

KK Languages: A Business Plan for a Language School

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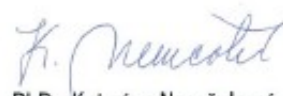
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ABSTRAKT

Cílem bakalářské práce je zpracování podnikatelského plánu pro založení nové jazykové školy v Šumperku. Práce je rozdělena na dvě části. Teoretická část poskytuje informace o podnikání a jeho právních formách, o podnikatelském záměru, popisuje jeho typy, účel, principy pro jeho sestavení a strukturu. V analytické části je zpracován konkrétní podnikatelský plán pro založení jazykové školy.

Klíčová slova: podnikání, podnikatelský plán, SWOT analýza, analýza trhu a konkurence, Porterův model pěti konkurenčních sil, marketingový mix, finanční plán

ABSTRACT

The bachelor's thesis aim is to create a business plan for establishing the new language school in Šumperk. The thesis is divided into two parts. The theoretical one provides information about entrepreneurship and legal forms of businesses. It describes the business plan, its types, purpose, principles for its formatting and its structure. In the analytical part, a concrete business plan for establishing a language school is presented.

Keywords: entrepreneurship, business plan, SWOT analysis, market and competition analysis, Porter's model of five competitive forces, marketing mix, financial plan

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

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INTRODUCTION

Small and medium-sized enterprises are a crucial constituent of the economy. In the Czech Republic, it represents more than one million economic entities and employs 60% of them. As the research proves, 1 144 417 legal and natural persons pursued their business activities in 2016, and the proportion of SME concerning all active market economy operators was 99,8% (Ministerstvo průmyslu a obchodu, 2017).

A new business is started by many entrepreneurs each year. Prerequisite for the successful business conduct is to have a marvellous idea and an excellently created business plan.

This bachelor's thesis proposes a business plan for the new language school KK Languages in Šumperk, the Czech Republic. The idea for establishing a new language school is based on Cambridge English's survey which proved that 53% of respondent companies request knowledge of English. 32% of Czech employees are able to offer a higher salary, about 18% of job applicants own a foreign language certificate and a language certificate increases candidate attractiveness on average in 68% companies. The study also verifies that 71% of Czech companies assess Cambridge English certificate the highest (Cambridge Assessment English, 2016).

The bachelor's thesis is divided into two parts, the theoretical and the analytical one. The theoretical part provides information concerning the entrepreneurship and forms of businesses in the Czech Republic. Other subchapters are engaged in a business plan's specification, such as types of business plans, purpose and principles for its formatting and its structure. The analytical part is based on the theoretical one. It contains a concrete business plan which utilises theoretical knowledge required for its formation. It consists of a description of the company and offered services, market and competition analysis, selected marketing strategy, company management and organization, its financial plan and finally risk factors inducing its procurements. The analytical part is outlined from a questionnaire survey. The vision is to obtain information as sources for processing component sections of the business plan. The questionnaire and its results are in appendices.

I. THEORY

1 ENTREPRENEURSHIP

Business dictionary cites the term entrepreneur as: “The capacity and willingness to develop, organize and manage a business venture along with any of its risks to make a profit. The most obvious example of entrepreneurship is the starting of new businesses” (Businessdictionary 2018).

According to Martinovičová et al. (2014, 10–11) entrepreneur’s activity is based on high qualification, expertise, awareness and systematic, purposeful effort. Thus, an entrepreneur is a person with typical characteristics features and abilities to manage and lead a business. An entrepreneur makes decisions concerning the line of business; what, why, how many and for whom to produce products or services; choice of the market where the products will be sold; which resources to use for producing and how to do the business.

As Veber et al. (2012, 54–56) mentions, the general characteristics a beginner entrepreneur should have is:

- Long-term orientation - entrepreneurship is a decision for a longer time.
- Entrepreneurial spirit - entrepreneur should have some abilities, knowledge, skills and personal characteristics to become an entrepreneur.
- Motivation - motivation supports the entrepreneur to accomplish set objectives.
- The initiative, activity – an entrepreneur should be proactive, dynamic, optimistic, creative, should have positive thinking etc.
- Undergoing risks - entrepreneur is forced to make decisions which usually undergo some risks.
- Good state of health - entrepreneur should have mental and physical good state of health, seeing that his work contains a lot of stress and pressure.

Prior to establishing a new company, it is necessary to choose the legal form of business. This carries fundamental importance for the company due to a long-term economic, legal and also fiscal consequence of the company (Wupperfeld 2003, 37). A selected legal form of business might be changed in the future, however, it is connected to more costs and there might occur some complications (Srpková, Řehoř et al. 2010, 67).

In the Czech Republic, the entrepreneurship can be divided into two groups: entrepreneurship of natural person or legal person (Veber et al. 2012, 68).

1.1 Entrepreneurship of Natural Person

The self-employed persons conduct their business on the basis of trade license or other licenses. To be a sole trader, it is essential to accomplish general conditions (to be over eighteen years old, to have a clean criminal record and legal capacity) and special conditions if it is required by the type of trade business (Srpková, Řehoř et al. 2010, 67).

Synek et al. (2015, 80) divides trade licenses according to the scope of business into trading, manufacturing or providing services. Trade licenses are divided into:

- a) **Declared trades** operated on the basis of the announcement:
 - *Craft trades* – to conduct this business it is essential to have apprenticeship certificate and practice (locksmith's trade, butcher, masonry, joinery etc).
 - *Regulated trades* –conducted on the basis of expert qualification, determined for each trade independently and it is necessary to obtain a certificate (for instance manufacturing, assembling, reparation and revision of electric or gas devices and more).
 - *Free trades* – to conduct this business it is not necessary to own an expert qualification, object clause of the business is manufacturing, trades and services that are not included in craft or regulated trades.
- b) **Licenses trades** conducted on the basis of concession (licence) granted by trade licensing office. It is necessary to meet the required education and graduated from special courses. This is to be applied for business such as funeral or taxi services; manufacturing weapons etc.

Each legal form of business has advantages and disadvantages. Advantages of natural person's entrepreneurship include low costs to establish the business, limited administration (for instance there is no obligation to be enrolled in trade register), no initial capital, running a business by owner's own choice and the business is to be easily interrupted. On the other hand, disadvantages appear as well; there is unlimited liability of all entrepreneurs' property and thus family problems could arise an entrepreneur has to pay social and health insurance, long-term illness can be connected with issues too, a sole trader has to be well acquainted with economy, office work as well (Veber et al. 2012, 71).

1.2 Entrepreneurship of Legal Person

To run a business as a legal person demands more administration and to establish a company the founder is forced to use ordinary stock. Every legal person has to be registered in the trade register (Srpová, Řehoř et al. 2010, 68).

According to Srpová, Řehoř et al. (2010, 68) legal person in the Czech Republic is divided into:

- a) **Partnership** - the entrepreneur participates in the company's running and this form of business is distinguished by unlimited liabilities.
 - *Unlimited partnership*
 - *Limited partnership*
- b) **Capital companies** – partners' obligations are to bring an investment into a company and liability for company's obligation is limited or no.
 - *Limited liability company*
 - *Joint-stock company*
- c) **Cooperative** – the legal form of business not to be found very often.

1.2.1 Unlimited Partnership

The unlimited partnership is a legal form of business enrolled in the business registry where at least two people run a business under the collective name (which needs to contain an indication of an unlimited partnership). Partners run the company together (unless agreed in a different way) and insert pecuniary and non-pecuniary investments which serve as company's property (Synek et al. 2015, 81–82). Partners stand surety for company's liability together without any difference by the whole property. Profit (and also a loss) is divided among partners in equal amount (Strouhal 2016, 13). In the case, one partner dies and no inheritor exists, the company terminates its activity. The same applies when one partner is in bankruptcy (Švarcová et al. 2016, 68).

This form of business has advantages and disadvantages. Among advantages we can state no necessity of initial capital, business partner can easily leave the company, respectable image of company is guaranteed by unlimited liability, good access to foreign capital, profit is divided among partners and afterwards are taxed by personal income tax, however, social and health insurance has to be paid – which is listed as one possible disadvantage. Other disadvantages pertain unlimited liability, conflicts between partners that might easily emerge. To establish the company there must be two partners,

the company can be founded only in order to run entrepreneurship and partner's death carries problems (Veber et al. 2012, 72–73).

1.2.2 Limited Partnership

In this type of business partners are split into two groups: general partners, where one or more partners stand surety for company's liability by their whole property, and limited partners, where one or more partners stand for company's liability up to the amount of their investment. General partners manage the company; inspecting authority belongs only to limited partners (Synek et al. 2015, 82). Another difference between a general partner and limited partners is that limited partner is obligated to input its own property (amount listed in agreement) into company's registered capital and general partner is not (Švarcová et al. 2015, 68). Company's profit is further divided between limited partners according to the agreement or according to their investments (Staňková 2007, 79). The loss is equally split among general partners if the agreement does not say differently. If agreement determines, limited partners are under an obligation to take part in paying company's loss (Švarcová et al. 2016, 68).

One advantage is profit can be listed and divided among partners according to the agreement, there is no necessity of high registered capital, the company of this form of business can be changed into unlimited partnership, however subject to certain conditions. As a disadvantage, the complicated administration could be considered, general partner's unlimited liability, the possibility of emergency conflicts among partners since each has a different priority and undergo different risks and if a change of agreement takes place, agreement of limited and general partners are required (Veber et al. 2012, 73).

1.2.3 Limited Liability Company

This legal form of business is established by one person only, natural or legal person, and it is necessary to have name involved in the company, at least the abbreviation of limited liability company (or the whole name of this form of business). When it is a limited company, the company stands surety for its obligation by this entire property, nevertheless, the partner only up to a high of his investment that is listed in the trade register. Compared to the joint-stock company (another type of capital companies), establishment and administration of limited liability company is under easier way, and therefore this form of business is popular among entrepreneurship (Synek et al. 2015, 82). Registered capital in this form of business is necessary to have at least one Czech crown. An investment that partners put into the company can be also non-pecuniary (for instance a car, a machine,

and real estate). If the company is profitable, the profit is divided among the partners according to their investments (Švarcová et al. 2016, 69).

Non-pecuniary investment can be mentioned as an advantage of that form of business, if the company desires to agree on something there is no necessity to have the agreement of all partners, limited liability, natural persons' participation in profits is taxed by withholding tax, registered capital can be only one Czech crown and others. Among disadvantages, the demanding character of administration could be listed, company's profit is taxed by corporate income tax, business partners can view limited liability company as less trustworthy due to limited liability (Veber et al. 2012, 74).

1.2.4 Joint-Stock Company

This legal form of business is characterized by its property formed by a certain number of shares of its nominal value (Strouhal 2016, 14). Concerning liability, the company stands surety by its all property; individual shareholders do not stand surety for company's liability (Synek et al. 2015, 82). A joint-stock company is able to be founded by one legal person or by at least two natural persons. From the above mentioned, this legal form of business, regarded founding is the most complicated (Staňková 2007, 80). The amount of the registered capital is at least two million Czech crowns or eighty thousand Euros (Švarcová et al. 2016, 70).

The joint-stock company has advantages and disadvantages as well as other legal forms of businesses. Advantages are, shareholders are not liable for company's obligations, business partners view that form of business as a reliable and stable, good approach to capital and pay out dividends are not obliged to be secure by social insurance. Among disadvantages, high registered capital belong, it is not possible to be founded by one person only, company management and establishment require demand administration, an annual report has to be formed and listed into trade register and more (Veber et al. 2012, 75).

2 A BUSINESS PLAN

There are many theories, what a business plan actually is. Brain Gadsen (2014, 3) describes a business plan as “a plan that helps in setting up a business and carrying it forwards”. According to Hal Shelton (2017, 23) a business plan is a “formal document containing five key elements: 1) business goals, 2) the reasons why these goals are attainable, 3) a plan for reaching those goals, 4) data backing the uniqueness of the products and services to be sold, and 5) supporting information about the organization and team attempting to reach those goals”.

A business plan is a document, which is created by future entrepreneur on the initiative of an idea to establish own business. Nevertheless, a business plan might be also created by already existing companies to expand with the entrepreneurship or even when a certain part of their company will be cancelled. This document should help people at the beginning of business as well as in later management and thanks to it, the entrepreneur’s vision of business gets the real image (Červený et al. 2014, 1).

Chris Gattis (2010, 4) describes a business plan as a “summary of what you have learned about the industry, competition, customer and your plan to make a profit”. A business plan finds answers for major questions about the new business, such as what, where, when, who, why and finally also how you plan to get there, where you plan is going to be. It crosses everything inside the company, such as products, services, prices, management, and organization, with everything outside the company, for instance, competition, laws or politics. A business plan contains future goals, strategies and intentions how to get the best as well as the worst possibilities of the business (Sutton 2012, 11–13).

2.1 Types of Business Plans

Chris Gattis (2010, 7–9) introduces three categories of types of business plans: formal, informal and summary business plan.

1. A formal business plan is written in details and contains a great deal of important information. This business plan is completed in order to be presented to investors, banks, other partners of business etc. It is exhaustive and contains detailed information regarding industry, competition, customers and more.
2. An informal business plan “summarizes the same research, conclusions, goals and objectives as a formal plan, but in a more summarized fashion” (Gattis 2010, 8). This business plan has its usage “for the management team to

guide planning and budgeting and lead the performance measurement thinking of this group” (Gattis 2010, 8). This plan is considered more as a strategic plan, there are given much detailed information concerning marketing and promotion, as well as details, leading to making changes in operations or production.

3. A summary business plan is formed mainly for marketing purposes for that reason it does not contain any information about the company. It can be considered as a “recruitment tool for potential employees or to give vendors and other business partners the indication of the overall goals and plans of the company” (Gattis 2010, 9).

Moreover, types of business plans are explained by Červený et al. (2014, 3–9):

1. According to company’s activity:
 - Business plans are specified by lines of businesses and its activities.
2. According to the life cycle of products or services:
 - A business plan is considerably influenced by the fact in which cycle products and services are founded. It is essential to choose a different business plan for products (or services) that are in introduction stage, different business plan for growth stage, maturity stage or for declining stage.
3. According to its purpose of adaptation/application:
 - Business plans are divided into three categories:
 - A business plan is created for already existing companies or beginning entrepreneurs.
 - A business plan is created to gain a partner for the business (in this situation the structure of a business plan is based on the partner and his requirements concerning content and structure of a business plan).
 - A business plan is created for banks or investors, and therefore its main incentive is to obtain required funds.

Evans (2011, 13) holds the advocate that a business plan is written mainly to gain backing. He divides business plans according to its purpose into the following:

- “A business plan for a start-up.
- A business plan for raising equity finances.
- A business plan for raising debt finances.

- A business plan for board approval.
- A business plan for a joint venture partner.
- A business plan for the sale of the business.
- A business plan versus a project plan.
- Business planning as a managerial tool.”

2.2 The Purpose of a Business Plan

Based on Fort and Souček (2005, 305), a business plan has two main purposes. Firstly, it is an inner document used for future direction of the company. Secondly, a business plan is fundamental as for finances, especially when a company intends to apply external financial sources the project realization. Nevertheless, a business plan could be used for other purposes, it can be used to defence business ideas presented to the leaders or business partners. Also, it can be used to gain permission from somebody (family member, friend or others) when putting the property in pawn in order to gain a bank loan. Thus, a business plan is also used for collecting all ideas concerning the business and its documentation for future usage (Koráb et al. 2007, 42).

