

A Business Plan for a Language School

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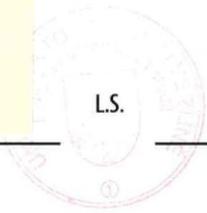
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ABSTRAKT

Předmětem této bakalářské práce je zpracování podnikatelského plánu pro založení nové jazykové školy. Práce je rozdělena na dvě části. Teoretická část se zaměřuje na základní pojmy o podnikání a jeho právních formách a popisuje účel, principy a strukturu pro sestavení podnikatelského plánu. Analytická část spočívá ve zpracování konkrétního podnikatelského plánu pro založení jazykové školy.

Klíčová slova: podnikatelský plán, založení podniku, podnikání, jazyková škola, SWOT analýza, marketingový mix, finanční plán

ABSTRACT

The subject matter of this bachelor thesis is the creation of a business plan for the establishment of a new language school. The thesis is divided into two parts. The theoretical part focuses on the basic business terminology, legal business entities and describes the purpose, principles, and structure for formatting a business plan. The analytical part consists of a specific business plan for the establishment of a language school.

Keywords: business plan, business establishment, entrepreneurship, language school, SWOT analysis, marketing mix, financial plan

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INTRODUCTION

This bachelor's thesis aims to create a business plan for a new language school in Ostrava. The writer's previous experience providing English language tutoring in a language school inspired the idea of establishing a new language school. Based on her personal experience, the writer believes that providing language services is essential since people of all ages are daily in contact with a variety of languages, and a large number of people wish to improve their language skills.

Every year, a large number of entrepreneurs start a new business. According to statistics, there were 3 921 322 natural persons in the Czech Republic in 2020, which is an increase of over 80 000 natural persons over the previous year. In terms of small and medium-sized enterprises, there were 1 152 735 operating businesses in 2018. (Ministerstvo průmyslu a obchodu, 2021). To become a successful entrepreneur, it is critical to have a great idea a well-prepared business plan.

The bachelor's thesis is divided into two parts: the theoretical one and the analytical one. The theoretical part is divided into chapters, providing information on entrepreneurship, the meaning of natural person business, obligations of obtaining a trade license, and also legal entities in the Czech Republic. Moreover, the theoretical part includes information on the function of a business plan and its structure with a detailed description in the subchapters.

The parts of a business plan described in the theoretical part serve as a guide for the creation of a business plan in the analytical part. The main aim of the analytical part is to prepare a detailed business plan and find out whether or not it is feasible. The business plan includes the description of the company as well as its services, market and competition analysis, marketing plan, financial plan, and risk factors for the established business. The financial plan demonstrates whether the company will make a profit and therefore is feasible.

I. THEORY

1 BUSINESS

It is crucial to state some key terms and their meanings before writing a business plan. This chapter will describe the basic terms connected with a business, such as entrepreneurship, starting an enterprise, and business entities.

1.1 Entrepreneurship

According to Veber and Srpová, the word entrepreneurship is not that easy to define, and we can distinguish between many interpretations of this word. (2012, 14). For example, Mbhele defines entrepreneurship as an activity that is the discovery and introduction of new goods and services included. That also involves organizing and processes that are done with efforts that previously had not existed. (2012, 94)

From the historical point of view, the word entrepreneur originates from the French word and in its first Middle Ages meaning was "an actor and person in charge of large-scale production projects." (Hirsch and Peters 2002, 7) Over time the original meaning shifted a few times slightly to its present meaning.

The literal translation of the word means "between taker" or "go-between." (Hirsch and Peters 2002, 7) Sáiz Álvarez states that entrepreneurs can be notably focused on their clients to fulfill their needs. It is possible to do by local or regional competition. (2018, 1) However, in almost every definition, economists agree, which states the possibility of organizing, creating, or risk-taking. (Hirsch and Peters 2002, 10)

In the business world, the word entrepreneur means starting a business. An entrepreneur is someone who creates a new business to satisfy society by fulfilling their needs.

The entrepreneur must choose between operating as a natural or legal person. When choosing to form a corporation, whether to form a personal or a capital corporation must be determined. (Veber and Srpová 2012, 61)

With the object of setting up an enterprise in the Czech Republic, specific general requirements must be met. The primary legislation such as the Trades Licensing Act and the individual trades' details can be found in the Czech Trade Licensing Act (Act no. 455/1991 Coll.) (mpo.cz 2021).

1.2 Natural person's business

The natural person is one of the most common business entities in the Czech Republic as a single entity runs a natural person's business who does not need to deposit any capital.

Pursuant to Act no. 455/1991 Coll. entrepreneurship is a business operation that shall be carried out routinely, individually, in one's own name, on one's own behalf, intending to make profits under the conditions stated within this legislation. This Act specifies that the conditions for the establishment of a business are following:

- 18 years of age minimum,
- Clean criminal record
- Full legal capacity

Types of trades

The Trade Licensing Act specifies two types of trades:

Declared trades – The right to participate in trade is granted immediately after alerting the appropriate Trade Licensing Office.

Licensed trades – The right to participate in trade arises after a license has been issued.

Act no. 455/1991 Coll. Classify declared trades as:

- **Free trades** – no qualifications are required; only general operating conditions are specified.
- **Craft trades** – professional activities carried out in a particular field. It is required to have special certifications and previous experience in the particular field.
- **Regulated trades** – require the appropriate special qualification, and sometimes even a license, certificate, or another equivalent document.

Obligations

For individual operations, the entrepreneur must obtain a trade license or other authorization. Registration with the local tax administration, social security administration, and public health care administration is required within 30 days of receiving a trade certificate. A natural person is required to pay taxation as follows:

- **15 %** income tax from net income.
- **29.2 %** in social charges, paid annually and in advance.
- **13.5 %** in healthcare taxes, paid annually and in advance

1.3 Legal business entities

The Czech Act on Business Corporations and the new Civil Code acknowledge a wide range of legal entities under which an individual can do business in the Czech Republic. (Baker and McKenzie 2020, 4)

Limited liability Company (s.r.o.)

A limited liability company can be established based on a constituent document. If the company has more than one participant, it is a memorandum of association (společenská smlouva). If the company has only one participant, the document is a founding deed (zakladatelská listina).

Unless the initial capital is set to be higher, each participant's minimum initial capital is 1 Czech crown ("CZK").

There must be at least one member in the limited liability partnership, and there is no limit on the number of members. The corporation is represented by one or two executives rather than a board of directors. (Baker and McKenzie 2020, 5–6)

Joint-Stock Company (a.s.)

A joint-stock company can be established based on articles of association.

The minimum capitalization of a joint-stock company is CZK 2,000,000 or 80 000 euros. The capital stock is divided into shares. A joint-stock company must have at least one shareholder, and the number of shareholders is unlimited.

The corporate management structure can be either monistic or dualistic. A general meeting is required for both types of structures. The board of directors (představenstvo) and the supervisory board (dozorčí rada) are expected to be present in a dualistic system. The monistic structure, on the other hand, suggests that the company's bodies will consist of a board of directors (správní rada), and a regulatory director (statutární ředitel). (Baker and McKenzie 2020, 6–8)

General commercial partnership (v.o.s)

A general commercial partnership can be established based on a memorandum of association (společenská smlouva).

A general partnership must have at least two partners, and both partners collectively pledge all of the partnership's commitments, with profits split evenly among the partners.

Limited commercial partnership (k.s.)

A limited commercial partnership can be formed based on a memorandum of association (společenská smlouva).

The partnership must be formed by at least one limited partner and one general partner. (Baker and McKenzie 2020, 9)

2 BUSINESS PLAN

2.1 Business plan definition

When planning a new venture or reviewing an existing one, the business plan is a crucial component. When considering significant strategic changes or introducing new business innovations, it serves as an essential tool. A good business strategy provides a course of action and the economic consequences forecast based on a review of various company elements such as advertising and management. A business plan should, above all, clarify the primary focus and goals of the business and propose ways to achieve them. (Galai, Hillel and Wiener 2016, 3)

A business plan is a written statement describing and evaluating a business and providing detailed future projections. A business plan also deals with the financial aspects of beginning or developing a business – how much money is needed and how it will be paid back. (McKeever 2010, 6)

The business plan is a great tool to learn about the business, target customer base, market position, financial performance, and investment return in the process of making a business plan. This process defines all factors related to the business performance of a new company.

2.2 The usage and importance of a business plan

A business plan is an essential tool in every possible area for any form of company. The business plan helps any business that grows and develops, particularly new company entrants, entrepreneurs and managers who reinvent within an existing business or organization, and managers who assess significant strategic changes within a business or organization. (Galai, Hillel and Wiener 2016, 5)

Before lenders or investors consider a proposal seriously, most of them require a written business plan. Without committing, they need to see that the potential business owner has been thinking about critical issues connected with starting a business and also that he or she understands the market which they want to enter. (McKeever 2010, 6)

However, writing a business plan is essential for lenders or investors. Every company or entrepreneur must demonstrate detailed market research, plans for the future, or risk analysis. A business plan is a valuable step in starting almost every type of business.

