case with the industry the company is in, it should be stated in this part together with advantages and disadvantages of this regulations. There it can also be specified whether the regulations are inconvenience or opportunity.

- Supply and distribution channels

Depending on the industry, supply and distribution channels can either be easily accessible, normally accessible or really hard to get. Getting the information from the industry analysis might play a crucial part in the start of the company.

- Financial characteristics

It is important to look at the industry financial characteristics while creating a budget for a company. Differences between markups, commissions and returns on sales in different industries might be marginal, therefore getting data from the industry the company operates in is critical.

- Global Industry Concerns

The industry analysis should not be focused only on the local industry but also on the industry worldwide. It is usually somewhere else in the industry that the trends are coming from and require the full attention of the company.

(Abrams 2010, 83-92)

#### **2.4.3.1 Porter's Five Forces**

Another view on the industry and the saturation of the market can be provided by the Porter's Five Forces analysis. This analysis should provide the conductor with potential profitability expectations. First force analyses how difficult it is to enter the market. Second force is represented by number and activity of competitors. Third force is a danger of a new competitor coming to the market. The fourth force is the bargaining power of the suppliers,

which means higher costs with higher bargaining power. And fifth force is the bargaining power of the customers, where the same rule applies, the more bargaining power the customer has, the worse for the company. (Newstex, 2015)

#### **2.4.4 Target Market**

It is without saying that understanding the customers and their needs and desires is essential in the business. Defining a target market requires a previous market analysis, which identifies and helps to understand the customers. According to the results of the analysis, advertising, location, packaging and even the product or service itself can be adapted. (Abrams 2010, 99)

While defining the target market, there are four criteria that have to be followed. Firstly, the target market must be definable. That means, it is possible to specifically characterize the customers and what they have in common. Secondly it has to be meaningful. After characterizing, it is clear that the characteristics of the customers are what makes them buy the product or service. Third criterium says that the target market has to be sizable, which means it is large enough for the company to sustain. Lastly it has to be reachable. With the definition of the customer realized, there should be an effective way to get to the customers. (Abrams 2010, 100-101)

In order to get an understanding of the target customers thoughts of the product, market research can be conducted. The research might be conducted by a specialized firm with skilled researchers. One of the types can be a focus group where the moderator gets the response by leading discussion with a group of potential customers. (Haag 2013, 23)

Defining the target market can be divided into smaller parts according to the criteria by which the market is sorted. The demographic description uses the criteria of sex, age group, income level, occupation, education or marital status for the consumers and industries, sector, years in business, number of employees and others for businesses. The geographic description uses the criteria of location in which the customers are. Those can be as small as a street or as big as a continent or worldwide. However, there are many limitations the bigger the location. (Abrams 2010, 101) Lifestyle description focuses more on the day-to-day life of the customer. What does he do in his free time, what does he eat, whether is he going to the gym and other questions, that can better paint the picture of the customer. While defining a lifestyle description of the customer, however, creativity should be used in balance to logic. The psychographic description is focused on the psychological factors that influence the customer. There are different groups of customers with different purchasing habits. Some

are status-seekers, some like gadgets, some consider themselves being a smart shopper. Even with businesses as customers, there are still psychological factors involved. Some companies might view themselves as socially responsible, some as being innovators. (Abrams 2010, 104)

#### **2.4.5 The Competition**

When writing a business plan or just planning to start a business, it is incredibly important to think about the competition on the market. Although it might seem that the new product or service is something unlike anything else, if there is a market for it, there is also a competition. Assessing a competition in a business plan also helps to better understand the product and to highlight its strengths on the market. Watching a competition can also provide some insights into what customers might want from the product or service. However, it is important not to assess competitors focusing on a different target market. (Abrams 2010, 115-116)

If there are more companies that can be considered competition it is most important to sort out those into main competitors and others. Main competitors are those with a big market share as well as those who run very similar business to the business of the entrepreneur who does the research. (Srpková 2011, 22)

It is important to keep in mind that not only the quality of the product is what decides whether a customer buys from the company or its competitors. There are many levels on which the business can compete such as quality, cost, durability, brand, style, accessibility, delivery time, customer service, social consciousness and others. (Abrams 2010, 116)

To analyse the competition in the market is also to realize what type of market is the company going in. Based on the type – monopolistic, oligopolistic or competitive – the pricing strategies can be predicted. (Haag 2013, 24)

When analysing the competition, it is also valuable to notice, how big the market share of certain competitors is. There are usually some leaders of the market, who are not necessarily providing the best product for the cheapest price. They, however, might define the standards of the product and its main features. (Abrams 2010, 123)

Lastly, what should also be included in the competition evaluation is a future prediction of competition. Sometimes there are competitors that might go out of business, usually, there are new competitors coming on the market. However, any predictions should be an outcome of a logical thought process. One of the indicators of a future competition are barriers to

entry into the market. Those might involve patents, high start-up costs, expertise or rare knowledge required. (Abrams 2010, 123-124)

#### **2.4.6 Strategic Positioning & Risk Assessment**

When doing a business, it is important for the company to know its strategic position. Based on that the company decides things such as what product or services are going to be offered, where should be the business located, how it should be promoted and others. Without a strategic position, it is easy to get lost in the market. The strategic position of the company should come out of its strengths, interests, trends in the industry the company is in and market changes and their opportunities. (Abrams 2010, 134)

Not only does the strategic positioning define what the business does, it also defines what the business does not. Since, especially young businesses, have a limited amount of resources, it is important to use them well. Neglecting the strategic positioning and wandering off may lead to significant losses in the long run. Strategic positioning also makes the management of the company more confident when making important decisions. (Abrams 2010, 135)

There are many strategies that can differentiate the business from its competitors such as customer perception factors, market segment, market share, operational or technological advantages, proprietary products, technology, abilities or relationships, and sales channels. (Abrams 2010, 136)

It is also vital for the business to assess the risks involved. These can be represented by threats, vulnerabilities which should be thwarted by selecting and following certain measures. These measures should also be controlled and evaluated in order to make sure they are correctly assessing the risks and no other measures are required. (Vellani 2007, 109-110)

##### **2.4.6.1 Types of Strategic Positioning Differentiation**

- Differentiation based on the customer perception factors

There are some factors such as price, quality, customer service or features that influence how the customer distinguishes the company from its competitors. This method is the most commonly used even though it might not be the one most stable. Competing in price is very unstable and customers looking for the cheapest product or service tend to switch between companies very often. (Abrams 2010, 136-137)

- Differentiation based on the market segment

This type of differentiation limits the number of customers business can have but specializes more in a specific portion of the market. This strategic positioning enables new or small companies to enter much easily, however it might limit their growth potential or the market segment might not even be big enough to sustain the business. (Abrams 2010, 137)

- Differentiation based on the market share

One of the most difficult strategic positioning. It requires the company to become a market leader and get the biggest market share – big enough so that other competitors find it very difficult and really expensive to compete with this business. This type of differentiation usually leaves other – newly coming companies to pursue a niche market. (Abrams 2010, 138)

- Differentiation based on the operational or technological advantages

It is usually very profitable since this type of differentiation is not seen by the customers. It gives the company chance to sell with higher profit margins as they got better internal operational systems or technological advantages that allow them to produce with lower costs. (Abrams 2010, 138)

- Differentiation based on proprietary products, technology, abilities, or relationships

This strategic position requires the company to identify, find and secure strategic proprietary product such as patents or copyrights. This might also include important channels, licences or partnerships which are difficult for potential competitors to supplement. (Abrams 2010, 138)

