

A Business Plan for a Hair Studio

Markéta Komárková

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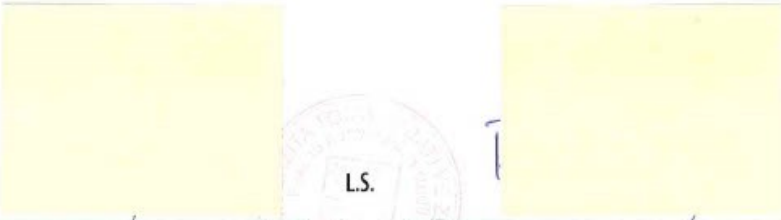
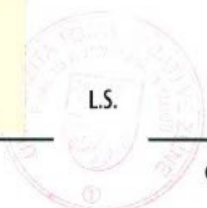
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ABSTRAKT

Cílem této bakalářské práce bylo vytvoření podnikatelského plánu pro vlasové studio. Práce je rozdělena do dvou částí. V úvodní, teoretické části, se práce zabývala základními termíny spojenými s podnikáním, spolu s popisem právní struktury v České republice a popisem struktury podnikatelského plánu. V praktické části byl sestaven samotný podnikatelský plán. Součástí plánu je popis nabízených služeb, marketingový plán, finanční plán a zhodnocení rizik. Hlavním cílem bakalářské práce bylo zjistit, zda je takovýto projekt realizovatelný a stojí za rizika spojená s podnikáním.

Klíčová slova: podnikání, podnikatel, podnikatelský plán, finanční plán, vlasové studio

ABSTRACT

The purpose of this bachelor thesis was to create a business plan for a hair studio. The thesis is divided into two parts. In the first, theoretical part, basic terms connected with entrepreneurship were mentioned, along with the description of legal structure in the Czech Republic and the structure of the business plan. In the practical part, the specific business plan is written. Part of the business plan is a service description, marketing plan, financial plan, and risk evaluation. This thesis aimed to find out whether the project is feasible and worth taking the risk.

Keywords: entrepreneurship, entrepreneur, business plan, financial plan, hair studio

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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

The topic of this thesis focuses on the foundation of the hair studio that would offer its customers a wide range of unique hair treatments. I have chosen this topic because I want to set up such a business in the future. The idea of this business came into my mind a few years ago since I started to take an interest in hair care. I have always dreamed about long, healthy hair, but since my hairdresser told me I would never have such hair due to my thin hair structure, I decided to prove her wrong.

I searched for information throughout the internet and found out few hairdressers in the Czech republic are honestly interested in hair care specializing in the proper treatment to reach healthy hair. Unfortunately, this is not the case of each hairdresser, and this is what made me think about the concept of a hair studio that would focus on each client individually, teach them about the proper hair care, and help the client get their dream hair. Providing services of a typical hair studio was not my intention. This business plan aims to introduce a new concept of a hair studio that would provide several treatments according to each hair type. I decided to go this way because there are already great studios providing special hair colouring techniques and stylings.

Nowadays, many people struggle to find a hairdresser that would be genuinely interested in the customer's hair and its features since many hair studios did not offer any special treatments. Also, I did not find a hairdresser in Zlín that would meet my desires, and as a customer, I require a professional performance and want to feel that the hairdresser is passionate about the job and eager to push their limits. Therefore, I decided to establish such a business that will hopefully find its customers.

The thesis is divided into two parts – theoretical and practical. The author will describe the meaning of entrepreneurship, legal forms, and the business plan structure in the theoretical part. That information served as a base for the practical part and was collected mainly from the literature. In the practical part, the author will describe a business plan, starting with an executive summary and continuing through the service description, market analysis, management organization, risk analysis, and others; it gives the reader an overall idea of the business. The thesis aims to find out whether the project is viable and worth the risks.

I. THEORY

1 ENTREPRENEURSHIP

Nowadays, there are many definitions and approaches to describe entrepreneurship. However, entrepreneurship was not considered a social interest subject until the 18th century, when this term was introduced. Today, many people still have no idea about entrepreneurship's history and do not consider it necessary. People think this is because they do not see any association between history and the entrepreneurship today and argue that theory is too abstract with no practical side. Despite this fact, many entrepreneurs had no idea about the historical background of entrepreneurship and became successful.

Nevertheless, many prosperous entrepreneurs confirm that theoretical knowledge has contributed to their success. Obviously, this knowledge does not guarantee any success, and there are many other factors, such as the personality and characteristics of entrepreneurs, that play a crucial role. (Srpková and Řehoř 2010, 18)

According to Synek and Kislingerová (3, 2015), entrepreneurship can be described by these characteristics:

- The main objective of entrepreneurship is to reach a profit.
- The profit arises from satisfying customer's needs. The entrepreneur always focuses on customer's interests, needs, and preferences.
- To satisfy customer's needs, the entrepreneur must enter a specific market and offer specific products and services there. This process is associated with certain risks that the entrepreneur must deal with.
- The goal of the entrepreneur is to follow specific strategies which help him to minimize the risks.
- Entrepreneurship insists a capital, either equity or venture capital.

1.1 Entrepreneur

The origin of the word "entrepreneur" comes from French "entreprendre," meaning "to undertake." English prefers using the word "entrepreneur" rather than "undertaker," which is used for different professions. (Howard 2016, 10)

According to Commercial Code in the Czech Republic, the entrepreneur can be defined as:

- A person who is registered in the Commercial Register.
- A person who runs a business under a trade qualification.

- A person who runs business according to other authorisation than a trade qualification and under specific regulations.
- A person who carries on agricultural production and is registered under specific regulations. (Srpová and Řehoř 2010, 30)

The entrepreneur can be characterized from the point of view of his personality traits, which makes every entrepreneur original. Thus, the entrepreneur can create innovations and alterations and is prepared to use his potential fully. Creativity, the ability to generate new ideas, and search for opportunities are key characteristics of a successful entrepreneur. The way an entrepreneur thinks can result in a new product, technology, or targeting a new market segment. (Kislingerová and Synek 2015, 4)

1.1.1 Personality of an Entrepreneur

Even though there is no general description of how an entrepreneur should look, it is helpful to know some of the qualities that can help become a successful leader. Many people believe they must invent a new product or service to start a business. Entrepreneur's strength should consist of spotting a market gap, either by inventing a new product or service or only by improving an already existing product or service. In other words, they should have a specific innovative ability, but it does not necessarily mean to be an innovator. To see an opportunity and transform it into a lucrative business distinguishes entrepreneurs from innovators. Not only do they take the opportunity, but entrepreneurs can identify it before it begins to rise. That gives them the advantage to fill the gap on the market before anyone else. (Harper 2005, 10-13)

1.2 Types of Entrepreneurship

Each entrepreneur has a specific vision of how his business should look like. This vision is followed up by a specific type of entrepreneurship and its potential, rate of growth, number of resources needed to start the business, and competitive strategy. Also, relevant experiences and skills of the entrepreneur and other team members must be considered. (Srpová and Řehoř 2010, 22)

Amar Bhidé introduced five categories of entrepreneurship according to research in 500 companies:

- **Lifestyle ventures** – In the United States, this type of entrepreneurship is represented by 80% of all businesses. The main reason is that they enjoy being bosses on their own and have no need to grow their business. They tend to provide

products and services at the local market and compete against local firms. Even though many lifestyle entrepreneurs could become more profitable, they prefer to stay small due to its easy manageability.