The business plan should be clear, brief, logical, and truthful. (Blackwell 2017, 5)

- **Clarity**

As the person reading the business plan is probably busy; therefore an entrepreneur should keep the language simple with not too many ideas in one sentence. Do not use too many adjectives, and if it is appropriate, use tables to be more transparent.

- **Brevity**

Detailed descriptions are not in anymore. It is not easy for the reader to keep the reader amused and not bored. It is convenient to leave only the basics of what should be revealed to the reader.

- **Logic**

Make sure that what is written under one heading follows another heading in a logical pattern. If headings are connected, it will make more impact on the reader. Avoid paragraphs that do not make sense even if they are well-phrased.

- **Truth**

Do not overstate the case of a business and always speak the truth. (Blackwell 2017, 6) It is essential not to make up any fake information.

2.3 Parts of a business plan

A business plan can consist of many parts, and some of them may differ as there is no fixed business plan structure. According to Abrams (2019) and Galai, Hillel, and Wiener (2016), the main structure of the business plan should be as follows:

- The executive summary
- Business description
- Market analysis
- Competition analysis
- Marketing plan
- Financial plan
- Risk evaluation

It is proposed that the business plan should not be too long. Twenty pages should be enough for almost any small business plan. Furthermore, fewer pages may be considered non-substantial. For example, if investors are interested, they can ask for more data.

2.3.1 The executive summary

Based on Galai, Hillel and Wiener (2016, 183), the executive summary's goal is to capture the reader's interest. It should follow some specific topics. The main topic of the business plan is the first point to follow. It should consist of the proposed product or service, the advantage of the product or service, its primary goals, and the business model.

The second point is the company itself – the team members' description and the description of the new venture.

The third point is the proposal. This point is mainly for the business plan readers, who are likely to get involved in the company's partnership. This point should describe the opportunity of being a potential partner.

Galai, Hillel and Wiener state that if the company is going to raise capital for the company, then the fourth point is added. The financial returns consist of the expected profits and the cash flows, and other possible financial measures. (Galai, Hillel and Wiener 2016, 186)

The executive summary cannot be underestimated as this part is the first one the reader will come across and review. It is a critical moment in which the reader either gain or lose interest in our business plan. However, as Abrams (2019) stated, funders are often busy, and hence this section should be brief and not too long. It should take approximately 5 minutes for the reader to complete this part.

2.3.2 Business description

The most crucial step to take is to identify a company's scope of business carefully. However, this might appear to mean the area that will concentrate mainly on the efforts. Defining the company's reach would allow an entrepreneur to determine precisely what his/her company is doing, in which market, and for which customers. Such determinations reflect the core of the market and direct an entrepreneur to gather information, analyze data, and plan future actions. (Galai, Hillel and Wiener 2016, 22)

Typically, at the start of the company's description is brief information about the company's life. It should include the establishment date, the company headquarters, the

founder, the main product or service introduction, and the business's motivation. This part should also only consist of facts. It is also crucial to define the long-term goals, vision, and strategy implemented to achieve the long-term goals. The business goals should be SMART – Specific, Measurable, Achievable, Realistic, and Timely. (Veber and Srpová 2016, 99)

When it comes to the company's location, if the company's location has not yet been secured but is expected to be, imply the general location of the intended business. It's also necessary to provide a quick overview of the company's financial situation, so the reader understands how the company was funded. (Abrams 2014, 74-79)

According to McKeever, determining the company's form to compose a business plan is critical, and each of the business categories requires a different skill to run efficiently. (McKeever 2011, 27) The following are examples of these types of businesses:

- **Retail**

Retailers purchase merchandise from several wholesalers and market it to customers directly.

- **Wholesale**

Wholesalers purchase goods from manufacturers or brokers and afterward resell them to retailers.

- **Service**

People with specialized knowledge market it to individuals and business entities.

- **Manufacturing**

Manufacturers assemble components or turn raw materials into goods that customers or other companies can use.

- **Project development**

Through gathering resources for a one-time project, developers create and finalize a marketable product.

2.3.2.1 Product or service description

It is critical to define and explain the essence of a product or service being provided, as well as to list potential products or services that are expected in the future. (Abrams 2014, 74)

2.3.2.2 *Management and organization structure*

Giving a brief background on each member of the management team is necessary. This section consists of putting down achievements, qualifications, experience in the industry of each person in the team.

It is also useful to show the structure of the proposed organization. It is important to show how the organization works and giving the number of staff employed.

(Finch 2010, 55–63)

2.3.3 **Market analysis**

This section consists of the analysis of the target market and its competitors. It is critical to identify the particular market segments which to reach. These segments describe distinct, meaningful components of the overall market and give specific characteristics to identify the target market. (Abrams 2020, 107)

The definition of a target market must meet the following criteria:

Definable – It should have specific characteristics identifying what the potential customers have in common

Meaningful – The characteristics must meaningfully relate to the decision to purchase a product or service.

Sizable – It has to be large enough to sustain a business profitably.

Reachable – The definition and size must lead to affordable and effective ways to let potential customers.

The target market is people, businesses, and organizations most likely to buy a product or service, the people, businesses, and organizations a company tries to reach so that these groups will purchase its goods and services.

The market can be segmented by:

- **Demographics Description**

The description of the market by the most basic, objective aspects of the customer base. These specific, observable traits define a target maker, such as age, income, gender, occupation for consumers, company size, revenue, and industry affiliation for business customers.

- **Psychographics Description**

Characteristics of a target market based on attitudes, values, lifestyle, desires, business style, and behavioral characteristics that may affect the buying decisions of customers.

- **Geographic description**

It is essential to look at the area's density and if customers will be coming to a place of business, whether the location is in a mall, business district, etc. If the service or a product is available globally — especially online — businesses are tempted to view the entire world as a geographic target market.

However, some limits occur even in this area. These limits may be due to language, licensing, legal issues, and most importantly, limits of realistic market demand from different areas. (Abrams 2020, 108)

Target size

Surprisingly, the target market does not need to be either too small or too large.

- **Too large**

Huge markets invite numerous well-financed competitors and require costly marketing campaigns.

- **Ideal**

The customer base is large enough to sustain a business and, if seeking funding, convince potential investors that a company can grow to a size that will make their investment profitable.

- **Too small**

Markets that are too small will not have enough customers.

When assessing the size of the market, demographic and geographic information is easier to locate. (Abrams 2020, 115)

2.3.3.1 SWOT Analysis

The SWOT analysis is a short overview of the market's most significant success variables and a contrast of strengths and weaknesses to the competition. Kotler, Armstrong, and Opresník mentioned SWOT analysis aims to adapt the company's strengths to promising opportunities in the environment while mitigating threats, overcoming or removing the weaknesses. (2021, 80)

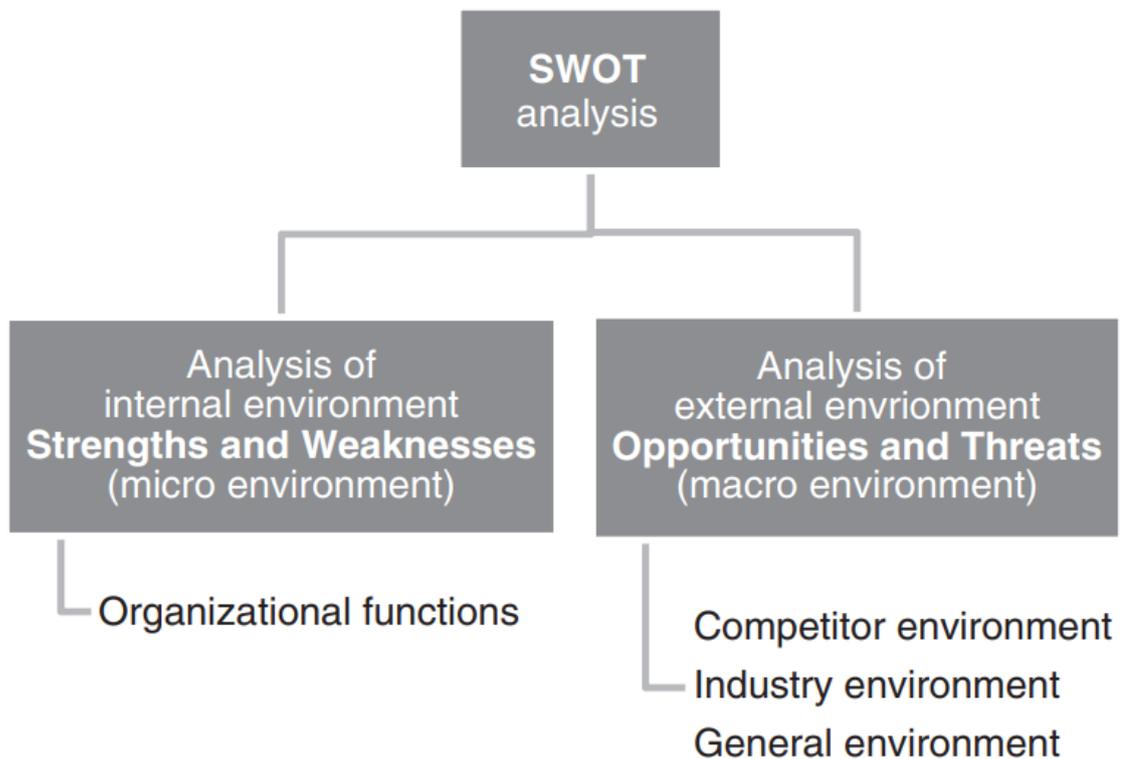


Figure 1 – SWOT analysis (Sammut-Bonnici and Galea 2015, 2)

Internal analysis is used to determine the company's intrinsic capital, strengths, core competencies, and competitive advantages.