- Differentiation based on sales channels

Even the sales channels might distinguish a company from its competition. It can sell to wholesale stores, retail stores or directly to customers. (Abrams 2010, 138-139)

Another strategy to get a stable market share is branding. It requires a lot of money spent on advertising and a long-term promise of consistent and repeated delivering of the same customer experience. Being a brand name involves many advantages but is not as easy to achieve. (Abrams 2010, 140)

#### **2.4.6.2 Risk Assessment**

Assessing the risk is necessary as it provides a picture of what risks can the business face and helps to prepare for those so that the impact of the risk on the business is not as severe. It also helps to evaluate whether the risks are worth the benefits and prevents the entrepreneur from making a mistake if not. (Voluntary Action LeicesterShire 2018)

The necessity of assessing the risks in the business plan lies not only in preparing for the possible difficulties of running a business but also to show potential investors that the entrepreneur is not naive and is more likely to take necessary steps to prevent those from endangering the business. Risks involved in running a business can be categorized into: (Abrams 2010, 140-141)

- Market risks

The product might not find the market required since the market might not be yet ready

- Competitive risk

Competitors already in the market might reposition themselves to better cover the market the business is entering or new big competitors might come after the business is established

- Technology risk

The technology involved in the business might not work as expected or not at all

- Product risk

The product might not be finished in time or work as expected

- Execution risk

A risk coming from the inadequate management that fails to manage the growth and smooth run of the business

- Capitalization risk

A risk of being underfinanced, bad estimation of the costs or profits and risk of running out of money

- Global risk

Threatens the internationally running business to interrupt or stop upon encountering an unexpected situation

#### **2.4.6.3 SWOT Analysis**

When considering strategic positioning for opportunities and risks that might be endured while doing a business it is beneficial to make a SWOT analysis which focuses on the strengths, weaknesses, opportunities and threats of the business. While strengths and weaknesses are internal, current factors of the business, opportunities and threats are external, potential factors that might have an effect on it. (Abrams 2010, 142)

When creating a SWOT analysis, it is useful to focus only on the important things in each category. The number of things in each category should not exceed five. (Srpková 2011, 174)

The goal is to analyse the strengths of the company in order to maximize their potential, analyse the weaknesses to correct or minimize their influence on the company. (Coman and Ronen 2009, 5679)

#### **2.4.7 Marketing Plan & Sales Strategy**

Since every business needs to attract its customers, it is necessary to develop a marketing plan. This plan should help the business to secure customers effectively while using as little financial resources as possible. It should also define how to get the attention of the customers, what message is the company trying to send about the product or service, how is this message going to be delivered and how does the company get the customers to buy the product or service. The message the company sends to its customers can be defined by using “The Four P’s of Marketing” method, which focuses on the Product, Price, Place and Promotion. (Abrams 2010, 149-150)

The product is a first and most important part of the “Four P’s”. As it is ultimately the product or service that the customers buy, it is necessary to know what products are going to be offered to the customers, how are new products going to be introduced and how often, what is going to be done with the products withdrawn from the market and how will this whole process going to be measured. It is also necessary to know how many products are going to be produced and what is its lifetime cycle. If the product is required by law to have some certificate or is patented should be also included in the product description. (Srpová 2011, 24)

Price part of the “Four P’s” marketing mix is there to describe the price policy of the company. There are many aspects that are necessary to look at when defining the price of a product, from the costs of the production to the prices of the competition. (Srpová 2011, 24)

How the product is going to be delivered from the production to the end customers is to be described in the Place part of the “Four P’s”. Some businesses are in the direct contact with the end customer, others use distributors. If the business uses distributors it should be defined who these distributors are going to be and why are they suitable. (Srpová 2011, 25)

Last of the “Four P’s” represents Promotion part, in which the ways of communication with the customers are described. (Srpová 2011, 26)

After defining the message, it is time to plan marketing strategy and how the company will send this message to its customers. There are many forms of promotion and advertising. Some of them might be advertising in media such as TV or radio, advertising online, on social media and blogs or even optimization for search engines (SEO), which gets potential



customers to see your websites more often. There are many more ways of promotion and marketing plan should define which of those are going to be used and in what level. (Abrams 2010, 151-160) Creating a customer profile might help the business to better target its customers by its marketing campaigns. Customer profile is a description of an ideal customer of the company. The profile consists of demographics, preferences and favourite channels the ideal customer would use. When completed, customer profile is sometimes called an avatar that also has a name further specifying the customer. (Graham 2017)

After defining the message that the company wants to send to its customers and marketing plan, sales strategy should be chosen. As there are more ways to intrigue potential customer from the marketing perspective, there are also more ways to approach potential customers in order to sell. In sales strategy it should be defined through what means is the company going to connect with its customers, how are the sales people going to be paid and motivated and what will the whole selling process look like. (Abrams 2010, 163-167)

#### **2.4.8 Operations**

In the Operations section of the business plan, the goal is to describe the daily routine of the company, its internal processes and standards. Depending on the function of the business plan, this section might be less thorough in case it serves as a way for getting an external funding or more detailed in case it serves the management to coordinate in their daily job. Describing the operations of the company can include facilities the company will use and connection between them, production processes, inventory control, supply and distribution, order fulfilment and customer service, research and development, and control over the finances. (Abrams 2010, 179-200) Based on the type of the business, the operations might be less or more thorough. Manufacturing businesses will have more complex operations including steps like quality control and others. (Haag 2013, 25)

#### **2.4.9 Technology Plan**

In this part the technology required to run the business is to be defined together with the requirements on the technology and its purpose. Depending on the field of business the company is in and their requirements and level of development, technology plan might differ in length. However, there is always some technology required as it is necessary for communication and basic management processes as well. (Abrams 2010, 207-209)

#### **2.4.10 Management & Organization**

Since the business' success is not dependent merely as much on the product as it is on the people running it, Management & Organization part is an important part of the business plan. Especially if it serves as a way to get external funding, this part should be well written since it is carefully inspected by potential investors. Describing the management team, board of directors and other key employees might serve to define their specific skills and strengths. However, it is not only strengths that should be described but also the lack of it. In addition, management and organizational style and lines of hierarchy should be described. (Abrams 2010, 215-229) It is vital to state who will be responsible for specific tasks and also to state the structure of the business. (Haag 2013, 26)

#### **2.4.11 Social Responsibility & Sustainability**

By being a socially responsible, the company can benefit from better public relations, more satisfied employees and contact with some other companies. There are more ways how to be socially responsible. The standard is obeying the laws, being fair with the employees and business partners, being honest, care about the impact of your company on the environment and being involved in the community. (Abrams 2010, 238-239)

#### **2.4.12 Development, Milestones & Exit Plan**

In order for a business plan to work, it is vital there are set milestones and goals it should achieve. These also provide for a keeping a track of the progress of the company. Since the potential investors are looking not only on the goals the company wants to achieve but also for the way, they get their investment back, it is also a good idea to include an exit plan into the business plan. There are more ways to run the company and there are more ways to exit it. It can either be sold as a whole, or publicly traded on the event called IPO (initial public offering). However, these events usually mean for the lead management and the founder to either leave the company or give up of huge amount of control over the business. On the other hand, this event brings to the founder and the management a solid financial reward. (Abrams 2010, 252-259)