A business plan is also written for entrepreneurs to help them to decide if to or not to set up a new business. It helps to determine which products or services the company will offer, to understand all the matters concerned running the company on account of marketing, operating and organizing tools are explained in a business plan. If a business plan is workable, it also helps to prove it by creating a financial plan (Shelton 2017, 25–26). During a business plan preparation the founder ascertains what and when he needs to do, how he will address the potential customers, which markets he will offer the products or services, if big competition exists there and how he will differentiate his business from them, how many employees he will need to employ and more (Srpová et al. 2011, 14). The founder of a new company marks up goals which are introduced in a business plan and which he endeavours to achieve. That helps him to control if his business is successful and then to control the fact that a business plan has been written in compliance with the real world (Červený et al. 2014, 1).

A business plan can be considerate as a basis for discussion with third parties (shareholders, investors, banks) and it is crucial for getting funds for already existing companies or for start-ups as well (Sutton 2012, 15). Mainly beginning entrepreneur with the exciting business idea is able to find out how much finance he will need for establishing the business and subsequently he has an opportunity to address investors

(Srpková et al. 2011, 14). Investors do not use a business plan only in order to gain information about the potential business, besides, they also try to ascertain if the entrepreneur has all important knowledge needed for managing a business (Abrams 2014, 19).

Sutton (2012, 2) gives advice to beginners: “Entrepreneurs are not afraid of making mistakes or failing because of mistakes and failure equal experience. They start small and build, recognizing experience leads to greater ability”.

2.3 Principles for Creating a Business Plan

As Evans (2011, 17–18) points out, before writing a business plan there are two things that precede it: research and organization. In the research area an entrepreneur needs to understand competition; market - its demand, size and growth; and also customers - their buying behaviour, their expectation, wants, needs and more. Also, some organizational issues are necessary to think through previously, such as: “the planning team, the timetable, the tools, the contents, the appendices, the length and the drafting process” (Evans 2011, 18).

In order to know, where the author of a business plan should start the writing, Abrams (2014, 18) gives advice in the form of five fundamental steps of a business plan process:

1. “Laying out your basic business concept.
2. Gathering data on the feasibility and specifics of your concepts.
3. Focusing and refining the concept based on the data you compile.
4. Outlining the specifics of your business.
5. Putting your plan in compelling form”.

A business plan should not be complicated. It should use appropriate language and not to contain many technical terms, it should be concise and incorporate details in appendices. It is necessary for a business plan to be simple, however to the point and complete (Sutton 2012, 13–14). A business plan should be innovative and should prove that company service or product is unique and will satisfy customers’ wants and needs. Further characteristics of a business plan are intelligibility, brevity, logic, clear arrangement, veracity and reality. In consideration of expressing future in a business plan, it should respect risks and also suggest how these can be eliminated or reduced (Srpková, Řehoř et al. 2010, 60).

Fotr and Souček (2005, 309–310) suggest requirements for formatting a successful business plan. They advise to have a business plan brief and clearly arranged, it should not be longer than fifty written pages. In a business plan, advantages of the product or service should be emphasized for its customers, and market-oriented business could be mentioned, which mainly investors would appreciate. Documents should describe trends, predictions and compare them to the plan the writer wants to achieve. A business plan should be credible and real, to do it more credible open rating competition should be used, however, investors credibility could be lower due to the excessively optimistic view of the market. On the other side, a business plan should not be too pessimistic with regard to causing lower attractiveness for investors. Another requirement for a business plan is not to hide project's weak parts and risks as it denotes that entrepreneur and his team is prepared to manage potential problems. If investors find some negative factors which are not stated in the project, it will lower its credibility. A business plan should point out competitive advantages and strengths of the company as well as abilities and competencies of the management team. In case of applying for a bank loan, abilities of the company of how to pay repayments should be demonstrated in a business plan and also it should prove how investors can get their investments back. On the grounds of the fact that a business plan is created for a long time and entrepreneur's area can vary, the document has to be modified.

One of the most important things when working on a business plan is the layout as it can influence the first impression of the business. Sutton (2012, 169–171) describes how a business plan should look like. It should be written on white or very light-coloured paper, and the margins should be between one and two inches. He advises to use minimum font styles (maximum three) and not to use many colours (black print and no more than two accent colours). As stated in his book, a business plan should be printed one-sidedly, and it should be single-spaced and between paragraphs double-spaced. Leaving blank spaces is not amiss due to the fact that reading the document is not so burdening for the reader eyes. Keeping the same formatting of tables, graphs, charts, titles and section headings is essential as well. Finally, it is useful to present a business plan to somebody (the more people, the better), whom the writer trusts, let them carefully read it and ask them for constructive criticism. With their review, they can help the writer to decide, which parts of a plan is important, which could be described in more details, which could be deleted and also they can help him to find mistakes and bad formulations.

There is furthermore advice what to do while writing a successful business plan, given by Shelton (2017, 57–60). He points out that it is good to share ideas with other people, usually with those who have experiences with business plans, listen to their advice and learn from their feedbacks and mistakes. He points out that writing a business plan is not a matter of one day. It takes time to develop the ideas, to think about it, make research or talk with others. He suggests starting with small steps, to use entrepreneurs' own funds to start with the business and then grow the business and consequently borrow more money. He gives counsel to focus on the target customer and their buying customs and to watch the competition and try to understand why they are successful. Additionally, it is compelling to understand the founder's skills, interest, strengths and decide if and where or when it is necessary to get advice, for example from a lawyer, an accountant, a marketing specialist etc. Shelton proposes to have all statements in sync, regarding finances, marketing and also use steady language during whole writing.

2.4 The Structure of a Business Plan

Sutton (2012, 16) points out: “There are many outlines for business plans as there are business plans”. However, they are usually similar and contain four segments (table 1).

Table 1 – Four standard segments of a business plan (according to Sutton 2012, 16–19)

1. The Business	also called: Business Strategy, Business Description
	includes: Business Opportunity, Organization and Operation, Legal structure, Business Model, Management, Strengths and Weaknesses, Location, Product Offering etc.
	discusses: all aspects related to business
2. The Marketing	also called: Market Strategy
	includes: Target Markets, Customers, Competition, Distribution Relationships, Advertising, Pricing, Industry and Market Trends, Strategy and Market Strategy
	discusses: the industry and the business' place in it
3. The Financials	also called: Financial Data, The Deal
	includes: Uses of Funds, Income Statements, Cash Flow Statement, Balance Sheet, Cash Flow Forecast, Profit and Loss Forecast, Income Projection, Break-Even Analysis, Sales Revenue Forecast, Capital Spending Plan etc.
	discusses: the numbers, include tables which present the the money side of the business
4. The Supporting Material	This section depends on the type of the business. This is information to which needs to be a reference in the previous text.
	includes: resumes, letters of reference, credit reports, legal documents, agreements and contracts

There are no strict rules a business plan should look like and what to contain, considering that investors or banks have diverse requirements for business plans. Investors prefer a plan presentation due to the fact there is not enough time for reading the document, on the contrary, banks can call for more complex documents and information (Srpová et al. 2011, 14).

Srpová et al. (2011, 14–15) suggest one possible structure of a business plan, its modification is introduced on following pages and furthermore will be covered in analytical part.

1. Title page
2. Executive summary
3. Company description
4. Products and services descriptions
5. Market and competition analysis
6. Marketing strategy
7. Management and organization
8. Financial plan
9. Risk factors
10. Appendix.

2.4.1 Title Page

The title page provides brief information about a business plan. It should contain information as a name and location of the company, names of entrepreneurs and their contacts, company's description and organizational structure or funding (Koráb et al. 2007, 36). It should also include the logo of the company (if it already exists), the name of a business plan and date of establishment. It is recommended to embed there the author's sworn statement that information in the document is confidential and trade secret and no parts of this document can be copied or saved without the author's written permission (Srpová et al. 2011, 15).

2.4.2 Executive Summary

“It is one of the most critical aspects of any business plan” (Gadsen 2014, 17). Executive summary persuades the reader to continue reading a business plan thus it is the most crucial part. Some venture capitalists read executive summary and financials first and then the rest of a plan (Abrams 2014, 54).

Executive summary is a part of a business plan which is written last, despite the fact that it emerges at the beginning of a business plan since it contains all results that were achieved in a whole plan (Abrams 2014, 54). This section is maximum two pages long and provides concise information and ideas about the business that are covered in detail in the following pages (Shelton 2017, 69–71). As Evans (2011, 177) states, executive summary is the conclusion of a business plan that is essential to be written in clear, brief

and persuading way. It is suggested not to write executive summary in one sitting, but to work diligently on it and spend some time writing it. It is advisable to use professional editing.

2.4.3 Company Description

The second section of a business plan is company description, according to Shelton (2017, 73–74) it is usually one page long and describes the business and covers topics such as the legal form of organization, company mission and goals, contact information and also the owners with their shares. “The company description includes all the factors that will make [the] business planning process effective and it also provides comprehensive information on the nature of [the] business” (Gadsen 2014, 18).

SWOT Analysis

“SWOT analysis combines internal and external analyses – the strengths and weaknesses of the organization coupled with the opportunities and threats in the external environment” (Wetherly and Otter 2008, 25). The name of the analysis is inferred from the initial letters: S stands for strengths, W for weaknesses, O for opportunities and T for threats (Srpková et al. 2011, 31). “Strengths include internal capabilities, resources, and positive situational factors that may help the company serve its customers and achieve its objectives. Weaknesses include internal limitations and negative situational factors that may interfere with the company’s performance. Opportunities are favourable factors or trends in the external environment that the company may be able to exploit to its advantage. And threats are unfavourable external factors or trends that may present challenges to performance” (Kotler and Armstrong 2014, 77–78).

2.4.4 Product and Service Description

Product and Service Description is interested in describing products and services which are offered by the company. If the company has a large list of products or services, not every item has to be included, it is sufficient to introduce only general categories. It is favourable to introduce future products or services, planned by the company and also to mention when they are introduced (Abrams 2014, 74). Predominantly, there should be a description of the product which ensures the biggest part of company turnover, and thereupon other products should be mentioned. It is not necessary to provide much technical information considering the reader has limited technical knowledge (Srpková, Řehoř et al. 2010, 61).

2.4.5 Market and Competition Analysis

Market Analysis has a crucial role in defining the size of the market, identifies the customers of the business to know what the needs which have to be satisfied are (Shelton 2017, 90). Abrams (2014, 104–105) advises concerning target market: “[...] you need to identify the particular market segments you wish to reach. These segments describe distinct, meaningful components of the overall market and give you a set of specific characteristics by which to identify your target market”. Market research should provide information concerning market characteristic and situation, current and potential customers, distribution channels, suppliers, finances, legislation and others (Veber et al. 2012, 194). A market analysis proves how the entrepreneur understands the market and it is instrumental in formulating right marketing strategy as well (Gadsen 2014, 17).

It is necessary to provide deep analysis of the competition. Businesses that already function as the competitors and potential competitors should be defined (there are the ones who send the same or similar products on the same market). Subsequently, the writer should analyze competitor’s strengths and weaknesses which include their products or services, customer services, distribution channels, locations, accessibilities, turnovers, prices and others (Srpková et al. 2011, 22). According to Evans (2011, 60), the competitors of the company can be those who offer products or services to different market segments or there can exist indirect competitors, who do not offer similar products to customers, however, they offer some alternative solutions.

Shelton (2017, 95) mentions that the founder of new business has to understand what the competitor’s reaction for the new company in the market can be, what they can do is to decrease prices, provide more services, to have new advertising strategies and more.

Competitive advantage

Competitive advantage means offering customers new value which is not available by existing companies. To explain, a new company should provide a new product or a new service, which can satisfy customers’ wants and needs, solve some problems and it is better and different from already existing ones. The new company can produce products or services which are comparable to existing for lower prices – which offer higher value to customers. Relationships with customers based on trust, modification of products or services (because the order of satisfying customers wants and needs can be flexible)

and also ability to react fast, to change customers demands can be considered as a competitive advantage (Staňková 2007, 42).

The founder of a new company needs to become aware that the market is developing and competition is able to adapt the changes. What is considered to be a company competitive advantage nowadays, does not have to be in future as well (Evans 2011, 82).

Porter's 'five forces' model

Wetherly and Otter (2008, 14) explain Porter's model as a "model identifies five sources of competitive pressures". According to Kingsnorth (2016, 13), the model established by Michael Porter is used "to analyze the level of competition within and industry. [...] The purpose of this model is effectively to ascertain the competitive landscape and potential profitability of an industry".

As Kingsnorth (2016, 13–18) mentions, the model is composed of five forces divided into two areas:

a) Horizontal competition:

1. The threat of substituting products or services.
 - This force analyzes if there is some competition offering same product or service on the market.
2. The threat of new entrants.
 - New entrants to a market, mainly the direct competitors, can endanger current position and success of already existing companies in the market.
3. The threat of established rivals.
 - Competitive rivalry is a huge danger for companies and can have an impact on obtaining a competitive advantage.

b) Vertical competition:

4. The bargaining power of suppliers.
 - Suppliers are able to affect the profitability of the company.
5. The bargaining power of customers.
 - This force identifies how customers can influence the companies – changing prices, products or customer services, etc.

2.4.6 Marketing Strategy

Marketing has a significant impact on the future success of the company hence a business plan has to prove that company possesses good marketing and business strategy (Srbová et al. 2011, 22). Marketing is one of the most important tools for the new business. If customers have no idea that the new company exists, they will not purchase the products or services, and the company will have no share. To achieve this, a marketing plan should be created (Evans 2011, 106–107). Marketing plan indicates distribution and promotion of products or services in the company, conjointly with setting the price (Koráb et al. 2007, 38). Well specified marketing objectives are mandatory in a business plan. (Srbová, Řehoř et al. 2010, 63). It is essential to write marketing plan with passion. To convince readers, it ought to be practical, realistic and achievable (Evans 2011, 107).

Marketing Mix

“The marketing mix is a set of tactical marketing tools that the firm blends to produce the response it wants in the target market” (Kotler and Armstrong 2014, 76). The marketing mix is assembled into four Ps:

- **Product** – this P expresses products and services that are offered to customers, such as its variety, quality, design, features, packaging, brand name and services.
- **Price** – the amount of money for which the products or services are sold, this P includes list price, discounts, contributions, payment period and credit terms.
- **Place** – says ways, through which the product is accessible to target customers, covers channels, logistics, locations, inventory, transport, mediation.
- **Promotion** – this P communicates benefits that the products or services can bring to the customers and persuade them to buy it, such as advertising, personal selling, sales promotion and public relations (Kotler and Armstrong, 2014, 76–77).

Services have specific features, therefore, for marketing mix 4P it is essential, according to Janečková and Vašítková (2000, 29–31), to modify it by adding other three Ps:

- **People** – people are an essential part of marketing mix considering their impact on services quality. The company needs to concentrate on right selection, education and motivation of the employees and also set some rules for customer's behaviour.
- **Physical evidence** – this P helps to materialize services. It includes the environment where the services are provided (own building or office), brochures that display the company's offer or also employee's apparel (specific for hotels, fast foods, air company) that furthermore demonstrate the quality of services.
- **Process** – this P focus on information about providing the services. It is essential to analyze the process, create its scheme, classify it and make some steps easier.

2.4.7 Management and Organization

A business plan provides information about key workers and their characteristics and also expected number of employees (containing their needs and contributions to the company, qualification and costs expended to obtain them). Wages for employees and organization chart could be proved as well (Staňková 2007, 102).

