

# **A Business Plan for the Company SneakCare**

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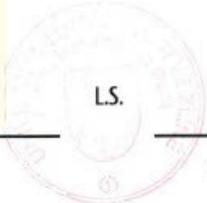
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## **ABSTRAKT**

Tato bakalářská práce je zaměřena na vytvoření podnikatelského plánu pro novou firmu SneakCare, která se zabývá nejen čištěním obuvi, ale i opravou a renovací bot. V teoretické části zpracuji literární rešerši k vybranému tématu a vydefinuji si základní pojmy, zejména podnik, podnikatelský plán, zásady k vypracování daného plánu a potřebné části podnikatelského plánu. Teoretická část slouží jako podklad k samotné části praktické. Praktická část zahrnuje vytvoření podnikatelského plánu pomocí nastudované literatury. Hlavním cílem této práce je posouzení, zda by projekt a daná služba byly realizovatelné a rentabilní.

Klíčová slova: podnik, podnikatelský plán, podnikání, podnikatel, obuv, čištění obuvi

## **ABSTRACT**

This bachelor thesis is focused on the establishment of a business plan for a new company SneakCare, which deals not only with footwear cleaning but also with renovation and repair of shoes. The theoretical part comprises of literary research for the selected topic and definitions of fundamental terms, particularly terms such as business, business plan, principles for developing a given plan, and necessary parts of a business plan. The theoretical part serves as a basis for the practical part itself. The practical part includes the creation of the business plan by means of studied literature. The main objective of this thesis is to evaluate whether this project and the service itself would be feasible and profitable.

Keywords: business, business plan, entrepreneurship, entrepreneur, footwear, shoe shine

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## INTRODUCTION

This bachelor thesis focuses on establishing a business plan, specifically for the SneakCare company, which deals with cleaning and repair of shoes. There are three main reasons why I chose this topic. Firstly, I am a fashion-lover who likes to wear sneakers on most occasions, and I own quite a lot of this type of footwear, which I wear almost all year long. Secondly, it is a common occurrence that the environment where we walk is dirty and our shoes are in need of a cleaning afterwards. But sometimes we can be too busy to clean them ourselves, and even when we do have the time, it might be impossible to wash them properly with just soap or laundry detergent. Lastly, there are no businesses that deal solely with cleaning and repair of footwear in the Zlín region. The closest shoe cleaning company is in Brno, which is almost 100 km away.

The bachelor thesis is divided into two parts - theoretical and practical. The theoretical part contains a comprehensive description of a business plan and elements that must be a part of this plan, including executive summary, company description, financial and marketing plan, industry and market analysis and assessment of possible risks. Moreover, this part serves as a basis for the practical part, as a potential entrepreneur has to be familiar with this basic knowledge before establishing a business.

The practical part deals with creating a business plan for the SneakCare company. The practical part's main objective is to discover what obstacles an entrepreneur may face and how to possibly overcome these. Another goal is to marshal all thoughts before launching the business. A major part of the analysis is a financial plan that should assess whether the company has financial resources necessary for establishment and whether this business would be profitable and feasible.

The aim of this thesis is to establish a viable and lucrative business plan for the SneakCare company. As will later be shown in the financial part, the business plan will not be as profitable as the owner thought, in part because of the unstable situation on the market; furthermore, expenses would be higher than expected. The owner has therefore decided that this business plan will not be applicable.

## **I. THEORY**

## 1 ENTREPRENEURSHIP

Entrepreneurship can be described as the “process of creating something new and assuming the risks and awards” (Hisrich and Peters 2002, 10). Another definition that appears in the Czech Commercial Code is that entrepreneurship is a systematic activity that the entrepreneur independently carries out in his/her name and under his/her responsibility in order to make a profit (Srpková and Řehoř 2010, 20). Each person can imagine something different under this term. For example, economists, scientists, businessmen, or psychologists could have various opinions on what exactly entrepreneurship is according to their field and specialization.

### 1.1 Entrepreneur

According to Galai, Hillel, and Wiener, an entrepreneur, or in other words, a business manager, is someone who is planning to start a new business or venture (2016, 5). It is a person with a unique idea; he/she sees opportunities in the market and is not afraid to take advantage of them. In compliance with the Czech Commercial Code, an entrepreneur is:

- A person registered in the Commercial Register
- A person who runs a business under a trade licence
- A person who runs a business under other licences than a trade licence according to specific regulations
- A person who runs agricultural production and is a corresponding evidence system according to specific regulations (Srpková and Řehoř 2010, 30)

Any legal entity or natural person can be an entrepreneur. However, not everyone has the prerequisites for establishing a new company, product, or service. Skills, distinctive characteristics, talent, motivation, and a unique idea are all needed to make one's own product or service differ from the competition.

### 1.2 Enterprise

Enterprise, also called a firm, business, or company, is a business that will be established in any field and could be either a new company altogether or a new project within an existing company (Galai, Hillel, and Wiener 2016, 5-6). An enterprise is a place where input is changed into output in order to make a profit. Based on Srpková and Řehoř, three types of enterprises exist: small, medium, and large. These three types have different conceptions, which are: according to the suggestion of the European Commission, according to the Statistical Office of the European Union, according to The Czech Social Security

Administration. Classification of enterprises based on the suggestion of the European Commission is:

- **Micro enterprises** – up to 10 employees, annual turnover up to 2 million EUR, annual assets up to 2 million EUR
- **Small enterprises** – up to 50 employees, annual turnover up to 10 million EUR, annual assets up to 10 million EUR
- **Medium enterprises** – up to 250 employees, annual turnover up to 50 million EUR, annual assets up to 43 million EUR (2010, 36).

## **2 BUSINESS PLAN**

For an entrepreneur, a business plan is a crucial document through which they can start their own business. This document is needed not only for banks, investors, and partners but also for entrepreneurs themselves. While writing this document, they delve deeper into their initial idea and consider all aspects before launching the new product or service.

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

A business plan is a written document that every entrepreneur needs before establishing a business. Gattis defines a business plan as “a summary of our plans, research and expected performance of our business” (2010, 4). It is an essential tool for when an entrepreneur is thinking about introducing innovations or important changes to a business. A business plan should contain the business’ primary focus and targets and a plan to accomplish the mentioned targets (Galai, Hillel, and Wiener 2016, 3).

This plan often includes functional plans, such as marketing, finance, manufacturing, or human resources. Another aspect, that an entrepreneur has to consider, is short-term and long-term decision making for the following years (Hisrich and Peters 2002, 223).

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

Why write a business plan? There are plenty of reasons to write; one, some not as important as others. However, an entrepreneur should think of both internal and external purposes. A business plan is essential for new companies, businesses, innovations, and well-established enterprises (Galai, Hillel, and Wiener 2016, 5). Finding inspiration for new ideas, marshalling our thoughts, collecting information, and putting everything together are the main purposes of writing a business plan. These are crucial for entrepreneurs to set up a new business. “Without a plan, you don’t know where you’re going, and you can’t measure your progress. Sometimes, after writing a business plan, you may change your approach, or even decide not to go into a certain business at this time” (Abrams 2019, 4).

According to Srpová and Řehoř, the purposes of a business plan can be divided into two groups: internal and external purposes. Internal purposes serve as a planning tool, a basis for the decision-making process, and also as a control tool, typically once an entrepreneur establishes the company or when a company is expecting a significant change. External purposes analyse the possibility of implementing an entrepreneurial project and the candidates applying for potential entrepreneurial support. In this case, an entrepreneur has

to convince a bank or an investor of a certain project's profitability to secure its funding. (2010, 59-60).

### 2.3 Principles of Business Plan

While writing a business plan, an entrepreneur should follow specific rules. These days, there are so many beginning entrepreneurs who want to start their projects or a new business. A business plan should be clear, easy to read, and also remarkable enough to attract an investor's or a bank's attention. Galai, Hillel, and Wiener claim that four main principles are necessary for guiding decision-making:

- **Conciseness** – When an entrepreneur sends a business plan to an investor, they are not the only one who needs financial support. An investor often evaluates hundreds of business plans, so if an entrepreneur wants to stand out from the crowd, they should deliver the message clearly, directly, briefly and in a way that differs from the rest, without irrelevant information and lengthy explanations.
- **Focus** – As an entrepreneur collects information and materials about their new project or company, they have to bear in mind the primary features and goals of their venture. An entrepreneur should remember who the potential reader could be. Potential readers may have diverse thoughts and interests. An entrepreneur should prepare the relevant information which a specific group requires to make their decision.
- **Clarity** – A business plan should be readable, understandable, and impactful. Using bullet points can help an investor to get oriented in the text and stay focused. For a reader, there is nothing worse than reading confusing, lengthy texts.
- **Organization** – First impressions matter a lot. A business plan's format is another key to success. A well-organized business plan conveys that a company has good organizational skills and a clear vision. The document should be always checked for errors and grammar or spelling mistakes (2016, 177-81).