#### **2.4.13 The Financials**

This part serves to carefully calculate the costs and revenues of the company. There are three most important financial forms. These are income statement, cash-flow projection and balance sheet. In this part the break-even point, which defines when does the company start

to make a profit, should be calculated. For the start-ups, in this part the beginning costs should be also defined. (Abrams 2010, 271)

The rules for preparing financial forms are being conservative, honest, not trying to be creative, asking for help an accountant, keeping the practices used in the industry, choosing the appropriate accounting method and being consistent. (Abrams 2010, 276)

Further to these rules, the financials should also reflect all other parts of the business plan. Every number in the financials should be a result of some kind of research or calculation. The financials should not be based on a guess as this gives a space for doubts, leading to the failure of the business plan. (Sutton 2005, 125)

#### **2.4.14 Appendix**

It is not so important part of the business plan, as not all people read appendices. However, this is the part in which special details that are reinforcing the business plan can be written. On the other hand, the business plan must be making sense and work even without the appendix since that is only something extra added. Information added in the appendix should be important. Things that can be added into appendix might be photos, market research results, marketing material, technical information and others. (Abrams 2010, 311-313)

## **II. ANALYSIS**

### 3 THE EXECUTIVE SUMMARY

The company My Crunchy Mix s.r.o. is a company founded by two co-founders; David Zicha and Ondřej Válka. The co-founders are long-time friends and as David is a skilled technician with interest in engineering and Ondřej is a communicative person interested in sales, they decided to start a business because they have spotted a niche in the market. There are usually some vending machines in schools but just a couple of years ago these did not even offer many healthy consumables. This changed with the law that was issued about the unhealthy consumables in the school cafeteria and vending machines in the Czech Republic in 2016 (Ministry of Education Youth and Sports 2016). Since then, there are some companies that entered the market with the healthy food. However, there are currently no vending machines that would offer its customers to choose from the types of ingredients they want in their müsli mix. This is about to change with My Crunchy Mix.

My Crunchy Mix s.r.o. is a limited liability company, which mission is to provide children in primary schools and high schools with a freedom of choice of their favourite müsli ingredients of a good quality. The company main strength is in its vending machines' design and capability of mixing specific ingredients.

The initial start-up costs will be little over 1 million CZK which will be covered partially by the savings of the co-founders in the value of 500 000 CZK and partially by the bank loan in the value of 2 000 000 CZK. The rest of the money from the bank loan will be used for the first year to two years of the business for the purpose of covering the costs before the company is able to fully cover the costs by the revenues. Estimated calculation supposes that the revenues of the company should compensate for the costs sometimes during the second year of company's existence due to the increased number of vending machines deployed.

The whole business will work on the basis of the contract between the school and the company. The company will pay for the energies used by the vending machines and in some cases pay a small rent for the place in the school.

In order to protect the environment, the whole process of production and sales will be measured and developed so that it is as environment-friendly as possible.

Because the co-founders do not perceive this business plan as a project but rather as a long-term occupation, there is currently no exit plan established.

## 4 COMPANY DESCRIPTION

### 4.1 Name

As the added value the company offers lies in mixing only the things each customer likes, the name shall contain this idea in it. And since müsli is very often connected with crunching, the first draft for the company name is “My Crunchy Mix”. However, this name is subject to change.

### 4.2 Legal Form

As there will be only two founders and co-owners of the company, the legal form was chosen to be limited liability company. As this company will operate on the Czech market and will, therefore, be established as a Czech company, the legal form will be s. r. o. standing for “společnost s ručením omezeným”.

### 4.3 Mission

The mission of the business is to give children in primary schools and high schools a possibility of choice regarding their cereal snack as every person likes different tastes. Furthermore, the company will provide the customers with cereals of high quality through the vending machines of modern technology standards for the best customer experience.

### 4.4 Management

At the beginning of the company, the management will consist mainly of two people – cofounders – of which one is going to deal mainly with the technical issues of the vending machines themselves, and the other is going to handle the sales locations, vending machines replenishment and customer service.

Both of the co-founders are long-time friends, who cooperated on several other successful projects.

### 4.5 Location

Since both of the co-founders are from the Zlín region in the Czech Republic, the headquarters are going to be nearby this city. The location of the business, on the other hand, will scale firstly throughout the Moravian area of the country and in the future will spread to the whole country and western part of Slovakia.

#### **4.6 Achieved Milestones**

So far, the co-founders managed to draw a rough draft of the müsli vending machine with all of its mechanical parts that will enable the machine to mix individual ingredients into the final mix. What remains to the fully working müsli vending machine is to program the whole process of choosing ingredients and mixing and then certificating the machine by the State Agricultural and Food Inspection.

#### **4.7 Financial Status**

Since both of the co-founders are currently employed, there is a certain amount of money that both of them have saved for this business. These finances will be used for starting the business and as a safety in case the business would not be successful. However, there will be a need for an additional bank loan as the money required for start and first few months of run of the business will be higher.

## **5 INDUSTRY ANALYSIS**

For the purpose of industry analysis, the company has chosen to use Porter's Five Forces Model. This model should show how difficult it is to enter the market and how difficult it is to be in this market.

### **5.1 Porter's Five Forces**

#### **5.1.1 Barriers to Entry**

Although it is not that difficult to enter the market considering the legal obligations, in order to create profit before the company could go bankrupt, there is a big amount of funds required. The reason for this is the high amount of fixed costs that had to be paid every month. Also, as the market is mainly dominated by the company DELIKOMAT s.r.o. the barriers of entry are mainly caused by the competition in the market.

#### **5.1.2 Activity of competition**

The overall market leader in vending machines placed in schools is company DELIKOMAT s.r.o. Although it is not certain how many vending machines does this company have in schools, their strength and sales creating revenue of 1 671 257 000 CZK in 2016 make them the most successful vending machines company in the market. Second, already established company on the market is the company COME vending s.r.o. The revenue from the sales of goods of the company was 41 861 000 CZK in 2016. This company now operates in more than 480 schools. The third competitor that is rather new in the business but has a great potential is the company Mixit s.r.o. that until now specialized in e-shop and retail sales. Thanks to the brand and the product, the company Mixit s.r.o. is potentially the toughest future competitor.

#### **5.1.3 The Threat of a New Competitor**

As the market is more saturated with the coming of the company Mixit s.r.o. into it, the potential threat is currently not as high as it could be in the future. The threat of a new competitor coming into the market is highly dependent on the market growth and growth of the companies already in the market.



### 5.1.4 Suppliers Power

As there are many companies producing müsli products in the Czech Republic, the power of the suppliers is to the company's advantage not that high. There are suppliers such as Emco, Semix or Mogador, which is a company located in Otrokovice – city next to Zlin.

### 5.1.5 Buyers Power

Because there is a very high number of the target customers, the buyer's power is not very high. In case that some of the customers are lost for the company, there are always others that will not be affected. According to the Czech Statistical Office, there are currently 441 884 children between age 6 – 18 in the regions of South Moravia, Moravia – Silesia, Olomouc, Zlin. This age category was chosen based on the knowledge that the children usually go to primary school at the age of six and graduate from high school at the age of 18.