Abrams (2014, 230) points out that during management plan preparation it is essential to concentrate on two main areas: “1) the people who run your business; and 2) your management structure and style. Together, these two thrusts represent the core of your management system”. She also mentions that the people make the business successful and therefore they are an essential part of the business. Personnel with their specific skills, experiences, characters has bigger effect on company success (Abrams 2014, 230).

2.4.8 Financial Plan

A financial plan is considered another vital part of a business plan due to the fact it demonstrates the plan's reality (Koráb et al. 2007, 38). Financials are one of the final sections of a business plan which summarize entire proceeding parts. Most information is related to previous pages of a business plan, from marketing section the writer knows

the budget needed for marketing, from management team and organization there is known the financial need for personnel and more (Shelton 2017, 136–137).

According to Srpová, Řehoř et al. (2010, 65), a financial plan should cover following areas: income statement, balance sheet, cash flow statement, break-even analysis, effectiveness measurement and a funding plan.

Income Statement

Income statement is one of the financial statements that provides information concerning company's costs and revenues during one year (however, the time might be shortened if investors require). The result is whether the company produces profit or loss (Staňková 2007, 111).

Costs mean “value expressed consumption of production sources which company has functionally expended for obtaining revenues” (Srpová, Řehoř et al. 2010, 319).

Revenues are “value expressed results of company's activity achieved by the particular time” (Srpová, Řehoř et al. 2010, 319). According to Staňková (2007, 111), both costs and revenues are split into three categories: operating, financial and extraordinary.

The result of income statement is profit or loss. Profit has three types:

- EBT – Earning before Taxes
- EBIT – Earning before Interests and Taxes
- EBITDA – Earning before Interest, Depreciation and Taxes
- EAT – Earning after Taxes (Staňková 2007, 111).

Balance Sheet

Another financial statement is balance sheet that presents statements of company property (called assets) and company obligation (that expresses equity and liabilities) to a fixed period of time (AccountingCoach 2018). The relation between assets, liabilities and owners equity expresses basic accounting equation: $\text{assets} = \text{liabilities} + \text{owner equity}$ (English Editorial Services 2016) (table 2).

Table 2 – Structure of balance sheet in simplified form (according to Staňková 2007, 110)

Assets	Liabilities and Equity
<i>Fixed assets</i>	<i>Equity</i>
Intangible fixed assets	Registered capital
Tangible fixed assets	Capital funds
Long-term financial assets	Reserve funds
	Other funds created from profit
	Profit/loss from previous year
	Profit/loss from current year
<i>Current assets</i>	<i>Liabilities</i>
Inventory	Long-term liabilities
Receivables	Short-term liabilities
Short-term financial assets	Bank loans and assistance
Wherewithal	

Cash Flow Statement

The further financial statement “explains how a company creates its income and for what spends its wherewithal” (Srpová, Řehoř et al. 2010, 321). Cash flow is used for the purpose of removing mismatch among incomes and expenses, costs and revenues, earnings and wherewithal that can happen during the time (Veber et al. 2012, 149). As an example, it might happen when a company implements some revenues and does not calculate incomes at that time. When the goods are sold through invoice and that company will obtain money later. The same is for costs and expenses. Therefore it is essential to create the cash flow statement for companies (Srpová, Řehoř et al. 2010, 321).

Cash flow is to be assembled by two methods: direct and indirect. Direct method is formed only on the basis of incomes and expenses (table 3); indirect method works on the assumption that profits/losses are modified by costs that are not linked to expenses and by revenues that are not correlative of incomes (table 4) (Veber et al. 2012, 149).

Table 3 – Cash flow formed by direct method (according to Srpová, Řehoř et al. 2010, 322)

The initial state of wherewithal
+ Incomes for the particular period of time
- Expenses for the particular period of time
Closing balance of wherewithal

Table 4 – Cash flow formed by indirect method (according to Srpová, Řehoř et al. 2010, 322)

The initial state of wherewithal
+ Profit (after payment of interest and taxes)
+ Depreciation (it decreased evinced earnings, however, it is not cash expense)
+/- Other costs (revenues) that do not cause the money's movement
Cash flow from operating activities
+/- increase/decrease in fixed assets, purchased shares, bonds, etc.
Cash flow from investing activities
+/- increase/decrease long-term debts, equity and other financial sources, payment of participation in profits, obtaining grants, etc.
Cash flow from financing activities
Closing balance of wherewithal

2.4.9 Risk Factors

Risk factors describe risks caused by competition reaction, weaknesses of marketing, management team and others (Koráb et al. 2007, 38). Risk analysis has two functions – outlines risks that can happen and it helps to prepare preventive measures which are necessary to be applied if a risk situation appears (Srpová et al. 2011, 32).

2.4.10 Appendix

Information necessary for business plan preparation can be found in appendices (Fotr et al. 2017, 168). Appendices are not obligatory in a business plan. In case the writer decides to have appendix in a business plan, it should contain, as Shelton (2017, 167–168) mentions, photos, brochures, floor plans and layouts, patents, technical drawings and more what is referred to in a business plan and it is not possible to outline there.

3 SUMMARY OF THE THEORETICAL PART

The theoretical part contains foundations and procedures to set up a business plan to be used in the analytical part. The first chapter is engaged in entrepreneurship and the entrepreneur's characteristics. Furthermore, there are introduced types of businesses frequent in the Czech Republic – entrepreneurship of natural and legal person with its description.

The second chapter deals with a business plan, it defines it and its types, purpose why it is written and principles for its creation. It also presents business plan structure and outlines how it should be composed. Individual parts of a business plan are introduced and additionally described in detail.

II. ANALYSIS

4 A BUSINESS PLAN FOR THE LANGUAGE SCHOOL KK LANGUAGES

4.1 Title Page

Name of the business plan:	KK Languages: A Business plan for the Language school
Name of the company:	KK Languages, s. r. o.
Legal form of the company:	Limited Liability Company
Date of establishing:	1 July 2018
Company address:	Hlavní třída 10, Šumperk, 787 01
Founder:	Kristýna Krňávková
Executive director:	Kristýna Krňávková
Phone:	+420 123 456 789
E-mail:	info@kklanguages.cz
Webpage:	www.kklanguages.cz
Company registration number:	12345678
Tax identification number:	CZ12345678
Bank account number:	12345678900/5500
The scope of business:	Organization of language courses
Financing:	Registered capital 290 000 CZK
Logo:	

Figure 1 – The logo of the company (own creation)



4.2 Executive Summary

This business plan suggests establishing a new private language school KK Languages for both adults and children in Šumperk. The conduct of business lies in organizing language courses of three types – group courses of English, Spanish and Russian; individual courses of English, Spanish, Russian, French and German; and one year further education course of English. It also offers the possibility of passing international English Language exams by the patronage of Cambridge English Language Assessment.

The language school is located in the town centre of Šumperk. KK Languages is headquartered in representative premises with friendly and pleasant atmosphere. The emphasis is put on providing high-quality keenly priced language tuition by educated, experienced and customer oriented teachers. People of all ages not based on gender who desire to learn and broaden language knowledge are numbered as target customers of the company.

As for the company's strengths, the language school takes advantage of its location and environment where the services are provided at affordable prices. Among weaknesses, there can be ranged the fact, which it is a new business in the market with no developed customer base. These things are closely connected to the risk factors of the language school, primarily threat of competition and no customers interest in language education.

On the grounds of appraisal of the best conditions (such as limited liability) and low acquisition costs, the language school is established as Limited Liability Company. KK Languages is planned to be set up on 1 July 2018, and the managing director of the company is its founder Kristýna Krňávková. Her job description lies in leading the company and providing all administration and office work. She is responsible for teaching one year further education course in English, group courses in English and English individual courses during summer holidays. Teachers of Spanish, Russian, German, French courses and English individual courses will be employed in the form of part-time job employees.

Starting a business is going to be financed by owner's own financial means, the registered capital of the company is 290 000 CZK.

4.3 Description of KK Languages

KK Languages is a new private language school located in the town of Šumperk, the Olomouc region, the Czech Republic. To provide language services, the language school will use pleasant and presentable premises in the centre of the town in pedestrian precinct rented by real estate agency Remax for price 10 000 CZK per month. The price does not include electric power, gas and water deposit. As the real estate agent stated, the deposit should be up to 3 000 CZK per month. The space area is 90 quadrant meters, it is situated on the third floor in a brick house with two offices, own sanitary facilities and a kitchenette (Remax n. d.). Customers can park on the school premises (premises in appendix P IV). For those who use public transport, according to maps.cz, the language school is about 130 meters far from the bus stop and about 720 metres far from the railway station. The tailor-made furniture into the school will be made by joiner Jan Krňávek (drawing and price quotation in appendix P V).

The only owner of the company is Kristýna Krňávková, a 22 years old woman with an entrepreneurial spirit. KK Languages is derived from her name, and it stands for the initial letters of her first name and surname.

KK Languages has flexible school opening hours from Monday till Friday from 8 a.m. till 8 p.m. Nevertheless, the office has fixed opening hours from Monday till Friday, from 1 p.m. till 3:30 p.m. There is a possibility to meet customers at any other time to prior arrangement (table 5).

Table 5 – Opening hours of KK Languages (own creation)

Opening hours:	
School hours:	
Monday - Friday	8 a.m. - 8 p.m.
Office hours:	
Monday - Friday	1 p.m. - 3:30 p.m.

The vision of the school is to become one of the leading language schools in Šumperk. The owner wishes the school to be favourite, to be the first choice of people who desire to learn foreign languages. KK Languages gives the opportunity to everyone who fancies ameliorating their language skills since communication and language expertise is considered as indispensability in people lives, make relationship among people and thriving in a business environment. Knowledge of foreign languages is indispensability both in the business world and in daily life as well.

Foreign languages are more often visible in movies, commercials, social media and others. The owner desires to raise people awareness concerning language skills.

The mission of the school is to provide quality English courses for everyone who wishes to learn foreign languages. KK Languages will endeavour to provide high-quality language courses by Czech and in future also foreign language teachers of best distinction and empower people to study languages in a modern and well-equipped environment with the friendly and pleasant atmosphere.

4.3.1 SWOT Analysis

To achieve the goal of desirable school, it is crucial to analyse areas which need improvement and develop strategy, how to do it. This could be performed through SWOT analysis.

As for strengths, the company has a strategic location in the town centre of Šumperk, so it is easily accessible. The company offers a broad range of courses for affordable prices. KK Languages offers high-quality education provided by educated and qualified Czech teachers. The vision is to employ also native speakers. Courses are taught in a pleasant environment with a friendly atmosphere which is essential for effective education.

Among weaknesses, the fact that the language school is a new company in the market and the owner does not have enough experience with running the business might be stated. Additionally, the number of customers may be considered as a weakness. Further weakness is rented premises.

Some opportunities can be available for the KK Languages. There is the possibility of being desired, so that the language school may spread on the market. The acquiring of more customers may be guaranteed by more significant requirements of employees, concerning language education and also insufficient language education in elementary, high, secondary schools and universities. KK Languages desires to have a good reputation and good credit of the language school in the market. Having state customer base of satisfied customers who will be coming back to the language school is not only another opportunity, but also company's goal.

The biggest threat to the language school is the competition in Šumperk and no penetration through market treats to the KK Language. There is a possibility that customers will not be interested in language education and courses provided by KK Languages can cause not profitable business and bankruptcy. Other threats are concerned

with legislative changes in the Czech Republic, for instance establishing the business, the liability and more. Economic crises is another threat to the new business which is not stable to handle and can result in bankruptcy. Lower interest in language education than was expected should be ranged among threats as well, it can cause that the company will not be profitable (table 6).

Table 6 – SWOT analysis of KK Languages (own creation)

SWOT Analysis	
Strengths	Weaknesses
Location of the company	New business in the market
A broad range of courses	Not enough experiences with business
Good quality of education	Not many employees in the beginning
Nice and pleasure environment	No developed state customer base
Friendly and kind atmosphere	Payment of rent
Well-educated and qualified teachers	
Opportunities	Threats
Expansion to other cities	Large competition in Šumperk
Expansion of company course's offer	No market penetration
Job requirement for foreign languages	No customers' interest concerning language courses
Further language education of secondary students	Legislative changes regarding entrepreneurship in the Czech Republic
Gaining a good reputation in the market	Economic crises
Develop state customer base	

4.4 Product and Service Description

KK Languages concentrates on providing range variety of language courses to satisfy people's need to speak foreign languages. As the research proves, 57,8% potential customers would take advantage of group courses and 42,2% prefer individual courses, therefore KK Languages provides both types.

Concerning group courses, there is an offer of three languages: English, Spanish and Russian. This range has been chosen on the basis of a questionnaire survey that proved that people are interested in learning these languages the most. As for English, there is a possibility for people of passing four courses – from beginners to advanced level. Courses from Russian and Spanish are offered in two levels – from beginners to intermediate. All group courses take place according to the time schedule, based on research that proves that 40,5% respondents would prefer courses in afternoons

and 31,2% in evenings. A maximum number of students in each course is set as 10. Contemporary time is highly associated with the online world and information technology, thus it is possible to register online. To know which course is suitable, an online test is available and results are sent to a provided email address. On the ground of research's result, each lesson is 45 minutes long and courses are held twice a week. 40,5% respondents wish to attend one year course, 35 weeks, 70 lessons.

The language school provides individual English, Spanish, Russian, French and German courses, as desired by potential customers. Individual courses can be beneficial for students studying for matura exams, state or international exams, improving communication skills. Courses are held to prior arrangement, the length of the lesson depends on student's choice. It is expected to open only individual courses of English that will be taught by the owner in the summer holiday. The price of 45 minutes' lesson is 200 CZK, it is based on the questionnaire survey, what presents that 48,6% respondents are able to pay 151 – 200 CZK per 45 minutes.

The survey shows, 68 students would take advantage of one year further education course in foreign language, primarily English. KK Languages is accredited by Ministry of Education, Youth and Sport to provide this course with daily lessons. The course lasts one school year from September to June, for students convenience 4 lessons a day. The class consists of maximum 14 students who have student statuses and are not obligated to pay social security contribution or health insurance. In the questionnaire survey, the most respondents (53,3%) answered that they are able to pay 19 000 CZK per the course. After finishing the studies, each student obtains certification confirming passing the course. The course could be considered as appropriate preparation for passing international English exams (table 7).

Table 7 – The offer of courses in KK Languages (own creation)

OFFER OF COURSES:					
Group courses:					
Language	Level	Length of lesson	Day	Time	Price (for 70 lessons)
English	A1 - A2	45 minutes (twice a week)	Monday, Wednesday	4:00 - 4:45 p.m.	5 950 CZK
English	A2 - B1		Monday, Wednesday	5:00 - 5:45 p.m.	5 950 CZK
English	B1 - B2		Tuesday, Thursday	4:00 - 4:45 p.m.	5 950 CZK
English	B2 - C1		Tuesday, Thursday	5:00 - 5:45 p.m.	5 950 CZK
Spanish	A1 - A2	70 school hours per 1 school year	Monday, Wednesday	4:00 - 4:45 p.m.	5 950 CZK
Spanish	A2 - B1		Monday, Wednesday	5:00 - 5:45 p.m.	5 950 CZK
Russian	A1 - A2		Tuesday, Thursday	4:00 - 4:45 p.m.	5 950 CZK
Russian	A2 - B1		Tuesday, Thursday	5:00 - 5:45 p.m.	5 950 CZK
Individual courses:					
Language	Level	Length of lesson	Day	Time	Price
English	All levels	45 or 90 minutes	By prior arrangement		200 CZK / 45 minutes
Spanish					
Russian					
French					
German					
one year further education course:					
Language	Length of course		Time	Price (for 1 school year)	
English	September - June, Monday - Friday		8:00 - 12:00 a.m.	19 000 CZK	

71,7% of respondents would take advantage of passing international language exam, KK Languages offers exams A2 – C1 under the patronage of Cambridge English Language Assessment. The certificate of passing exams proves the knowledge of the language that can be demanded by many institutions, employers or universities. The prices are specified by the level (table 8).