### 3 STRUCTURE OF BUSINESS PLAN

There are many optimal business plans around – some are brief, some are more descriptive; informal than formal. But all the business plans play the same role in representing an entrepreneur's idea or vision (Butler 2000, 12). Business plans can be written for different purposes. However, there are many standardized sections that typically appear in this type of document (Ekanem 2017, 6). A business plan should be comprehensive enough, so that any potential investor can picture and understand the new venture (Hisrich and Peters 2002, 230).

#### 3.1 The title Page

The title page or cover page summarizes the business plan's content (Hisrich and Peters 2002, 231). It is the first page of the business plan, and it should contain basic information about a new company, owners, related contact details or addresses of the company or owners.

Based on Ekanem, the title page should include:

- The name of the business
- The names of the directors
- Addresses and contact details of the business and directors (2017, 6)

Hisrich and Peters extended Ekanem's vision of the title page by three more points:

- A paragraph describing the company and the nature of the business
- The amount of financial resources needed
- A statement about the confidentiality of the report

The title page clarifies the primary concept that an entrepreneur wants to develop. The amount of financial resources needed is included because investors appreciate that they do not have to go through the whole business plan to determine the amount of investment needed (2002, 231).

#### 3.2 Executive Summary

An executive summary is the first and most frequently read section that an investor or bank see, so an entrepreneur should devote their energy to this part. This part summarises the entrepreneur's new venture or project, and provides answers to all fundamental questions, such as why, who, what, when, where, and how. (Sutton 2012, 35). It is consequential to write an executive summary in a clear, succinct, and interesting way. Suppose an investor, a

bank, or someone else has to read through a long, confusing summary with irrelevant information. They might get bored quickly and lose all interest in the business plan – before they even get to the important parts.

Gattis claims that the executive summary should include four main sections: Organization, Industry & Markets, Marketing Plan, and Financials. Most readers will only read this part and then skip to financials, so the executive summary should be unique and straightforward (2010, 23-24).

“No matter how beneficial your product, how lucrative your market, or how innovative your manufacturing techniques, it is your Executive Summary alone that persuades a reader to spend the time to find out about your product, market, and techniques.” (Abrams 2019, 54)

An executive summary is likely to vary for different types of readers. If an entrepreneur knows, who will be reading the business plan, they can improve chances for a positive reception. Gathering information about potential recipients is useful to reorganize the summary and cover the issues important to the recipient (Abrams 2019, 55).

### **3.3 Company Description**

Company description should lay out general information about a business to the potential reader. According to Hisrich and Peters, a company description provides an entire overview of a new business’ products, services, and operations (2002, 234). This section should contain necessary information about the company itself and explain the exact product or service.

A company description should include the following sections:

- Company Name
- Mission Statement
- Legal Entity
- Products and Services
- Management
- Business Location
- Milestones
- Financial Status

When an entrepreneur is thinking about the company name, they should try to come up with a memorable and unique name. There are many ways how to create a company name, for instance: using the owner’s names, including words describing what an entrepreneur does, or combining owner’s names and product/service names. In

a business plan, the name should also include the legal name of the company (Abrams 2019, 67-68).

A mission statement provides the focus of the company, and it defines its concept for the following years. It should describe business principles, the nature of the business, financial goals, and position in the marketplace. A mission statement has to be written in a specific and precise way (Abrams 2019, 70).

Based on Abrams, choosing an appropriate type of legal entity is one of the legal issues an entrepreneur has to deal with. An entrepreneur can choose from many different types of legal entities; however, a new business usually starts as sole proprietorship and partnership (2019, 71).

Description of a product and service is another part which has to be included in company description. An entrepreneur should define specific features of a product or service to potential readers. If an entrepreneur is planning future products or services, they should include these products or services along with the expected date of product launch (Abrams 2019, 76).

The Management section should list the board of directors, president, chief executive officers, and key members or managers (Abrams 2019, 77). The Management section can differ for various businesses because it mainly depends on a company's size. For instance, micro enterprises have fewer employees than small or medium enterprises, so the president or the board of director's chairperson does not have to appear in the management.

Business location is vital for a company's success, especially when it comes to retail or services. When an entrepreneur is looking for a place to conduct business, they should evaluate aspects such as parking, accessibility of the facility from roadways, and access to customers, suppliers, and distributors. Mapping the local customers, competitors, and alternative locations may also help assess the best location for a business (Hisrich and Peters 2002, 235-36).

Another part that is crucial for a new company is achieved milestones and possible development. It is in the interest of the company to open up broader opportunities and track a record of accomplishment. An entrepreneur should indicate any positive milestones that they have achieved to pique the investor's interest. Recording progress, development, and success in a company description may attract the investor's attention (Abrams 2019, 77).

Financial status is the last part of a company description and it should provide a brief insight on the financial and personnel status. Bank loans, investments, or other funds should be covered in this part. An entrepreneur typically also defines how much money they need to collect (Abrams 2019, 81).

### 3.4 Industry Analysis

A single business is not a fully separate entity – it is a part of a larger industry that inevitably affects an entrepreneur’s business. Knowing the business in which a company operates is an important key to evaluate factors and gain knowledge about the specific industry. This is a small step to success for a company and investors; it indicates that an entrepreneur is familiar with external business conditions. This part should include a description of an industry, trends in an industry, and strategic opportunities (Abrams 2019, 88).

- **Economic sector**

An economic sector is the broad category to which a business belongs. Economic sectors are divided into four main types: service, manufacturing, retail, and distribution. Furthermore, a business may fall into more than one sector. It helps to monitor sector patterns to understand past performance and future expansion (Abrams 2019, 89).

- **Industry**

This section should describe the industry in general. It can also include a definition of market segments or sub-segments and a brief overview of major segments (Gattis 2010, 37). As mentioned above, a business can fall into more sectors – this is the same for the industry section as well. According to Abrams, an entrepreneur should research each of the relevant industries and categorize them by their importance (2019, 89).

- **Size and Growth Rate**

The growth rate of an industry in which entrepreneur is conducting business can provide insight on available opportunities. Comparing GDP with the rate of a given industry should offer the entrepreneur an idea about the specific industry’s current health (Abrams 2019, 89).

- **Seasonality**

Another factor that affects a business or industry is seasonality. While an entrepreneur may want to generate steady, considerable revenues throughout the whole year, certain months or seasons will vary in this respect. Holidays can also influence the flow of money (Abrams 2019, 94). For instance, a business that sells only swimsuit will most likely have higher revenue in spring and summer than in autumn or winter. Customers

usually buy clothes when they need them or when they are on sale. An entrepreneur should therefore consider other options to secure money in the slower seasons.

- **Regulation**

Working in an industry with specific rules or regulations may affect a business. An entrepreneur should ask themselves if there are any extraordinary rules or laws applied in the industry where they want to operate (Gattis 2010, 37-38). Moreover, governmental authorities, certifications, and licences can influence the industry as well. Sometimes, an entrepreneur has to take a state test to qualify to conduct their business (Abrams 2019, 95-96).

- **Supply and Distribution Channels**

The supply and distribution channels can have a vast impact on a business. Getting access to distribution channels is not easy in certain industries. Furthermore, searching for reliable sources of supply can constitute another potential barrier for entering a market. On the other hand, some companies can direct their supply or distribution channels on their own (Abrams 2019, 96).

- **Financials Characteristic**

Evaluating the financial characteristic is an important part of industry analysis. If an entrepreneur is new in the industry, it can be difficult to gain information about finances, such as mark-ups, commissions, and sales returns. However, knowing these aspects may help an investor plan a budget (Abrams 2019, 97).

- **Global Industry Concerns**

This section describes industry trends in the country where an entrepreneur is conducting business, as well as trends around the world. An entrepreneur should take these trends into account if they intend to sell products or services worldwide or if they plan to buy materials or inventory from other countries (Abrams 2019, 97).

### 3.4.1 SLEPT Analysis

A SLEPT analysis is an analysis of external environment that focuses on social, legal, economic, political, and technological factors. This analysis should provide insight on the future development of internal environment in a business (Červený 2014, 54-57)

- **Social Factors** – Social factors can include lifestyle and its changes, the standard of living and its changes, demographic factors and the structure of population, the social-political system, and the social climate.

- **Legal Factors** – There are a lot of regulations and laws that can have an impact on a business. An entrepreneur should pay close attention to such laws and regulations, and they should foresee the development of law regulations relating to the business.
- **Economic Factors** – The future development of the economy affects the business as well. The current stage of an economic cycle, a political situation and its impact on economy, economic policy of the government, and the country's monetary policy are all economic factors that influence the current and future progress of the economy.
- **Political Factors** – Political factors may impact the economic situation and the conditions for entrepreneurship. These factors can include election of a new political party and its election program, potential threats of wars and natural disasters, possible changes in the workers' employment, and so on.
- **Technological Factors** – New technologies, in general, and especially new information and communication technologies can affect conditions for work performance. New technologies may also contribute to productivity and increase the quality of a given product or service (Červený 2014, 58-68).