Age:	Zlín Region [1]	Olomouc Re- gion [1]	Moravian-Sile- sian Region [1]	South Moravian Region [1]
6	5 330	5 802	11 193	10 659
7	5 088	5 771	10 871	10 051
8	5 227	5 501	10 794	9 892
9	5 138	5 576	10 689	9 744
10	5 212	5 431	10 648	9 471
11	5 134	5 477	10 746	9 540
12	5 206	5 566	10 911	9 605
13	5 030	5 471	10 950	9 481
14	5 175	5 587	11 188	9 627
15	5 917	6 316	13 075	11 066
16	6 134	6 503	12 813	11 350
17	6 910	7 530	14 653	13 301
18	7 085	7 640	15 166	13 643
<b>Total for region</b>	72 586	78 171	153 697	137 430
<b>Total</b>	<b>441 884</b>			

Tab. 1 Potential customers

Source: CZSO Public database, own modification

## 5.2 Sales potential

Considering annual revenues from selling goods of the company COME vending s.r.o. of 41 861 000 CZK and knowing this company has around 480 vending machines, the potential sales per day can be calculated. The number of school days is considered to be 180.

$$\frac{\frac{41861000}{480}}{180} = 484,5 \text{ Kč/machine/schoolday}$$

For the purpose of further calculations, the volume of goods sold per day is calculated by using the price 39 CZK of the product of company My Crunchy Mix s.r.o.

$$\frac{484,5}{39} = 12,4 \text{ products/school day}$$

## 6 TARGET MARKET

As vending machines are mostly used at places with a high frequency of people's movement such as big factories, schools and train stations, the target customers can be specified as people either working in big factories, children attending schools or travellers and people that commute every day. Since however this market is rather large and would not be effectively covered, especially in the beginning years of the company, it can be narrowed down to the children and students attending schools as there are some more strict laws considering vending machines placed at these places, that could serve as a competitive advantage to the company.

Because the headquarters of the company will be set in Zlín, the location at which the business will operate in the beginning will be limited to the east part of the Czech Republic. This is in order to make the business reachable for the co-founders or their employee(s) in a short period of time. For the future development of the company, however, enlargement of the area of operation is expected.

As was already mentioned, customers of the company will be students and teachers, more specifically those of them who care about healthy food, especially müsli, buy their snacks from vending machines and those who like to have a possibility of choice. The age of the customers is already limited by the fact that they are in majority students. Since the customers of the company are indirectly also the parents of the students, it also depends on how much money are these parents willing to give their children for a snack.

## 7 THE COMPETITION

### 7.1 Happysnack (COME vending s.r.o.)

Company COME vending s.r.o. which delivers vending machines “Happysnack” into schools, is not the market leader of the school vending machines, however, their products and program, supported by European Union and a State Agriculture Intervention Fund, make it probably the biggest potential competitor. Their main competitive advantages are a system of prepaid cards that prevents the children from spending their money on other things while giving the parents an overview of what their children bought from the vending machines and the support of a European Union and a State Agriculture Intervention Fund.

The company has more than 10 employees and operates in 480 primary schools and high schools all over the Czech Republic, with exception of South Bohemia and Karlovy Vary region. (Happysnack 2018)

### 7.2 Mixomat (Mixit s.r.o.)

On April 1st, 2018 company Mixit s.r.o. introduced their new project – vending machine Mixomat through which the company sells pre-mixed products that are also part of their assortment. Since this vending machine is a new project, there is no information of how many of these vending machines were already placed into schools. As the company Mixit is already well known and established on Czech, Slovak, Polish and Canadian market (Mixit 2018) this could mean a potential threat and tough competition. The main competitive advantage of this company is a well-known brand. This company could also pose a threat if its plan would change to mixing the müsli directly in the vending machines.

### 7.3 DELIKOMAT s.r.o.

Delikomat s.r.o. is a subsidiary of the Austrian café + co INTERNATIONAL Holding GmbH. This company was an outcome of a fusion of the Czech company DELIcafé s.r.o. and the Austrian café + co INTERNATIONAL Holding GmbH on October 1, 2006. The company owns more than 11 000 coffee and vending machines. According to the Profit and Loss report of the company, the revenue from the sale of goods, products and services was 1 671 257 000 CZK in 2016 (Annual report with the year-end of September 9, 2016) which was a growth of 18,97% compared to the previous year. (DELIKOMAT 2017)

Although the vending machines of Delikomat s.r.o. are not offering müsli products, the company is a strong competitor as it has a well-known brand and spreads across the whole

country. In addition, this company is also present on foreign markets such as Austria, Slovakia, Poland, Germany and some others as it is a subsidiary of an international company.

## **8 STRATEGIC POSITIONING & RISK ASSESSMENT**

The main strategy of the company will be to attract customers by the possibility of choice, wide range of ingredients, good customer experience and stable focus on the müsli snacks. This is to differentiate from the competition that offers a range of goods from fruits and müsli bars to milk and to give the customers an exact picture of what it is that the company does. The company will not add to its assortment in the vending machines anything that would not fall into the category of müsli or müsli connected products such as milk or yoghurt. The company will not offer its products already mixed from simpler vending machines as this would defy values of the company.

The company will pay a close attention to each ingredient in the assortment as the goal is to provide the customers with good quality products.

### **8.1 SWOT Analysis**

#### **8.1.1 Strengths**

The main strength of the company could be considered its vending machines design and functions. This machine offers the customers possibility of choice that should not be yet offered by any other vending machine on the targeted market.

This strength could be also supported by the patented construction of the vending machine, that would make it more difficult for the competitors of the company to adapt.

Another strength of the company is its defined strategy of consistent assortment consisting of only food and ingredients connected with müsli. This enables the company to focus only on the müsli ingredients and therefore more easily choose only the good quality products.

Since one of the founders is a bright and handy designer with mechanical skills and passion for development, the company has also the advantage of having this person on its management team.

#### **8.1.2 Weaknesses**

As both of the co-founders lack any experience with running a business, there is a room for a failure. Nevertheless, this weakness could be thwarted by finding a mentor that would advise the co-founders on matters related to it.

At the beginning of the company, some of the processes and operations in the company might become inefficient as orders of supplies, stock, replenishment of the supplies in the

vending machines and sales (leasing of space in schools) will have to be handled all at once. This might become an initiative for hiring a new employee(s).

Another weakness might be the lack of a system that uses prepaid cards as a way of preventing the children to use the money for a snack on something else. This is a new trend on the market and should be considered in future development.

### **8.1.3 Opportunities**

As there might be a growing trend of eating healthy food and taking care of the environment, the potential for growth of the customer base of the business is high. Since müsli products are perceived as “healthy” and the packing into which the müsli will be mixed is environmentally friendly, this might be attractive to the customers more and more in the future.

Expanding the field of operations across the whole country and to Slovakia might prove as another opportunity for future of the business.

Finding a good supplier, that would have products attractive for customers for its uniqueness or great taste would be also beneficial for the company.

### **8.1.4 Threats**

The company has its competitors already established on the market and this could prove to be one of the biggest threats as their customers are already used to their products and mainly to the system the competition operates. Many of potential customers might not like the idea to carry cash in order to buy themselves a snack. This threat could be eliminated by implementing a cashless system as already offered by the competition of the company.

As new regulations regarding food and especially food offered in schools, in order to provide children with food that is healthy and of good quality, might be issued in the future, this is something that the company has to pay its attention to.

There are not yet many companies that would operate in this market and that might change in the future. In order to prevent a sudden drop of customers to the new competition, the company has to get a hold of important part of the market and build its customer base.

## **8.2 Risk Assessment**

Since the vending machines will be in direct contact with the ingredients, there will be a strict check of each individual machine and all of its parts before its deployment. Furthermore, there will be periodic check and cleaning of each vending machine already deployed in order to prevent any causes of health issues.