- **Modest ventures** – The chance to succeed and motivation to expand are slightly bigger than in the previous type of entrepreneurship. The difference is in the founder's attitude because they no longer take their businesses only as an alternative to working for somebody else. However, the lack of skills and experiences of entrepreneurs limits them from expanding their business. Many modest entrepreneurs intend to become lifestyle ventures only, but the market demand for their products forces them to grow.
- **Promising ventures** – Promising entrepreneurs have a clear vision of what they want to achieve; they want to become leaders in the local or even regional market. Also, they focus on their strengths to offer the best they can in a specific market. To attract customers, they are concentrating on continuous improvements and innovations. Promising entrepreneurs know their limits and do not compete against larger companies. They prefer to start the business in a well-known field, also called a proximity effect.
- **High-growth ventures** – High-growth venture is a very different type of entrepreneurship. The key is to identify a lucrative opportunity or devise a completely new product or service with a high potential to succeed. High-growth entrepreneurs learn from professionals and make decisions according to research and data. They are persistent in providing products and services in the best possible way.
- **Revolutionary ventures** – Revolutionary ventures arise once or twice in a decade; they are unique. In this case, developing a new product or service is not enough. Revolutionary entrepreneurs come up with a completely new business model along with altering the previous ones. So, the existing firms cannot keep up with their competitors unless they accept radical change. (Harper 2005, 36-49)

2 LEGAL STRUCTURE IN CZECH REPUBLIC

There are several steps based on which the entrepreneur decides which type of business legal structure he will choose. The entrepreneur considers whether to start a business as a natural or legal person. Also, to come up with that decision, he must answer questions such as the minimum number of founders, minimum registered capital, administrative aspects of the business, the tax liability, etc. The choice is usually made after creating the business plan because, in that stage of the process, the entrepreneur should clearly state what he wants to do. (Veber and Srpová 2012, 61)

2.1 The Business of Natural Person

The business of a natural person is often referred to as a **sole proprietorship**. It is a business of one person, typically in the field of farming, retailing, and household services. The advantages are flexible decisions and responses to the market requirements and individual approach to customers. However, some of the disadvantages are limited access to credits and low capital. (Kaftan 2001, 102).

To gain a trade license, we must meet certain conditions:

- Age 18+.
- Capacity to undertake legal acts.
- Integrity. (Srpová and Řehoř 2010, 67)

According to a Trade Act, there are two types of sole proprietorship- registration trades and licence trades. Registration trades can be further divided into:

- Craft trades.
- Bonded trades.
- Free trades. (Kislingerová and Synek 2015, 80)

2.2 The Business of Legal Person

Contrary to a natural person, establishing a legal person is more complicated in terms of registered capital and administrative requirements. Each type of legal person must register in the business register. (Srpová and Řehoř 2010, 68) According to a Commercial Code, there are several types of legal entities:

Public Business Company

Public Business Company is comprised of at least two persons, either a natural person or a legal entity. The owners are responsible for the company's liabilities with all their assets, and the profit is divided among the owners equally. The Public Business Company is the

most used type of legal form, after Limited Liability Company. (Veber and Srpová 2012, 72)

Advantages:

- No registered capital is required.
- Unlimited liability of the partners.
- Relatively simple withdrawal of the partner from the company.
- Good access to foreign capital.

Disadvantages:

- Unlimited liability of partners may cause a personal risk.
- The company can be set up only for entrepreneurship.
- Competition ban for the partners of the company. (Veber and Srpová 2012,73)

Limited liability company

Limited liability company is the latest and the most common legal form in the Czech republic. The main reason is that the minimum registered capital is only 1 CZK. Also, only one founder is required, but usually, there are at least two founders. Partners have limited liability to the extent of their unpaid contributions. The profit is divided among the partners based on their contribution. (Businesscenter 2021)

Advantages:

- Limited liability of the partners.
- Contributions to the company can be non-monetary.

Disadvantages:

- More administratively difficult.
- Less reliable from the point of view of business partners. (Veber and Srpová 2012, 74)

Joint-stock company

Joint-stock company is one of the oldest legal forms of entrepreneurship. However, it requires administrative and capital demandingness, so it is not used very often. The minimum registered capital is 2 million CZK (without a public offer of shares, 20 million CZK with a public offer of shares. (Veber and Srpová 2012, 74)

Advantages:

- Shareholders are not liable for the liabilities of the company.
- Good access to capital.

Disadvantages:

- The registered capital is very high.
- It cannot be set up by one natural person.
- Required audit of financial statement. (Veber and Srpová 2012, 75)

3 BUSINESS PLAN

Constructing a business plan makes the entrepreneur think about the business in each of its aspects. It helps the entrepreneur to assess conditions to start own business, as well as to manage the business in the future. However, creating the business plan is also helpful for existing companies, which decide to expand their business. (Červený 2014, 1)

3.1 Definition of Business Plan

According to Srpová and Řehoř (2010, 59), a business plan is a written document that helps the entrepreneur evaluate a business's viability. It considers all the internal and external factors relating to the foundation of the company. The business plan can be compared to a road atlas, which informs us about where we are, where we want to be, and how to get there.

Abrams (2019, 5) defines a business plan as a document that states how to achieve a company's objectives. It mentions all crucial aspects of a business, such as financial planning, competitive advantage, market analysis, goals, and strategic position. The business planning process can be further explained by the entrepreneur's evaluation of the company's basic principles to start or expand a business successfully.

Sutton (2012, 12-13) describes a business plan as an intersection of inside and outside forces. Inside forces could be presented by, for example, products, services, and staff – the outside forces by competitors, political and market situation. Nevertheless, many entrepreneurs tend to rely too much on the inside forces and disregard the outside. The most challenging part of creating a business plan is to break through inertia. To overcome fear is one of the critical steps to success.

3.2 Purpose of Business Plan

A business plan should serve inside a business as a tool for planning, decision-making, and controlling. That is mainly relevant when starting a business or implementing new strategies which influence the whole company. Also, for external entities, it presents the viability and profitability of the business. The well-prepared business plan should persuade investors to provide finances for our project. (Srpová and Řehoř 2010, 59-60)

3.3 Principles of Business Plan

If we want to persuade an investor or a bank to support our business plan, it is vital to follow general principles. The business plan should be:

- **Clear-** keep the languages simple; avoid putting too much information in one sentence.
- **Concise-** include the essential information solely.
- **Logical and well-structured-** logical structuring keeps the document well-organised.
- **Truthful and accurate-** include factual information.
- **Figures-oriented-** numerous data will attract an investor's attention. (Blackwell 2004, 12)

3.4 Benefits of Business Plan

Many benefits arise from developing a business plan, but the main advantage is to have a successful and profitable business. Furthermore, it helps the entrepreneur to get finances from an investor. Investors want to make sure the entrepreneur understands its business along with its critical issues. By providing a proper business plan, the investor can assess the project's viability and decide whether it is worth financing.

Next, the business plan helps to decide whether to start the business or not. By structuring the business plan, we will be able to answer the investor's question correctly. Also, it reveals the strengths and weaknesses of our project and teaches us how money flows throughout our business. (McKeever 2011, 6-7)

3.5 Types of Business Plan

There are many types of business plans, as well as there are many types of businesses. According to Gattis (2010, 7-9), business plan types can be divided into three categories:

- Formal
- Informal
- Summary

When thinking of a business plan, many entrepreneurs will suggest the formal one. It is the most detailed and in-depth form of a plan whose target readers are banks and investors. Detailed descriptions of the industry, competitors, potential customers, or financial analysis are included. Charts and graphs should amend those descriptions.

The informal business plan is tailored mainly for a company's management, although it describes the same features as in a formal type but in a more general style. On the other hand, it focuses on marketing and promotion in detail. The informal business plan does not necessarily require a well-developed financial section since it is mainly targeting the company's management; only budgets and cost projections will be included. As the management team was participating in creating the plan, there is no point in including information, such as who the corporate attorney is. Overall, it is considered as a strategic plan rather than the business plan.