### 3.5 Market Analysis

A Market analysis should mirror the comprehension of the exact market where an entrepreneur will be operating. This section should include data about the market's size, potential customers and competitors, target market, and market segmentation (Gattis 2010, 33-34).

Marketing segmentation is a “process of dividing a market into definable and measurable groups for purposes of targeting marketing strategy”. An entrepreneur evaluates who will be the customer, what the business environment will be, and in what geographic area the business will compete. Each of these factors reflects the business itself and has to be considered while setting up a business plan. Market segmentation should help prepare a marketing plan (Hisrich and Peters 2002, 234-266).

It does not matter if an entrepreneur is selling goods or services; an entrepreneur cares about reaching potential clients to purchase the specific goods or service. Target market is another key to success in the market analysis. An entrepreneur should understand people's wants and needs and aim to satisfy them. The target market section should include aspects such as the size and trends of the market. An entrepreneur should verify if the market is big enough to be perspective. The size of the market has to be balanced, not too big and not too small. The trends of the market are essential in the long run. The trends are continuously

changing through time, and an entrepreneur should be able to predict some of these changes in order to be well prepared once they happen. Another objective of the target market section is to define market segments that an entrepreneur wants to cover. The definition should meet the following criteria:

- **Definable** – It includes characteristics that potential customers have in common.
- **Meaningful** – Criteria, based on which a customer may purchase the goods or the service.
- **Sizeable** – The target market has to be big enough for the business to be profitable.
- **Reachable** – The market itself should be reachable through efficient and affordable ways to get to the customers (Abrams 2019, 107).

Every company has to face competition and potential competitors. An entrepreneur should describe direct and indirect competitors and analyse each of them. The analysis usually contains a company name and location, and a description of what they do. It helps to define competitor's strengths and weaknesses as well. For locating the potential competitors, an entrepreneur can use a local or regional map (Gattis 2010, 38-39). According to Hisrich and Peters, another way to locate competitors is to trade journal articles, advertisements, and websites (2002, 234). Once an entrepreneur knows who the potential competitors are, they can evaluate threats and opportunities to gain a competitive advantage. Therefore, an entrepreneur should excessively focus on the analysis of competitors.

The last part of this section is potential customers. An entrepreneur should define who the potential customers are, where they live and where they work. Analysing potential customers in detail can make entering on the market easier for a company and facilitate the writing of a marketing plan (Gattis 2010, 39).

### 3.6 Organization and Management

“There are lots of companies to be created, lots of technologies to be built. There's an excess of money to fund those companies. The limiting asset is still people” (Abrams 2019, 236). Collective aspiration is key to success. Highly skilled employees can enhance the company's performance and create an appropriate environment for the company itself. Personnel has a massive impact on day-to-day operations; therefore, an entrepreneur should hire employees who have the skills, ambition, experience, and desire to succeed.

Based on Abrams, founders are the most important people when starting a new business. The business management involves other key employees, such as the chief executive officer, Board of Directors, key production and technology personnel, marketing staff, and others.

When hiring employees, an entrepreneur should answer the following questions that can help them decide if an employee is suitable for a particular job:

- Do they have the skills needed for this job?
- Do they have a record of success?
- Do they have some experience in their future role?
- What kind of personality do they have and will it be useful for the future team? (2019, 237-40)

This section should also cover the form of ownership. There are a lot of different types of legal entities from which an entrepreneur can choose. According to Hisrich and Peters, there are three basic legal forms: proprietorship, partnership, and corporation. In the Czech Republic, limited liability company is the most popular form.

- **Proprietorship**

Proprietorship is a legal entity in which a single owner has unlimited liability. It means that they have the right to control and manage all decisions and related profit. An owner is liable for business liabilities.

- **Partnership**

In this type of business, two or more individuals have unlimited liability, and they are managing a deciding everything together. Partnership has two types: general and limited. In a general partnership, everyone is liable for business liabilities. In a limited partnership, individuals are liable up to the amount of their capital investment.

- **Corporation**

Another type is a corporation. This form is managed by stockholders who have limited liability. The amount of capital investment limits a shareholder's liability.

- **Limited Liability Company**

Limited Liability Company is a special form of partnership. Liability is limited, and options and continuity are more adaptable. The member's liability is limited by the amount of capital investment in the business. In this type, there is no unlimited liability (2002, 307-316).

### 3.7 Strategic Analysis

Strategic analysis should primarily analyse the environment of a company. An entrepreneur should think about potential competitors, differences between the entrepreneur's product or service and similar products on the market, and other aspects that can detect potential issues with setting up the new business. The most frequently used analysis for evaluating a

company's external and internal factors is called SWOT Analysis (Gattis 2010, 34-35). Another common industry analysis is Porter's Five Forces analysis, which defines five competitive forces that help evaluate the industry's strengths and weaknesses (Investopedia 2020).

### 3.7.1 SWOT Analysis

Swot analysis is a practical framework for evaluating a company's influenceable and impervious factors that affect its marketing environment. Swot analysis includes the internal strengths and weaknesses and external opportunities and threats (Sharp 2017, 230). An entrepreneur can influence a company's strengths and weaknesses, while opportunities and threats are influenced by the country's situation or situation in the world.

- **Strengths**

Company strengths are connected to competitive advantage or a benefit that a company can acquire in order to satisfy a customer's wants and needs better than its competitors. Strengths focus on internal factors that give the company an advantage in fulfilling the needs of its target market. Strengths can include the following factors: qualified employees, high-quality services and goods, steady customers, good financial status, and efficient marketing.

- **Weaknesses**

Company weaknesses refer to disadvantages or limitations that a company has, and that can create a barrier of sorts, impeding an entrepreneur from reaching success. This internal factor can be recognized through a customer perspective rather than a company perspective. For instance, high debt, unqualified employees, lack of financial resources, or bad relations with clients.

- **Opportunities**

Opportunities are favourable external factors in the environment where a company operates. "Opportunities are situations that exist but must be acted upon in order to benefit the firm" (Pride and Ferrell 1997, 535). Factors such as favourable conditions on the market, incorrect strategy of a competitor, demand, and no similar goods and services in a close vicinity may be considered opportunities.

- **Threats**

On the other hand, threats relate to possible barriers that can forestall a company from reaching its goals and objectives. Although an entrepreneur cannot influence the impact of threats, they should consider all aspects in order to prevent them. The following threats

can impact a company: unfavourable legislative changes, political changes, and new competitors (Pride and Ferrell 1997, 534-35).

### 3.7.2 Porter's Five Forces

Porter's Five Forces analysis should indicate the structure of an industry that an entrepreneur is trying to understand in order to make their company more profitable. The following forces constitute Porter's Five Forces analysis:

- **The threat of entry** – New entrants in the industry that may exert pressure on prices and costs
- **The power of suppliers** – Potential suppliers, may charge the company for higher prices or offer limited quality or service to secure gain for themselves
- **The power of buyers** – Powerful customers, may influence prices and demands for quality improvement or service extension
- **The threat of substitutes** – Possible substitutes can impact the company's prices and profitability by putting a ceiling on prices
- **Rivalry among existing competitors** – Existing competitors affect each other through discounting, introducing new products, advertising campaigns, and developing new services (Porter 2008, 80-86).

### 3.8 Assessment of Risk

Every new business will face some risks and potential barriers in a specific industry and environment. An entrepreneur should assess the risk by taking the following steps. Firstly, an entrepreneur should suggest possible risks and barriers that may threaten a new venture. Secondly, an entrepreneur should discuss potential consequences in case these risks become a reality. Lastly, an entrepreneur should think about the strategy that they will implement to reduce, prevent, and react to the risks which may arise (Hisrich and Peters 2002, 238-239).

Based on Abrams, there are different kinds of risks, and an entrepreneur should consider them all. Some of these risks are more important to entrepreneurs, while some are more important to investors. The crucial risks are:

- **Market Risk** – A market risk may occur when a market is not prepared for a particular product or service at a specific time, or there is no real demand.
- **Competitive Risk** – It is crystal clear that competitors can influence an entrepreneur's position in the market. New competitors entering the market may affect a company's position on the market, its products or service.

- **Technology Risk** – A technology risk is a threat of broken machines and devices, and a threat of resulting financial loss or damage to the company.
- **Product Risk** – A product may not be available at an appropriate time, or it may not work as it is supposed to work.
- **Capitalization Risk** – Getting enough money to initiate a new venture is the key to success. It can be hard to determine how much money an entrepreneur needs to from a realistic idea about the income and the expenses (2019, 154-55).

### 3.9 Marketing Plan

Hisrich and Peters define a marketing plan as a market strategy and conditions that include distribution, price, and promoting of products and services. This plan should be detailed and trustworthy, so that potential investors can be assured that an entrepreneur will implement strategies to achieve company objectives (2002, 237-38).