Although all of these steps will be regularly executed and all of the machines will be maintained, the company will prevent any unexpected issues regarding lawsuits or complaints by getting an insurance against these types of risks. Insurance advice will be sought out before the first machine is put into operation.



## **9 MARKETING PLAN & SALES STRATEGY**

### **9.1 The Four P's of Marketing**

#### **9.1.1 Product**

The product of the company is a variety of müsli and dried fruit that would the customers be able to mix according to their requirements. The complete number of ingredients is limited by the space and design of the vending machine, therefore the ingredients in the vending machine will have to be chosen accordingly. The goal is to have part of the ingredients offered as stable products that would always be in the vending machine. These ingredients would be those that are more common for müsli and have the highest number of orders.

Another part would consist of products that would be more seasonal and would change every few months in order to regularly offer the customers something new to try.

#### **9.1.2 Price**

The price of each ingredient will be different depending on its cost. The aim of the company is to provide its customers with good quality müsli ingredients that are not as cheap but will fit into the mission of the company. The price will be a compromise between cost of quality and expectations of customers. These expectations will obtain from a survey conducted as a part of the business plan.

#### **9.1.3 Place**

As already mentioned in previous chapters, the machines will be placed in primary schools and high schools. At first, this will only consider schools in Moravia, later on then Bohemia and west part of Slovakia. Since every school is different, it can be only described that in most cases the vending machines are grouped together with those of competition and are usually placed close to the school canteen.

#### **9.1.4 Promotion**

As the customers of the company will be mainly children studying primary school or high school, the promotion will be based mainly on Facebook advertisements where these children spend the most time nowadays. For the purpose of promotion, the overall look of the vending machines will also be adjusted, to be colourful and eye-catching.

## **10 OPERATIONS**

As there will have to be a minimal quantity of müsli ingredients that the company keeps in stock for replenishing of the vending machines, there will be a need for a small warehouse for the company.

The routine of the company will consist of supplies replenishment in the vending machines as well as in the warehouse, looking for and dealing with new partners – schools – in which the machines could be placed, repairs of the vending machines and their maintenance, research and development of new technologies that could be used in the vending machines and lastly products choice, legislation check and customer service.

### **10.1 Supplies Replenishment**

The supplies in the vending machines will be replenished periodically by an employee that will be travelling between the schools in which the machines are. At the beginning of the company this job will be handled by one of the co-founders and will be delegated to a newly hired employee only then when there are enough machines to take at least three days of work. The employee hired for this job will help in the warehouse for the rest of the week. Keeping track of the supplies in the warehouse and dealing with the suppliers and the orders will be the job of one of the co-founders until the job takes the majority of the time.

### **10.2 Looking for New Partners – Schools**

Mainly at the beginning of the company, it will be necessary to keep looking for and dealing with new potential partners. These will be schools in the area we chose as our starting point. The job will be handled by one of the co-founders exclusively and should not be delegated unless a better salesperson is hired by the company.

### **10.3 Repairs and Maintenance of the Vending Machines**

As well as the design, the maintenance and repairs of the machines will be handled by one of the co-founders as he shall know best what problems might occur and how to fix them. This job could be delegated to a newly hired employee later on.

### **10.4 Product Choice, Legislation Check and Customer Service**

The product choice shall be handled by the hired employee as the co-founders have no real knowledge regarding food standards or quality control. Another part of this job will be to keep up with the legislation regarding food distribution. At the beginning of the company, this employee should also be able to handle customer service as part of the job. However,

later on, this job should be separated in order to provide the best service possible for the customers.

### **10.5 Research and Development**

All of the research and development will be taken care of by one of the co-founders as the machines are of his design and his responsibility. This should not be any problem as the co-founder is a skilled engineer with years of experience.

## **11 TECHNOLOGY PLAN**

### **11.1 Office and Management Technologies**

The basic technological equipment necessary for the run of the business will consist of three laptops, one for each of the co-founders and one for the employee handling the product choice and quality control. There will also be a need for company phones and tariffs.

### **11.2 Vending Machines**

The technology involved in the vending machines will be a custom-made design, that will be patented and developed upon in the future of the business. This design will be a work of one of the co-founders.

The system of the machine will be triggered by the customers first touch of the screen. The program implemented in the machine will guide the customer through the choice of ingredients while providing suggestions and prices for each specific ingredient. When the process of the ingredients choice is finished, the customer will once more be given a summary of his order and then be asked to proceed with the payment. The customer shall be able to pay by cash, specifically coins of value 1, 2, 5, 10, 20, 50 CZK. Later on, in the business, the choice to pay by prepaid card should be also implemented. After the payment is received and change is returned to the customer, the system of the machine will then start mixing the chosen ingredients into the bowl for the customer. When the mixing is done, the bowl will be covered by a food foil in case the customer wants to take the mixed müsli to go rather than eat it right away.

### **11.3 Supplies Replenishment**

For the day to day replenishment of the supplies in the vending machines, there will be required a car or a van that could transport a necessary quantity of the products. The regular maintenance and care of the car shall be outsourced to specialized companies.

## **12 MANAGEMENT & ORGANIZATION**

Being a start-up, the company will have varying management and organization mainly in the first few years. The management of the company will be only divided between the two co-founders in the start-up stage, then later on broadened according to the necessity.

### **12.1 Management**

#### **12.1.1 David Zicha**

One of the co-founders of the company, David Zicha will be in charge of the technology involved in the vending machines as well as its maintenance and research and development. He is a skilled technician with years of practice and real enthusiasm for technology and engineering. His current occupation is in a company producing and implementing transport lines for manufacturing companies and airports as a designer and technician. Thanks to his skills and drive he was able to build a CNC machine and a circular saw with multiple modes of cutting.

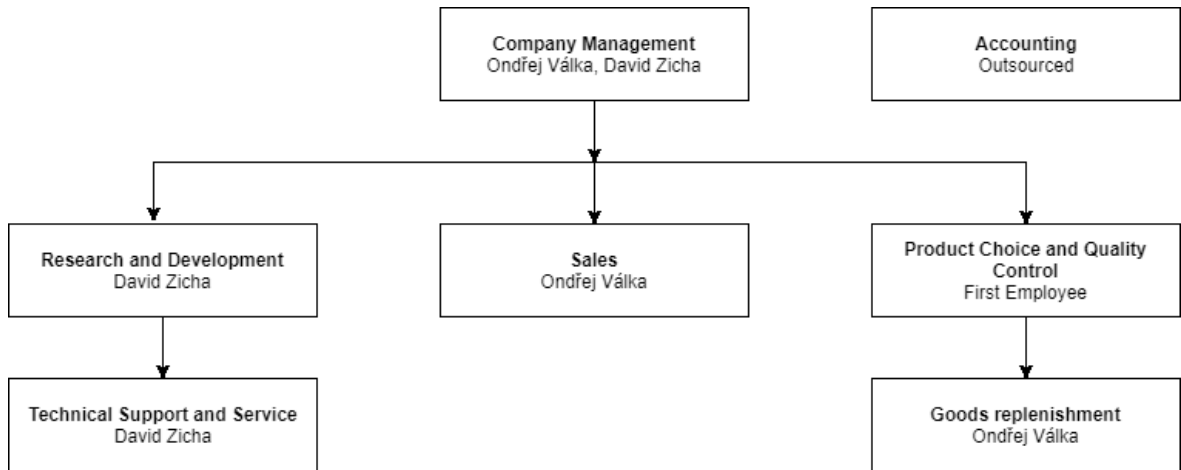
#### **12.1.2 Ondřej Válka**

The second co-founder, Ondřej Válka, is focused mainly on the sales part of the business as that is his field. With sufficient knowledge of negotiating and practice in sales, his goal will be to get the machines in as many schools as possible. His current occupation is in a company developing and distributing occupational and safety footwear as an export sales assistant.