The summary business plan will not contain detailed information about the company because it is mainly used for marketing purposes. Therefore, confidential, and proprietary information will not be presented in the summary business plan. It can be used as a recruitment tool for potential employees or at job fairs. The type of plan the entrepreneur chooses depends on the situation and the target reader. It does not influence the company's research, goals, and objectives because these must be completed before writing the plan and, therefore, do not change the type of business plan. (Gattis 2010, 7-9).

3.6 Structure of Business Plan

The structure of the business plan is tailored for each company differently. Nevertheless, specific parts should be covered in every business plan, regardless of who is the target reader. (Koráb, Řežňáková, and Peterka 2007, 36)

According to Abrams (2019, 42-43), experienced readers of business plans will evaluate our project in the first five minutes, following this order: the Executive Summary, Financials, Management, and the Exit Plan. The first three sections must attract the reader's attention enough to convince him to spend additional time reading other parts.

The length of a business plan depends on its complexity; however, the ideal number should be around 15-35 pages, not including financials or appendices. Usually, the business plan covers three to five years projections into the future, along with its monthly financials for the first or the second year. Moreover, quarterly financials are often used for the second or third year, then annual financials for the fourth and fifth year. (Abrams 2019, 44)

3.6.1 Executive Summary

An executive summary is the first part of all business plans, and it is probably the most critical section, so we must give it a significant focus. Even though it is the first part, it should be written as a last one, because only at the end of our writing we can consider all the

other aspects of our business plan. The executive summary summarizes our business plan and answers key questions - what, who, where, when, why, how. (Sutton 2012, 35)

In the beginning, we should include a brief description of the business in one paragraph so that the reader knows what the goal of our business plan is. The marketing section should cover market analysis– the size of the market, potential customers, anticipated sales, the competition, and the competitive advantage. The management section gives the reader an overview of the leadership, staff, location, and industry experience. The last paragraph should be dedicated to finances, how much money we need to start the business and what we will use them for. (Shelton 2014, 52)

There are two ways how to approach the Executive summary; the synopsis summary or the narrative summary. The synopsis summary is more straightforward than the narrative summary and concludes each business plan section. It is easier to construct because it does not require much creativity. Therefore, the tone of this summary might seem a bit dry. The synopsis summary is an appropriate choice if the overall business concept is easy to understand. The other one is the narrative summary which focuses more on a story behind the business than appealing to the operational details. It is suitable for companies that develop a new product or companies with an impressive historical background. However, it requires a skilled writer who is aware of the difference between enthusiasm and hyperbole. (Abrams 2019, 55-56)

3.6.2 Company Description

According to Abrams, “The reason most businesses fail is that they don’t understand the business they are in.” (2019, 67) Therefore, it is vital to introduce the necessary details of our business plan to a reader. In case we have been in a business for a while, it may not be so challenging to complete this part. On the other hand, it should not be underestimated because things like a business name or a legal form of our company can take us some time. The most challenging part of the company description is a “Mission statement,” which deals with our objectives and goals. It gives the reader a clear vision of our business intentions and exactly defines our business. (Abrams 2014,70)

The name of a company differs according to the type of business, interactions with the public, products, services provided, and personal preferences. When introducing a new business, it is wise to think about its flexibility over time, so it will not limit the entrepreneur to expand or sell the company in the future. (Abrams 2019, 68-69)

In terms of legal issues, one must decide which type of legal entity would be best for the business. Usually, companies choose a sole proprietorship or a partnership, mainly because of its simplicity at starting a business. On the other hand, being incorporated attracts most investors as there is higher protection from personal liability. (Abrams 2014, 71)

As stated at the beginning of this section, the mission statement should sum up the general objectives and the mission of a company in a few sentences. This statement usually comprises the company's spirit, business principles, financial goals, company culture, and future vision in the market. It is designed to provide a focus of the company for the following few years. (Abrams 2014, 70)

Another essential factor that can influence the overall success of the business is the location. It is crucial, especially for retail companies and companies that provide services. When thinking of a proper place for our business, it is vital to consider the following factors: available parking lots, access from the main roads, and the overall accessibility for the customers and suppliers. (Hisrich and Peters 1996, 114)

3.6.3 Product or Service Description

In this part of the business plan, we should characterize the nature of the products and services provided. The length of this section depends on the complexity of our products/services. If they are more technical and complicated, we should describe them in detail. Also, it applies to a new product or service that potential funders are interested in. In case there are various types of products/services, it is enough to identify the general categories. To conclude this section in our business plan, we should also cover products/services that we would like to introduce in the future. (Abrams 2019, 76)

3.6.4 Market Analysis

The purpose of market analysis is to analyse the size of the market and the potential customer. To generate a sufficient income, we need to make sure that the target market has customers interested in our products or services. (Shelton 2014, 65-66)

The target market must meet certain criteria:

- **Definable**- it should identify specific characteristics that the potential customers share.
- **Meaningful**- those characteristics must be regardable to the customer's decision-making process.

- **Sizeable**- the size of the market must be prominent in a way to profitably sustain the business.
- **Reachable**- the definition and the size of the target market must correspond to affordable and effective ways to market potential customers. (Abrams 2014,105)

Another thing is to identify the potential customers who share the same characteristics, such as age, hobbies, location, income level, etc. Thus, the target market should be defined based on the following segmentations:

- **Demographics**- refers to the statistical data of a population and its average age, income, religion, and education. A common tool for collecting these kinds of information is a government census. (Pinson 2008, 47). Information about demographics is mainly important when devising a marketing plan. The aim is to define those characteristics of the target market that cohere to the customer's need and ability to buy our product/service. (Abrams 2014, 105).
- **Geographics**- in this part, we should indicate which geographic area is going to be served. It should be described in detail to state whether it is a city, state, region, or nation. Moreover, the area should be defined based on its density- whether it is urban, suburban, or rural and if it will be located in a mall, business centre, or a stand-alone facility. In the case we serve our products/services globally on the internet, we should consider the entire world as our geographical area. However, there could also be some limitations, such as the language, licensing, or any issues with shipping the products. (Abrams 2014, 106)
- **Psychographics**- refers to the demographical characteristics based on which we can define the attitudes of a particular segment of a population. In other words, psychographics describes people's way of living- where people go on vacation, how and where they spend money, what sports they like to watch or participate in, where they spend their free time, and others. (Pinson 2008, 47)

Industry and Market Trends

According to Abrams (2014, 86), each business operates within a larger industry. Therefore, the forces influencing the industry in which we operate will ineluctably affect our business as well. By researching the industry, we will recognize factors that can contribute to the company's success and show the investors that we understand the market. The analysis of the industry should concentrate mainly on the following aspects:

- The description of the industry.

- Industry trends.
- Opportunities within our industry.

The industry can be further divided into four sectors: service, manufacturing, retail, and distribution. Sometimes the business may belong to more than just one sector. All these sectors experienced trends and changes that we should be aware of. To understand the sector in which our business operates, we must understand its past performance and the growth projections. (Abrams 2014, 86).

3.6.5 Competition

One of the worst mistakes that appear in many business plans is that the business has no competition. After reading this statement, an experienced investor will immediately depreciate our business plan. It only indicates the fact that we did not examine the market correctly, or there is no market for our business. If we can assess our competitors honestly, it will provide us with further insight into our products and services. Also, it persuades potential investors of our business strengths. We should learn from and watch our competitors and, therefore, get a better understanding of customer's wants and needs. (Abrams 2014, 122)

According to Gattis (2010, 38-39), we should list all direct and indirect competitors and analyse each of them. The minimum is to include the company name, location, and description of their products and services. However, we should focus on the strengths and weaknesses of those companies and have information about their employees, finances, technologies, and historical performance. Also, if the location plays a crucial role in our business, we should include a map illustration of our business and other significant competitors located nearby.