Table 8 – Offer of international English exams at KK Languages (own creation, information based on cambridge-zkousky.cz)

OFFER OF INTERNATIONAL ENGLISH EXAMS		
Exam	Level	Price
Cambridge English: Key (KET)	A2	2 900 CZK
Cambridge English: Preliminary (PET)	B1	2 900 CZK
Cambridge English: First (FCE)	B2	4 200 CZK
Cambridge English: Advanced (CAE)	C1	4 900 CZK

In the future, KK language school intends to offer courses taught by native speakers. It is expected to open courses not only for children or seniors but also courses for companies to broaden employees knowledge of languages. There is a possibility of opening weekend courses and suburban summer camp for children focused on languages. Nevertheless, this depends on customer's interests and needs.

4.5 Market and Competition Analysis

There is a necessity to provide deep market analysis to create a good business plan and to know if the new company could be successful or not. In this section, there is illustrated the evaluation of the questionnaire aim; customers of the new company; three significant competitors in Šumperk are presented; KK Languages competitive advantage; and Porter's Model of five competitive forces.

4.5.1 Evaluation of the Questionnaire

In order to gain all essential information needed for creating a business plan, a questionnaire survey was submitted. The questionnaire was created on portal survio.cz and was distributed to the public in both electronic and paper forms. It was shared via social media site Facebook. Secondary and high schools in Šumperk were addressed by email to complete it in electronic form. The paper form was distributed into the public library, a hairdresser and in Šumperk to one of general practitioner waiting room. Paper questionnaires were turned into the electronic version to get complete statistics. Respondent were asked to answer 13 questions and in case the respondent is a student of a high or secondary school, he was asked to answer 17 questions (questionnaire in appendix P I, results in appendix P II).

The questionnaire was completed by 74% of women, aged 14 – 18, 19 – 26 primary or secondary education. The research shows 67% of respondents expressed interest in language education provided by a new language school in Šumperk. The biggest interest

is in English, Spanish and Russian languages, a year-long course, with the price 151 – 200 CZK for a 45 minutes lesson. 57,8% of respondents prefer 45 minutes afternoon and evening group courses twice a week. 39,3% respondents consider native speaker to be important, 23,1% consider it not important and 20,2% answers show no difference. 71,7% respondents are interested in international language exams. 60,2% students are interested one year further education course in English, 4 lessons a day, for the price 19 000 CZK.

4.5.2 Target Customers

Potential customers of KK Languages are people living in Šumperk and its surrounding who want to learn or gain a better knowledge of foreign languages. People of all ages, not based on the gender are numbered among target customers of the new language school. Students, employed and unemployed people, entrepreneurs, women on maternity leaves or seniors, could take advantage of language courses to broaden their knowledge. Moreover, target customers could also be secondary graduate students who do not continue studies at university.

4.5.3 Competition Analysis

Šumperk is a town of 26 305 inhabitants and to satisfy customers needs there are several language schools and small companies offering language courses (Risý 2016). For the competition analysis, 3 competitors with a long tradition and good reputation among inhabitants in Šumperk have been chosen.

Academy Jan Amos Komensky (Akademie Jana Amose Komenského – AJAK)

Academy Jan Amose Komensky is an educational organization established in 1990 in Šumperk, focused on teaching foreign languages and retraining and training programmes for job applicants. AJAK language education involves language courses for organizations, firms and public (individual and group courses) taught by Czech and native speakers; translation and interpreting services; AJAK is an examination centre of international language exams. AJAK is a consulting centre for Faculty of Economic and Management of Czech University of Life Sciences in Prague, branch Public Administration and Regional Development and also offers education for retired people in the form of the university of the third millennium (Akademie Jana Amose Komenského n. d.).

Business Academy and Language School with the Right of the State Exam (Obchodní akademie a Jazyková škola s právem státní jazykové zkoušky)

This language school is a state-funded institution located in Šumperk, existing since 1996 as a part of a secondary business school in Šumperk. According to email communication, the school offers only English and German group courses taught by Czech teachers. The school provides a possibility to pass state language exams and international (German) language exams (Obchodní Akademie 2017).

English SPOT

English SPOT is a language school being in existence in Šumperk since 2003. Under the patronage of this language school, people can learn English and foreign languages levels A2 – C1. The school offers group courses in small groups (maximum 7 people); courses for companies, individuals; preparation for international language exams or job interviews; language consultation; English courses for children, suburban camps; teaching Czech for foreigners and also translation services, language proofreading, interpreting services and authentic translating. Courses are taught by qualified Czech and native speakers (English SPOT 2017).

All three language schools could be considered a threat for KK Languages. As the analysis table shows (appendix P III), the cheapest courses are offered by Business Academy, nonetheless, they provide only English and German group courses and not individual ones. Additionally, courses are not taught by foreign language teachers. The advantage of this language school is the offer of state exams and international German exam.

English SPOT offers English group and individual courses in other languages. Conversational and individual courses are taught by native speakers. This language school does not offer an option of international language exams. As for prices, this language school is the most expensive one. Courses for children and companies could be regarded as their competitive advantage, due to the fact any other language school does not offer it.

Academy Jan Amos Komensky is considered as the most significant competition for KK Languages. They offer English and Spanish group courses, individual courses from other languages and one year further education course in English. Native speakers teach only English conversational courses, individual courses and further education. The prices for English group courses are cheaper than in English SPOT, however, more expensive

than in Business Academy. AJAK gains the advantage over competitors by international English and Spanish exams.

4.5.4 Competitive Advantage

KK Languages has several competitive advantages over the three analyzed language schools. One of the competitive advantages of KK Languages is its location. The language school, unlike the competition, is located in the town centre directly in the pedestrian precinct. In addition to the location, the considerable competitive advantage is the premises offer own parking spaces for customers.

KK Languages is the only school to offer Russian group courses. The questionnaire shows that people are interested in learning Russian and no other language school have the offer in Šumperk. KK Languages has the opportunity of international English exams organized under the patronage of Cambridge English Language Assessment. In Šumperk, Academy Jan Amos Komenský organizes international language exams in Spanish and English, however, English exams are arranged by institution Language Cert.

Course price is one of the competitive advantages. Courses cost approximately the same as competitors', nevertheless, individual courses are cheaper. One year further education course costs about two thousands Czech crown less than in AJAK.

4.5.5 Porter's Model of Five Competitive Forces

This model is defined as a marketing tool used for understanding and analysis of company's competition. The analysis is composed of five forces, and that is the threat of substitute products, the threat of new entrants, the threat of established rivals, the bargaining power of suppliers and the bargaining power of customers.

The threat of substitute products or services

Apart from language education at public schools (elementary, high and secondary schools), private language schools or universities, there are other ways how to study languages and obtain new knowledge. Language agencies that organize language courses in foreign countries exist in the market, however, this is quite expensive and not affordable for everyone. The contemporary world is more and more connected to digital technologies, thus there is a possibility to register into language courses online.

The threat of new entrants

In pursuance of creating the competition analysis, there are no new language schools in Šumperk or some which would come into existence. However, there is threat for KK Languages, if there is a new language school with similar services.

The threat of established rivals

Šumperk cannot be considered as a very populated town and according to portal risy.cz, it had 26 305 inhabitants on 1 January 2017 (Risy 2016). As for language schools, the competition in the town is sufficient. Competition analysis presents three existing language schools. Language school English SPOT offers group English courses as well as individual courses, as for other languages. Business Academy has in its offer only group courses regarding German and English languages. Academy Jan Amos Komensky, the third language school, offers group courses in English and Spanish and individual courses from other languages. However, that is only one language school which offers one year further education course in English. New language school could broaden possibility to educate people in language aspects.

The bargaining power of suppliers

Suppliers do not have a significant impact on the business and do not affect KK languages profitability. The language school is not dependant on the suppliers and can run smoothly without them. It requires only suppliers regarding international exams, arranged by Cambridge English Language Assessment. Concerning other services, there is no necessity of having suppliers, the company is active in the field of B2C, what means services are supplied directly to its customers.

The bargaining power of customers

It is essential to put a high impact on services quality as the language school provides them directly to customers. If the language school offers high-quality services in a friendly environment with pleasant atmosphere, it may satisfy customers wants and needs. Customers will not have any reason to search for other ways of education, which results in developing state customer base. For the language school, it is necessary to pay attention to customers and their satisfaction. Therefore, the company cannot show disregard for customers feedbacks and evaluations and must adapt the offer, concerning prices, course offer, desired services.

4.6 Marketing Strategy

To have a successful business, it is important to select right marketing tools, promotion and sales strategy. This section of the business plan includes Marketing mix 7P of the language school.

4.6.1 Marketing Mix 7P

This part describes Marketing mix of services for company KK Languages that is composed of 7P - product, price, place, promotion, people and physical evidence.

Product

KK Languages provides high-quality services concerning language education. The language school offers:

- group courses in English, Spanish and Russian,
- individual courses in English, Spanish, Russian, French and German,
- one year further education course in English.

KK Languages offers English international language exams. Exams are arranged under the auspices of Cambridge English Language Assessment in four levels – A2, B1, B2 and C1.

Price

Prices of the courses are set according to questionnaire result and subsequently modified according to competition analysis. Lower or in some courses similar prices as the competitors in Šumperk are set in the first year. In following years the prices will be modified according to a new competition analysis and mainly customers satisfaction with prices for provided services (table 9).

Table 9 – Prices of services (own creation)

Courses	Price
Group courses	5 950 CZK / 1 school year
Individual courses	200 CZK / 45 minutes
One year further education course	19 000 CZK / 1 school year
International language exams	Price
Cambridge English: Key (KET)	2 900 CZK
Cambridge English: Preliminary (PET)	2 900 CZK
Cambridge English: First (FCE)	4 200 CZK
Cambridge English: Advanced (CAE)	4 900 CZK

Place

KK Languages services are offered in a modern and well-equipped environment with a friendly and pleasant atmosphere in the town Šumperk, directly in the town centre in a pedestrian precinct. The language school premises are five minutes' walk from the bus stop, and for those, who prefer a car transport, there is own parking place.

Promotion

It is essential to invest a high amount of finances into company's promotion to get into customers subconscious. Therefore, the language school will use a wide range of promotion at least for the first year.

It is necessary to create company's own website. Specialist Adam Zátpek will be addressed for its creation and administration. The company will have its own Facebook profile due to the fact this time is highly connected to social media, and it is considered as a very effective way to inform potential customers about a new company in the market. Facebook offers paid promotion, 60 CZK per one day, 8 – 15 people in the area about 40 kilometres around Šumperk will be informed. The language school will be promoted via paid services offered by portal firmy.cz. KK Languages will be promoted by Šumperk town magazine Šumperský zpravodaj, which is printed twice a month, 14 000 copies are delivered to approximately 20 000 readers. Thus, it an effective tool for elderly people who do not use the internet. A coloured advertisement in size 10,4x7 cm will be published there for year-round (in total 22 copies). Leaflets printed by company Reprotisk will be posted in schools as well as on 15 public notice boards in Šumperk offered by RENGL company. The language school would take advantage of the word of mouth marketing, effective way of informing new customers. Company endeavour is to have satisfied

customers who will give a positive recommendation to other people, and that might bring new customers to KK language school (calculation in table 10).

Table 10 – Promotion of KK Languages for the first year (own creation; information based on companies' web pages, e-mails, personal consultation)

Kind of promotion	Price	Calculation per one month - 30 days	Notes
Webpage	10 000 CZK		Initial costs
Facebook	60 CZK / 1 day	1 800 CZK	
Firmy.cz	10 CZK / 1 day	300 CZK	
Šumperský zpravodaj	2 475 CZK / 1 copy	2 042 CZK	In case of year-round advertising (22 copies) sale 55%
Leaflets to school	for free	for free	Based on arrangement
Leaflets on public notice boards	2,18 CZK / 1 day	981 CZK	15 notice boards in Šumperk, every month 1 leaflet to each
Printing of leaflets	14 CZK / 1 piece	350 CZK	25 leaflets (15 for public notice boards, 10 to schools)
Total price		5 473 CZK	

People

People are an essential tool for a company providing services. Therefore, services will be offered by educated and qualified people with kind and friendly approach to customers. The courses will be taught by the owner, by other teachers employed.

Physical Evidence

The services will be provided in a well-equipped environment with a friendly atmosphere, and kind attitude of the teachers which results in customers' satisfaction. During studying languages it is necessary for students to feel comfortable, have a good and friendly relationship with teachers and not to feel in dominance. Nowadays people are usually influenced by internet reviews. School strives to have a good reputation and yearns to have satisfied customers whose wants and needs are fulfilled by services offered by the language school.

Process

Having satisfied customers precedes the whole process of the register and right choice of lessons which student attends. Company's website offers a simple test to help the students find out which course is the most suitable for them. Customers may register online or make phone calls. Feedbacks are to be done on a regular basis through personal interview.

4.7 Management and Organization

The company managing director is its founder, Kristýna Krňávková. She is responsible for all administration and office work, for leading the company, creating a marketing strategy and education organization. Her job description lies in providing language education in the form of group English courses, one year further education course in English and individual courses during the summer holiday. Her bachelor's degree in English for Business Administration and the entrepreneurial spirit are an excellent match to make her dream to start a company on her own come true. She has English teaching experience from Academy Jan Amos Komensky, the competitive language school. During the studies in the secondary professional school in Šumperk, her class established students company (JA Czech), providing refreshment services where she hold the position of a manager and ran the business.

KK Language has only one full-time employee, the founder. Teachers of Spanish, Russian, German and French plus teachers of individual English courses are employed in the form of a part-time job. They are going to be paid for taught lessons, 120 CZK for individual 45 minutes lesson, 200 CZK per 45 minutes' teaching of group course. These prices are based on the competition analysis. Questionnaire survey shows that native speaker is not essential for students, he might be employed in future years.

The emphasis is put on teaching languages in a pleasant and calm environment with a friendly attitude, which means that there will be employed people oriented to customers' needs and wishes and those who are flexible to customers. Language university degree is a must.

4.8 Financial Plan

A financial plan is essential for plan budgeting required for establishing the company. This section consists of calculated initial costs necessary for running the language school, initial balance sheet of the company KK Languages and three variants (realistic, positive and negative scenarios) of income statements, balance sheets and cash-flow statements. The calculation is created for five years of conduct business.

4.8.1 Business startup

To finance initial costs of the company, the owner deposits her own funds into the registered capital. From the balance sheet (table 11) it is evident, the owner invests 290 000 CZK into the company, from which 150 000 CZK is inherited, 140 000 CZK from saving account. Formally, it is essential to have 1 CZK deposit, however, the company with higher registered capital might be impressive due to reliability for banks or potential investors.