The external analysis describes competition opportunities and threats by evaluating competitors' capabilities, industry situation, and the general climate. The SWOT analysis attempts to use an organization's perception of its internal and external conditions to devise its policy accordingly. (Sammut, Bonnici and Galea 2015, 1).

Abrams (2020) also mentioned that external factors are usually things that are not in an organization's control, such as demographics, economic growth rate, political and environmental factors, and business and technology changes.

2.3.4 Competition analysis

Customers weigh whether or not a company will solve their problem before determining whether to patronize it. They do, however, make comparisons with other businesses. Making a direct comparison is beneficial for a business to understand how potential customers think. It is necessary to describe how a new company varies from the competition's strong and weak points. (McKeever 2010, 141)

The obvious advantage is cost. If a company can manufacture something for less money than its rivals, it has a distinct advantage. Technological advancement is another competitive advantage.

Competitive advantage can be obtained from several sources, including:

- Cost
- Technology
- Brand
- Local monopoly
- Location

To have a competitive advantage, the advantage must be one of a kind and difficult for a rival to duplicate. (Finch 2010, 41–42)

2.3.5 Marketing plan

Marketing is a general approach that integrates a wide range of topics. Anything from determining how an organization blends into the national and local economies to deciding on the logo color is part of a marketing strategy. (McKeever 2011, 140)

The marketing strategy should focus on attracting the target market while still taking into account the competition's strengths and weaknesses. In order to be effective, the marketing strategy must be adapted to the specific needs of potential customers.

The company creates an integrated marketing mix based on its marketing plan, which includes product, price, location, and promotion — The 4 P's of Marketing (Kotler, Armstrong, Opresnik 2020, 74)

- **Product** is a combination of goods and services that a business provides to its target market.
- **Price** is the amount of money that consumers would pay to purchase it.
- **Place** includes the operations of the organization that make the commodity accessible to the target market.
- **Promotion** refers to practices that communicate the product's benefits and convince potential buyers to purchase it. (Kotler, Armstrong, Opresnik 2021, 77–78)

As the relevance of services has grown over time, so has an interest in how they can be promoted. When applied to services, the standard marketing mix is insufficient and needs some changes. As a result, three more variables were introduced, and the marketing mix 7 P's is now used by companies that provide services. (Johann 14, 2015)

- **People** refer to employees and customers, as they directly interact with each other. How the employees will be recruited, trained, rewarded. Customers may also have an impact on the business, and this is dependent on their satisfaction with the service.
- **Physical Evidence** is the environment, where customers purchase the service. The elements of the environment can be a business card, equipment, or even the design of the place of the business.
- **Process** is important, as customers participate in the co-production of the services. The emphasis must be placed on the high quality of services, training employees, or even designing customer service processes. (Johann 15-16, 2015)

Nowadays, the Internet provides an enormous variety of marketing opportunities. Entrepreneurs discover modern communication techniques every day. Many people are continuously connected to the Internet, their mobile devices, and each other. Social Media Marketing offers a huge range of marketing opportunities. For most businesses, it is crucial to have a website and that might be the major contribution to business' marketing. (Abrams 2020, 163–175) Therefore, using the Internet as a source for promoting a business is vital for a company.

Moreover, another vital thing is to use Special Offers or Promotions as they increase sales. The introduction of limited-time offers can build good cash flow. (Abrams 2020, 157)

2.3.6 Financial plan

The financial plan is a crucial point in making a business plan. According to Finch (2014), a financial plan may contain the following elements:

- Profit and loss account
- Balance sheet
- Cash forecast

The financial plan converts all parts of the business plan into financial terms. It establishes the business plan's feasibility. The bare minimum financial plan timeframe is until the company makes a profit. (Veber and Srpová 104, 2012)

2.3.6.1 Profit and loss account

A profit and loss forecast is a projection of how much will be sold and how much profit will be made. This forecast is the foundation of a business plan. The first step in projecting profit and loss is to determine the average cost of sales-which is a direct cost of the products or services a business sell. (McKeever 2010, 102–103)

Profit and loss forecast	
Income (excluding VAT)	A
Production/Direct costs	B
Gross profit	$C = (A - B)$ $(A - B)/A \%$
Direct costs	
Staff costs	D
Property costs	F
Other costs	E
Depreciation	G
	$H = (D + E + F + G)$
Direct profit	$I = (C - H)$
Overheads	

Staff	costs	J
Property	costs	K
Other	costs	L
Depreciation		M
		$N = (J + K + L + M)$
Profit before financing and tax		O = I - N
Finance costs		P
Profit before tax		Q = O - P
Tax		R
Profit after tax		S = Q - R

Figure 2 – Example of a profit and loss form (based on Finch 2010, 91)

2.3.6.2 Balance sheet

A balance sheet summarizes a company's financial position at a given point in time, listing the amount of money the business holds and money a business owes to someone else. (McKeever 2010, 8)

In other words, it is a statement of the assets and liabilities of a business.

Balance sheet	
Fixed assets	
Property	100
Improvements to property	50
Plant and equipment	70
Fixtures and fittings	20
Goodwill	10
Total	250
	—
less Depreciation	-50
	—

Net book value	200
Current assets	
	90
Stock	40
Debtors	10
Prepayments	10
Cash	—
	150
	80
Creditors	10
Accruals	30
Tax	—
	120
Net current assets	30
Net assets	230
Financed by:	
Shares	100
Retained Profit	50
	—
Shareholders' funds	150
Loans	70
Leasing	10
	—
Borrowing	80

Net assets	230
------------	-----

Figure 3 – Example of a balance sheet (based on Finch 2010, 91)

2.3.6.3 Cash flow forecast

Cash flow means the amount of money that goes in and out of business. A cash flow projection should be used in every business strategy. (Finch 2010, 94)

Three types of cash flow are recognized (Srpová and Řehoř 2010, 321):

- **Operational** – observe revenues and expenditures related to the company's primary operations.
- **Investment** – monitors fluctuations in the company's long-term assets.
- **Financial** – provides details on changes to the company's financial structure.

The cash flow statement can be done by using two methods:

- **Direct method**

Table 1 – Direct method of cash flow (based on Srpová and Řehoř 2010, 322)

Opening cash balance
+ Incomes for the selected period
- Expenses for the selected period
= Closing cash balance

- **Indirect method**

Table 2 – Simplified indirect method of cash flow (based on Srpová and Řehoř 2010, 322)

Opening cash balance
+ Profit (after payment of interest and taxes)
+ Depreciation (decreased the reported earnings but it is not a cash expense)
+/- Other costs (revenues)
Cash flow from operating activities

+/- increase or decrease in fixed assets, purchased shares, bonds, ...
Cash flow from investing activities
+/- increase or decrease in long-term debts, equity, dividends, and other financial sources, etc.
Cash flow from financing activities
Closing cash balance

When the money flowing into a company exceeds the money going out, it is an optimistic cash flow. On the other hand, when the money going out exceeds the money coming in, the cash flow is negative. However, the first few months after a new company starts, cash flow from monthly sales is often insufficient to meet monthly expenses. (McKeever 2010, 122–123)

It is essential to prepare a capital spending plan to do a cash flow. The capital spending plan should include everything that needs to be bought before opening a new business. (McKeever 2010, 123)

2.3.7 Risk evaluation

There is no such thing as a risk-free company. The main danger is frequently getting the sales or the margin wrong. Risk assessment is the process of determining what might happen and how it will affect the company. In general, there are only four types of risk:

- Low sales
- Low margins
- High costs
- Occurrence of major operational problems.