A marketing plan should describe:

- How an entrepreneur plans to inform potential customers about a product or service
- How an entrepreneur plans to pass on the message to customers about a product or service
- Specific methods used to deliver the message
- Methods of achieving sales (Abrams 2019, 164)

#### 3.9.1 Marketing Mix

The marketing mix, also called the 4Ps, is a “set of manageable elements in a brand’s marketing plan, adjusted to implement the marketing strategy: product, price, promotion, and place.” (Sharp 2017, 15)

- **Product**

The product section can include everything related to the product itself, such as design, packaging, brand name, repair services, logo etc. These aspects of the product serve as components that satisfy the customer’s needs and wants. An entrepreneur has to design a new product, determine existing products, and remove those no longer satisfying the customer’s wants and needs (Pride and Ferrell 1997, 14).

- **Price**

Establishing prices and determining product prices are key steps to attracting customers. A potential customer compares the price of a product with the value that the product brings (Pride and Ferrell 1997, 15). Sharp defines external and internal factors that can

influence the price. External factors include a competitor's price and its effect on a company; moreover, marketers should set a reasonable price for a product or service and assess if customers are willing to pay it. Internal factors cover a company's cost of production. A price of a product should cover its production costs and generate profit from the sale (2017, 16).

- **Promotion**

The main objective of a company is to sell a product or service and make a profit. Promotion is the key to enticing customers to buy a particular product or service. Another part of promotion is the distribution of a product. Advertising of a product can depend on a company's financial status, so an entrepreneur should consider which options are available to them (Sharp 2017, 16).

- **Place**

Where will the product be sold? This question is inevitable for an entrepreneur. The suitable place depends on the particular product. Products can be sold either in physical stores or online. If an entrepreneur opts for a physical store, they should find a suitable geographical location (Sharp 2017, 16).

### **3.10 Financial Plan**

This section of a business plan has to make sense to a potential reader financially. Therefore, a company should generate profit, a company should secure enough financial resources to establish a new venture, and it should be financially sustainable in the long term. A financial plan should provide information on how an entrepreneur plans to raise financial resources necessary for production, materials, and operating the business (Červený 2014, 152).

Based on McKeever, there are different ways of financing a new business:

- An entrepreneur's savings
- Finances borrowed from friends and relatives
- Bank loans
- Venture capital
- Money from supporters
- Selling or borrowing against the equity in another property
- Cost cutting (2018, 77)

Fixed costs are another item that a financial plan should include. In the beginning, an entrepreneur has to invest in buildings, machines, vehicles, devices, maintenance and

operations. Moreover, expenses for transport, promotion, rent, electricity, etc. also fall into fixed costs (Červený 2014, 152).

Another part of a financial plan is a break-even point. The break-even point is “the production level at which total revenues for a product equal total expenses” (Investopedia 2021). In other words, the company is neither making profit nor losing money. An entrepreneur evaluates how much money they will need to cover expenses. For a start-up company, the break-even point comes when sales equal the amount of fixed expenses (Abrams 2019, 320).

### **3.11 Appendix**

An appendix is a suitable place for an entrepreneur to impart information that support the plan’s conclusions (Abrams 2019, 334). The appendix usually contains any information or materials that may help a reader comprehend the proposal. This part should include the following:

- Lease agreements
- Any proposals for needed construction work
- Plans for construction work
- Business symbols and logos
- Key employee’s resumes
- Any print material related to the business (McKeever 2018, 211)

## **II. ANALYSIS**

## 4 THE TITLE PAGE



Figure 1: The Logo of the Company (own creation)

Name of the company:	SneakCare, s. r. o.
Legal form:	Limited Liability Company
Location:	Dlouhá 4307, 760 01 Zlín
Date of establishment:	01.01.2022
Owner:	Lucie Bujáčková
Telephone number:	+ 420 731 456 924
E-mail:	bujackova@seznam.cz

## 5 EXECUTIVE SUMMARY

The SneakCare company is a limited liability company that focuses on cleaning and repair of shoes. This company will be established by one director and one companion. Lucie Bujáčková is the director, and she will be in charge of conducting the entire company; Martin Malenovský is a companion, and he will be responsible for marketing and accounting. The company will be located in the centre of Zlín, specifically on the Dlouhá street, close to the Golden Apple shopping centre.

As mentioned, the company will operate in the Zlín's centre; furthermore, the company expects that customers from the whole Zlín region will make use of its services due to the lack of competition. The company focuses primarily on students in the vicinity of Zlín. Since there are eleven high schools and five different university faculties located in Zlín, the city is full of students who can use this service. The company primarily targets customers from the age groups of 15-25, and 25-45, including young adults with extra money to spend.

The competition is not very intense in the area. There is no direct competitor in the Zlín region; however, there are a few direct competitors in the Czech Republic. The closest one is Foot Care Brno, located in Brno, which is almost 100 km away. Two indirect competitors are present in Zlín. The first one is Penguin CZ, which deals with washing of clothes and also shoe cleaning. The company is located in the Golden Apple shopping centre. The second indirect competitor is Opravna obuvi BOTASERVIS, focusing on shoe repair, which is located close to Zlín's department store.

The owner and the companion have joint savings of CZK 600,000 set aside for establishment of the business. The total amount of initial costs was calculated at CZK 153,403, and this amount will be covered by the savings. The rest of the money will be used for funding the first years of operation, as the company expects that the costs will outweigh the revenues. The financial plan also includes fixed and variable costs, break-even point, and three scenarios of total costs and expected revenues.

## **6 COMPANY DESCRIPTION**

### **6.1 Company Name**

The business, which will focus on shoe cleaning will be called “SneakCare”. The company name is a combination of two words. The first one is “Sneak”, which is an abbreviated version of the word sneakers, and should indicate that the company will focus mainly on this type of shoes. The second word is “Care”, and it stands for the maintenance of shoes.

### **6.2 Mission Statement**

The company’s mission is to create a business that will be affordable and beneficial for potential customers. Customers should be able to rely on us to make their shoes shiny and clean again. Another goal is to satisfy customers’ wants and needs and provide an additional value to the company’s services, which would make the customers return.

### **6.3 Legal Entity**

The organization consists of one director and one companion. The director is responsible for the company’s operation and management, and the partner will be in charge of marketing and accounting. The director and owner is Lucie Bujáčková, and the companion is Martin Malenovský. The legal form of this company is a limited liability company.

### **6.4 Service description**

The SneakCare company is a cleaning service focused on shoes and boots, with primary focus on sneakers. Moreover, the company offers repair and darning of old shoes to make them as good as new. The main season will be from March to September, as the company will mainly focus on sneakers cleaning during this time. The shoulder season will start in October and end in February. During these months the company will clean autumn and winter boots.

The company offers three cleaning options for shoes: a basic program, a standard program, and a premium program. The basic program costs CZK 299, the standard one CZK 399, and the premium CZK 549.

In case the business is successful and profitable in the years following its establishment, the company anticipates extending its services to include sale of limited editions of sneakers, shoe painting and inscribing initials on shoes.

## **6.5 Management**

As was mentioned above, the company will consist of one owner and one companion, who will handle the business side of things. A few employees will also be needed for the actual service of shoe cleaning and dealing with clients. Eventually, as the company grows and the demand increases, the company expects to hire more employees.

## **6.6 Business Location**

The SneakCare company will be located in the very heart of the city of Zlín – more precisely, on address Dlouhá 4309, on the ground floor where potential customers will be able to spot the company immediately. This great location is close to the Golden Apple shopping centre, and the Nám. Míru square, where there is typically a heavy concentration of people in spring and summer months. As there are eleven high schools and five different university faculties located in Zlín, it can be said that the city is full of students that would want to use the company's services. The opening hours will be from 9 a.m. to 5 p.m.

## **6.7 Achieved Milestones**

Up to now, the company has signed a one-year lease agreement on the premises of the company. Therefore, the space is available, and the company is ready to start a business. The company owner has already bought all the necessary detergents for cleaning shoes, as well shoe cleaning brushes, sprays, microfiber towels, and shoe inserts.

## **6.8 Financial Status**

The owner and companion have saved an adequate amount of money for the establishment of the company. The money will be used for equipment and furniture in the shop, the rent and salaries in the first months, and various other expenses. If necessary, the company will apply for a loan from the bank.

## 7 INDUSTRY ANALYSIS

The SneakCare company offers cleaning services, and as such it belongs to the tertiary sector of the economy that concentrates on services. According to CZ-NACE, this service is categorised under code 9523, the Repair of footwear and leather goods. If the company extends its services to include sale of limited editions of shoes, it can also be categorized under code 4772, which stands for Retail sale of footwear and leather goods in specialized stores (CZ-NACE 2018).