Table 11 – Initial balance sheet (own creation)

Initial balance sheet (in CZK)			
Assets	290 000	Liabilities and Equity	290 000
<i>Fixed assets</i>	0	<i>Equity</i>	290 000
		Registered capital	290 000
<i>Current assets</i>	290 000	<i>Liabilities</i>	0
Bank account	290 000		

It is essential to create a founding budget that contains financials necessary for establishing language school. Table 12 demonstrates costs connected to establishing the company, such as obtaining the trade license, enrolment in the business register and others. The accreditation for providing one year further education course in English is with no charge, no cost is calculated. In the second place, costs that are necessarily spent on company's equipment, for instance, electronics, furniture or the company web page.

Table 12 – Initial costs (own creation, the prices are defined on the basis of searching on websites *alza.cz* and *e-SRO.cz*)

Initial costs	CZK
Costs for establishing a company	10 800
Formation of founding contract certifies by a notary	3 500
Certification of signatures and documents	500
Criminal record statement	100
Properties' register statement	100
Trade licence	1 000
Establishment of bank account	500
Enrolment in the business register	5 000
Trade register statement	100
Costs for company's equipment	124 713
Webpage	10 000
Portable computer (HP 250 G6 Dark Ash)	8 066
Mobile phone (Samsung J3)	2 990
CD player (Hyundai MS 132 DU3BL)	1 779
Magnetic whiteboards (AVELI 150x100), 2 pcs	4 298
Furniture (office desks, wardrobe, chest of drawers, kitchenette...)	53 505
Office chairs (ANTARES Tennessee), 2 pcs	2 818
Chairs for students and into office (ANTARES Taurus), 20 pcs	9 920
Printer (Samsung SL-M2675FN)	4 199
Data projector (BenQ MS506)	7 149
MS Office	6 490
Textbooks and dictionaries	8 500
Vacuum cleaner (Philips FC8375/09 PerformerCompact)	1 999
Equipment into the kitchenette (kettle, glasses, cups, saucers...)	1 000
Office equipment, decoration	2 000
Total initial costs	135 513

4.8.2 Realistic scenario

The realistic scenario represents the anticipated development of the language school KK Languages. In the first year, it is expected to fill the courses from 75%, what is about 25% less than in the optimistic scenario. It is estimated that demand will be increased, each year by 5%, what can cause that in the sixth year of operating the courses will be filled by 100% (table 13).

Table 13 – Realistic scenario of estimation of demand (own creation)

Estimation of demand - realistic scenario					
	1st year	2nd year	3rd year	4th year	5th year
	75%	80%	85%	90%	95%
One year further education course	11 people	11 people	12 people	13 people	13 people
Group course	60 people	64 people	68 people	72 people	76 people
Individual course	1 549 h./year	1 652 h./year	1 755 h./year	1 859 h./year	1 962 h./year
Individual course - summer	135 hours	144 hours	153 hours	162 hours	171 hours
Cambridge exams	41 people	43 people	46 people	49 people	51 people

Table 14 shows that costs in the first year are higher because of initial costs, which are paid only in the first year. The item promotion proceeds from marketing mix, where the promotion is calculated. In the third year, the price for promotion is lower due to the cancellation of paid promotion of Facebook and advertisement in Šumperk's newspaper is reduced by half. The founder of the company is an executive director of the company and simultaneously, she is an employee of the language school paid by minimum salary in the five years of conducting the business. She pays minimum social security contribution (2 189 CZK per month) and health insurance (2 024 CZK per month). Profit is planned to be spend on future expenses – self-owned premises. The company has part-time job employees for each taught language course paid by hourly wage, 120 CZK per one individual lesson and 200 CZK per one group lesson. The amount of wages is calculated on estimated demand for courses. Salaries for group courses are each year the same, nevertheless, salaries for individual courses are modified based on a number of students listed in courses. The social security contribution and health insurance employees are made by 34% of their salaries.

Table 14 – Realistic scenario of costs (own creation)

Costs - realistic scenario (in CZK)					
	1st year	2nd year	3rd year	4th year	5th year
Initial costs	135 513	0	0	0	0
Promotion	65 676	65 676	31 824	31 824	31 824
Administration of webpage	3 160	3 160	3 160	3 160	3 160
Office stationary	3 600	3 600	3 600	3 600	3 600
Detergents	1 200	1 200	1 200	1 200	1 200
Rent	120 000	120 000	120 000	120 000	120 000
Energy	36 000	36 000	36 000	36 000	36 000
Mobilephone tariff, internet	11 868	11 868	11 868	11 868	11 868
Salaries	297 880	310 240	322 600	335 080	347 440
Social contribution and health insurance (employees)	101 279	105 482	109 584	113 927	118 130
Founder's salary	146 400	146 400	146 400	146 400	146 400
Social contribution and health insurance (founder)	50 556	50 556	50 556	50 556	50 556
Total	973 132	854 182	836 792	853 615	870 178

Revenues (table 15) are calculated according to the estimation of demand.

Table 15 – Realistic scenario of revenues (own creation)

Revenues - realistic scenario (in CZK)					
	1st year	2nd year	3rd year	4th year	5th year
One year further education course	209 000	209 000	228 000	247 000	247 000
Group courses	357 000	380 800	404 600	428 400	452 200
Individual courses	309 800	330 400	351 000	371 800	392 400
Individual courses in summer	27 000	28 800	30 600	32 400	34 200
Cambridge exams	20 500	21 500	23 000	24 500	25 500
Total	923 300	970 500	1 037 200	1 104 100	1 151 300

In the first year, the company is not profitable, nevertheless, as table 16 proves, from the second year it starts generating a profit, increased demand for language education is expected.

Table 16 – Realistic scenario of profit/loss (own creation)

Profit/loss - realistic scenario (in CZK)					
	1st year	2nd year	3rd year	4th year	5th year
Costs	973 132	854 182	836 792	853 615	870 178
Revenues	923 300	970 500	1 037 200	1 104 100	1 151 300
Profit/loss	-49 832	116 318	200 408	250 485	281 122
Tax -19%		22 100	38 078	47 592	53 413
EAT	-49 832	116 318	162 330	202 893	227 709

Table 17 illustrates company balance sheet created for five years. It is assumed no liabilities or receivables will arise and all is paid out.

Table 17 – Realistic scenario of balance sheet (own creation)

Balance sheet as at 31 December 20XX - realistic scenario (in CZK)					
	1st year	2nd year	3rd year	4th year	5th year
Fixed assets	0	0	0	0	0
Current assets	240 168	356 486	518 816	721 709	949 418
Cash and bank account	240 168	356 486	518 816	721 709	949 418
Assets	240 168	356 486	518 816	721 709	949 418
Equity	240 168	356 486	518 816	721 709	949 418
Registered capital	290 000	290 000	290 000	290 000	290 000
Profit/loss - previous year	0	-49 832	66 486	228 816	431 709
Profit/loss - current year	-49 832	116 318	162 330	202 893	227 709
Liabilities	0	0	0	0	0
Liabilities and Equity	240 168	356 486	518 815	721 709	949 418

The cash-flow statement (table 18) is created by an indirect method for the five years. Its calculation is based on the initial state of wherewithal and on company's EAT. On the ground the company does not depreciate any property, does not pay other costs (revenues), does not increase/decrease fixed assets, bonds, shares, debts, equity and other financial sources, it is not calculated in cash-flow.

Table 18 – Realistic scenario of cash flow (own creation)

Cash flow - realistic scenario (in CZK)					
	1st year	2nd year	3rd year	4th year	5th year
Initial state of wherewithal	290 000	240 168	356 486	518 816	721 709
Profit/loss	-49 832	116 318	162 330	202 893	227 709
Closing balance of wherewithal	240 168	356 486	518 816	721 709	949 418

4.8.3 Optimistic scenario

In the optimistic scenario, it is expected maximum interest in all courses, what is about 25% more than in the realistic scenario. Here, the company expects 100% occupancy of all courses in all five years (see table 19). A number of people interested in Cambridge exams is counted based on estimation, that all students from one year further education course in English and from all English group course are to be involved.

Table 19 – Optimistic scenario of estimation of demand (own creation)

Estimation of demand- optimistic scenario					
	1st year	2nd year	3rd year	4th year	5th year
	100%	100%	100%	100%	100%
One year further education course	14 people	14 people	14 people	14 people	14 people
Group course	80 people	80 people	80 people	80 people	80 people
Individual course	2 065 h./year	2 065 h./year	2 065 h./year	2 065 h./year	2 065 h./year
Individual course - summer	180 hours	180 hours	180 hours	180 hours	180 hours
Cambridge exams	54 people	54 people	54 people	54 people	54 people

The costs plan of optimistic scenario differs from a realistic scenario in salaries and social security contribution and health insurance of employees items, as table 20 proves. That is counted on the basis of taught lessons. The salary for the teaching group courses remains the same as in realistic scenario, however, the salary for group courses differs on the basis of taught lessons. As for the owner, these items are the same as in realistic scenario.

Table 20 – Optimistic scenario of costs (own creation)

Costs - optimistic scenario (in CZK)					
	1st year	2nd year	3rd year	4th year	5th year
Initial costs	135 513	0	0	0	0
Promotion	65 676	65 676	31 824	31 824	31 824
Administration of webpage	3 160	3 160	3 160	3 160	3 160
Office stationary	3 600	3 600	3 600	3 600	3 600
Detergents	1 200	1 200	1 200	1 200	1 200
Rent	120 000	120 000	120 000	120 000	120 000
Energy	36 000	36 000	36 000	36 000	36 000
Mobilephone tariff, internet	11 868	11 868	11 868	11 868	11 868
Salaries	359 800	359 800	359 800	359 800	359 800
Social contribution and health insurance (employees)	122 332	122 332	122 332	122 332	122 332
Founder's salary	146 400	146 400	146 400	146 400	146 400
Social contribution and health insurance (founder)	50 556	50 556	50 556	50 556	50 556
Total	1 056 105	920 592	886 740	886 740	886 740

The optimistic scenario visible in table 21 shows company high revenues generated by 100% occupancy of all courses.

Table 21 – Optimistic scenario of revenues (own creation)

Revenues - optimistic scenario (in CZK)					
	1st year	2nd year	3rd year	4th year	5th year
One year further education course	266 000	266 000	266 000	266 000	266 000
Group courses	476 000	476 000	476 000	476 000	476 000
Individual courses	413 000	413 000	413 000	413 000	413 000
Individual courses in summer	36 000	36 000	36 000	36 000	36 000
Cambridge exams	27 000	27 000	27 000	27 000	27 000
Total	1 218 000	1 218 000	1 218 000	1 218 000	1 218 000

As table 22 proves, in all five years of conducting the business the company is profitable. In the first year the least due to initial costs and the high sum of money invested in promotion.

Table 22 – Optimistic scenario of profit/loss (own creation)

Profit/loss - optimistic scenario (in CZK)					
	1st year	2nd year	3rd year	4th year	5th year
Costs	1 056 105	920 592	886 740	886 740	886 740
Revenues	1 218 000	1 218 000	1 218 000	1 218 000	1 218 000
Profit/loss	161 895	297 408	331 260	331 260	331 260
Tax -19%	30 760	56 508	62 939	62 939	62 939
EAT	131 135	240 900	268 321	268 321	268 321

Balance sheet (table 23) and cash-flow statement (table 24) are created for five years.

Table 23 – Optimistic scenario of balance sheet (own creation)

Balance sheet as at 31 December 20XX - optimistic scenario (in CZK)					
	1st year	2nd year	3rd year	4th year	5th year
Fixed assets	0	0	0	0	0
Current assets	421 135	662 035	930 356	1 198 677	1 466 998
Cash and bank account	421 135	662 035	930 356	1 198 677	1 466 998
Assets	421 135	662 035	930 350	1 198 677	1 466 998
Equity	421 135	662 035	930 356	1 198 677	1 466 998
Registered capital	290 000	290 000	290 000	290 000	290 000
Profit/loss - previous year	0	131 135	372 035	640 356	908 677
Profit/loss - current year	131 135	240 900	268 321	268 321	268 321
Liabilities	0	0	0	0	0
Liabilities and Equity	421 135	662 035	930 356	1 198 677	1 466 998

Table 24 – Optimistic scenario of cash-flow (own creation)

Cash flow - optimistic scenario (in CZK)					
	1st year	2nd year	3rd year	4th year	5th year
Initial state of wherewithal	290 000	421 135	662 035	930 356	1 198 677
Profit/loss	131 135	240 900	268 321	268 321	268 321
Closing balance of wherewithal	421 135	662 035	930 356	1 198 677	1 466 998

4.8.4 Pessimistic scenario

The pessimistic scenario anticipates low interest in providing services – about 25% less that is expected in a realistic scenario (and about 50% from optimistic scenario). In five years of entrepreneurship, the interest in language education provided by KK Languages increases by 5% each year, as table 25 shows.

Table 25 – Pessimistic scenario of estimation of demand (own creation)

Estimation of demand - pessimistic scenario					
	1st year	2nd year	3rd year	4th year	5th year
	50%	55%	60%	65%	70%
One year further education course	7 people	8 people	8 people	9 people	10 people
Group course	40 people	44 people	48 people	52 people	56 people
Individual course	1033 h./year	1 136 h./year	1 239 h./year	1 342 h./year	1 446 h./year
Individual course - summer	90 hours	99 hours	108 hours	117 hours	126 hours
Cambridge exams	27 people	30 people	32 people	35 people	38 people

Costs invested in the smooth running of the company are in all three variants the same, with the exception of salaries, social security contribution and the employees health insurance. In the pessimistic scenario, people are not interested in the courses abundantly and therefore teachers do not teach so many individual courses. Lower salaries and lower costs for social security contribution and health insurance is caused as calculated from salaries (it makes 34%). Again, the founder's salary is the same as in previous scenarios. Other costs are unchanged (see table 26).

Table 26 – Pessimistic scenario of costs (own creation)

Costs - pessimistic scenario (in CZK)					
	1st year	2nd year	3rd year	4th year	5th year
Initial costs	135 513	0	0	0	0
Promotion	65 676	65 676	31 824	31 824	31 824
Administration of webpage	3 160	3 160	3 160	3 160	3 160
Office stationary	3 600	3 600	3 600	3 600	3 600
Detergents	1 200	1 200	1 200	1 200	1 200
Rent	120 000	120 000	120 000	120 000	120 000
Energy	36 000	36 000	36 000	36 000	36 000
Mobilephone tariff, internet	11 868	11 868	11 868	11 868	11 868
Salaries	235 960	248 320	260 680	273 040	285 520
Social contribution and health insurance (employees)	80 226	84 429	88 631	92 834	97 077
Founder's salary	146 400	146 400	146 400	146 400	146 400
Social contribution and health insurance (founder)	50 556	50 556	50 556	50 556	50 556
Total	890 159	771 209	753 919	770 482	787 205

Not having fully filled up courses, the company's revenues might not be high, however, through time it can increase, as table 27 proves.

Table 27 – Pessimistic scenario of revenues (own creation)

Revenues - pessimistic scenario (in CZK)					
	1st year	2nd year	3rd year	4th year	5th year
One year further education course	133 000	152 000	152 000	171 000	190 000
Group courses	238 000	261 800	285 600	309 400	333 200
Individual courses	206 600	227 200	247 800	268 400	289 200
Individual courses in summer	18 000	19 800	21 600	23 400	25 200
Cambridge exams	13 500	15 000	16 000	17 500	19 000
Total	609 100	675 800	723 000	789 700	856 600

As shows the income statement (table 28), the company is at a loss until the third year of conducting the business, nevertheless, from the fourth year, it starts being profitable.