There are also various methods for coping with risk. As an example:

- Demonstrating that the likelihood of anything occurring is low.
- Demonstrating that the effect of the incident does not have a significant impact on the business.
- Explaining how to react to adverse circumstances. (Finch 2010, 109 – 111)

Risk in the context of a business plan is described as a negative deviation from the target that has negative consequences for the organization. By including this section of a business plan, the owner of the company demonstrates that he or she is aware of the threats and is prepared to respond if they occur. (Veber and Srpová 2012, 104)

3 SUMMARY OF THE THEORETICAL PART

The theoretical part is divided into two parts and will serve as a basis for the analytical part of the thesis.

The first part explains the meaning of the word entrepreneurship and the ways under which an individual can start a business in the Czech Republic. The definitions of a natural person's business and legal entities are given, as well as the obligations for becoming an entrepreneur.

The second part concentrates on the main purpose of a business plan, as well as its principles and why it is produced. Furthermore, individual sections of a business plan, and also their structure, are presented and explained in detail.

II. ANALYSIS

4 A BUSINESS PLAN FOR A LANGUAGE SCHOOL

4.1 Title page

Name of the company: Fairy English s.r.o.

Legal form: Limited Liability Company

Place of the company: Ostrava

Name of the founder: Jana Bittnerová

Telephone: +420 153 351 531

Email: fairyenglish@gmail.com

Webpage: www.fairy-english.cz

Registered capital: 150 000 CZK



Figure 4 – The logo of the company (own creation)

4.2 The executive summary

This business plan aims to set up a new language school in Ostrava called Fairy English. The language school organizes English courses for adults and children in a modern and pleasant classroom situated in Ostrava as well as in the online environment using advanced online education tools.

The key goal is to provide high-quality English tuition for school-age children and adults who want to improve their English level. The company's target customers are people of all ages who want to develop their English skills.

The language school is situated in Ostrava, more precisely in Vítkovice, and has a welcoming and pleasant atmosphere. A fully equipped and modern classroom is available for clients, who wish to broaden their knowledge of the English language. The secondary environment for providing our services is using modern tools for online teachings such as Microsoft Teams and Skype. The particular reason for using an online environment is to provide courses for clients who cannot commute to other cities, are busy, or wish to learn from their home's comfort.

In terms of the business's strengths, the Fairy English language school provides its programs at reasonable prices and allows clients to select where they want to learn. On the other hand, the company's main weakness is that this is a newly formed business in the market with no developed client base.

4.3 Business description

Fairy English is a new language school located in a part of the Ostrava city, Vítkovice, in the Czech Republic. The language school will rent an office from the real estate agency M&M reality for 8 000 CZK per month to provide language services. The price covers electricity, gas, a water deposit, and also cleaning. The office room is 50 quadrant meters in size and has its own sanitary facilities as well as a shared kitchen. It is also possible to keep the existing office furniture, such as sofa, cabinets, tables, and chairs. The customers may park in the parking lot near to the office or use public transport. According to maps.cz, the premises of the language school are approximately 198 m far from a bus stop and 478 m far from a tram stop for clients using public transportation.

Jana Bittnerová, a 24-year-old woman with a desire and experience in teaching English, is the owner of Fairy English. The owner meets all of the conditions for obtaining a trade license and operating this business, including legal capacity, a clean record and being at least 18 years old.

The language school can provide services not only in the language school's classroom but also through an online environment using free software such as Skype or Microsoft Teams. However, the company aims to extend the reach of its classrooms in the future to cover more of the major cities in the Czech Republic to accommodate more possible customers.

Customers may enroll in group courses, individual lectures, or preparation courses for exams. In addition, the school will offer intensive summer courses. Fairy English will not

provide online courses for more than two clients per session. As a result, each customer will receive a high-quality and tailored approach to learning English.

Fairy English can provide English classes from Monday till Friday from 8 a.m. to 8 p.m. What is more; clients can arrange online which are available from 7 a.m. to 7 p.m.

Table 3 – Opening hours of Fairy English (own creation)

School hours:	
Monday–Friday	8 a.m.–8 p.m.
Online classes:	
Monday–Friday	7 a.m.–7 p.m.

The language school will be under the management of the founder Jana Bittnerová, providing the office work administration. The founder will also provide tuition for classes during the week. English lecturers will be employed as full-time employees to teach online classes and courses.

The school's vision is to become one of the leading English language schools in Ostrava, providing the clients with an individual approach to teaching English for an affordable price. The English language has become ubiquitous in today's world and is often visible on social media, commercials, movies, and others. More job positions require the English language, such as when dealing with customers or suppliers. As a result, excellent language skills are needed not only in everyday life but also in the business world.

The school will provide high-quality courses for everyone who wishes to learn English. Students will be able to choose between online learning and commuting to our welcoming and pleasant classrooms. Fairy English plans to offer courses in the future that include not only Czech tutors but also native English speakers, which will help students develop their communication skills even more.

Since the registered capital for establishing this business is 150 000 CZK, the Fairy English language school is funded solely from the owner's funds.

4.3.1 Service description

The only language provided is going to be English, as the school wants to have a maximum focus on providing high-quality service. Customers may choose from a variety of options that the school provides.

Individual class

When it comes to learning a language, individual classes are one of the best options. The teacher can provide an individual approach for the student and concentrate solely on the student. Individual courses may be arranged also in the online environment which gives the customer option for more flexible scheduling of classes.

Max two students can attend individual classes. The length of one class is 60 minutes and the prices might be seen in Table 2 below. What is more, the school offers the first 30 minutes long class for free.

Table 4 – Pricing of individual classes (own creation)

Type	Price
Individual course	350 CZK
2 students course	250 CZK

The prices in the table are for a single student. If a student is unable to attend a class, an apology must be made at least 24 hours in advance, or the class will be counted among those that were attended.

Group courses

Customers may also choose from a variety of group courses, which are at a maximum of 5 students per course. The cost of group courses is for 6 months, with 2 hour-long classes happening every week at the same time and day, which is 48 hours in total.

Special preparation courses for B2 First Cambridge English exams (FCE) or school-leaving examinations from English are available as well. Those courses will be available from

January to the end of May for a maximum of 8 students at two different times, each class 1 hour long.

Table 5 – Pricing of courses (own creation)

Level	Day	Price per course	Monthly price
Beginner	Tuesday	10 560 CZK	1 760 CZK
	or Thursday		
Intermediate	Monday	10 560 CZK	1 760 CZK
	or Wednesday		
Advanced	Tuesday	10 560 CZK	1 760 CZK
	or Friday		
Preparation courses	Day	Price per course	Monthly price
FCE	Monday	4 000 CZK	800 CZK
School leaving exam	Thursday	4 000 CZK	800 CZK

Intensive summer course

During summer, customers may attend an intensive summer course in order to improve their English. During July and August, every summer course is set to be 1 week long, with 1 hour-long classes held for 5 days a day. The students will not only study basic grammar but will be also trained to converse in English for their journeys to foreign countries during the summer. The price for the course is 1 000 CZK and is limited to 5 students per course. The customers will be able to choose from two different times, from 16-17 and 17-18.

4.3.2 Management and organization structure

Jana Bittnerová, a 24-year-old student and the school's founder and executive director of the company, will be in charge of the language school. The owner is responsible for leading the company, the creation of marketing and education strategy. All administrative and office work is also handled by the owner. Her work also entails teaching individual classes at the school premises. The founder is a full-time employee of the company with a monthly fixed salary of 20 000 CZK. Her English for Business Administration studies, as well as four years

of teaching English at a language school, demonstrate that she is more than capable of running a business in this environment.

Since the focus is on delivering high-quality English classes, all staff must have at least a B2 level of Language certification or a university degree in the appropriate field. Four employees will be hired as full-time English teachers, and their hourly wage is 140 CZK. Part-time employees will be hired if needed, depending on the occupancy of courses. In the future, the school intends to employ an English native speaker to teach conversation classes.

4.4 Market analysis

This section presents the new company's target customers, SWOT analysis, and the competition analysis of the new established language school.

4.4.1 Target customers

Fairy English's potential customers are people living in the city of Ostrava and its surrounding, with a desire to learn or develop their knowledge of the English language. The goal of the company to establish a stable customer base in Ostrava.

People of all ages and genders may be among the new language school's target customers. The school, however, hopes to attract young people through social media promotion, so the main target group will be people in Ostrava of the age 10-29. In Ostrava and its surrounding areas, there are approximately 329 842 inhabitants, of whom 58 918 are in the main targeted age group. (Odbor strategického rozvoje, 2020)

Nevertheless, with the availability of online classes, customers may live everywhere in the Czech Republic. In the Czech Republic, roughly 2 190 938 people are in the targeted age group. (Český statistický úřad, 2020) The main target group, however, still focuses on the targeted age group in Ostrava.

4.4.2 SWOT analysis

The company's SWOT analysis is given in this section.

Strengths of the company

One of our company's strengths is the availability of online classes, which is convenient for customers. Since the language school is close to public transportation, the location was also

included. Fairy English provides high-quality education delivered by well-educated and trained lecturers, and the goal is to recruit native speakers in the future.