### **12.2 Company Structure**

#### **12.2.1 Start-up Stage**

In this stage, the main and most important decisions will be made by the co-founders together. However, the head of the technology department – David Zicha – will have full control of the technologies used in the vending machines, while the head of sales department – Ondřej Válka – will have full control over the places in which these machines will be placed. The finances are going to be handled together by the co-founders and accounting will be outsourced to the accounting company or a freelancer. Control over the product choice and quality will be handed over to the first employee of the company, hired for this purpose. This employee should also be able to check the quality of the goods delivered.

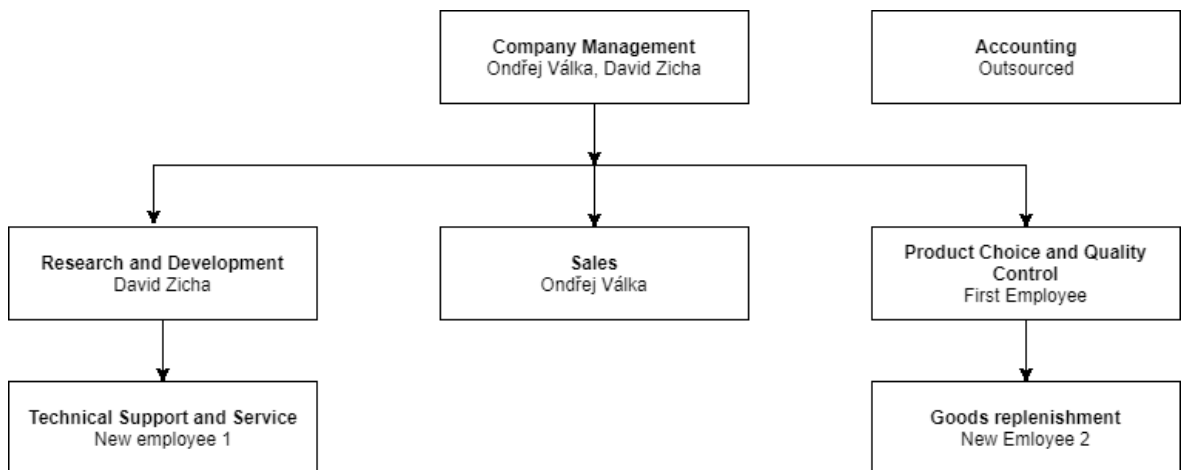


Tab. 2 Start-up Stage Hierarchy

Source: own creation

### 12.2.2 Post Start-up Stage

After the start-up stage, the company should be able to hire more employees and divide the management further. In this stage, the goods replenishment and technical support and service should be delegated to the newly hired employees.

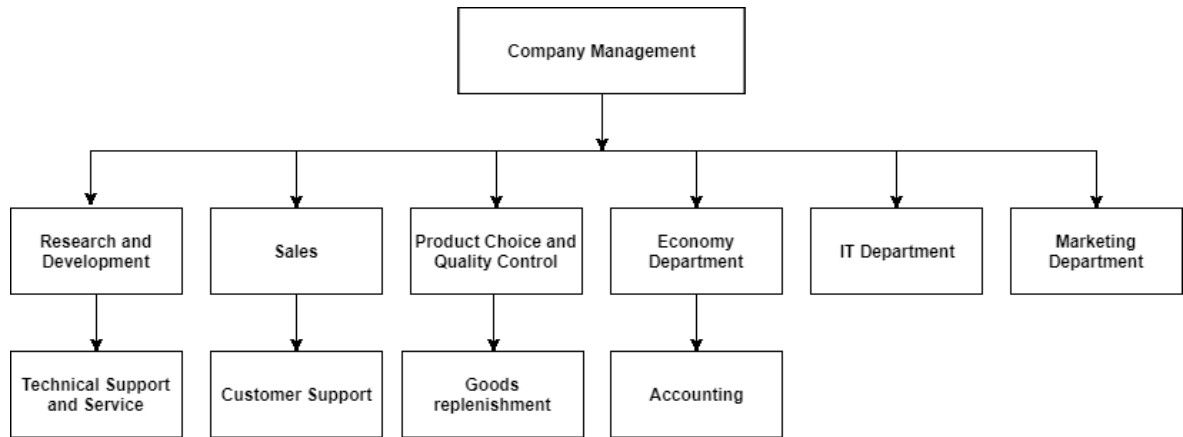


Tab. 3 Post Start-up Stage Hierarchy

Source: own creation

### 12.2.3 Future Management & Organization Development

In the future of the company, some departments such as the department of economy, customer support, marketing department and IT department could be established. This growth should correspond with the growth of the turnover of the company.



Tab. 4 Possible Future Hierarchy

Source: own creation

## **13 SOCIAL RESPONSIBILITY & SUSTAINABILITY**

The company respects the nature and tries to protect the environment. In order to do so, there will be specifically written procedures that will serve as guidelines for employees of the company to educate them about specific materials and their recycling. On the company's premises will be containers for recycling waste. In order to prevent the unnecessary use of paper, all documents possible will be kept in purely electronic form. Furthermore, each year the company will keep statistics on how much waste is produced by the company. This will help the management of the company to compare if there are improvements in the waste recycling and take necessary measures to improve further.

### **13.1 Waste from the Vending Machines Operation**

In the process of mixing, the vending machine will put the final mix into a bowl. In order to prevent plastic pollution, these bowls will be made of hardened paper, that should be recycled more easily. All bowls will also be marked with a note asking the customer for recycling.

### **13.2 Waste from the Vending Machines Production**

For the metal scraps used in the production of each vending machine, there will be a special container determined specifically for the scraps. The same will be done with the plastic and electronic parts.

### **13.3 Waste from the offices**

As already mentioned, all the documentation that is not required to be printed by the law or internal directives will be kept mainly in electronic form. The paper waste of the company will be measured and evaluated.

### **13.4 Social Events**

In order to get involved with the community, the company will participate in various events that are beneficial for the society as well as for the environment. Later on, there will also be events organized by the company. This could serve as a source of good public relations and attract more customers or job applicants.



## 14 DEVELOPMENT, MILESTONES & EXIT PLAN

### 14.1 Development of the vending machine

Currently, there are plans and project documentation for the vending machine. The next step is to place the first machine into production and test it. That should show whether there are any problems or errors in the machine or the machine can be launched and the rest of the initial ten machines can be produced. Further development plans consider adding cashless purchase system built into the machine and better overall look of the machine.

### 14.2 Milestones

As there are planned 10 vending machines for the beginning of the company and then another 4 new machines each year for five years, the milestones are as follows:

Milestone	Expected Date of Reach
First machine produced and tested	Week 3
First contract with a school	Week 5
First 10 machines placed	Month 6
New machines produced and placed	Month 14
5 employees hired	Month 15
Warehouse expansion	Month 24

Tab. 5 Milestones

Source: own creation

### 14.3 Exit Plan

There is currently no exit plan in place as both of the co-founders are planning on staying in the business for more than five years if the business is successful. Based on the further discussion between the co-founders, the business could be subject to fusion with some bigger company (Mixit, Delikommat) in the future.