Table 28 – Pessimistic scenario of profit/loss (own creation)

Profit/loss - pessimistic scenario (in CZK)					
	1st year	2nd year	3rd year	4th year	5th year
Costs	890 159	771 209	753 919	770 482	787 205
Revenues	609 100	675 800	723 000	789 700	856 600
Profit/loss	-281 059	-95 409	-30 919	19 218	69 395
Tax -19%				3 651	13 185
EAT	-281 059	-95 409	-30 919	15 567	56 210

Table 29 – Pessimistic scenario of balance sheet (own creation)

Balance sheet as at 31 December 20XX - pessimistic scenario (in CZK)					
	1st year	2nd year	3rd year	4th year	5th year
Fixed assets	0	0	0	0	0
Current assets	8 941	-86 468	-117 405	-101 838	-45 628
Cash and bank account	8 941	-86 468	-117 405	-101 838	-45 628
Assets	8 941	-86 468	-117 405	-101 838	-45 628
Equity	8 941	-86 468	-117 405	-101 838	-45 628
Registered capital	290 000	290 000	290 000	290 000	290 000
Profit/loss - previous year	0	-281 059	-376 486	-407 405	-391 838
Profit/loss - current year	-281 059	-95 409	-30 919	15 567	56 210
Liabilities	0	0	0	0	0
Liabilities and Equity	8 941	-86 468	-117 405	-101 838	-45 628

As table 30 proves, the company is still in negative numbers in the course of five years.

Table 30 – Pessimistic scenario of cash flow (own creation)

Cash flow - pessimistic scenario (in CZK)					
	1st year	2nd year	3rd year	4th year	5th year
Initial state of wherewithal	290 000	8 941	-86 486	-117 405	-101 838
Profit/loss	-281 059	-95 409	-30 919	15 567	56 210
Closing balance of wherewithal	8 941	-86 468	-117 405	-101 838	-45 628

4.9 Risk Factors

Evaluation of risks is an essential section of a business plan to establish a new business contends with many risk factors. In this part, some risks which the language school will face are introduced, and also the suggestion for its elimination.

One risk factor is not having enough financials. The owner does not have any experience with running a new business, problems regarding financials can occur, for instance not having enough money needed to manage the language school, for its equipment, marketing and promotion. Furthermore, being not profitable and having financial losses may occur. This risk will be prevented by writing a high-quality financial plan and struggling not to make any mistakes in its formation.

Among risk factors, numerous competition in Šumperk should be regarded, additionally, the possibility of establishing the new competitive company. The founder will make an effort to prevent this risk by providing high-quality services and by establishing a permanent customer base. The owner vision statement is to have satisfied customers who are not only regular customers but also recommend the school to potential customers.

There is a possibility that the market glut by companies and the natural person providing language education and people will not be interested in learning languages in KK Languages. To forestall the risks, a lot of wherewithal will be invested into the mass media campaign. It is believed that via promotion and customer satisfaction the permanent customer base will be developed, therefore the risk factor will be thus prevented.

Further risk factor might be the inexperienced owner of KK Languages. This risk factor will be prevented by continuous learning and gaining experience from qualified people.

CONCLUSION

The aim of the bachelor's thesis is to create a business plan for the new language school in Šumperk. A questionnaire survey was contributed among potential customers to assure the project is feasible. The results show the interest of potential customers and furthermore the successful entry to the market.

The thesis is divided into two parts. The theoretical one introduces information regarding entrepreneurship associated with legal forms of businesses, as well as information about a business plan, its types, purpose, principles for its formation and its structure. The second analytical part deals within the creation of the concrete business plan for the new language school.

The language school offers group courses in three languages, English four levels and Spanish and Russian two levels. It also offers individual courses in English, Spanish, Russian, German and French. In addition, there is offer of one year further education course of English and international language exams under the patronage of Cambridge English Language Assessment. KK Languages offer is focused on the basis of questionnaire survey results.

Within the analytical part, the market and competition analysis is created. Three competitors are described and analysed, Porter's model of five competitive forces is assembled. Marketing mix 7P was completed for selecting right marketing strategy. The company is to use a wide range of promotion, in the form of company webpage, portal firmy.cz, leaflets, advertisements in Šumperk magazine and on social media Facebook. Course prices are based on the research and competitors.

The executive director of the company is its founder who will teach group and one year further education course in English as well as individual English courses in summer. Other teachers will be employed in the form of part-time job. The company will be financed by owner's own funds, the registered capital of the company is 290 000 CZK.

The business plan proves possible profit from the second year which makes the aim of this thesis accomplished.

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LIST OF ABBREVIATIONS

B2C	Business to customer
CZK	Czech Koruna
EAT	Earnings after Taxes
EBIT	Earnings before Interest and Taxes
EBT	Earnings before Taxes
EBTDA	Earnings before Interest, Depreciation and Taxes
JA Czech	Junior Achievement Czech Republic
s.r.o.	Společnost s ručením umezeným (Limited Liability Company)
SME	Small and medium-size enterprises

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APPENDICES

- P I Questionnaire survey
- P II Results of quest
- P III Competition analysis
- P IV Company's premises
- P V Price quotation and drawing of the furniture

APPENDIX P I: QUESTIONNAIRE SURVEY

Podnikatelský plán pro jazykovou školu KK Languages

Dobrý den,

Jmenuji se Kristýna Krňávková a studuji na Univerzitě Tomáše Bati ve Zlíně obor Anglický jazyk pro manažerskou praxi. Zpracovávám bakalářskou práci na téma Podnikatelský plán pro jazykovou školu KK Languages a touto cestou bych Vás chtěla požádat o vyplnění dotazníku, který mi pomůže zjistit, zdali by byl můj projekt realizovatelný.

U otázek prosím vyberte jednu nebo více odpovědí, popřípadě stručně okomentujte. Odpovědi jsou anonymní.

1. Pohlaví:

- Muž
- Žena

2. Věk:

- 14 - 18
- 19 - 26
- 27 - 40
- 41 - 50
- 51 - 64
- 65 a více

3. Dosažené vzdělání:

- ZŠ
- SOU s výučním listem
- SOU s maturitou
- SŠ s maturitou
- VOŠ
- VŠ

4. V současné době jste:

- Student
- Podnikatel
- Zaměstnaný
- Nezaměstnaný
- Na mateřské dovolené
- V důchodu
- Jiná odpověď:

5. Pokud by byla v Šumperku otevřena nová jazyková škola, využil(a) byste ji k výuce cizích jazyků?

- Ano
- Ne

6. O jaké cizí jazyky byste měl(a) v rámci studia na jazykové škole zájem?

- Anglický jazyk
- Německý jazyk
- Ruský jazyk
- Francouzský jazyk
- Španělský jazyk
- Italský jazyk
- Jiný

7. Jaký typ kurzu by Vám nejvíce vyhovoval?

- Celoroční
- Půlroční
- Týdenní
- Víkendový

8. Kolik byste byl(a) ochoten (ochotna) zaplatit za 45 minut výuky cizích jazyků?

- Do 150 Kč
- 151 - 200 Kč
- 201 - 300 Kč
- Více jak 300 Kč

9. Dal(a) byste přednost:

- Individuálnímu studiu
- Studiu v kolektivu

10. Jakou hodinovou dotaci byste si pro jazykový kurz vybral(a)?

- 1x týdně 45 minut
- 1x týdně 60 minut
- 1x týdně 90 minut
- 2x týdně 45 minut
- 2x týdně 60 minut
- 2x týdně 90 minut

11. V jakých hodinách byste kurzy navštěvoval(a)?

- Dopoledne (8 - 12 hodin)
- Odpoledne (12 - 17 hodin)
- Večer (po 17. hodině)
- Kdykoliv

12. Je pro Vás důležitá výuka rodilým mluvčím?

- Ano
- Ne
- Nevím
- Podle mě na tom nezáleží

13. Využil(a) byste možnost absolvování mezinárodních jazykových zkoušek v jazykové škole?

- Ano
- Ne

POKUD JSTE STUDENTEM (STUDENTKOU) STŘEDNÍ ŠKOLY, VYBERTE ČI DOPLŇTE PROSÍM ODPOVĚDI K NÁSLEDUJÍCÍM OTÁZKÁM:

14. Měl(a) byste zájem o jednoleté pomaturitní studium cizího jazyka?

Ano

Ne

15. Pokud jste v předchozí otázce odpověděl(a) že ano, o jaký cizí jazyk?

16. Jakou výši školného jste ochoten (ochotna) zaplatit za jeden školní rok?

19 000 Kč

20 000 Kč

21 000 Kč

22 000 Kč

Více jak 22 000 Kč

17. Jakou hodinovou dotaci byste pro studium preferoval(a)?

4 hodiny denně

5 hodin denně

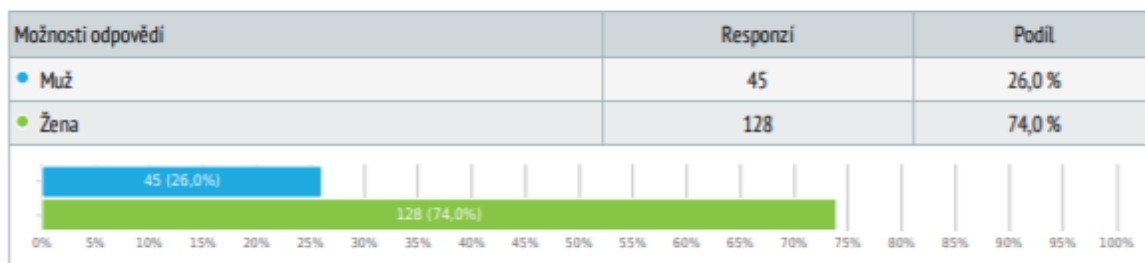
6 hodin denně

Děkuji za vyplnění dotazníku.

APPENDIX P II: RESULTS OF QUEST

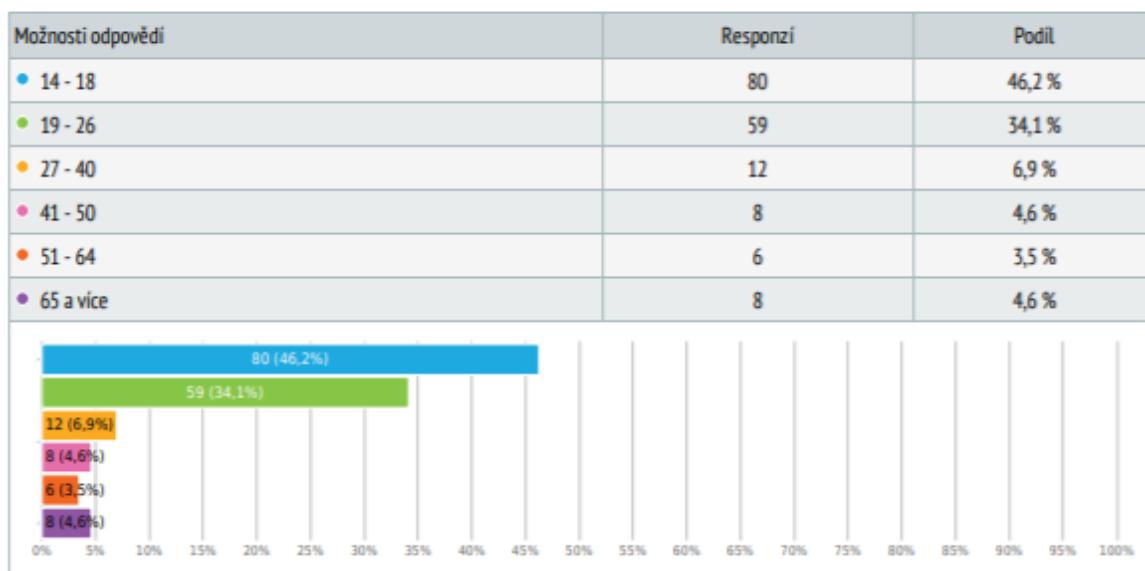
1. Pohlaví:

Výběr z možností, zodpovězeno 173x, nezodpovězeno 0x



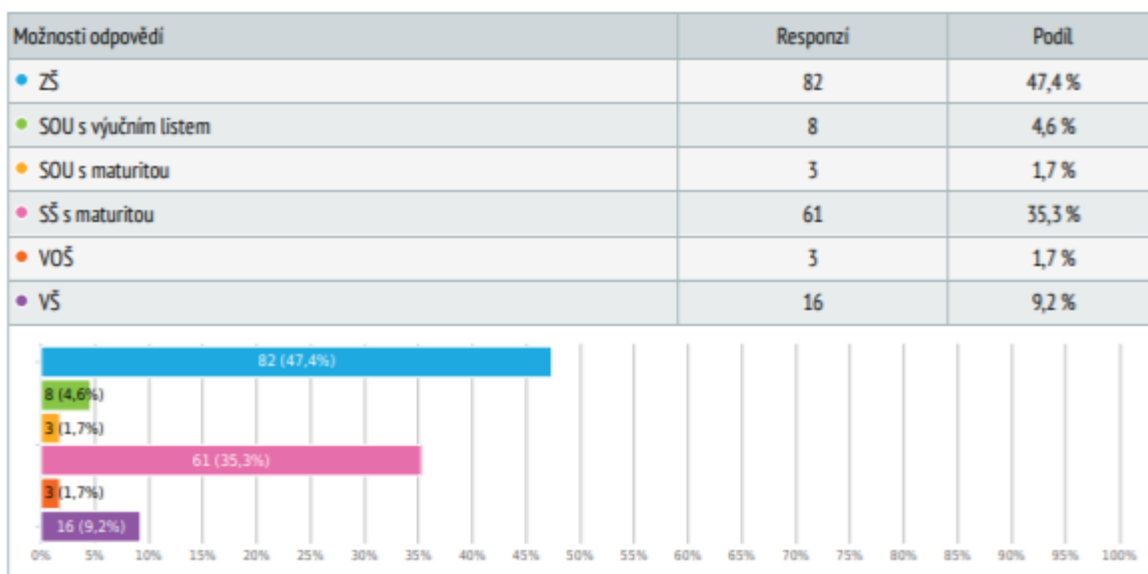
2. Věk:

Výběr z možností, zodpovězeno 173x, nezodpovězeno 0x



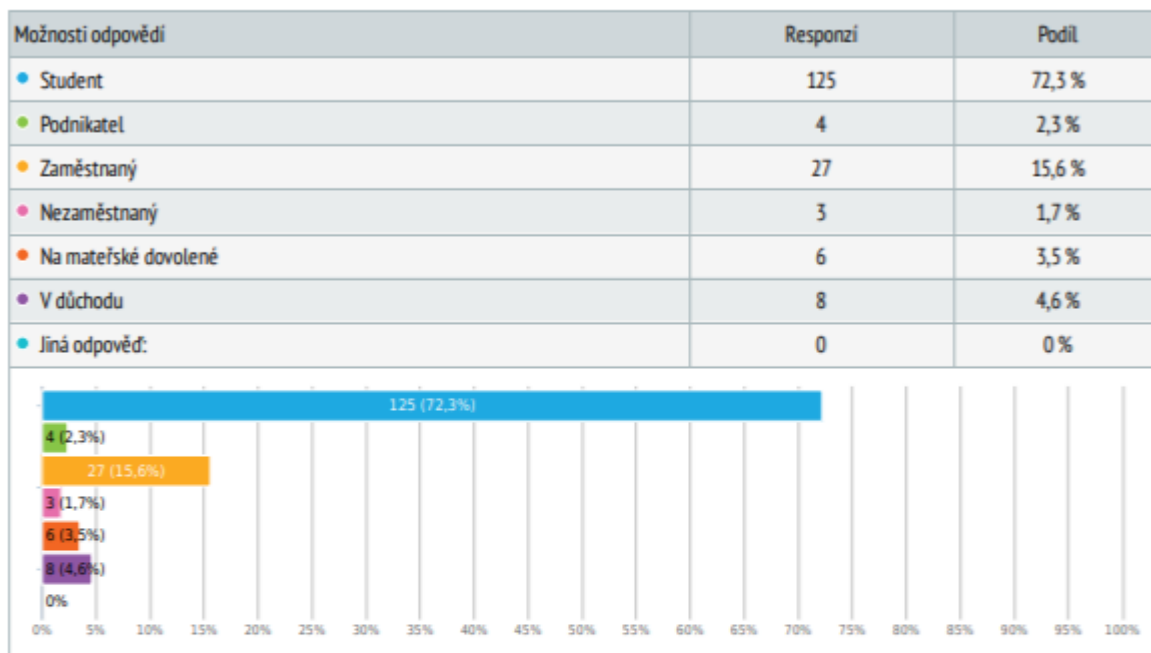
3. Dosažené vzdělání:

Výběr z možností, zodpovězeno 173x, nezodpovězeno 0x



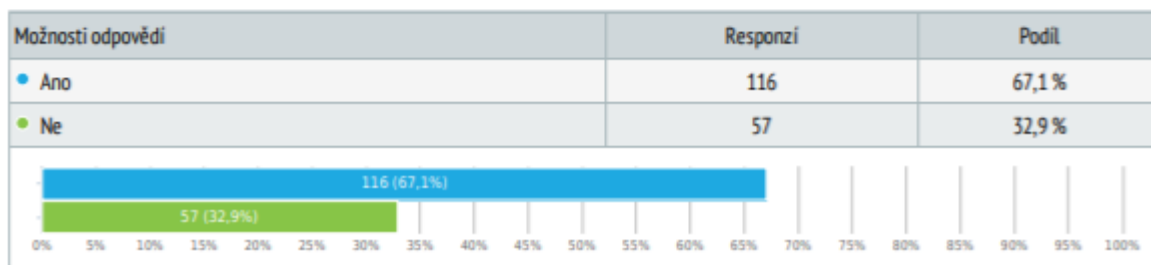
4. V současné době jste:

Výběr z možností, zodpovězeno 173x, nezodpovězeno 0x



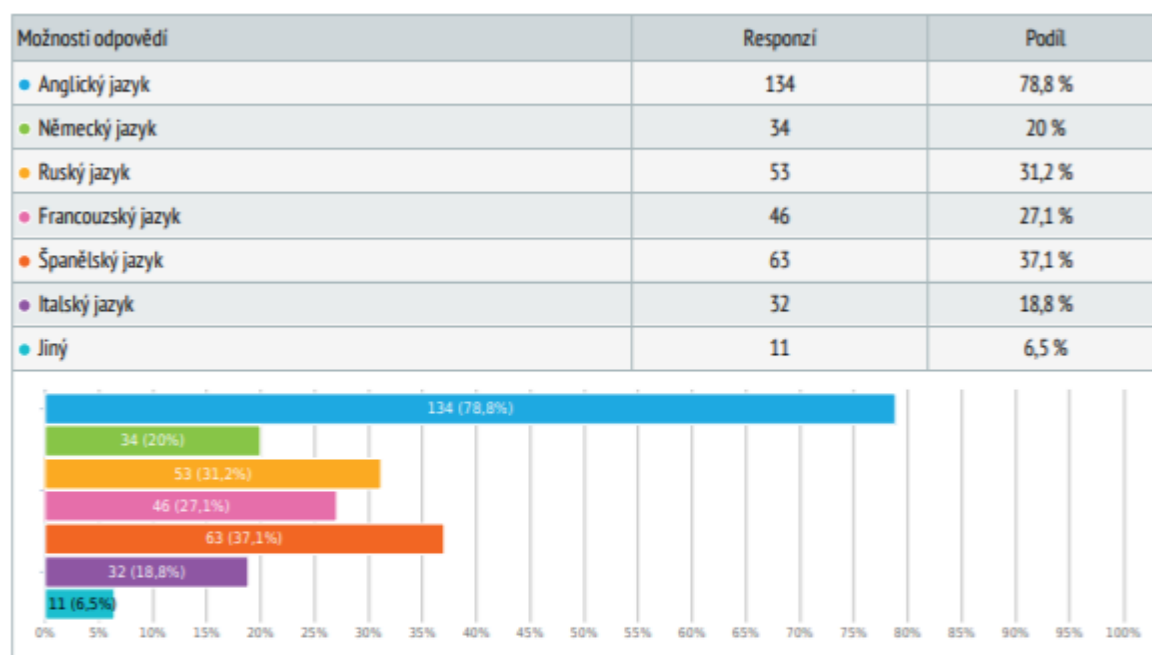
5. Pokud by byla v Šumperku otevřena nová jazyková škola, využil(a) byste ji k výuce cizích jazyků?

Výběr z možností, zodpovězeno 173x, nezodpovězeno 0x



6. O jaké cizí jazyky byste měl(a) v rámci studia na jazykové škole zájem?

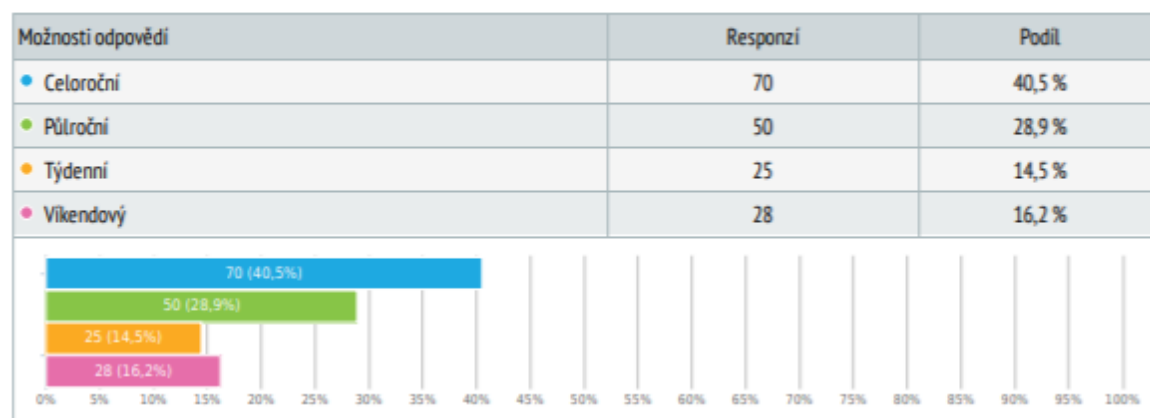
Výběr z možností, více možných, zodpovězeno 170x, nezodpovězeno 3x



- arabský
- turecký
- Norština
- (2x) Japonština
- (2x) japonština
- Japonský jazyk
- Norština a Japonština
- Finský jazyk
- Nizozemština

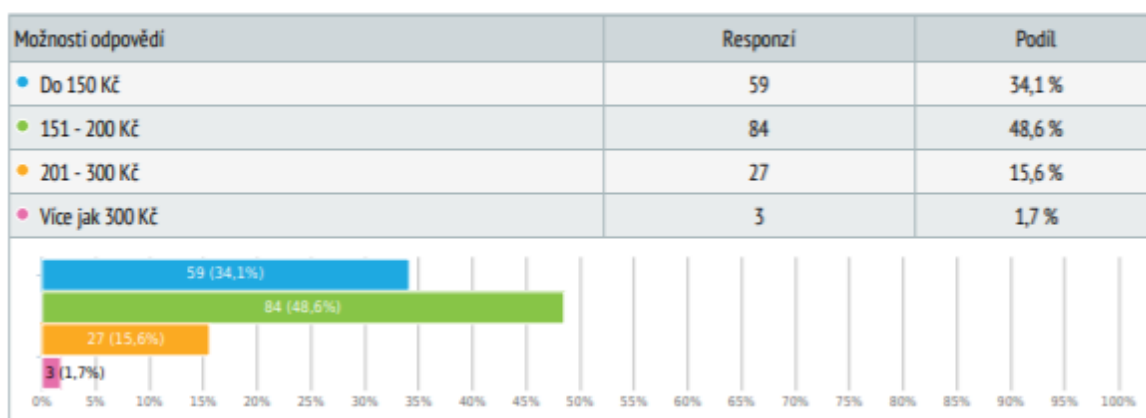
7. Jaký typ kurzu by Vám nejvíce vyhovoval?

Výběr z možností, zodpovězeno 173x, nezodpovězeno 0x



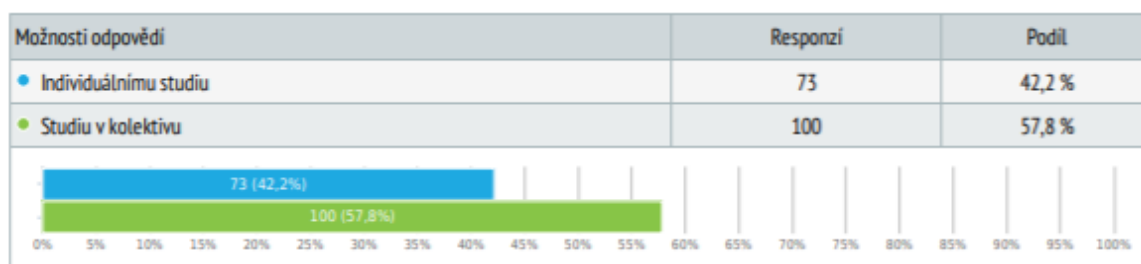
8. Kolik byste byl(a) ochoten (ochotna) zaplatit za 45 minut výuky cizích jazyků?

Výběr z možností, zodpovězeno 173x, nezodpovězeno 0x



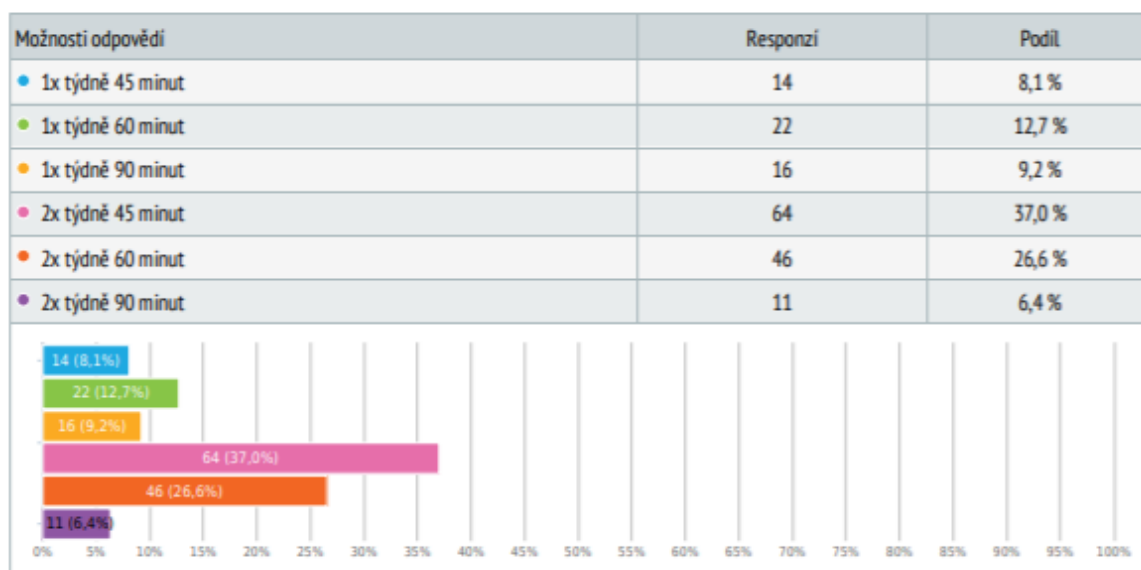
9. Dal(a) byste přednost:

Výběr z možností, zodpovězeno 173x, nezodpovězeno 0x



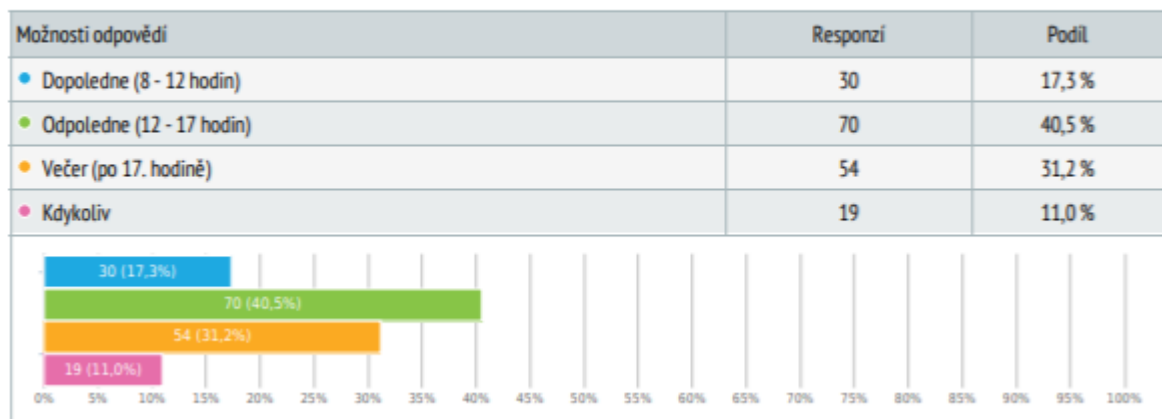
10. Jakou hodinovou dotaci byste si pro jazykový kurz vybral(a)?

Výběr z možností, zodpovězeno 173x, nezodpovězeno 0x



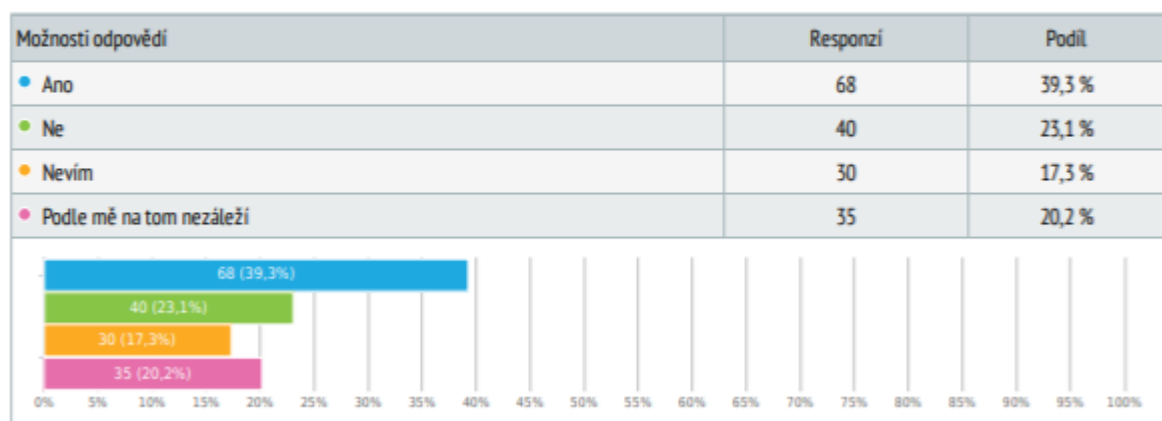
11. V jakých hodinách byste kurzy navštěvoval(a)?