Furthermore, the language school also provides classes, which are either for individuals or a maximum of two students, allowing an individual approach to each customer's teaching plan. Another advantage is that the prices of our services are at a reasonable price for the customers and lower than the competition.

Weaknesses of the company

Our business, on the other hand, has weaknesses. Fairy English's main disadvantage is that it is a new language school on the target market, offering fewer languages and subjects than the competition as it only focuses on providing one language. Since the company is new to the market, it lacks a stable client base and entrepreneurship experience.

Opportunities of the company

Fairy English aspires to have a strong reputation among customers and a consistent client base. Business expansion to other cities is a possibility to reach more potential customers. There is also an opportunity to rent new and bigger premises to accommodate more students.

It is indeed possible to invent new course ideas, offer more languages or organize special English camps for young children throughout the summer. In the future, potential clients may also reach our company as more employers might require knowledge of the English language.

Threats of the company

The most severe threat to the language school is a large competition and possible lack of market penetration.

Another threat to the new company is an economic crisis since people might tend to stop spending money on language learning. Lower interest in English language education could result in the company's failure to make a profit, which may even lead to bankruptcy.

There is also the possibility of new legislative changes in the Czech Republic, which could affect the business, for example banning the business from providing tuition in classrooms and therefore being able to provide courses only in the online environment.

Table 6 – SWOT analysis of Fairy English (own creation)

SWOT ANALYSIS	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Online learning • Location of the business • Individual approach to students • Well-educated lecturers • Price of service 	<ul style="list-style-type: none"> • Newly established business • Lack of experience with entrepreneurship • No customer base • Lack of variety of subjects
Opportunities	Threats
<ul style="list-style-type: none"> • Gain of good reputation • Consistent client base • Expansion to other cities • Larger premises of the school • New courses • More languages • Employers requirements of English language 	<ul style="list-style-type: none"> • Large competition • No market penetration • Financial crisis • Lack of interest in the English language • Legislative changes

4.4.3 Competition analysis

The language school is aware of its competitors and therefore, analysis of the competition is given in this section. The school is based in Ostrava and competitors with a long history, offer of online classes, and a strong reputation among Ostrava residents were selected for the competition analysis.

Škola Populo

Škola Populo is a unique educational center in the Czech Republic. The teaching takes place individually and wholly tailored to the client's requirements. The center focuses on tutoring children and students of primary and secondary schools and preparing students for graduation and remedial exams. They also provide individual and corporate foreign language teaching. Škola Populo offers language courses of languages such as English, German, French,

and others and provides students with tutoring school subjects, such as biology, history, or even accounting. The school offers online classes as well as classes in the major cities in the Czech Republic, e.g. Praha, Plzeň, Znojmo, Hradec Králové, and others.

The length of one class is 45 minutes, and there is no fixed price for one class. According to the school, the final price and is affected by several essential aspects: the chosen subject, the total number of lessons, the frequency of teaching, the place and form of tutoring. (Škola Populo 2021)

Cloverleaf Language School

Cloverleaf Language school is one of the biggest schools in the region, existing since 1993. The language school offers a large number of language courses for the public. It is possible to go to courses in the morning and the afternoon.

Students can attend general English language courses or prepare for the Cambridge International Language Exams (B1 Preliminary, B2 First, and C1 Advanced) or attend an English language course with a native speaker.

Cloverleaf does not have a branch just in Ostrava, but also in Prague or Brno. Cloverleaf also newly started offering online courses.

An individual class's cost is 410 CZK for a class with a Czech lecturer and 490 CZK for a native speaker lecturer. The 60-minute individual lecture is for one student, two students, or small groups. (Cloverleaf 2021)

Jazyková škola LITE

Language school Lite is existing since 1997, based in Prague. The name LITE is composed of the initial letters of the English words: Life Improvement Through Education. Nowadays, the school offers English language courses in more than 12 cities in the Czech Republic. The school offers courses for groups in Ostrava. However, individual classes are available only in Hradec Králové, Pardubice, Liberec, Chrudim, and Brno.

A class's cost is determined by the city, the number of classes, course type, and the number of students in the class. Unfortunately, the costs of an individual lecture or a course are not specified. The courses are available online due to government regulations. (Lite 2021)

Jazyková škola TOPLINGVA

Toplingva is an Ostrava-based language school that offers group and individual language classes. English, Spanish, Italian, German, and even Japanese and Korean are among the languages available.

The schools offer group language courses for smaller groups, which are also available online. The courses, however, are only available for prepaid periods of 10 or 20 months, with a fixed monthly price for both options 1 080 CZK. The focus is also on teaching language to young children. Individual English lectures are priced at 395 CZK and are also available online. The school's website does not specify how long the classes are or how many classes is the price for the courses. The school also provides English lessons over the phone or organizes summer camps for children. (Toplingva 2021)

All of the schools mentioned above may be considered a threat to Fairy English. Škola Pupolo focuses primarily on students who want to improve their knowledge in more subjects than just English. They also offer classes online; however, each class is only 45 minutes long, and the cost can be prohibitively expensive depending on several factors.

On the other hand, Cloverleaf offers individual 60 minutes long classes; however, the class's cost ranges from 410 CZK to 490 CZK, depending on the lecturer. For some customers, the price might be too high.

Lite is a well-known language school offering only English courses in Ostrava. However, unlike the two other language schools, they do not offer individual classes in Ostrava. Because of government regulations, they provide online lectures, but it is likely that once the COVID-19 crisis is over, they will stop doing so.

Toplingva is a language school with a long history of offering online language courses for not only the citizens of Ostrava. The prices for individual lectures are lower than the prices amongst other competitors.

As all the above-mentioned competitors have a long history of providing services and stable client base. As a result, Fairy English's service prices are set to be lower than the competition's to draw more clients to our company and gain a competitive advantage.

4.5 Marketing plan

To be a successful business, it is vital to have a good marketing strategy. Therefore, this section of the business plan includes marketing mix 7P of the language school.

Product

Fairy English offers high-quality English classes for customers of every English level. Students may choose from individual courses for a maximum of 2 students, which are also available online. Another option is to attend group courses, special preparation courses, or intensive summer courses.

Price

After analyzing the prices of the competition, the prices of the offered classes and services were set. Classes are less costly than those given by competitors, making them more available to consumers.

The prices, on the other hand, are set for the first year and will be changed in subsequent years after a thorough examination of the competition and customer satisfaction. The prices can be seen in Table 5, however more precise pricing can be found in the section Service description and Tables 2–3.

Table 7 – Pricing of services (own creation)

Courses and services	Price (per student)
Individual course (1 person)	350 CZK / 60 minutes
Individual course (2 people)	250 CZK/ 60 minutes
Group courses	10 560 CZK / 6 months / 24 classes / 120 minutes
Special preparation courses	4 000 CZK / 5 months / 20 classes / 60 minutes
Intensive summer course	1 400 CZK / 5 days / 5 classes / 60 minutes

Place

The language school offers individual classes in a modern office with a pleasant atmosphere in Ostrava —Vítkovice. The office is close to bus and tram stop and also offers a parking place for its customers. Furthermore, Fairy English offers services online using modern technology and communication tools.

Promotion

The language school will use a wide range of promotions at least for the first year to attract more customers.

As the services of the business, are going to be provided also online, it is necessary to create the company's website. The language school will use the services of expert Jan Hanzl, to create a website as well as to administrate the website afterward.

The company will also use mainly social media to stay in contact with its customers as well as to gain new potential customers in the targeted age group. Fairy English will create a Facebook and Instagram account to promote the business even before the language school's existence. The school will write exciting posts about the English language every day and also use an advertisement option from Facebook. A business owner can monitor the price, range, and content of the advertisement. The expense of the advertising will be set to 60 CZK per day, and informing potential customers interested in the English language of all ages in Ostrava and its near surrounding.

The language school wants to take advantage of the TikTok application, which has had a tremendous influence in the social media environment in recent years and is an excellent way to promote a business by producing short videos. The aim is to post short videos on the website instructing people on how to pronounce English words correctly to gain views from the platform's users. Users may choose to use our services after gaining views or just talk more about the business. Word-of-mouth marketing, an efficient way of informing potential clients, will be used by the language school. The language school will not use TikTok advertisement yet, as the minimum cost spent on a campaign is set to be 500 dollars, which is too pricy at the beginning of the business. However, there is a possibility of using the TikTok advertising services in the future.

One thousand colored leaflets of the size 297 mm x 420 mm will be printed by a company called Expressprint for a price of 5 965 CZK and afterward distributed amongst Ostrava's Vítkovice residents before start of the business.

Table 8 – Promotion of Fairy English for the first year (own creation; information based on companies' webpages)

Type of promotion	Price	Price per one month (30 days)	Notes
Webpage	19 990 CZK	490 CZK	The initial price for the webpage and administration of the webpage

Facebook	60 CZK / per day	1 500 CZK	
Printing of leaflets	5 965 CZK / 1000 pieces		The initial price for the first year
Total price		1 990 CZK	

In order to draw more potential customers, the company also plans to provide special offers. The students may pay less per class in the future if they prepay more individual classes. For example, if a student pays for 30 individual lectures in advance, the overall cost would be 9 000 CZK, saving the student 1 500 CZK.