When researching the competitors, it is also beneficial to check their marketing approach. For instance, we can check their web page and look at the design, content, what benefits they promote, links to other websites, and the website's general nature. Also, we should focus on the pricing list, discounts, and special offers. This provides us with the advantage to spot mistakes and learn from them. (Pinson 2008, 48)

3.6.6 Marketing Plan

According to Abrams (2014, 158-159), we must have customers to stay in a business. It is crucial to develop an effective marketing plan which communicates with and secures customers. Also, this part of the business plan is mainly important for the investors. It is necessary to show them we have a realistic strategy for delivering the product or service to the customers. One of the most effective marketing tools is the marketing mix, also defined as “the Four Ps,” which stands for the Product, Price, Place, and Promotion.

Product

Product is a basic element of the marketing mix. It means anything that can be offered to a customer to satisfy its wants and needs. Also, it can be considered anything that can be provided to a market for attracting attention, acquisition, use, or consumption. The product can be represented by a physical thing, service, place, people, organization, an idea, etc. (Foret, Procházka and Urbánek 2005, 93)

Each element of the marketing mix can be further divided into more minor parts. Products have its product mix, composed of:

- Quality
- Brand
- Packaging
- Design (Foret, Procházka and Urbánek 2005, 90)

Price

There are many reasons why we should pay a great focus to a pricing policy. The height and the stability of the price influence the company’s income and its overall existence. By setting the right price, we determine the company’s position in terms of consumer hierarchy and competition. Few factors that must be considered when setting the price:

- Goals of the company and its pricing policy
- Costs
- Demand
- Competition
- Stage of a product life cycle
- Regulations of the prices (Srpová 2011, 24)

Price is the only element of the marketing mix which produces revenue - others, such as product, place, and promotion, present costs. Setting the right price is the most important thing, and we should focus not only on the production and operating costs but also on the

market elasticity. Finally, the price should be set according to other elements of the marketing mix. (Foret, Procházka and Urbánek 2005, 101)

Place

The movement of product from the place of production to the position of consumption is called a distribution. The purpose of the distribution is to provide customers with the products in the right place, time, and required quantity. A distribution network is composed of:

- Producers
- Distributors (wholesale and retails)
- Supporting organizations (insurance company, banks)

In general, distribution can be divided into direct and indirect. If the business sells goods directly to the end consumer, it is called a direct distribution. The indirect distribution includes one or more subjects between the company and the customers. (Foret, Procházka and Urbánek 2005, 109,110)

Promotion

It is probably the most visible element of the marketing mix, which communicates the product or service and persuades customers to buy them. To provide information about a product and its attributes, quality, and usage, we can use one of the tools of the promotion mix:

- Advertising
- Sales promotion
- Public relations
- Personal selling
- Direct marketing (Srpová 2011, 26)

Also, there are two significant strategies that are used very often in marketing:

- **Push promotional strategy**- the producer tries to “push” the product to the customer through the distributional channels by using promotional tools, such as sales promotion or personal selling.
- **Pull promotional strategy**- the customer wants to get the product and “pulls” it through the producers and retailers by using advertising, positive references, or a personal experience. (Foret, Procházka and Urbánek 2005, 118)

3.6.7 Management

Whether to include the management section in the business plan depends on the size and the type of a business. In the case of one entrepreneur or a very small business, it is enough to include the name of the owner/owners, their expertise, and their experiences. On the other

hand, if the business plan is more complex and requires a greater management team, this section needs to be constructed in detail. For instance, who and how many employees will be assigned to a specific job position, what expertise is required for that position, their salary, and working benefits. (Koráb, Peterka and Režňáková 2007, 87)

3.6.8 Financial Plan

The Financial plan transforms the previous parts of the business plan into numbers and justifies that our project is feasible from an economic perspective. It is necessary to know that at the beginning of our business, we need financial sources. For example, to establish the company, procure long-term assets and current assets and have sources to start the business. Financial statements, such as the balance sheet, cash-flow statement, income statement, and the break-even point analysis, should be included in the business plan. (Srpková 2011, 28)

When starting a new business or developing an existing one, there are various financing sources that we can use. Usually, the financial sources can be divided based on a property into liabilities and equity. Some examples of equity are registered capital, profit, and depreciation of tangible and intangible long-term assets. Examples of liabilities in small businesses are mainly loans. The other ways of financing could be, for example, leasing, factoring, and forfaiting. When considering the time aspect, financial sources can be divided into short-term (due to one year or less) and long-term (due to more than one year). (Veber and Srpková 2012, 105)

Balance sheet

A balance sheet provides us with information about the assets and the liabilities of a company to a specific date. Both the assets and liabilities must be balanced because the company cannot own more assets than it can finance. (Koráb, Režňáková and Peterka 2007,128)

Income statement

An income statement also called a Profit and Loss statement, shows how profitable the business is. In other words, it reveals how much money the company will earn after all expenses are paid. The income statement accumulates information about the sales and costs, for example, gross sales, insurance, travel costs, marketing, and others. If the business is at a loss, that does not mean it is not worth it because it can still own valuable property. Likewise, the business can be profitable but experiencing troubles with paying bills due to the cash-flow problems. The result of the income statement is either company's profit or the loss. (Abrams 2014, 295-304)

Break-Even Analysis

Break-even analysis expresses the amount of production we need to avoid being unprofitable. In other words, the break-even point is a state in which the costs equal revenues. (Srpková 2011, 30) The formula for calculating the break-even point:

$$BEP = \text{Fixed costs} / (\text{price} - \text{variable costs}) \text{ (Koráb, Režňáková and Peterka 2007, 133)}$$

3.6.9 Risk Evaluation

According to Abrams (2014, 148), every business faces risk. The purpose of risk evaluation is to prepare the company for threats that might occur. It shows the investors that we examined the potential risks and understand them. Moreover, as we are aware of the risks, it is more likely that we will overcome the threats.

There are some key types of risks that the businesses face:

- **Market risk-** If there is no demand for our products or services, it is because the market is not ready yet, or there is no market at all. This type of risk is very unsafe and hard to overcome.
- **Competitive risk-** New competitors might enter the market, or the existing competitors might reposition their products or services to endanger our business. For that reason, we must consider the market situation and not rely on its stability over time.
- **Global risk-** International businesses are more likely to experience risks, such as unanticipated situations that will restrict the ability to run a business, reach the market or obtain supplies. (Abrams 2014, 148-149)

Risk Management Strategy

Risk management strategy is about deciding which risks should the founder be aware of and to find out a way how to face them. According to this, the risks should be approached in a systemized way:

- Evaluating risks according to their importance.
- Presenting risks that could cause issues.
- Focusing on the risks that could seriously influence the ability to run the business.
- Lowering the chance of materialising these risks.
- Reducing the consequences of materialised risks.

All these risks will help the business to deal with issues such as:

- The business loses its key customer or supplier.
- The key employer falls ill or leaves.
- The business' cessation due to fire or flood.