### 7.1 SLEPT Analysis

The SLEPT Analysis is crucial for analysing the external environment and factors influencing the business. This analysis should detect possible impact of external changes on the company.

#### 7.1.1 Social Factors

The first social factor that may affect the business is living standards. In regards to the living standards of the whole country in the Coronavirus era, the outlook on it is surprisingly more positive than negative. Based on The Public opinion Research centre's research, 56% of respondents described their standard of living as good, whereas 12% considered their standard of living bad. The remaining 32% of respondents viewed the standard of living as neither good nor bad (Centrum pro výzkum veřejného mínění 2020). This research was conducted in September 2020, so the current situation and future development is mostly determined by the turn of events since then. Better living standards imply a higher demand for the company's services.

The unemployment rate belongs to social factors as well. According to the latest figures, the unemployment rate in the Zlín region was 2,3% in the third quarter of 2020 (Český statistický úřad 2021). This is a low rate, and it signifies for the company that expenses on employees will increase, and it will be harder to find qualified employees. Fortunately, the SneakCare company does not require high qualifications or education, so this factor can help widen the pool of potential candidates.

Another factor that has to be mentioned is the demographic aspect. Even though the company will only conduct business in Zlín, its focus lies on the whole Zlín region. The following table shows the structure of local inhabitants through the years 2017-2019 (Český statistický úřad 2020). The SneakCare company will focus mainly on students who belong to the 15–19 and 20–24 age group and primarily on women because generally speaking,

women tend to spend more money on maintaining their appearance. As can be seen from the table below, there are more women than men in the Zlín region, which can contribute to the company.

Table 1: The Structure of Inhabitants in the Zlín Region

Age	2017		2018		2019	
	Women	Men	Women	Men	Women	Men
In total	<b>297,279</b>	<b>285,777</b>	<b>297,038</b>	<b>285,883</b>	<b>296,606</b>	<b>285,949</b>
0–14	42 305	44 799	42 766	45 192	42 944	45 467
15–19	12 735	13 428	12 715	13 524	12 698	13 568
20–24	14 372	15 191	13 494	14 291	13 022	13 724
25–29	18 112	19 328	17 848	18 911	17 214	18 413
30–39	38 421	41 871	37 282	41 036	36 356	39 929
40–49	43 955	46 279	44 711	47 252	45 274	48 087
50–59	37 884	38 317	37 810	38 191	37 951	38 478
60+	89 495	66 564	90 412	67 486	91 147	68 283

Source: Czech Statistical Office, own modification

### 7.1.2 Legal Factors

In terms of legal factors that could influence the business, as of 2021 there are only a few laws and regulations that may have an impact. The first one is the law on abolishment of super-gross wage and the second one is a regulation about the increase of minimum wage. These two new regulations may influence the business in the form of higher expenses on employees. Otherwise, there are no fundamental legal factors that could limit the operation of the business.

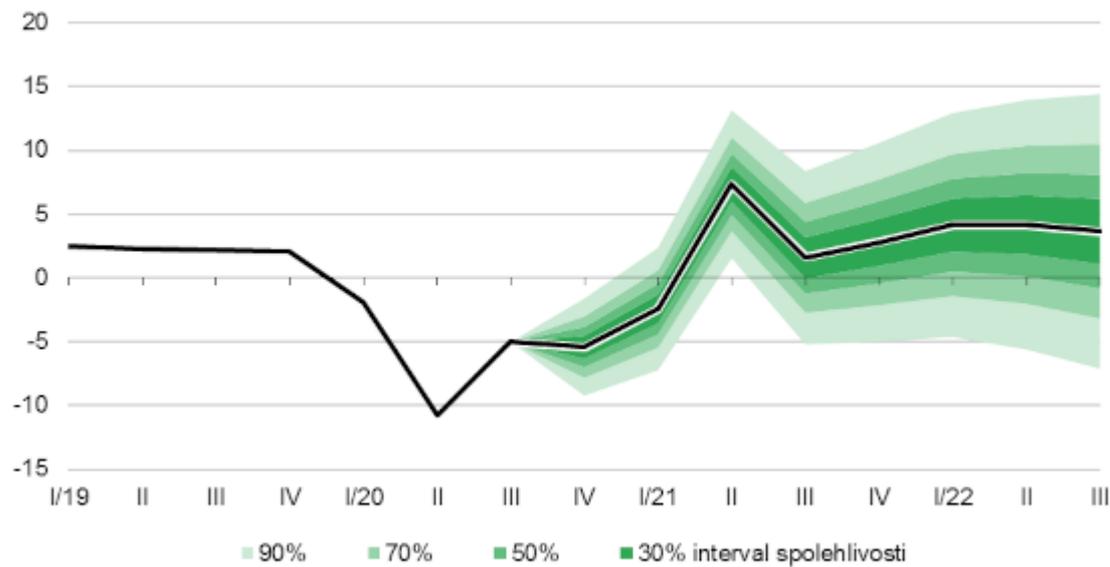
### 7.1.3 Economic Factors

Economic factors are another part of the SLEPT analysis. As mentioned, the unemployment rate in the Zlín region had been under 3% between 2018 and 2020, which means that it may be more difficult to find qualified employees. However, this will not place the company at risk as the company does not have a need for highly qualified employees, and also plans to hire students for part-time work.

Gross domestic product also belongs to economic factors that may influence a business. The chart below, shows the development of gross domestic product in the Czech Republic. GDP was around 2,5% in 2019, and it remained flat until early 2020, when the Coronavirus

crisis started, and the GDP plummeted to -11%. This rapid decrease signified an unfavourable economic environment for companies, as consumers were hesitant to spend money and the demand fell. Based on predictions for 2021 and 2022, the SneakCare company can expect a better situation on the market, higher GDP, and an increasing demand caused by GDP growth and higher consumer spending.

Chart 1: Development of Gross Domestic Product in the Czech Republic



Source: Czech National Bank

#### 7.1.4 Political Factors

Political factors are closely connected to legal factors. The Czech political system is democratic, and mainly dependant on right and left-wing parties. While right-wing parties support social politics and manufacture, left-wing parties promote enterprise. For the company, there are no key political factors that may impact its business. Nevertheless, the company has to be prepared for possible changes in politics, such as the parliamentary elections to the Chamber of Deputies, which will take place in October 2021.

#### 7.1.5 Technological Factors

The last type of factors in SLEPT analysis is technological. The company has to deal with new developments in technologies, preparations, communication, and information technology, and has to be able to react and conform to these changes. New technologies usually help a business be more productive and successful. In the last years, there has been a massive expansion of internet and social media, which can both greatly affect the business itself.

## 8 MARKET ANALYSIS

A market analysis should include information about the specific market in which an entrepreneur will operate. This chapter covers target market and the company's competitors.

### 8.1 Target Market

The majority of the company's potential customers is expected to consist of students and people aged 15-25, so the company will be able to build relationships easily. Most students are still living with their parents and their expenses are not high. Even if they mostly only work part-time, they also get pocket money from their parents, so they will be able to afford this service. As there are eleven high schools and five different university faculties located in Zlín, the target market is strong, and it is viable to conduct business. Another age group that may use this service is the age group of 25-45. This customer group will probably not be quite as prominent as the student group, on the other hand the adult group can afford to spend more money than students. Moreover, the company predicts that the adult group will typically pay for standard and premium programme instead of the basic one.

The company will target mainly students and people from Zlín and the vicinity of the city. As the company has no potential competitors in the Zlín region, the company expects that this service will also attract customer residing in other districts such as Kroměříž, Uherské Hradiště, and Vsetín. The company is located in the centre of Zlín, so it will be easy to reach for potential customers.

Both men and women can use this service as both genders are concerned with their looks. Nevertheless, women generally tend to spend more money on maintaining their appearance, so the company expects that women will utilise this service more. 296,606 women and 285,949 men were residing in the Zlín region in 2019. (Český statistický úřad 2020).

### 8.2 Competition

Potential competitors can be divided into direct and indirect. The company's direct competitors are:

#### **Foot Care Brno**

The company's closest competitor is Foot Care Brno, located in Brno. This company is offering three different types of cleaning programmes: basic, standard, and special. The basic programme costs CZK 269, and it is suited for light stains. The standard programme costs CZK 399, and it is the most frequently used option, which includes deep cleaning, shoelace

cleaning, sole cleaning, impregnation, and basic straightening of shape. For deep stains, customers choose the special programme, which costs CZK 699. Foot Care Brno offers other services such as dyeing of sneakers, sole cleaning, cleaning and disinfection of inner lining. Potential customers can utilize these services from anywhere the Czech Republic by sending the shoes to the company, having them cleaned and then shipped back through GLS or Zásilkovna (Foot Care Brno 2021). The main advantages of the company are that they are well-known, advantageously located, and the only provider of such services in Brno.