People

Customers and their experiences are critical to the company's success; thus, teachers must be experts in the field and build a welcoming environment in the classroom. The organization strives to treat its customers with respect and provide them a friendly approach to teaching. It is important, that students feel pleasant and form a positive relationship with their teachers. The services of the language schools will be offered by well-educated teachers in the field.

Physical evidence

The school aspires to provide its services in a welcoming and friendly atmosphere, with well-educated teachers who treat customers with respect. The company's premises will be tastefully decorated to create a welcoming environment, and the teachers should embrace a friendly attitude to support the language school's ambition. Since the service is also distributed over the internet, the design of the company's website is significant. The website needs to be easy to navigate, with an elegant and modern design.

Process

Customers may complete a test on the company's website, which will be designed to help them determine which course the most suitable for them. If the potential customers cannot still decide which of the services to choose, they can schedule a meeting.

Furthermore, customers can attend the first 30-minute individual lecture for free, which may help them with making their decision.

Personal interviews will be carried out regularly to help the business improve its services.

4.6 Financial plan

A financial plan is needed for creating a successful business plan and establishing a company. This chapter of the business plan includes the estimation of the initial expenses required for the company to begin operations and an initial balance sheet. The financial plan will also include realistic, optimistic, and pessimistic estimations of the demand, costs, and revenues of the company. The financial projection will be calculated for the next 5 years of the language school.

4.6.1 Initial balance sheet and capital spending plan

The founder deposits her own funds into the registered capital to cover the company's initial expenses. The owner invests 150 000 CZK into the business and the deposited funds are from the owner's savings. The registered capital required for initial expenses will be covered by this amount of capital. The initial balance sheet, as shown in table 7, shows the total assets, total equity, and total liabilities of the company at its formation.

Table 9 – Initial balance sheet (own creation)

Initial balance sheet (in CZK)			
Assets		Liabilities and Equity	
Fixed assets	0	Equity	150 000
		Registered capital	150 000
Current assets	150 000	Liabilities	0
Bank account	150 000		
Total assets	150 000	Total equity and liabilities	150 000

The initial costs are related to the company's formation, for example, acquiring a trade license, notarial deeds, and a criminal record statement is required. Since the rented office already has basic furniture such as chairs, tables, and sofas, the initial equipment costs will be lower. Electronics, a company website, promotion, and books are all expenses that must be made. Students would feel happier in a welcoming setting, so the funds will also be used to decorate the language school. All initial costs can be found below (table 8).

Table 10 – Capital spending plan (own creation; prices are based on searching on websites *alza.cz* and *knihydobrovsky.cz*)

Initial costs	CZK
Criminal record statement	100
Trade license	1 000
Trade register statement	100
Notarial deed for the founding contract	3 000
Certification of signatures	30
Properties' register statement	100
Establishment of bank account	500
Webpage	19 990
Leaflets for promotion	5 965
Portable computer (Lenovo IdeaPad 5 15ARE05 Graphite Grey)	17 989
Wifi router (TP-Link Archer C6)	999
Speakers (Logitech Multimedia Speakers Z200 White)	749
Mobile phone (Xiaomi Redmi Note 9 Pro LTE 64GB)	5 999
Printer (HP OfficeJet 8013 All-in-One)	2 499
Magnetic whiteboard (VICTORIA 90x120cm)	1 487
Data projector + screen (Optoma HD146X)	13 890
Microsoft Office	1 790
Textbooks and dictionaries	8 000
Equipment for the kitchenette (glasses, mugs, kettle...)	1 708
Office decoration and equipment	2 645
Vacuum cleaner (Rowenta RH6737WH Dual Force 2v1)	2 999
Total initial costs	91 539

4.6.2 Estimation of demand

The demand for business services is crucial for the life of the business. This section will illustrate three possible scenarios of the estimated demand of the services available by Fairy English. Demand can differ depending on the company's customers' course selection. There is a chance that students will not be interested in the offered courses and will instead take individual classes. The positive scenario, however, is measured with the full occupation of available services, while other scenarios' percentage of occupancy is reduced.

A realistic scenario is calculated for the first five years of business, with 70 percent course occupancy in the first year, which is calculated based on successful marketing before the start of the business. Per year, the school hopes to see a 5% increase in course demand over the previous year.

Table 11 – Estimation of demand – realistic scenario (own creation)

Estimation of demand – realistic scenario					
	1 st year	2 nd year	3 rd year	4 th year	5 th year
<i>Occupancy of courses</i>	70%	75%	80%	85%	90%
Beginner courses	14 people	15 people	16 people	17 people	18 people
Intermediate courses	14 people	15 people	16 people	17 people	18 people
Advanced courses	14 people	15 people	16 people	17 people	18 people
Summer courses	56 people	60 people	64 people	68 people	72 people
FCE preparation courses	11 people	12 people	13 people	14 people	14 people
School leaving examination courses	11 people	12 people	13 people	14 people	14 people
Individual courses	2 603 h./year	2 789 h./year	2 974 h./year	3 160 h./year	3 346 h./year
2 students individual courses	1 116 h./year	1 196 h./year	1 275 h./year	1 355 h./year	1 435 h./year

The optimistic scenario, depicted in table 12, illustrates demand if there is a high amount of interest in the offered classes, resulting in full occupancy. The hours counted for maximum occupancy available for individual classes is for classes available online, which is **3 024** hours per year, and classes available in the school, which is **2 288** hours, considering the fact, that 736 hours per year is the classroom occupied with courses, and therefore it is not possible to teach individual lectures. The total amount of available individual classes was then divided by 70% estimation of individual classes and 30% estimation of individual classes for 2 people.

Table 12 – Estimation of demand – optimistic scenario (own creation)

Estimation of demand – optimistic scenario					
	1 st year	2 nd year	3 rd year	4 th year	5 th year
<i>Occupancy of courses</i>	100%	100%	100%	100%	100%
Beginner courses	20 people				
Intermediate courses	20 people				
Advanced courses	20 people				
Summer courses	80 people				
FCE preparation courses	16 people				
School leaving examination courses	16 people				
Individual courses	3 718 h./year				
2 students individual courses	1 594 h./year				

As opposed to the optimistic scenario, the negative scenario is decreased by half, attracting 50% of potential customers. Hoping that, as a result of the company's strong marketing,

enrollment in available courses will increase by 5% each year over the previous year. In the pessimistic scenario, the company will be able to fill 70% of the courses in the fifth year, which is the same as the first year in the realistic scenario.

Table 13 – Estimation of demand – pessimistic scenario (own creation)

Estimation of demand – pessimistic scenario					
	1 st year	2 nd year	3 rd year	4 th year	5 th year
<i>Occupancy of courses</i>	50%	55%	60%	65%	70%
Beginner course	10 people	11 people	12 people	13 people	14 people
Intermediate course	10 people	11 people	12 people	13 people	14 people
Advanced course	10 people	11 people	12 people	13 people	14 people
Summer courses	40 people	44 people	48 people	52 people	56 people
FCE preparation course	8 people	9 people	10 people	10 people	11 people
School leaving examination course	8 people	9 people	10 people	10 people	11 people
Individual courses	1 859 h./year	2 045 h./year	2 381 h./year	2 417 h./year	2 603 h./year
2 students individual courses	797 h./year	877 h./year	956 h./year	1 036 h./year	1 116 h./year

Demand projections will be reflected into costs of the business, as salaries will be paid to employees based on the number of taught classes, as well as potential revenues for the language school. The realistic scenario shows that even though it is decreased by 30% compared to the optimistic scenario, the demand for services will be just 10% lower in 5 years. Furthermore, the negative scenario shows that in 5 years, the school will reach a point where demand is the same as it was in the first year of the optimistic scenario, if not higher if successful marketing strategies are implemented.

4.6.3 Costs

The initial costs are only for the first year of the business and can be found in table 8. The webpage administration will be the same every year, as the monthly price 490 CZK. The Facebook promotion of the business is lowered by 50% in the third year of the language school, as it is believed, that the promotion in previous years will be beneficial for the business and therefore is not needed to promote the business further at that scale.

Rent is set to be 8 000 CZK per month, including electricity, gas, a water deposit, as well as cleaning services.

The language school will take advantage of a special deal from the company O2, which will provide their internet service, HD Diamond, with speeds of up to 1000 Mb/s, for 599 CZK per month for the first six months, and then for 799 CZK. Therefore, the price for internet services is lower in the first year. O2 company will be also chosen for the mobile phone tariff NEO Gold, with unlimited data, calls, and text messages, for the monthly price of 1 599 CZK.