- A customer will not be able to pay for the service. (Morris 2008, 131-132)

The business risk arises from external and internal factors. The external factors are not dependent on the business operations, contrary to the internal factors that are caused by the management of the company. Also, the financial risk presents a crucial role in the business. The financial risk means that the business is capable of paying the fixed costs, regardless of the company's revenues (sales volume). (Šiman and Petera 2010, 24-25)

SWOT Analysis

A distinctive method to define the balance between risks and opportunities is to do a SWOT analysis, representing the strengths, weaknesses, opportunities, and threats of a company. (Abrams 2014, 149)

SWOT Analysis is a strategic tool used to determine the business's strengths and weaknesses compared to the market's opportunities and threats. The main objective is to identify the internal and external factors that influence the success of the business. Using the strengths against the opportunities that the market provides, we can get into the proper position on the market and take advantage of the current trends. On the other hand, by examining the weaknesses and improvement plans, we can avoid areas where our competitive advantage is not sufficient or where the demand is low. (Gattis 2010, 40)

II. ANALYSIS

4 EXECUTIVE SUMMARY

4.1 Company Description

HairSecret s.r.o. is a limited liability company founded by one person – Markéta Komárková, who is a hair care enthusiast and would like to establish a hair studio in Zlín. The studio will be located on the street Dlouhá in Zlín, which is considered one of the city's crowded streets. The company focuses on providing unique hair treatments intended for women who have virgin hair or experience any hair/scalp problem or want their hair to look perfect. There will be one hair specialist in the studio who will provide hair treatments and manage consultations and one receptionist who will take care of the administration and customers during their visit.

4.2 Service Description

Each client who visits the hair studio will undertake an initial consultation so that the hair specialist can recommend the proper treatment. It will be supported with an examination by a trichological camera that detects the state of hair and reveals its problems. Consequently, the hair specialist provides the selected treatment and advises the client on proper hair care at home. Besides the hair treatments, the studio will provide haircuts because it is also essential for reaching healthy hair.

4.3 Competition

There are two direct competitors that offer some of the hair treatments as HairSecret studio. The first one is a Paul Allan Hair Design located in the Golden Apple shopping mall, and it is considered one of the best hair salons in Zlín. The main competitive advantage of this salon is the owner, a skilled hairdresser from Great Britain. Their offer is, however, insufficient in terms of provided hair treatments. The second one is TM Pančochovi which is a hair studio located in Fryšták. It is the main competitor in terms of provided hair treatments. However, they do not provide the hair examination by trichological camera and are more oriented to the modern colouring techniques and styling.

4.4 Objective Statement

The main objective of the HairSecret studio is to fill in the market's gap in terms of hair treatments. In Zlín, only a few hair salons offer some treatments, but it is not their primary focus. HairSecret studio could be an additional service to regular hair studios that do not

specialize in hair treatments. Also, the company aims to educate women about hair care and find a solution for potential hair problems. Moreover, the company will seek a loyal customer base which may become the company's main competitive advantage.

4.5 Financial Plan

The financial plan covers parts such as a start-up budget, personnel expenses, operational costs, break-even analysis, and revenues. The initial start-up costs are approximately 222 074 CZK which the owner's savings will cover. These costs involve purchasing of studio equipment, tools, hair products, and investing in the promotion. Also, it contains the finances for establishing the business and rent payment. Estimated personnel expenses reached 56 196 CZK per month and 674 352 per year. The insurance of the owner and employee is included. The other parts are visible in the table below. The number of revenues was based on a realistic scenario based on an estimated number of customers per day at the beginning of the business.

Table 1: Summary of financial plan (source: own creation)

Summary of financial plan (CZK)		
	Monthly	Annually
Fixed costs	76 521	918 252
Variable costs	40 252	483 024
Total costs	116 773	1 401 276
Revenues	154 789	1 857 468
EBT	38 016	456 192
Taxation 19%	7 223	86 676
EAT	30 793	369 516

5 COMPANY DESCRIPTION

This part will cover the company name, legal form of the business, mission statement, and location.

5.1 The Company Name

The company name is composed of two words - “hair” and “secret.” The word hair immediately evokes the association with the hair industry, and therefore, the customer knows what the business is about. The next word is the “secret” simply because it is not an ordinary hair studio that everyone is used to. The second meaning of the word “secret” is that every woman dreams about long, healthy hair, but many do not know how to take care of them. For that purpose, HairSecret studio is prepared to propose a solution to everyone. Overall, the company name “HairSecret” is quite catchy, attracts the customer’s attention, and is easy to remember.

5.2 The Legal Form

The company will be established by one natural person and it is necessary to gain the craft trade license for running the business. Consequently, the founder will establish a limited liability company in which he will be employed along with another employee.

5.3 The Mission Statement

The mission of the company is to make the business different in terms of individuality. The goal is to take each customer as a unique individual with specific characteristics requiring advanced treatment. In the case of the company HairSecret, the founder will prefer quality over quantity. It is crucial to show women that they deserve the best quality treatment and teach them how to take care of their hair at home by themselves. The thing is that many women do not know how to treat their hair and what products to use, besides the fact that the internet is full of myths and online consultants who are likely to provide false information. The company HairSecret is there to offer clear, trustworthy information and prove them by the results.

5.4 The Location

The founder decided to place the hair studio in the centre of Zlín city. The premises are offered to rent for an 18 000 CZK per month. Even though the price is relatively high, the founder considered other aspects that those premises have. For instance, there are huge windows that will contribute to the good lighting, and therefore, it will save some money when

investing in lightning. The street Dlouhá, where the studio will be located, is reachable to all citizens of Zlín as there is also situated a shopping mall on the same street. The shopping mall offers parking lots for 270 cars, so the customers can use either this option or find a different parking lot nearby.

6 PRODUCT OR SERVICE DESCRIPTION

The company HairSecret will be focused on providing hair consultations, treatments, and professional care. As opposed to other hair studios that offer mainly haircuts, colouring, and styling, the founder decided to start at the beginning and teach women how to take care of their hair. The leading service will be hair treatments. The idea is to attract women who experience a hair/scalp problem or other common problems, such as reduced growth, split ends, or hair loss. The studio will also be designed to engage all women seeking professional care that they did not receive from their hairdresser.

To explain the company's idea in detail, HairSecret will offer a different point of view on hair treatments and solutions to hair problems. While an ordinary hairdresser accepts the customer without prior consultation about the customer's hair, HairSecret will be based on proper consultations, examination of the hair using the trichologist's camera, and finally, provides the treatment. The company's nature will be based mainly on environmentally friendly and cruelty-free brands suitable for vegetarians and vegans. The business will provide procedures using the revolutionary product brands that the specialists use all over the world. Moreover, the company decided to use products based on the founder's own experience and evaluation.

Olaplex is one of the most revolutionary brands that highly skilled professionals around the world nowadays use. The Olaplex is based on a chemical ingredient – Bis-Aminopropyl Diglycol Dimaleate, which restores damaged hair and results in strong, healthy, and beautiful hair. Our hair consists of millions of disulphide bonds which various factors can easily break. The most common are environmental factors, which are inevitable: the sunlight, extreme hot/cold weather, humidity, the quality of the water. Other factors that cause the damage are mechanical; however, these are the ones we can influence: friction, tugging, brushing, and the way we treat wet hair. Olaplex is unique and rare because it militates within the hair structure, contrary to other products that affect the hair from the outside.