### **Vito Shoe Care**

The Vito Shoe Care company operates in Prague and Pilsen. They offer four different programmes instead of three: classic cleaning, deep cleaning, Vito special cleaning, and premium cleaning. The prices of these programmes range from CZK 199 to CZK 499. In comparison with Foot Care, this company is cheaper and offers more cleaning services for less money. Furthermore, this company also offers shoe repair, cleaning and restoring of wallets and handbags, and purchasing goods. This company also offers the option of delivering the cleaned shoes directly to customers who ordered this service from different locations. Vito Shoe Care seems to be thriving and its services are used by companies such as Leo Express, Heineken, Nike Prague, and many more (Vito Shoe Care 2021). This could be considered an advantage of the company along with the location of the Prague branch, which is close to the main train station. A disadvantage could be that there is another company dealing with shoe cleaning, named Fresher.cz, in its close surroundings.

### **Fresher.cz**

The last direct competitor of the SneakCare company is Fresher.cz. As mentioned, Fresher.cz is also located in Prague. They offer three different types of cleaning programmes: fresher, premium, and solefresh. Compared with the Vito Shoe Care company, the prices of these cleaning programmes are much higher, ranging from CZK 349 to CZK 899. This could be considered a disadvantage of this company because a close competitor having a better price, may influence the total demand. Fresher.cz also provide sole renewal and bleaching, shoe repair, handbag cleaning, and custom shoe design. The company delivers shoes by GLS or Zásilkovna all over the Czech Republic. They also offer extra services such as allowing customers to create their own design of shoes and selling shoes with a custom design which could be seen as an advantage, as none of the other mentioned companies offer such services (Fresher.cz 2021).

Indirect competitors do not offer the same products or services, but they might satisfy the customers' wants and needs and potentially reach the same goals. The company's indirect competitors include:

**Penguin CZ, s. r. o.**

The first indirect competitor is Penguin CZ, s. r. o. This company mainly focuses on cleaning of clothes and carpets; however, they also offer cleaning of shoes and handbags (Penguin CZ 2021). The company operates in Zlín, specifically in the Golden Apple shopping centre. This location is their main advantage, because there is a high concentration of people in the shopping centre.

**Opravna obuvi BOTASERVIS**

Botaservis is the second indirect competitor, and it is located close to Zlín's department store. The company provides shoe repair along with exchange of soles, disinfection of shoes and manufacturing of keys (BOTASERVIS 2021). Their disadvantage could lay in their website, which is quite-old fashioned and disorganized.

## 9 ORGANIZATION AND MANAGEMENT

For a start-up company, it is vital to have skilled and experienced employees. The whole business depends mainly on the owner, co-owners, and business managers. Since the SneakCare company is a start-up, the company will hire only a few employees to clean shoes and communicate with customers.

Table 2: Employees in the SneakCare Company (own creation)

Employees in the SneakCare Company		
<b>Owner</b>	Full-time job	40,000 CZK
<b>Companion</b>	Full-time job	30,000 CZK
<b>Cleaning specialist</b>	Full-time job	20,000 CZK
<b>Cleaning specialist</b>	Full-time job	20,000 CZK
<b>Receptionist</b>	Part-time job	8,000 CZK

### 9.1 Owner and co-owner

The director of this company is Lucie Bujáčková. The director is responsible for running the entire company, and she will also occasionally help directly with the cleaning process as it is one of her hobbies. In the beginning, she will give new employees initial training on the cleaning process and explain all necessities. The CEO has saved up CZK 300,000 for starting the company. The owner has gained many skills while working for different companies, which she may find helpful in conducting the business, such as organizational skills, time management, problem-solving, and leadership skills.

The co-owner is Martin Malenovský, and he will be in charge of marketing and finance. He is experienced, skilled and equipped with good communication, and negotiation skills, which will be needed for marketing purposes. The companion has saved up the same amount as the owner, CZK 300,000. Small tasks will be equally divided between the director and the companion.

### 9.2 Employees

The company's staff consists of three people. Two of them will be employed full-time and dedicated just to the shoe cleaning and one part-time worker that would mainly handle orders on the company's website and in the store. The two cleaning specialists will initially work in shifts, but once the company starts to grow and the demand increases, both of them will be needed at the same time. A part-time worker, most likely a student, will be hired to deal with the customers and she will work only from 1 p.m. to 5 p.m. She will have a part-time

contract, and she will earn CZK 100 per hour, which means about CZK 8,000 net per month. The company will also need external help – a hostess, for promotion purposes, such as advertisement and giving flyers to potential customers. The hostess will be working only for the first week, from 11 a.m. to 5 p.m. on all workdays for CZK 130 per hour. The total expense comes up to CZK 3,900.

## 10 STRATEGIC ANALYSIS

Strategic analysis is crucial for discovering possible threats and obstacles that the company may face. For a complete analysis of the potential advantages and disadvantages of the company, SWOT analysis is applicable. For understanding the industry, the company will apply Porter's Five Forces analysis.

### 10.1 S.W.O.T. Analysis

A SWOT analysis includes internal and external factors that can influence the company's business. Internal factors are the company's strengths and weaknesses, and external factors cover possible opportunities and threats to the company.

#### 10.1.1 Strengths

Strengths are internal and influenceable factors that may distinguish the company from its competitors. The first strength could be qualified personnel. The company's staff will have enough skills and knowledge to provide efficient service. The owner herself will provide the initial training for employees. It goes hand in hand with a proactive approach to customers, which could be another strength of the company. It mainly depends on the owner and the receptionist who will be communicating with the customers. The owner has good leadership skills, and the receptionist will be friendly and ready to help potential customers.

Affordable prices could be seen as another strength of the company. As there is no direct competitor in the Zlín region, the prices can be raised if necessary.

Eco-friendly products for shoe cleaning are another strength. These days, as the global awareness about environment protection is steadily increasing, it is essential to support a clean environment and use products that do not harm the nature.

The last strength of the company could be an accessible location. As mentioned, the company will operate in the very heart of the city of Zlín. The store will be close to the Golden Apple shopping centre and located along the main street to be easy to spot for potential customers.

#### 10.1.2 Weaknesses

Weaknesses are influenceable internal factors, and the company should evaluate possible weak points and do their best to avoid them. The company's main weakness could be that the company will be a newcomer on the market. A new company is typically not well-known and therefore has to first build a reputation in the course of the year. An effective marketing strategy will be needed for promotional purposes to increase public awareness.

Another weakness could be seen in the lack of customer base. As the company will be new in the market, it will need to entice customers right at the beginning. Without customer reviews, it could be difficult to raise the demand for this service.

The last weakness could be that the owner and the companion have no experience in conducting a business. It might be challenging and exhausting to get one's bearings in this business field and ascertain how everything works.

### **10.1.3 Opportunities**

Opportunities belong among external factors that cannot be influenced. The first opportunity for the company could be no direct competitors in the Zlín region. The closest direct competitor is located in Brno, so the SneakCare company is the only one operating in this field in the Zlín region.

Another opportunity could be the development of new technologies or products that would accelerate the process of shoe cleaning. The company will be ready to accept new technological changes, and this may help in boosting productivity.

### **10.1.4 Threats**

Threats are external factors as well, and it can be difficult to influence them. An entrepreneur can consider possible threats before starting a business; however, they never know what will happen in the future and how unforeseen events could impact their business. The main threat could be the current situation in terms of the Coronavirus pandemic. The present situation in the whole world and especially in the Czech Republic is not favourable for starting a new business. The company hopes that the situation will get better soon along with the economic situation.

Another threat could be the two above mentioned indirect competitors, or new direct competitors entering the market. One of the indirect competitors is based close to the company's location, and the competitor focuses on cleaning textiles and shoes as well. What could pose a threat to the company is a new direct competitor either in the city district or in the Zlín region.

The last potential threat could be the increasing prices of energy supply. If the prices of electricity and other types of energy supply increase, it will mean higher expenses for the company and, possibly, a lack of financial resources.

## **10.2 Porter's Five Forces**

### **10.2.1 The threat of entry**

For companies in the Czech Republic, there are no legal restrictions or government policies that would affect entry into the market. However, what could constitute an obstacle is the capital requirement. For a start-up company, considerable financial resources are needed for running the business – initial costs, fixed costs, and others. As mentioned, the SneakCare company does not have direct competitors in the Zlín region who would influence the business.

### **10.2.2 The power of suppliers**

As the SneakCare company deals with shoe cleaning, in terms of supplies, the company will only need detergents for the cleaning process. These detergents can be bought directly by the company itself, there is no need for suppliers. If the company is successful enough in the future, it will extend services to include shoe painting and sale of limited editions of shoes. In that case, the company can still order the supplies directly.

### **10.2.3 The power of buyers**

The company has to make sure that buyers or potential customers are satisfied with the service and the employees' attitude. If potential customers are content, they will likely come back and stay loyal to the company. Because the SneakCare company is the only one in the shoe cleaning sector, buyers cannot choose other competitors. The buyer's power is relatively low because buyers do not have many options that could replace the company's service and the target group is comparatively wide.