Moneta Money Bank will be used in order to open a bank account COMPLETE, with a monthly price of 149 CZK.

The salaries are calculated for the number of hours taught, depending on the occupancy of the school classes. Every employee is paid 140 CZK per hour. The first year the salaries are for **4 291 hours**, the second year **4 557 hours**, the third year **4 975 hours**, the fourth year **5 241 hours**, and the fifth year is **5 517 hours** taught. 33.8% of employees' annual salaries are counted into social contribution and health insurance.

Table 14 – Costs – realistic scenario (own creation)

Costs – realistic scenario (in CZK)					
	1 st year	2 nd year	3 rd year	4 th year	5 th year
Initial costs	91 539	0	0	0	0
Webpage administration	5 880	5 880	5 880	5 880	5 880
Promotion	18 000	18 000	9 000	9 000	9 000
Rent + Energies	96 000	96 000	96 000	96 000	96 000
Internet	8 388	9 588	9 588	9 588	9 588

Mobile phone tariff	19 188	19 188	19 188	19 188	19 188
Bank account	1 788	1 788	1 788	1 788	1 788
Salaries	600 740	637 980	696 500	733 740	772 380
Social contribution and health insurance (employees)	203 050	215 637	235 417	248 004	261 064
Founder's salary	240 000	240 000	240 000	240 000	240 000
Social contribution, health insurance, income tax	81 120	81 120	81 120	81 120	81 120
Total	1 365 701	1 325 181	1 394 481	1 444 308	1 496 008

The expenses are the same as in the realistic case (table 10), with the only difference being salaries, which are calculated with **6048 hours** taught each year due to course full occupancy. The social contribution and health insurance are made by 33.8% of employees' salaries. Furthermore, the promotion is reduced by half in the second year, as it is not necessary to promote the business further, due to full occupancy of the school's services. The founder's fixed salary is 20 000 per month, 240 000 CZK per year. The salary of the founder must be taxed., therefore 33.8 percent social contribution and health insurance, as well as 15 percent income tax is paid from the salary.

Table 15 – Costs – optimistic scenario (own creation)

Costs – optimistic scenario (in CZK)					
	1 st year	2 nd year	3 rd year	4 th year	5 th year
Initial costs	91 539	0	0	0	0
Webpage administration	5 880	5 880	5 880	5 880	5 880
Promotion	18 000	9 000	9 000	9 000	9 000
Rent + Energies	96 000	96 000	96 000	96 000	96 000

Internet	8 388	9 588	9 588	9 588	9 588
Mobile phone tariff	19 188	19 188	19 188	19 188	19 188
Bank account	1 788	1 788	1 788	1 788	1 788
Salaries	846 720	846 720	846 720	846 720	846 720
Social contribution and health insurance (employees)	286 191	286 191	286 191	286 191	286 191
Founder's salary	240 000	240 000	240 000	240 000	240 000
Social contribution, health insurance, income tax	81 120	81 120	81 120	81 120	81 120
Total	1 700 315	1 593 776	1 593 776	1 593 776	1 593 776

Except for the promotion costs, which are the same every year to draw more customers, the costs in the negative scenario are almost identical to those in the positive scenario. Salaries are determined by the number of hours taught each year. The first year is for **3 024 hours**, the second year is **3 484 hours**, the third year is **3 899 hours**, the fourth year is **4 025 hours**, and the last, fifth year, is **4291 hours**.

Table 16 – Costs – pessimistic scenario (own creation)

Costs – pessimistic scenario (in CZK)					
	1 st year	2 nd year	3 rd year	4 th year	5 th year
Initial costs	91 539	0	0	0	0
Webpage administration	5 880	5 880	5 880	5 880	5 880
Promotion	18 000	18 000	18 000	18 000	18 000
Rent + Energies	96 000	96 000	96 000	96 000	96 000
Internet	8 388	9 588	9 588	9 588	9 588
Mobile phone tariff	19 188	19 188	19 188	19 188	19 188

Salaries	423 360	487 760	545 860	563 500	600 740
Social contribution and health insurance (employees)	143 096	164 862	184 501	190 463	203 050
Founder's salary	240 000	240 000	240 000	240 000	240 000
Social contribution, health insurance, income tax	81 120	81 120	81 120	81 120	81 120
Total	1 126 571	1 121 198	1 198 937	1 222 539	1 272 366

The majority of the costs, such as website administration, rent, and internet, are fixed. Salaries, for example, are variable since they are based on the demand for the school's services, and employees are paid hourly. The salaries are then used to calculate social contributions and health insurance. Furthermore, as shown in table 11, promotion is dependent on the scenario; in the pessimistic scenario, a complete promotion is needed every year to be profitable.

4.6.4 Revenues

According to estimations of demand, realistic, optimistic, and pessimistic revenues were calculated.

The realistic scenario (table 15) shows that the revenues are higher every year, due to the rising demand for offered services.

Table 17 – Revenues – realistic scenario (own creation)

Revenues – realistic scenario (in CZK)					
	1 st year	2 nd year	3 rd year	4 th year	5 th year
Beginner courses	147 840	158 400	168 960	179 520	190 080
Intermediate courses	147 840	158 400	168 960	179 520	190 080
Advanced courses	147 840	158 400	168 960	179 520	190 080

Summer courses	56 000	60 000	64 000	68 000	72 000
FCE preparation courses	44 800	48 000	51 200	54 400	57 600
School leaving examination courses	44 800	48 000	51 200	54 400	57 600
Individual courses	910 910	975 975	1 041 040	1 106 105	1 717 170
2 students individual courses	557 900	597 750	637 600	677 450	717 300
Total	2 057 930	2 204 925	2 351 920	2 498 915	2 645 910

Since the language school's the estimated demand for services is filled to its maximum capacity, the estimated revenues are the same every year. (Table 16) Revenues may be even higher if the capacity of offered online classes is increased by employing more lecturers.

Table 18 – Revenues – optimistic scenario (own creation)

Revenues – optimistic scenario (in CZK)					
	1st year	2nd year	3rd year	4th year	5th year
Beginner courses	211 200	211 200	211 200	211 200	211 200
Intermediate courses	211 200	211 200	211 200	211 200	211 200
Advanced courses	211 200	211 200	211 200	211 200	211 200
Summer courses	80 000	80 000	80 000	80 000	80 000
FCE preparation courses	64 000	64 000	64 000	64 000	64 000
School leaving examination courses	64 000	64 000	64 000	64 000	64 000
Individual courses	1 301 300	1 301 300	1 301 300	1 301 300	1 301 300
2 students individual courses	797 000	797 000	797 000	797 000	797 000

Total	2 939 900	2 939 900	2 939 900	2 939 900	2 939 900
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As can be seen in table 17, the company's revenues are not high, but they have the potential to grow over time.

Table 19 – Revenues – pessimistic scenario (own creation)

Revenues – pessimistic scenario (in CZK)					
	1 st year	2 nd year	3 rd year	4 th year	5 th year
Beginner course	105 600	116 160	126 720	137 280	147 840
Intermediate course	105 600	116 160	126 720	137 280	147 840
Advanced course	105 600	116 160	126 720	137 280	147 840
Summer course	40 000	44 000	48 000	52 000	56 000
FCE preparation course	32 000	35 200	38 400	41 600	44 800
School leaving examination course	32 000	35 200	38 400	41 600	44 800
Individual courses	650 650	715 715	780 780	845 845	910 910
2 students individual courses	398 500	438 350	478 200	518 050	557 900
Total	1 469 950	1 616 945	1 763 940	1 910 935	2 057 930

4.6.5 Profit/loss

Profit or loss must be calculated to determine whether or not the business is profitable. To measure the total earnings after taxes, overall costs and income tax must be subtracted from revenues.

The realistic net income is not as high, as the founder of the company would like. Table 18 indicates, on the other hand, that income is increasing over the selected time period.

Table 20 – Profit/loss – realistic scenario (own creation)

Profit/loss – realistic scenario (in CZK)					
	1 st year	2 nd year	3 rd year	4 th year	5 th year
Costs	1 365 701	1 325 181	1 394 481	1 444 308	1 496 008
Revenues	2 057 930	2 204 925	2 351 920	2 498 915	2 645 910
Profit/loss	692 229	879 744	957 439	1 054 607	1 149 902
Tax -19%	131 524	167 151	181 913	200 375	218 481
Net income	560 705	712 593	775 526	854 323	931 421

Due to initial costs, the net income in the first year is smaller than in the following years of the business. Table 19 shows that the net income has leveled off since the second year.