It is beneficial for all hair types and textures, besides the fact that it prevents the hair from damage. In the case of virgin hair, which will be the primary focus of the HairSecret company, Olaplex strengthens and repairs the hair and prepares them for future styling. Otherwise, it can be mixed into the colours to reduce the damage from chemicals contained in colours, or to maintain the colour. The product range that Olaplex offers are seven major products, containing shampoo, conditioner, oil, and some additional treatment products. (Olaplex, 2021)

Malibu C is a professional brand offering its products for salon treatment and home usage. The founder decided to work with Malibu C products for their incredible impacts on hair and hair scalp. All the products are 100% vegan, cruelty-free, and free of parabens, sulphates, and fragrances. They are based on activated crystallized vitamin complex (Vitamin C) in its purest form, which removes the harsh chemicals from our hair. These chemicals are naturally contained in the water we use and influence our hair's quality, colour, and hydration. Using the Malibu C products, the hair can eliminate the harmful minerals and leaves the hair shiny and in better condition. The application of the products can be used before colouring to clean the hair or as a treatment itself. It is recommended for all hair types because everybody uses water which naturally contains minerals and chlorine that damage our hair and cause scalp issues. Overall, this procedure should be done in every hair studio when accepting a new client to see the hair in its natural state. (Malibuc, 2021)

Urban Alchemy was established in the year 2017 based on the desires of professional hairdressers. The brand introduced a product line, "Opus Magnum," that offers salon treatment for all hair types. The founder is interested in the deep cleansing Signature Cleanse salon product that prepares the hair for further work in the salon. The product contains the deep cleansing formula based on a vitamin C gel treatment and, thanks to a pH of 4.5 to 5, can remove silicones and mineral residues from the hair. The mineral deposits on hair are caused by the usage of the products from drugstores and from the water that contains chlorine and harsh minerals. These metal deposits influence the hair colour and often dry them out, resulting in a dull look. Fortunately, the Signature Cleanse product can get rid of those residues and unwanted grey shades that are caused by the chlorine water. Moreover, it strengthens the structure and stimulates the growth of the hair. For the best results, it is recommended to use the salt scrub shampoo and conditioner from the same product line. (Urban-alchemy, 2021)

Paul Mitchell brand was originated in 1980 and became the first professional hair-care company that publicly stand up against animal testing. Paul Mitchell diversified its business and established brands, such as The Awapuhi Wild Ginger, Marula Oil, and Tea Tree, which will be used in the HairSecret company. The Awapuhi Wild Ginger was developed especially for the damaged hair. It contains the KeraTriplex active ingredient complex that affects the hair structure, renews the strength, and protects the hair from further damage. Also, it protects the hair colour and seals the hair surface to protect it from the environmental factors that cause hair problems. The Awapuhi extract nourishes the hair, makes them easier

to manage, and provides an indispensable shine. The Paul Mitchell brand provides several types of shampoos, conditioners, and other treatments to manage all hair types. (Paulmitchell, 2021)

7 MARKET ANALYSIS

The company will be situated in the centre of Zlín so it will be easily approachable to the customers. Generally, hair studios are visited by people of all age categories. As stated above, the company will provide a different service than other hair studios, and therefore, the target customers of the HairSecret company can be divided into three categories – the specialists, the experimentalists, and the “spendthrifts.”

The specialists are more experienced in the field and understand the importance of hair care. They are familiar with the brands and procedures that the company HairSecret will provide and are more likely to become habitues. In Zlín, only a few studios offer treatment procedures, but they are not the primary focus. Thus, those hair studios might not have the best – trained hairdressers dedicated and passionate enough to provide these procedures. The specialists might be the primary source of income since they are informed about the prices of such treatments and are more likely to spend their money.

The experimentalists are types of people who like to try new things. In this case, it is an excellent opportunity to make those people the company’s regular customers. They may not be much educated within hair care; however, this is a good chance to teach them from the beginning. Since those customers enjoy trying new things, they might compare our services with the competitors. However, the founder has extensive experience with the competitor’s service and spotted the gaps and mistakes that the company will avoid.

The “spendthrifts” are customers that like to spend money on everything trendy, popular, or anything they consider special. They might hear about hair care by an influencer or famous person who promotes the brands on social media. These types of customers are not much experienced within the field. Nevertheless, when they see an advertisement or a review of the procedures, they want to follow the trends. This group of customers can usually be comprised of influencers and known people of the city. In this case, the company could take advantage of those customers and select some individuals to ask them for promotion on social media.

To summarize, the target customer of the HairSecret company is a woman between the age of 18-40. However, it can be anyone interested in hair care and who did not find the proper hairdresser or a person who has a hair problem and wants to find a solution based on professional care. It will probably be a person living in the Zlín or near villages with a medium income. In the future, the company intends to attract customers from the whole Czech republic to visit HairSecret studio.

8 COMPETITION

Paul Allan Hair Design is a hair studio situated in the shopping mall Golden Apple in Zlín. Paul Allan Hair Design started to operate within the Czech market in 2006, and its founder, Paul Allan, is a well-experienced British hairdresser. The hair studio works with the brands, such as the Olaplex, L'Oréal, Tigi, Kérastase, and Tangle Teezer. The primary focus is on the precise haircuts and special colouring techniques, but they also provide several hair treatments. The most obvious one is Olaplex treatment which will be offered in the HairSecret studio as well. Other treatments are NanoKPLex, L'Oréal Absolut Repair Powerdose, and Kérastase Fusio-Dose.

The main competitive advantage of this company is the founder's experiences. For more than 25 years, Paul Allan has worked with the world-known brands Tigi, L'Oréal, Goldwell, and Wella. Moreover, he has cooperated with one of the greatest hairdressers in the world – Anthony Mascolo, and gained A.H. degree, which stands for Advanced Hair-dressing and Advance hairdressing science. The hair studio offers a diagnosis of the client's hair by the Kérastase Hair and Scalp Expert Diagnostic, a microscopic camera that helps with the hair problem examination and consequently, the hairdresser recommends the client proper hair care. This service is provided for free; however, based on the HairSecret founder's own experience, this is not automatically involved during the first visit. (Paulallan, 2021)

TM Hair Pančochovi presents probably the most significant competitor because it offers most of the treatments as the HairSecret studio. TM Hair Pančochovi is a hair studio based on a long-term tradition of using high-quality products to meet the specific desires of their customers. The competitive advantage of this hair studio is probably the fact that the business is run by two people only. It supports the individuality of each customer, and the overall attitude is more customer oriented. However, their biggest disadvantage is the location because the studio is placed in Fryšták, a small city in the Zlín region. Among the services provided belong the Olaplex treatment, Malibu C, Awapushi Wild Ginger, and Marula Oil Treatment by Paul Mitchell.

The studio has a web page containing basic information, such as the introduction, services, price list, and location. Nevertheless, the web page does not include any customer's photos of their hair, only a few pictures of the salon and its founders. The most used source of information is the social platform Instagram in which the owners post many pictures of the client's hair along with a detailed description of the process. (Tmhair, 2021)

9 MARKETING PLAN

9.1 Product

HairSecret company is a hair studio that provides treatments for all hair types. Contrary to other hair studios specializing in precise haircuts, colouring, and hairstyling, the HairSecret studio focuses mainly on the hair and scalp problems followed by the proper treatment. It will also provide haircuts because that is also necessary for healthy and beautiful hair, but mainly it will attract customers with natural hair that needs special hair care. The details of the services are described in section 6 – Product or Service Description.

9.2 Price

The founder decided to adjust the prices according to the costs and quality of the services. Generally, the HairSecrets studio's services are quite expensive, but it worth the results that can be seen after the first application. Therefore, the priority is not to set lower prices than competitors because it would not be profitable. The goal is to set fair prices to attract customers that will understand the value of services. The final price may vary according to the hair's length, thickness, and consumed material. For that purpose, every client will get through the initial consultation in which the hair specialist diagnoses the hair via a trichological camera, decides on the treatment, and finally, estimates the price of the procedure. Each price contains the washing and blow-drying. In the table below, the prices are presented.