Výběr z možností, zodpovězeno 173x, nezodpovězeno 0x



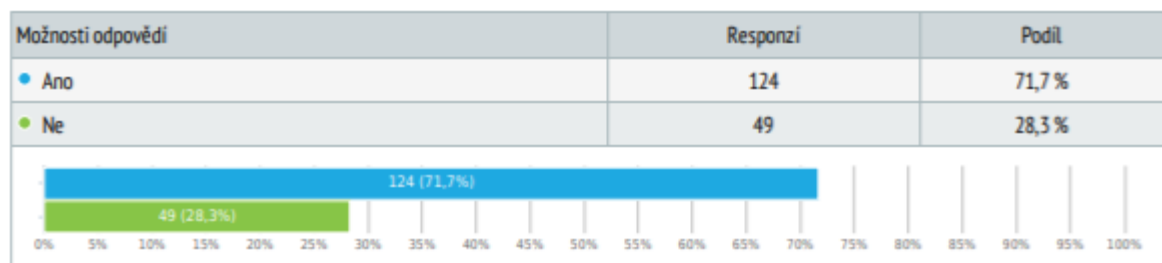
12. Je pro Vás důležitá výuka rodilým mluvčím?

Výběr z možností, zodpovězeno 173x, nezodpovězeno 0x



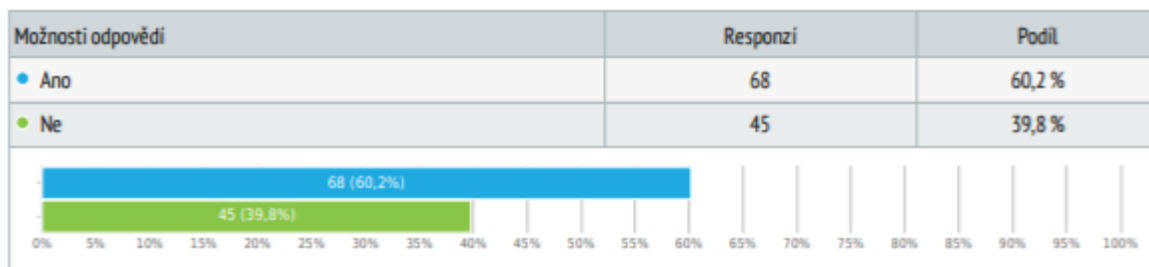
13. Využil(a) byste možnost absolvování mezinárodních jazykových zkoušek v jazykové škole?

Výběr z možností, zodpovězeno 173x, nezodpovězeno 0x



14. Měl(a) byste zájem o jednoleté pomaturitní studium cizího jazyka?

Výběr z možností, zodpovězeno 113x, nezodpovězeno 60x



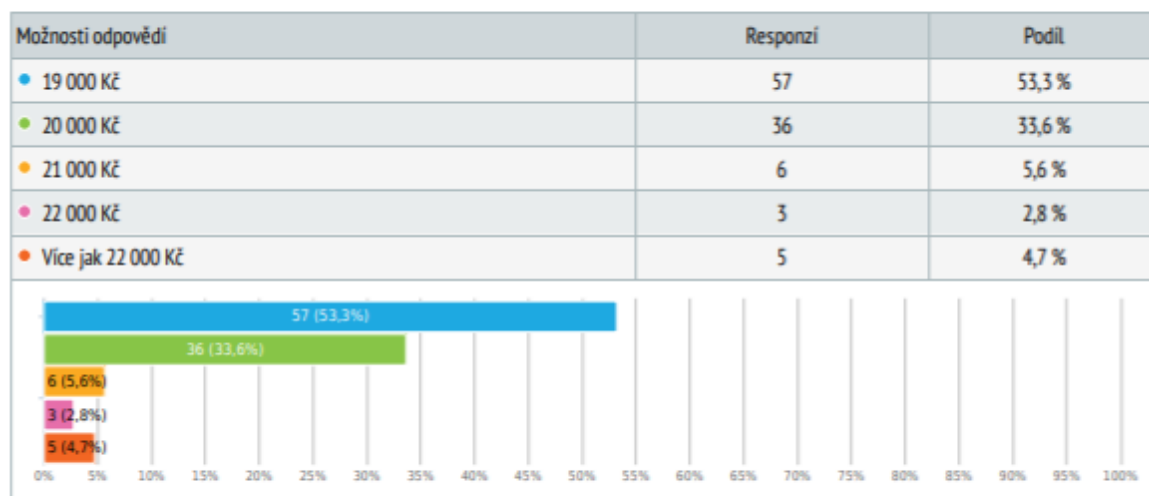
15. Pokud jste v předchozí otázce odpověděl(a) že ano, o jaký cizí jazyk?

Textová odpověď, zodpovězeno 67x, nezodpovězeno 106x

- (11x) Anglický jazyk
- Anglický jazyk, ruský jazyk
- (7x) Anglický
- (4x) Španělština

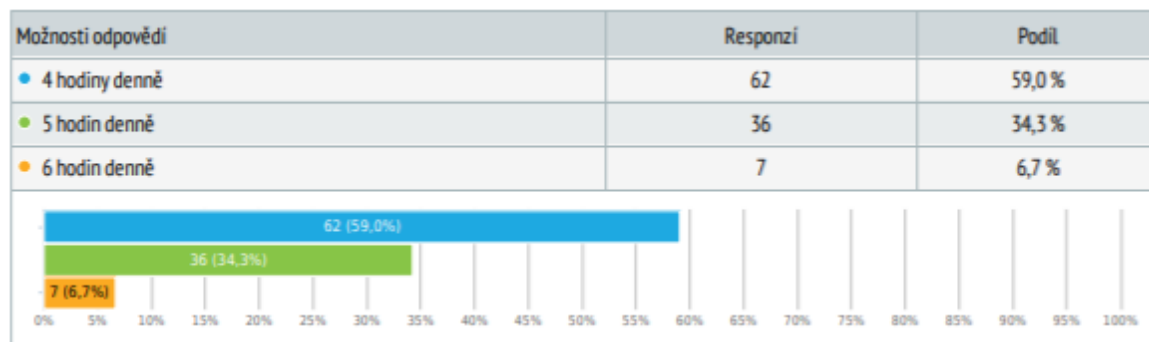
16. Jakou výši školného jste ochoten (ochotna) zaplatit za jeden školní rok?

Výběr z možností, zodpovězeno 107x, nezodpovězeno 66x



17. Jakou hodinovou dotaci byste pro studium preferoval(a)?

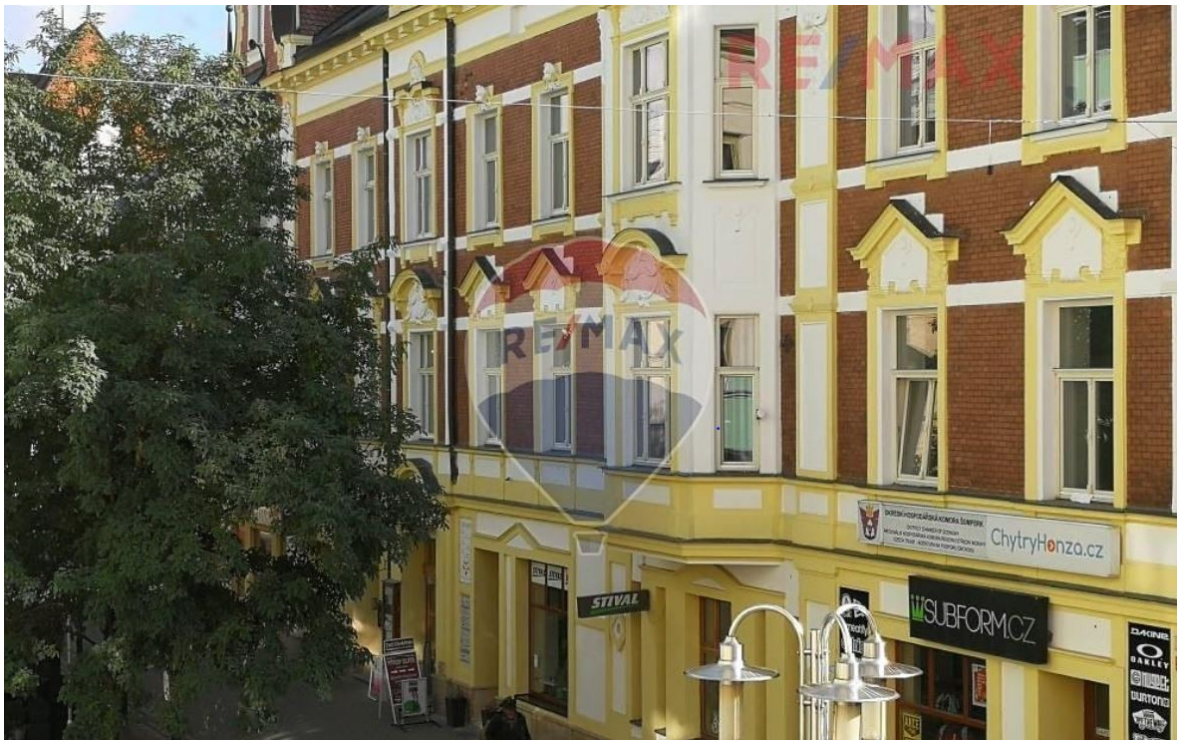
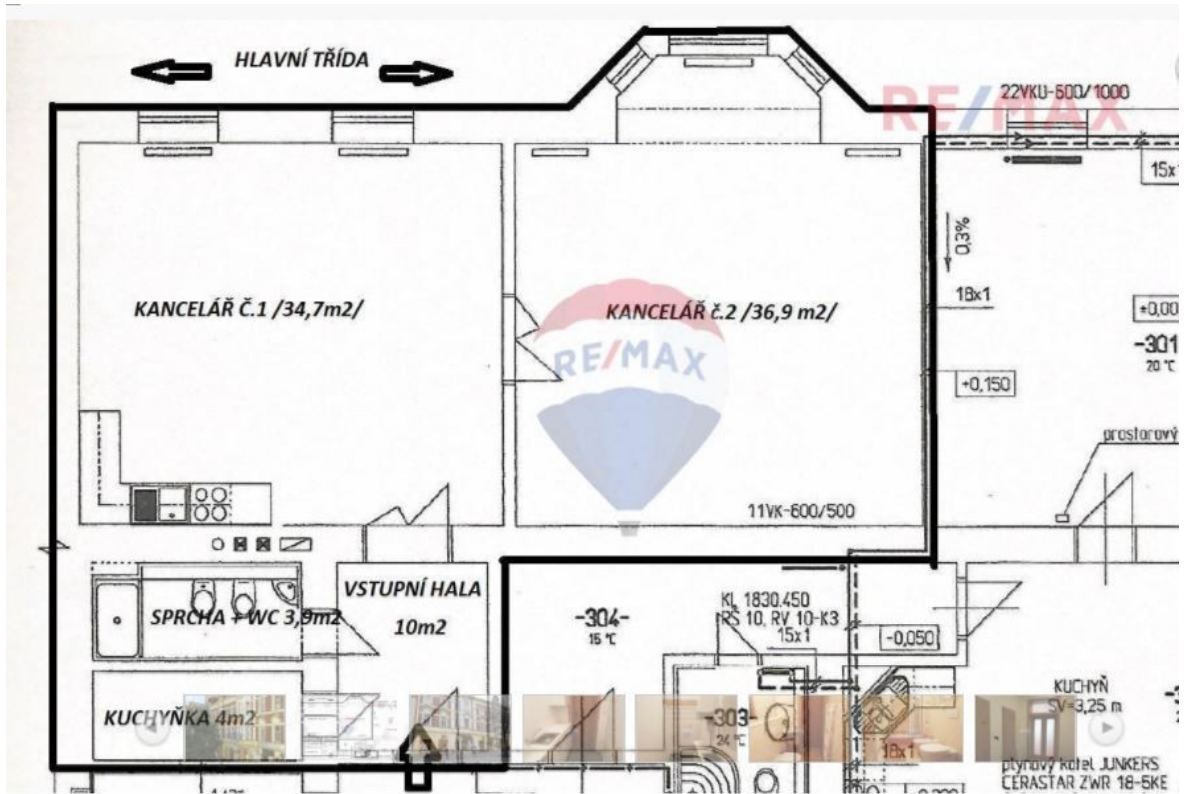
Výběr z možností, zodpovězeno 105x, nezodpovězeno 68x



APPENDIX P III: COMPETITION ANALYSIS

Language school	Languages	Courses	Prices	Length of courses	Native speaker	Language exams
Academy Jan Amos Komenský (Akademie Jana Amose Komenského)	English German French Italian Russian Spanish Czech (for foreign people)	Individual	150 - 350 CZK	45 / 90 minutes	yes	English: International: Language Cert (levels A1 - C2) Spanish: International: Language Cert UJAL esPro BULATS (cross-sectional test for all levels)
		Group: English (A1, beginners)	3 000 CZK	60 school hours (90 minutes twice a week)	no	
		Group: English (B1, intermediate)	3 000 CZK	60 school hours (90 minutes twice a week)	no	
		Group: Club of English Conversation	2 900 CZK	30 school hours (90 minutes once a week)	yes	
		Group: Spanish (beginners)	2 500 CZK	30 school hours (90 minutes once a week)	no	
		Group: Spanish (A2, pre-intermediate)	2 500 CZK	30 school hours (90 minutes once a week)	no	
		One year further education course of English	21 000 CZK	4 school hours per day (1 school year)	yes	
		Group: English (A1, beginners)				
		Group: English (A1, elementary)				
		Group: English (A1/A2, pre-intermediate)				
Business Academy and Language School with the Right of the State Exam (Obchodní akademie - jazyková škola s právem státní jazykové zkoušky)	English German	Group: English (B1, intermediate)		1 course = 70 school hours per one school year (90 minutes once a week)	no	National International: Zertifikat Deutsch (Goethe institut)
		Group: English (B2, upper-intermediate)	3 500 CZK			
		Group: English (C1, advanced)				
		Group: German (A1, beginners)				
		Group: German (A2, pre-intermediate)				
		Group: German (B1, intermediate)				
		Individual	500 - 800 CZK	1 lesson = 60 minutes (usually once a week)	yes	
		Group: English (A2, pre-intermediate)	2 720 CZK	16 lessons (90 minutes once a week)	no	
		Group: English (B1, intermediate)	2 720 CZK	16 lessons (90 minutes once a week)	no	
		Group: English conversation (intermediate)	3 040 CZK	16 lessons (90 minutes once a week)	yes	
English SPOT	English German French Italian Russia Spanish Czech (for foreign people)	Group: English (C1, advanced)	2 720 CZK	10 lessons (90 minutes once a week)	no	
		Group: English for children (7th - 8th class)	2 600 CZK	16 lessons (60 minutes once a week)	yes	
		Courses for companies (all levels)			yes	

APPENIX P IV: COMPANY'S PREMISES



APPENDIX P V: PRICE QUOTATION AND DRAWING OF THE FURNITURE

Customer	- Kristýna Krňávková	Price
Order	- Equipment for the language school	
	Kitchenette, 3,7 metres long including cooker and sink	21 645 CZK
	Wardrobe for files, chest of drawers for printer	9 540 CZK
	Desk with drawers	6 590 CZK
	Desk into the office	3 380 CZK
	Desks into the class (3 pieces)	12 350 CZK
	Total price including 21 % VAT	53 505 CZK