## 15 THE FINANCIALS

In order to separate the initial costs from the costs of running the business, the costs will be divided into two parts. This way there will be a visible and more accurate picture of what the initial costs will look like when starting the business.

### 15.1 Start-up budget

Initial costs in the table below are divided into three categories; operational costs that show the money necessary for the run of the company, administration costs that show the price of the establishing of the company and initial marketing costs that show the expected expenses for promotion and graphic design of the company's logo, webpage and design of the packaging.

The highest initial costs will be the costs of machines. Because the company only develops the machines but outsources the production, the price of the machines will be higher than if it was produced by the company. On the other hand, the company will avoid spending lot of money on production machines and employees that would have to produce these machines. The initial number of machines purchased would be ten with the estimate cost 75 000 CZK for each machine.

Costs	Price in CZK
<b>Operational costs</b>	<b>981 075</b>
Warehouse and office rent (3months down payment)	75 075
2 laptops + 1 PC	55 000
Mobile phone	4 000
Office equipment	5 000
Furniture	25 000
Warehouse equipment	35 000
Initial stock supply	20 000
Machines	750 000
Installation	12 000
<b>Administration costs</b>	<b>21 000</b>
Notary services	4 500
Legal services	6 500
Design patent	10 000
<b>Initial marketing costs</b>	<b>53 000</b>
Promotional materials	8 000
Web page	25 000
Graphic services	20 000
<b>Total costs</b>	<b>1 055 075</b>

Tab. 6 Start-up Costs

Source: own creation

The costs of the patent are based on the estimate provided by the Charles University webpage (Charles University 2018) and the estimated costs of the notary and legal services are based on the e-SRO.cz (e-SRO 2018).

## 15.2 Bank Loan

To start and run the business there will be required more money than the founders have saved for the capital of the company (500 000 CZK). The management of the company decided to take a bank loan in order to have all the necessary funds for the business. This bank loan would be for the amount of 2 000 000 CZK for the period of 5 years. The bank loan would be provided by the Raiffeisen Bank with the interest rate of 5,29% p. a. The monthly bank loan instalments would be 38 009 CZK.

## 15.3 Fixed Costs

The most money per month will be spent on the salaries as there are taxes included in the salaries. The rent for the offices and warehouse in a former Svit areal in Zlín is 25 025 CZK with the three months' rent paid in advance (see Tab. 4 Start-up Costs). The fuel part of the fixed costs is a fuel required for the business meetings in schools and replenishment of the vending machines in the first few months.

Costs	Price in CZK	
	per month	per year
Rent	25 025	300 300
Energies - company premises	15 000	180 000
Energies - machines	9 000	108 000
Salaries of the employee(s)	45 000	540 000
Salaries of the owners	80 000	960 000
Internet	600	7 200
Phone	1 800	21 600
Marketing	5 000	60 000
Maintenance	2 000	24 000
Insurance	5 000	60 000
Fuel	8 680	104 160
Bank loan instalments	38 009	456 108
<b>Total costs</b>	<b>235 114</b>	<b>2 821 368</b>

Tab. 7 Fixed Costs

Source: own creation

## 15.4 Variable Costs

As there are not many variable costs involved in the selling of müsli, the total amount is a combination of the product and the packaging only.

Costs	Price in CZK
Müsli 75g	11
Paper bowl	2
<b>Total costs</b>	<b>13</b>

Tab. 8 Variable Costs

Source: own creation

### 15.5 Breakeven Point

Using the fixed costs of 235 114 CZK per month, variable costs 13 CZK per product and the aimed price 39 CZK that the product is going to be sold for, the breakeven point is calculated. The breakeven point calculated below is the number of sells per school day per machine. The initial number that is relevant for the start of the business is the one calculated for the ten machines. Increased fixed costs that include energies for the vending machines are included into calculations.

Number of machines	Volume sold per day
10	45
14	32
18	26
22	22
26	19
30	17

Tab. 9 Breakeven Point by Number of Machines

Source: own creation

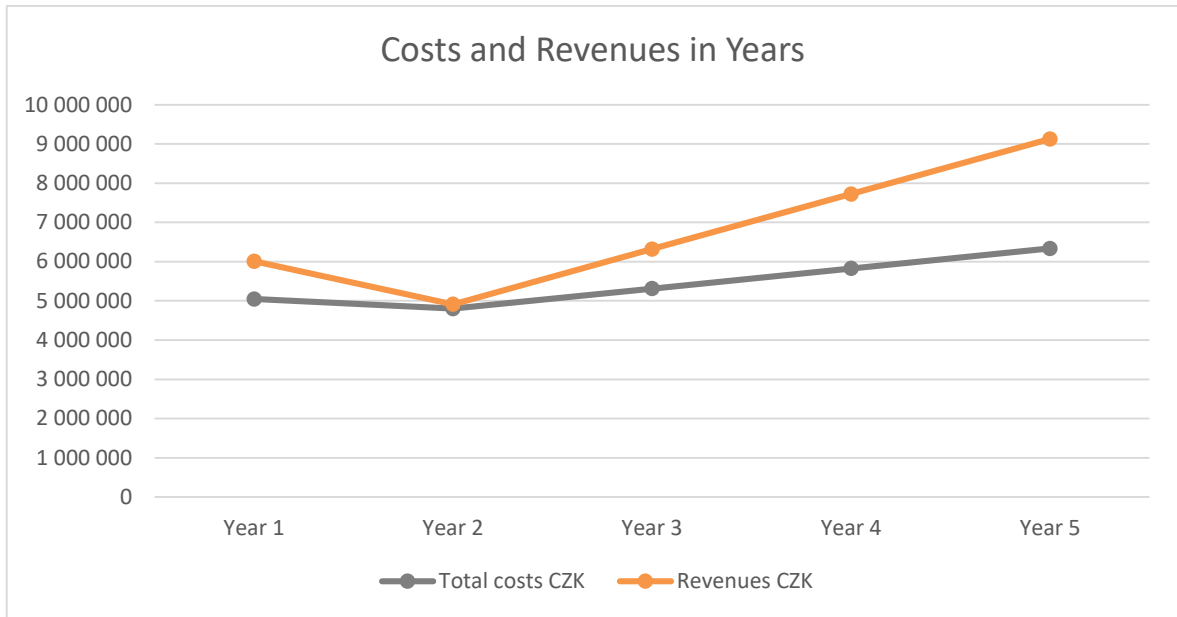
### 15.6 Costs and Revenues Predictions

Considering the company would constantly buy and distribute more vending machines into more schools, the costs and revenues in first five years are predicted in the table and graph below. The data predicted also consider each of the vending machines would sell 50 müsli bowls per school day. In addition, the start-up budget and the capital and bank loan are all included in the costs and revenues of the first year.

Year	Fixed Costs CZK	Variable Costs CZK	Total costs CZK	Number of machines	Volume sold /machine/day	School days	Revenues CZK
Year 1	3 876 443	1 170 000	5 046 443	10	50	180	6 010 000
Year 2	3 164 568	1 638 000	4 802 568	14	50	180	4 914 000
Year 3	3 207 768	2 106 000	5 313 768	18	50	180	6 318 000
Year 4	3 250 968	2 574 000	5 824 968	22	50	180	7 722 000
Year 5	3 294 168	3 042 000	6 336 168	26	50	180	9 126 000

Tab. 10 Costs and Revenues Predictions

Source: own creation



Graph 1 Costs and Revenues in Years

Source: own creation

Based on these estimates, the profit and loss prediction numbers are as stated in the table below. Although it might seem that the first year of the company will be successful as there is 999 557 CZK profit, it is necessary to realize that this not a profit of the company but rather a free capital that serves to cover the costs before the breakeven point is reached.