Table 2: Prices of services (source: own creation)

Prices of Services	
Service	Price
Initial consultation	Free
Haircut	690 CZK
Olaplex Treatment	990 CZK
Malibu C	1090 CZK

Awapuhi Wild Ginger	1190 CZK
Opus Magnum- Signature Cleanse	890 CZK
Paul Mitchell Scalp Care	490 CZK

9.3 Place

As mentioned before, the location of the hair studio will be in the centre of Zlín on the street Dlouhá, providing services from Monday to Friday (8:00-18:00). The services will be provided in the hair studio, and therefore there will be a direct distribution to the customers. The studio's location is considered a huge advantage since no other hair studio in the centre provides all the treatments as a HairSecret studio.

9.4 Promotion

The founder decided to use social media to promote the business because it is one of the most efficient marketing tools. Also, it is vital to start promoting the business at least one month before an opening to let potential customers know. The founder decided to use advertising and sales promotion to attract attention.

- **Social media**- social networks, such as Instagram and Facebook, are a great tool to promote the business and its services. Instagram account is for free and will serve as the main source for posting photos of the client's hair. Also, the business will consider cooperation with a famous influencer who has many followers and who could promote the company on its Instagram profile. It was shown as a very efficient way of advertising, especially if the influencer is credible and greatly influences people. Moreover, Instagram recently introduced a function, "Reels," based on recording short videos. This method is very catchy and could be used to show customers the process of hair treatments. The owner will create a Facebook profile with basic information, such as the location, opening hours, and contact data. The owner will regularly post photos of the work, similarly to Instagram.
- **Website**- the company's website will serve as a leading source of information, contrary to the social media platforms, which are intended for posting photos and videos. Also, it is necessary to inform customers this way if they are not active users of

social media. The website will contain basic information, the story of the business, the section “about us,” price list, and the treatment’s description.

- **Word-of-mouth-** word-of-mouth marketing is a very efficient way of advertising. Generally, if customers are satisfied with provided services, they will talk about it with their friends or family and will help to increase awareness of the company. It can be created spontaneously, or the owner will encourage some customers to mention or tag the company on Facebook or Instagram.
- **Loyalty cards-** the company will use a loyalty cards program as one of the types of sales promotion. It is a great way to ensure the customer’s loyalty and to earn future customers’ trust. For example, every 8th visit to the hair studio, he will receive a 30% discount.
- **Leaflets-** leaflets present a great way to raise awareness of the company. The owner decided to create leaflets and distribute them in the shopping mall Golden apple to attract customers’ attention. The second option is to hire a leaflet distributor who would offer leaflets in the centre of Zlín.

When the company gains its customers and will have a significant audience on social media, the owner will encourage customers via discount offers or special events that will be posted on Instagram and Facebook. Overall, the company will try to build up a relationship with the customers to benefit both sides.

10 MANAGEMENT

The owner of the HairSecret studio will be the one and only person who will provide the hair treatments. She will take care of the communication with the suppliers and managing of social media. The owner has undertaken the retraining hairdressing course and gained a trichologist certification, and because of her expertise, she will be the only provider of the treatments, at least at the beginning. After some time, the owner will consider hiring another hair specialist who would have sufficient experience and qualifications.

The company will hire one receptionist who will take care of the administration (making reservations, email communication, phone calls), and she will also make coffee or tea for the clients. The company will search for a young woman between the age of 20-25 years with good communication skills. The receptionist will be employed full-time and will be working according to opening hours. She will receive a 17 000 CZK per month which is an average salary for the receptionist in the Zlín region. The external worker will be an accountant who will be paid 1300 CZK per month.

11 FINANCIAL PLAN

11.1 Start-up budget

The initial costs are presented in the table below. The highest initial costs will be invested into the studio equipment. The necessary equipment in the hair studio is a backwash unit, styling unit, salon chair, and hairdressing trolley. Other additional equipment contains the hair salon reception with a chair, where the receptionist welcomes customers and makes appointments, then a sofa with a coffee table and a laptop. The second item with the highest costs is the tools that the hair specialist is going to use. The most expensive item is the trichological camera which costs 13 874 CZK. Other tools, such as the hairdryer, straightener, curling tong, hairdressing brushes and clips, salon gowns, tinting accessories, towels, weighing machine, and salon hood dryer, have been accounted for. Hair products will be described in detail in the variable costs. In terms of legal services, the owner has to pay 1000 CZK to establish a craft license and other notary services related to the establishment of a limited liability company. The total costs related to the foundation of the studio are 222 074 CZK, and it will be financed by the owner.

Table 3: Initial costs in CZK (source: own creation)

Initial costs associated with the foundation of the studio	CZK
Legal services	5 960
Promotion	15 728
Rent	18 000
Studio equipment	91 960
Tools	48 174
Hair products	34 252
Merchandise	3 000
Others	5 000
Total costs	222 074

11.2 Personnel expenses

As was already mentioned, the company will employ one receptionist whose gross wage will be 17 000 CZK per month. Also, the company owner will be employed, and her gross wage will be 25 000 CZK. According to Czech law, the employer must pay 24,8% for social insurance and 9% for health insurance. It applies to the employee as well as to the owner. After the taxation, the total personnel expenses are 56 196 CZK per month and 674 352 per year.

Table 4: Personnel expenses in CZK (source: own creation)

Personnel expenses in CZK				
	Wage per month	Social and health insurance (24,8% + 9%)	Wage + Insurance per month	Wage + Insurance per year
Owner	25 000	8 450	33 450	401 400
Employee	17 000	5 746	22 746	272 952
Total	42 000	14 196	56 196	674 352

11.3 Fixed costs

The company's fixed costs consist of rent, salaries (owner, employee, accountant), internet connection, and phone. These costs have to be paid regardless of the production. The most money will be spent on the salaries of the employee, owner, and accountant. The taxes are already included in the employee and owner's salary. The total number of fixed costs per month is 76 521 and 918 252 per year.

Table 5: Fixed costs in CZK (source: own creation)

Fixed costs (CZK)	Per month	Per year
Rent	18 000	216 000
Salary of the owner	33 450	401 400
Salary of the employee	22 746	272 952

Accountant	1 300	15 600
Wi-Fi	500	6 000
Phone	525	6 300
Total	76 521	918 252

11.4 Variable costs

Contrary to fixed costs, the amount of variable costs depends on the size of the production. Variable costs consist of the material, merchandise, and marketing. The most money will be spent on the material – the consumption of material depends on the client’s hair, whether she will have long, thick hair, or short and thin hair. Merchandise stands for the consumption of coffee, tea, and additional items that will vary according to the number of clients. Marketing was included in case the company would like to invest in an advertisement on social media or a different type of promotion. The total number of variable costs is 40 252 per month and 483 024 per year.

Table 6: Variable costs in CZK (source: own creation)

Variable costs (CZK)	Per month	Per year
Material (hair products)	34 252	411 024
Merchandise	1 000	12 000
Marketing	5 000	60 000
Total	40 252	483 024

11.5 Break-Even analysis

To be able to create a break-even analysis, it was necessary to calculate the direct wages. The duration of each service is based on average data, and the number will differ according to each client’s hair type. Based on the following data the wage per hour was calculated:

Gross wage: 25 000 CZK

Working hours per day: 10

Working days per month: 21,74

Table 7: Direct wages in CZK (source: own creation)

Direct Wages (CZK)	Duration in minutes	Wage per hour	Direct wages
Olaplex	90	115	173
Malibu C	146	115	280
Awapuhi Wild Ginger	60	115	115
Opus Magnum Signature Cleanse	70	115	134
Paul Mitchell Scalp Care	40	115	77
Haircut	30	115	58

The breakeven point is calculated using the monthly fixed costs 76 521 CZK, variable costs per service, and its price. The formula for calculating the breakeven point is as follows:

$$Q = \frac{FC}{(P - V)}$$

The breakeven point shows the state, in which costs equal revenues. From the table below, the least convenient service is the Paul Mitchell Scalp Care, and the most profitable service is the Awapuhi Wild Ginger procedure.