### **10.2.4 The threat of substitutes**

As of now, there are no substitutes for shoe cleaning. The cleaning process is done manually, and for now, no machine is able to clean shoes as thoroughly and gently as a qualified person. Of course, some households use washing machines to keep their shoes clean; however, this method is not effective enough, and could destroy the shoe.

### **10.2.5 Rivalry among existing competitors**

The company's existing direct competitors are located in Brno, Pilsen, and Prague and there are two indirect competitors in Zlín. The most serious competitor could be Foot Care Brno due to its closeness to Zlín. The SneakCare company offers better prices than Foot Care Brno, and if a customer wanted to order their shoe cleaning services online, they would have

to pay for delivery. The local indirect competitor Penguin CZ is close to the company's location, and it offers textile and shoe cleaning as well. This could pose a threat for the company in some way.

## **11 ASSESSMENT OF RISK**

When an entrepreneur is looking to establish a company, they have to evaluate possible risks that may affect its business. The SneakCare company is aware of potential risks it may face, and it is doing its best to minimize them. The one major risk for all companies is to go bankrupt and deal with lack of finances. Other possible risks are mentioned in the following topics.

### **11.1 Market Risk**

The first risk that an entrepreneur can face is market risk. This risk encompasses the potential situation of the market not being ready for a given product or service, and customers not needing these products or services. The SneakCare company is the first company in the Zlín region with focus on shoe cleaning, so there could be a potential market risk as customers are not familiar with this type of service. What could help to minimize this risk is an effective marketing and strategy.

### **11.2 Competitive Risk**

The threat of new competitors entering the market is always there. It can be difficult to predict how many new competitors might enter the market. Nonetheless, the company has to expect some competitors in the long run. The SneakCare company does not have a direct competitor in the Zlín region, so the competitive risk is low. Notwithstanding, other direct competitors may also slightly influence the SneakCare company's demand as they offer cleaning services through delivery. Another aspect that has to be considered is the existence of indirect competitors in Zlín who can impact the demand too.

### **11.3 Technology Risk**

A technology risk can occur whenever a company owns machines. The SneakCare company does not have any automatic or large machines, but the company will primarily use a computer, which could pose a potential technology risk. Using special programmes and the internet, storing sensitive data, and running several applications at a time may represent a possible security threat and data loss threat.

### **11.4 Product Risk**

Another risk which an entrepreneur may face is product risk. In terms of the SneakCare company, product risk means possible problems with the company's service. The company should satisfy customers' needs to make them more likely to come back. A product risk can

occur if the customer is not content with the service, they expect better cleaning results, or they have to wait longer than they expected.

### **11.5 Capitalization Risk**

Capitalization risk is the last and probably the most serious risk. This risk can appear if an entrepreneur underestimates the costs and expenditures needed for running a business and overestimates the revenues. The SneakCare company has to implement a realistic financial plan, and make sure that it has enough financial resources to start a new business.

## 12 MARKETING PLAN

A marketing plan is a marketing strategy that an entrepreneur will implement by means of a marketing mix. The marketing mix or 4P's includes elements such as product, price, promotion, and place. A marketing plan is essential for the SneakCare company, as the company plans to utilize promotion to attract customers.

### 12.1 Marketing Mix

#### 12.1.1 Product

The SneakCare company offers a service that helps maintain the appearance of the customers' shoes. The company focuses on shoe cleaning with the use of special detergents and repair of shoes. In the following years, the company contemplates extending the services to include painting on shoes and sale of limited editions of shoes. Three different programmes are offered by the company – the basic, standard, and premium programme. The basic programme includes basic cleaning, shoelace cleaning, disinfection of inner lining, deodorization, and temporary reinforcement of shoes for maintaining their original shape. The standard programme includes further services such as sole cleaning, impregnation, and shoelace exchange. The premium programme offers double impregnation and sole bleaching in addition to the standard programme's features.

#### 12.1.2 Price

Setting the price for a company's services has a massive impact on the demand and revenues. An entrepreneur has to consider both internal and external factors that can influence the price. External factors include a price comparison with competitors and an estimate of whether the customers will be willing to use the service with regards to its price and value. The company does not have a direct competitor in the Zlín region, so the external factor is trivial. The company calculates the prices at a value that will cover the cost of production.

Table 3: The Price of Services (own creation)

Service	Price
The basic programme	299 CZK
The standard programme	399 CZK
The premium programme	549 CZK
Sole cleaning and bleaching	299 CZK
Impregnation and disinfection	199 CZK

### 12.1.3 Promotion

Promotion is vital to address and attract SneakCare's customers through different types of promotion tools. The promotion options mainly depend on the company's financial situation, but the SneakCare company is prepared to invest a considerable amount of money. The company plans to use the following promoting channels.

Firstly, different social media platforms will be used for promoting the SneakCare company. In the Czech Republic, the most popular social media are Facebook, YouTube, and Instagram. These media types are mainly used by the company's target customers, namely the 15-29 age group (Ami Digital Index 2020). The company will set up an account on Facebook and Instagram to attract customers.

Secondly, the company will create a website on which all necessary and relevant information about the company will be posted. The website will show the complete offer of the company's services, a gallery of before/after photos, the opening hours, and contact information. Similar information will also be listed on the social media accounts.

Lastly, for starting up the business, the company will advertise by hiring a hostess. The hostess will walk around the city and hand out flyers with information about the new business and a 10% discount for the first purchase. The hostess will work only in the first week, from 11 a.m. to 5 p.m. on all five workdays.

### 12.1.4 Place

As mentioned, the SneakCare company will be located in the centre of Zlín, specifically on the Dlouhá street, close to the Golden Apple shopping centre. The store will be situated on the ground floor, along the main street, so it will be easy to sport for potential customers. The store's area is 93 m<sup>2</sup>, and it will be divided into several parts such as the reception, workroom, lavatory, kitchenette, and storage space. The location is ideal due to a heavy concentration of people and immediate proximity to the city centre. As the company targets mainly students, the location is advantageous because there are eleven high schools and five different university faculties located in Zlín. The services will be offered in the store as well as online. As the current situation is rather unstable due to the coronavirus pandemic, the company must be prepared to work fully online and offer services through its website.

## 13 FINANCIAL PLAN

The most substantial part of a business plan is the financial plan. This plan will establish how much money will be needed and whether it could be feasible and profitable. The financial plan includes the start-up budget, fixed and variable costs, expected revenue, and break-even point.

### 13.1 Start-up Budget

A start-up budget is required for starting the company, and it should cover all expenditures that an entrepreneur needs make in order to establish a business. The initial costs are divided into three groups in the following table. The first group is operational costs, including store equipment, furniture, rent, cleaning detergents and specialized tools. The establishment of the company is the second group, and it includes notary and legal services necessary to set-up the company. The last group is marketing costs that cover the costs of website creation, promotional leaflets, and advertisement. The total initial costs calculate at CZK 153,403, with the biggest part spent on furniture. The owner and companion saved up CZK 600,000 together to cover the start-up costs and expenses in the first months.

Table 4: Start-up Costs (own creation)

Costs	Price in CZK
<b>Operational costs</b>	<b>132,403</b>
PC + laptop	35,000
Mobil phone	7,000
Cash-register	6,000
Furniture	48,000
Rent	18,000
Cleaning detergents and equipment	18,403
<b>Establishment of the company</b>	<b>6,500</b>
Notary services	4,000
Legal services	2,500
<b>Marketing costs</b>	<b>14,500</b>
Website	8,500
Promotional materials	1,000
Advertisement	5,000
<b>Total costs</b>	<b>153,403</b>

### 13.2 Fixed Costs

The fixed costs are invariable, and the entrepreneur has to pay them even if the company is not operating. The following table shows that the biggest amount of fixed costs will be used on employees' salaries and the owner, and companion's salary. Health and social insurance are calculated from the salaries of full-time workers, owner, and companion, which come up to CZK 110,000 in total. From this amount, health insurance (9%) and social insurance (24.8%) are calculated. The total amount of fixed costs is estimated at CZK 186,880.

Table 5: Fixed Costs (own creation)

Fixed Costs	Price in CZK	
	monthly	annually
Rent	18,000	216,000
Energy	13,000	156,000
Internet	300	3,600
Telephone	400	4,800
Salaries	118,000	1,416,000
Health insurance	9,900	118,800
Social insurance	27,280	327,360
<b>Total fixed costs</b>	<b>186,880</b>	<b>2,242,560</b>

### 13.3 Variable Costs

The variable costs include paper packaging that will be used for completed orders. The company will return the clean shoes in this packaging with the company's logo. The second group is cleaning detergents and equipment that will be used for different types of programmes and additional services.