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Profit / Loss CZK</b>	963 557	111 432	1 004 232	1 897 032	2 789 832

Tab. 11 Profit and Loss Predictions

Source: own creation

### 15.7 Realistic Predictions

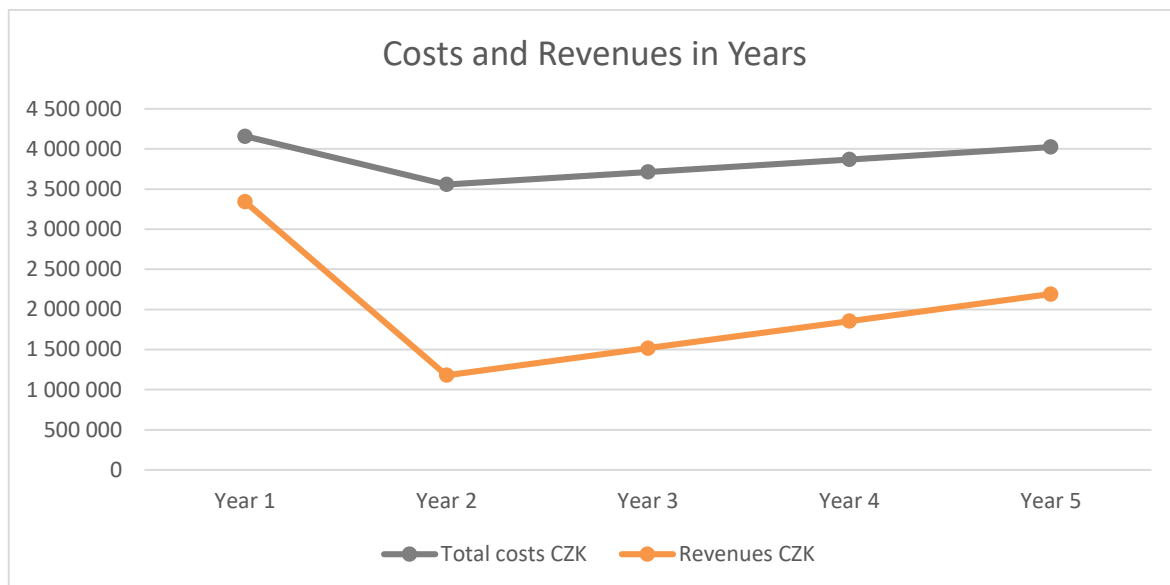
Using the volume of sales per machines per school day calculated in chapter 5.2, the realistic predictions of sales can be calculated:

Year	Fixed Costs CZK	Variable Costs CZK	Total costs CZK	Number of machines	Volume sold /machine/day	School days	Revenues CZK
Year 1	3 876 443	280 800	4 157 243	10	12	180	3 342 400
Year 2	3 164 568	393 120	3 557 688	14	12	180	1 179 360
Year 3	3 207 768	505 440	3 713 208	18	12	180	1 516 320
Year 4	3 250 968	617 760	3 868 728	22	12	180	1 853 280
Year 5	3 294 168	730 080	4 024 248	26	12	180	2 190 240

Tab. 12 Realistic Predictions

Source: own creation

The graph of the costs and revenues in the first five years would then look like this:



Graph 2 Realistic Predictions in Years

Source: own creation

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Profit / Loss CZK</b>	-814 843	-2 378 328	-2 196 888	-2 015 448	-1 834 008

Tab. 13 Realistic Profit / Loss in Years

Source: own creation

## CONCLUSION

Although the business plan expected that it would be possible to start and run the business of müsli mixing vending machines in primary schools and high schools, these expectations were based on predictions that every vending machine would sell 50 or more products per day. Based on the revenues from selling goods of the competitor, company COME vending s.r.o., it was calculated that the sales per machines per day would make around 485,5 CZK. Using the price of the product offered by our company, it was calculated that this revenue would be created by selling only 12,4 products per vending machine per day. After using this number for the calculations in the financials part of the business plan, the realistic predictions of the sales of the company showed that the company would not make a profit in more than 5 years of its existence. Although this issue could be thwarted by implementing more vending machines in the beginning and then adding even more machines each year, the costs of running the business would increase also. The reason behind these increased costs is mainly the necessity of bigger warehouse, more employees and a car designed specifically for the use of the supplies replenishment in the vending machines.

After considering these facts and realizing there could be also more hidden problems while running the business, the co-founders decided not to pursue this business plan.

However, since the idea of vending machines that could mix the müsli based on the customer's wish is still an interesting one for the co-founders, they consider forwarding this idea to the company Mixit s.r.o. thanks to which this idea was originally created. As the blueprints for this vending machine are already in progress, these could be sold to the company Mixit s.r.o. for some adequate price.

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**LIST OF ABBREVIATIONS**

CNC	Computer numerical control
CZK	Czech koruna
GmbH	Gesellschaft mit beschränkter Haftung (Limited liability company)
GDP	Gross domestic product
IPO	Initial public offering
IT	Information technology
MS	Microsoft
p. a.	Per annum
SEO	Search engine optimization
SMART	Specific, measurable, achievable, realistic, and timed
s. r. o.	Společnosti s ručením omezeným (Limited liability company)
SWOT	Strengths, weaknesses, opportunities, threats

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## **APPENDIX**

P I: Business Model Canvas – My Crunchy Mix s.r.o.

Model Canvas – My Crunchy Mix

<i>Key Partners</i> <ul style="list-style-type: none"><li>• Müsli suppliers</li><li>• Vending machine producer</li><li>• Schools</li></ul>	<i>Key Activities</i> <ul style="list-style-type: none"><li>• Supplies replenishment</li><li>• Vending machines service</li><li>• Products choice</li><li>• Quality control</li><li>• Contract meetings</li></ul>	<i>Value Proposition</i> <ul style="list-style-type: none"><li>• The possibility of choice of ingredients</li><li>• Healthy snack or breakfast</li><li>• An inexpensive alternative to a baguette</li><li>• Quick, tasty müsli of good quality</li><li>• Good-looking packaging</li></ul>	<i>Customer Relationships</i> <ul style="list-style-type: none"><li>• Each customer gets the full service</li><li>• Loyalty program</li></ul>	<i>Customer Segments</i> <ul style="list-style-type: none"><li>• Children attending primary and secondary schools</li></ul>
	<i>Key Resources</i> <ul style="list-style-type: none"><li>• Warehouse</li><li>• Employees</li><li>• Know-how</li><li>• Vending machines</li><li>• Car</li><li>• Marketing</li></ul>		<i>Channels</i> <ul style="list-style-type: none"><li>• Facebook advertisements</li><li>• Posters in schools</li></ul>	
<i>Cost Structure</i> <ul style="list-style-type: none"><li>• Goods</li><li>• Rent</li><li>• Energies</li><li>• Salaries</li><li>• Internet and phone services</li><li>• Insurance</li><li>• Marketing</li><li>• Bank loan instalments</li></ul>			<i>Revenue Streams</i> <ul style="list-style-type: none"><li>• Sales of the müsli products packed into the paper bowl</li><li>• Collection of different bowls</li></ul>	