Table 21 – Profit/loss – optimistic scenario (own creation)

Profit/loss – optimistic scenario (in CZK)					
	1 st year	2 nd year	3 rd year	4 th year	5 th year
Costs	1 700 315	1 593 776	1 593 776	1 593 776	1 593 776
Revenues	2 939 900	2 939 900	2 939 900	2 939 900	2 939 900
Profit/loss	1 239 585	1 346 124	1 346 124	1 346 124	1 346 124
Tax -19%	235 521	255 764	255 764	255 764	255 764
Net income	1 004 064	1 090 360	1 090 360	1 090 360	1 090 360

Table 22 – Profit/loss – pessimistic scenario (own creation)

Profit/loss – pessimistic scenario (in CZK)					
	1 st year	2 nd year	3 rd year	4 th year	5 th year
Costs	1 126 571	1 121 198	1 198 937	1 222 539	1 272 366
Revenues	1 469 950	1 616 945	1 763 940	1 910 935	2 057 930
Profit/loss	343 379	495 747	565 003	688 396	785 564

Tax -19%	65 242	94 192	107 351	130 795	149 257
Net income	278 137	401 555	457 652	557 601	636 307

All scenarios (tables 18-20) demonstrate, that in every year of the new business, the language school is capable of generating a profit. The pessimistic scenario (table 20) has shown, that even if the occupancy of available courses and classes of the language school will be filled just by 50 percent, the company can be profitable.

However, there is the possibility of offering more languages or various types of courses to increase profit. If the capacity of services is expanded, a greater marketing plan will be needed to fill the increased capacity of language courses, resulting in higher overall costs. The company's main aim is to secure a successful marketing plan so that it can continue to operate and make a profit.

4.6.6 Balance sheet

This segment includes balance sheets for any possible situation. The company has no automobiles, property, or building of its own and operates in rented premises. Furthermore, the company does not plan to make any loans. Therefore, the balance sheets are prepared with the assumption that no liabilities or fixed assets will be generated for the next five years and that all necessary expenses, such as rent or salaries, are paid.

Table 23 – Balance sheet – realistic scenario (own creation)

Balance sheet – realistic scenario (in CZK)					
	1 st year	2 nd year	3 rd year	4 th year	5 th year
Fixed assets	0	0	0	0	0
Current assets	710 705	1 423 298	2 198 824	3 053 147	3 984 568
<i>Bank account</i>	<i>710 705</i>	<i>1 423 298</i>	<i>2 198 824</i>	<i>3 053 147</i>	<i>3 984 568</i>
Total assets	710 705	1 423 298	2 198 824	3 053 147	3 984 568
Liabilities	0	0	0	0	0
Shareholder's equity	710 705	1 423 298	2 198 824	3 053 147	3 984 568
<i>Registered Capital</i>	<i>150 000</i>				

<i>Profit/loss of the previous year</i>	0	560 705	1 273 298	2 048 824	2 903 147
<i>Profit/loss of the current year</i>	560 705	712 593	775 526	854 323	931 421
Total Liabilities and Shareholder's Equity	710 705	1 423 298	2 198 824	3 053 147	3 984 568

Table 24 – Balance sheet – optimistic scenario (own creation)

Balance sheet – optimistic scenario (in CZK)					
	1 st year	2 nd year	3 rd year	4 th year	5 th year
Fixed assets	0	0	0	0	0
Current assets	1 154 064	2 244 424	3 334 784	4 425 144	6 865 504
<i>Bank account</i>	1 154 064	2 244 424	3 334 784	4 425 144	6 865 504
Total assets	1 154 064	2 244 424	3 334 784	4 425 144	6 865 504
Liabilities	0	0	0	0	0
Shareholder's equity	1 154 064	2 244 424	3 334 784	4 425 144	6 865 504
<i>Registered Capital</i>	150 000	150 000	150 000	150 000	150 000
<i>Profit/loss of the previous year</i>	0	1 004 064	2 094 424	3 184 784	4 275 144
<i>Profit/loss of the current year</i>	1 004 064	1 090 360	1 090 360	1 090 360	1 090 360
Total Liabilities and Shareholder's Equity	1 154 064	2 244 424	3 334 784	4 425 144	6 865 504

Table 25 – Balance sheet – pessimistic scenario (own creation)

Balance sheet – pessimistic scenario (in CZK)					
	1 st year	2 nd year	3 rd year	4 th year	5 th year

Fixed assets	0	0	0	0	0
Current assets	428 137	829 692	1 287 344	1 844 945	2 481 252
<i>Bank account</i>	428 137	829 692	1 287 344	1 844 945	2 481 252
Total assets	428 137	829 692	1 287 344	1 844 945	2 481 252
Liabilities	0	0	0	0	0
Shareholder's equity	428 137	829 692	1 287 344	1 844 945	2 481 252
<i>Registered Capital</i>	<i>150 000</i>	<i>150 000</i>	<i>150 000</i>	<i>150 000</i>	<i>150 000</i>
<i>Profit/loss of the previous year</i>	<i>0</i>	<i>278 137</i>	<i>679 692</i>	<i>1 137 344</i>	<i>1 694 945</i>
<i>Profit/loss of the current year</i>	<i>278 137</i>	<i>401 555</i>	<i>457 652</i>	<i>557 601</i>	<i>636 307</i>
Total Liabilities and Shareholder's Equity	428 137	829 692	1 287 344	1 844 945	2 481 252

4.6.7 Cash flow

The indirect method is used to calculate cash flow scenarios. The calculation is made based solely on the net income, which is the company's operating cash flow, and cash on the bank account at the beginning of the selected period, which is the company's opening balance.

The cash flow from investing and financing activities is not calculated, as the company does not depreciate any property and does not operate with any stock, bonds, shares, or debts.

Table 26 – Cash flow – realistic scenario (own creation)

Cash flow – realistic scenario (in CZK)					
	1 st year	2 nd year	3 rd year	4 th year	5 th year
Opening balance	150 000	710 705	1 423 298	2 198 824	3 053 147
Net income	560 705	712 593	775 526	854 323	931 421
Closing balance	710 705	1 423 298	2 198 824	3 053 147	3 984 568

Table 27 – Cash flow – optimistic scenario (own creation)

Cash flow – optimistic scenario (in CZK)					
	1 st year	2 nd year	3 rd year	4 th year	5 th year
Opening balance	150 000	1 154 064	2 244 424	3 334 784	4 425 144
Net income	1 004 064	1 090 360	1 090 360	1 090 360	1 090 360
Closing balance	1 154 064	2 244 424	3 334 784	4 425 144	5 515 504

Table 28 – Cash flow – pessimistic scenario (own creation)

Cash flow – pessimistic scenario (in CZK)					
	1 st year	2 nd year	3 rd year	4 th year	5 th year
Opening balance	150 000	428 137	829 692	1 287 344	1 844 945
Net income	278 137	401 555	457 652	557 601	636 307
Closing balance	428 137	829 692	1 287 344	1 844 945	2 481 252

4.7 Risk evaluation

Starting a new company entails certain risks that the entrepreneur must face. This chapter discusses potential risks as well as possible ways to mitigate them.

As a newly established language school, there is a possibility of not having a sufficient number of customers to fill the estimated demand. Lack of customers means that the company has to deal with attracting potential customers by implementing a good marketing strategy before the opening of the language school. Furthermore, if the occupancy of services is low, the lack of finances might be possible for the business. To prevent this, a detailed and high-quality financial plan has to be prepared.

As the competition in Ostrava might be already oversaturated and even more new business might enter the market, the company has to keep its competitive advantage of having lower prices and providing high-quality services. Thorough market research has to be made every year.

CONCLUSION

The primary goal of this thesis was to create a business plan for the establishment of a new language school in Ostrava and to determine if the business was feasible. Because of the writer's experience in this area, the decision to start a new business in this market was made.

The thesis is divided into two parts. The first part is theoretical and includes information on entrepreneurship, legal forms of business, and a thorough description of a business plan and its structure. The analytical part applies the information acquired in the theoretical section to create a concrete business plan for a new language school.

The Fairy English school is going to offer its service at its premises in Ostrava and also in an online environment using online communication software. The school focuses on offering only the English language to its students in various types of courses and individual classes. The main goal of the company is to provide its services at high quality for affordable prices. The company is going to be funded by its sole owner, who will deposit 150 000 CZK.

After the competition analysis, the writer is aware, that the competition on the market in Ostrava is large and therefore it might not be easy to fill the capacity of its services to its full potential. However, by keeping its competitive advantage, by having lower prices than its competitors, it might be possible for the company to attract the estimated number of customers.

The financial analysis revealed that the business is feasible in all scenarios; however, it might be hard to fill the estimated demand. The marketing campaign is primarily targeted at young people, who are also the company's main target customers. The owner believes that by using social media to promote the business before the start of its operations, the company will be able to attract the targeted group and thereby achieve the aim of this thesis.

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LIST OF ABBREVIATIONS

- v. o. s. veřejná obchodní společnost
k. s. komanditní společnost
s. r. o. společnost s ručením omezeným
a. s. akciová společnost
CZK Czech koruna
E.g. For example
FCE First Certificate in English

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APPENDICES

P I Company's premises

APPENDIX P I: COMPANY'S PREMISES