Table 6: Variable Costs (own creation)

Variable Costs	Price in CZK per piece
Paper packaging	12
Detergents – the basic programme	130
Detergents – the standard programme	195
Detergents – the premium programme	306
Detergents - sole cleaning and bleaching	168
Detergents - impregnation and disinfection	70

### 13.4 Break-even point

The break-even point can be calculated using fixed costs, the price of a specific service and variable costs spent on that specific service. As the company offers three programmes and few additional services, the break-even point will be calculated for each programme or additional service separately. The total fixed costs come up to CZK 186,880, but prices for each service differ. The break-even point can be seen in the table below, and it is measured in number of orders.

Table 7: Break-even Point (own creation)

Service	Fixed costs CZK	Price CZK	Variable costs CZK	Break-even point
The basic programme	186,880	299	142	1,190
The standard programme	186,880	399	207	973
The premium programme	186,880	549	318	809
Sole cleaning and bleaching	186,880	299	180	1,570
Impregnation and disinfection	186,880	199	82	1,597

### 13.5 Total Costs and Expected Revenue

The expected revenue can be predicted based on the number of orders per year and the prices of cleaning programmes and additional services. Even though the service itself seemed to be profitable and feasible, after calculating the total costs and revenue, it can be said that the company will not be able to earn enough to cover the expected costs. The following tables show total costs and expected revenue in the first three years. The expected revenue is calculated in three scenarios – realistic, optimistic, and pessimistic. The realistic scenario anticipates that the company could generate revenue in its fifth year of operating. That means that the company would have to cover the losses in the first four years, which is not possible as the owner and companion have only saved up CZK 600,000, and that is not enough. As is shown below, the optimistic scenario expects more orders and higher revenue, but even so, the company will suffer a loss in the first year. The following years could ensure that the company generates a profit. The pessimistic scenario takes into account the worst prediction of what may happen if customers do not utilise the company's services or the market is not yet ready for this type of service.

Table 8: Total Costs and Expected Revenue in CZK – realistic scenario (own creation)

	2022	2023	2024
The basic programme – orders	2,016	2,928	3,792
The standard programme – orders	768	1,488	2,160
The premium programme – orders	288	720	1,440
Sole cleaning and bleaching – orders	528	1,008	1,440
Impregnation and disinfection – orders	480	960	1,440
<b>Total orders</b>	<b>4,080</b>	<b>7,104</b>	<b>10,272</b>
Revenue from cleaning programmes	1,067,328	1,864,464	2,786,208
Revenue from additional services	253,392	492,432	717,120
<b>Total revenue</b>	<b>1,320,720</b>	<b>2,356,896</b>	<b>3,503,328</b>
<b>Total fixed costs</b>	<b>2,242,560</b>	<b>2,242,560</b>	<b>2,242,560</b>
<b>Total variable costs</b>	<b>671,232</b>	<b>1,212,912</b>	<b>1,820,784</b>
<b>EBT</b>	<b>-1,593,072</b>	<b>-1,098,576</b>	<b>-560,016</b>

Table 9: Total Costs and Expected Revenue in CZK – optimistic scenario (own creation)

	2022	2023	2024
The basic programme – orders	3,840	4,800	5,760
The standard programme – orders	2,160	2,880	3,840
The premium programme – orders	1,440	2,160	2,880
Sole cleaning and bleaching – orders	1,440	1,920	2,400
Impregnation and disinfection – orders	1,440	1,920	2,400
<b>Total orders</b>	<b>10,320</b>	<b>13,680</b>	<b>17,280</b>
Revenue from cleaning programmes	2,800,560	3,770,160	4,835,520
Revenue from additional services	717,120	956,160	1,195,200
<b>Total revenue</b>	<b>3,517,680</b>	<b>4,726,320</b>	<b>6,030,720</b>
<b>Total fixed costs</b>	<b>2,242,560</b>	<b>2,242,560</b>	<b>2,242,560</b>
<b>Total variable costs</b>	<b>1,827,600</b>	<b>2,467,680</b>	<b>3,157,440</b>
<b>EBT</b>	<b>-552,480</b>	<b>16,080</b>	<b>630,720</b>

Table 10: Total Costs and Expected Revenue in CZK – pessimistic scenario (own creation)

	2022	2023	2024
The basic programme – orders	1,008	1,440	1,920
The standard programme – orders	384	720	1,056
The premium programme – orders	144	384	720
Sole cleaning and bleaching – orders	240	480	720
Impregnation and disinfection – orders	240	480	720
<b>Total orders</b>	<b>2,016</b>	<b>3,504</b>	<b>5,136</b>
Revenue from cleaning programmes	533,664	928,656	1,390,704
Revenue from additional services	119,520	239,040	358,560
<b>Total revenue</b>	<b>653,184</b>	<b>1,167,696</b>	<b>1,749,264</b>
<b>Total fixed costs</b>	<b>2,242,560</b>	<b>2,242,560</b>	<b>2,242,560</b>
<b>Total variable costs</b>	<b>331,296</b>	<b>601,392</b>	<b>908,832</b>
<b>EBT</b>	<b>-1,920,672</b>	<b>-1,676,256</b>	<b>-1,402,128</b>

## CONCLUSION

The purpose of this bachelor thesis was to establish a feasible and profitable business plan for a new company SneakCare. The thesis is divided into two parts – theoretical and practical. The theoretical part contains essential information about a business plan and establishing a business, and it is based on resources from books and internet articles. The main element of the theoretical part is the structure of a business plan itself.

The practical part focuses on the establishment of the SneakCare company by means of studied literature. This part serves as a basis for the owner to determine what is necessary for setting-up the business and evaluate if the business would be profitable. The practical part also contains important analyses such as the SWOT analysis, Porter's Five Forces analysis, and SLEPT analysis, which help in raising awareness of the risks and factors that may influence the business in a competitive environment.

The most significant part of the entire business plan is the financial part. The financial part either confirms or disproves the company's potential profitability and feasibility. This part contains a start-up budget, fixed and variable costs, break-even point, and total expected sales and revenue. Even though this calculation was time-consuming, it confirmed that the company would not be profitable enough to cover total expenses. The main reason would be the company's high fixed costs and relatively low prices of the cleaning programmes. The fixed costs were calculated at CZK 186,880, with the highest items being salaries and rent for premises of the company. The owner even tried to increase the prices of the programmes in order to make a profit, but the owner was afraid that by raising the prices above the original suggestion, potential customer would not be willing to pay for the service.

The main objective of this thesis was to evaluate whether this project and the service itself would be feasible and profitable. After comprehensive assessment, the owner has decided that the business plan will not be launched due to high expenses and financial loss.

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## LIST OF ABBREVIATIONS

CZK	Czech koruna
EBT	Earn before taxes
GDP	Gross domestic product
s. r. o.	Společnost s ručeným omezením
SWOT	Strengths, weaknesses, opportunities, threats

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## **APPENDIX**

P I: Variable Costs per each service in CZK and Direct Wages in CZK

Variable Costs per each Service in CZK					
	Basic programme	Standard programme	Premium programme	Sole cleaning and bleaching	Impregnation and disinfection
<b>Direct Materials:</b>	<b>52.8</b>	<b>98.6</b>	<b>190.7</b>	<b>110.3</b>	<b>41.1</b>
<b>Basic cleaning</b>					
Shoe solution	2.6	2.6	2.6	2.6	
Shoe foam	9.9	9.9	9.9	9.9	
Towel	6.8	6.8	6.8	6.8	6.8
Brush	7.2	7.2	7.2	7.2	
<b>Disinfection and deodorant for the inner lining</b>					
Shoe inserts	26	26	26		26
<b>Reinforcement of shoe</b>					
Shoe tree	0.3	0.3	0.3		
<b>Sole cleaning</b>					
Shoe solution		2.6	2.6		
Shoe foam		9.9	9.9		
<b>Impregnation</b>					
Repeal spray		8.3	8.3		8.3
<b>Shoelace exchange</b>					

Shoelaces		25	25		
<b>Double impregnation</b>					
Repeal spray			8.3		
<b>Sole bleaching</b>					
Bleach detergent			83.8	83.8	
<b>Direct Wages</b>	<b>76.7</b>	<b>95.8</b>	<b>115</b>	<b>57.5</b>	<b>28.8</b>
<b>Total variable costs</b>	<b>129.5</b>	<b>194.4</b>	<b>305.7</b>	<b>167.8</b>	<b>69.9</b>

Direct Wages in CZK			
	Spent minutes on each service	Hourly wage in CZK	Direct Wages in CZK
<b>Basic programme</b>	40	115	<b>76.7</b>
<b>Standard programme</b>	50	115	<b>95.8</b>
<b>Premium programme</b>	60	115	<b>115</b>
<b>Sole cleaning and bleaching</b>	30	115	<b>57.5</b>
<b>Impregnation and disinfection</b>	15	115	<b>28.8</b>

The average number of days per month = 21.74 days

Working hours per day = 8.5 hours with a lunch break = 8 hours of work

Gross salary per month = CZK 20,000