Table 8: Break-Even Analysis in CZK (source: own creation)

Break-Even Analysis (CZK)				
Service	Fixed costs	Variable costs	Price	Break-even point
Olaplex	76 521	315	990	113
Malibu C	76 521	445	1 090	119

Awapuhi Wild Ginger	76 521	393	1 190	96
Opus Magnum Signature Cleanse	76 521	252	890	120
Paul Mitchell Scalp Care	76 521	145	490	222

11.6 Revenues

When calculating the revenues, the founder created a pessimistic, realistic, and optimistic version. Two things are necessary to mention in order to explain the table of revenues below. First, each customer of the HairSecret studio has to undergo an initial consultation which takes about 30 minutes. Therefore, the number of customers in the first months is low. Second, the company has only one hair specialist who will provide the services at the beginning of the business. It is necessary to consider the fact that each service lasts about 60 minutes on average, depending on the client's hair and other factors. For that reason, the maximum number of clients that is possible at the beginning is 10. In the future, the company will hire another hair specialist, and the number of clients will go up. Also, the company will have an established customer base, so the initial consultations will not be necessary, and it will save some time. The average spending per customer is 890 CZK, based on the service's price.

Table 9: Revenues (source: own creation)

Version	Customers per day	Revenues per day	Monthly	Annually
Optimistic	10	8 900	193 486	2 321 832
Realistic	8	7 120	154 789	1 857 468
Pessimistic	6	5 340	116 092	1 393 104

Simplified income statement

Table 10: Simplified income statement (source: own creation)

Income statement in CZK (Annual)			
	Optimistic Scenario	Realistic scenario	Pessimistic scenario
Revenues	2 321 832	1 857 468	1 393 104
Costs	1 401 276	1 401 276	1 401 276
EBT	920 556	456 192	-8 172
EAT	745 650	369 516	-8 172

12 RISK EVALUATION

Every entrepreneur faces a particular risk when establishing a business. Some of them will be easier to handle than others, but the goal is to minimize all risks.

- **Choice of employees-** It is crucial to opt for the best employees who will create a nice atmosphere in the studio and will be nice to the customers. Especially in the case of the HairSecret studio, the personnel must be patient and explain the services to the customers since many people never experienced such hair care. The role of personnel (in this case, a receptionist) is crucial from the very beginning until the end of the client's visit. Firstly, when the client calls to make an appointment, the receptionist should be kind, friendly, and respectful to the potential questions and wishes that the client might have. As was mentioned before, the studio offers some of the treatments that might be new to the client, and therefore, the client might ask many questions. Finally, when the client leaves the studio, the receptionist should do the best to ensure its future visit. These are some of the things that take a minimum of effort but make a great impression.
- **Crisis situation-** When the author writes her bachelor thesis, the world experiences a worldwide crisis caused by a Covid-19. Therefore, starting a business when the economy is in decline and people suffer from unemployment and financial issues would be quite risky. However, if any other crisis occurs during an already established business, the founder must have prepared a plan B. Because all services would be closed, the founder will operate within social media. Also, the business would start selling products for home – usage and, consequently, advise customers on social media. This method can be seen nowadays in some hair studios that try to deal with the situation and still stay in touch with clients. One way to interact with clients is to make videos about products that customers can use at home or offer a paid, individual consultations in which the client talks to the hair specialist via video call and consults about its hair problems. It was shown as an effective way to prevent the customer base loss, and at the same time, make some profit from the paid consultations.
- **Market risks-** As described in the SWOT Analysis, there is always the risk of new competitors. It is something the business cannot influence; however, it is vital to do the best to establish a loyal customer base. Also, the suppliers' prices might go up, and consequently, the business will be pushed to increase the prices for customers.

SWOT Analysis

Strengths

The company's main strength could be considered the overall business concept since HairSecret studio is a place where clients find all the unique hair treatments in one place. Moreover, the treatments will be provided by a skilled trichologist who can based on the initial hair structure examination by a trichological camera, decide on the proper treatment. Also, the business will be located in the centre of Zlín so people can easily approach the studio. Even though some of the treatments provided by a HairSecret company can be found in other hair studios in Zlín, they either are not located in the centre of Zlín (TM Pančochovi), or they have an insufficient offer of such a hair treatment (Paul Allan Hair Design).

Weaknesses

The main weakness of HairSecret studio could be considered the fact that it only provides hair treatments and haircuts, but no hair colouring, as opposed to other hair studios. Therefore, the client who dyes its hair regularly will have to visit two hair studios in order to get its hair done. However, this can be a subject for the change in the future, and in case the company would lack customers, some additional services can be added. Also, the potential weakness of each hairdresser or a hair specialist is the lack of clientele base at the beginning of the business. For that reason, the company will promote the services on social media in advance to raise awareness about the company and attract potential clients.

Opportunities

The most significant opportunity for all hairdressers and hair specialists is that the market is full of new products, trends, and techniques all the time, so there is always an opportunity to improve the business. Therefore, it is vital to keep up with the latest trends and be aware of new products that the market offers. It will ensure the growing number of customers due to the new services that the company will include in the offer. As the number of hair salons that add these treatments into their standard offer increase, there is a good chance that the clientele will expand.

Threats

The last point of the SWOT Analysis stands for threats. The possible threat that could endanger the company is the competition. Some of the existing hair studios could include the treatments into their offer and weaken the competitive advantage of HairSecret studio. Also, the suppliers can increase the prices of hair products which would consequently influence the pricing list for customers. Also, a bad economic situation can influence the business

because if people do not have enough money, they will not pay for services that are not necessary.

CONCLUSION

The main goal of this thesis was to create a business plan for a hair studio and find out whether it is feasible or not. The thesis begins with a theoretical part that deals with three main chapters. Firstly, the author mentioned the general description of entrepreneurship, the definition of entrepreneur, and its several types. Next, the legal structure in the Czech Republic was mentioned, containing both types of business legal structure – natural and legal person. The last chapter in the theoretical part, which was given a great focus, was dedicated to the business plan and its essential components.

The second half of the thesis focused on the analysis, which was created based on the theoretical background. It begins with the executive summary, which is the crucial part of each business plan, and it gives the reader all essential information to understand the idea of the business. Then, the thesis continues with a company description, service description, market analysis, and competition. In the marketing plan, the author described four components of the marketing mix, mainly the promotion, which was paid close attention to. Also, the management section was included; however, it is quite brief since the company will employ only two people, at least at the beginning of the business.

In order to analyse the company from a financial point of view, it was vital to create a financial plan. As in any other business, the initial costs are financially demanding. In this case, the initial costs are 222 074 CZK and will be financed by the owner. Then, the personnel expenses and total costs were calculated. Considering the realistic scenario of an income statement, the estimated annual profit is 369 516 CZK. Also, the author analysed potential risks that could endanger the business, and at the same time, tried to offer a possible solution to risks. Moreover, the thesis concludes with the SWOT Analysis, which helped the author realize the company's strengths, weaknesses, opportunities, and threats.

To sum up, the main purpose of this bachelor thesis was to find out the feasibility of a business plan for a hair studio. Based on the results, the business plan appears to have a great potential for a success and the author expects bigger profits in the following years. However, even after a detailed evaluation of all possible risks, the business's success is still mainly dependent on customers and their preferences, and if they are not interested in the offered services, the business will not be profitable.

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LIST OF ABBREVIATIONS

CZK Czech Koruna

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