

# **A Business Plan for Fashion E-commerce**

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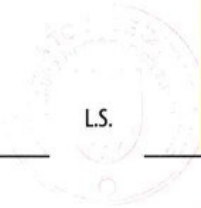
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## **ABSTRAKT**

Tahle bakalářská práce je zaměřená na vytvoření podnikatelského plánu pro e-commerce s módou. Práce je rozdělená na dvě samostatné části, které jsou vzájemně propojené – teoretickou a praktickou. Teoretická část opisuje základní pojmy, které jsou spojeny s podnikáním, formy podnikání a proces tvorby podnikatelského plánu. Praktická část aplikuje opsanou teorii a její hlavním cílem je vyprodukovat podnikatelský plán.

Klíčová slova: podnikatel, podnikatelský plán, e-commerce, móda, živnostník.

## **ABSTRACT**

This bachelor thesis aims to create a business plan for fashion e-commerce and find out whether the plan is viable. The thesis is divided into two parts that are interconnected – the theoretical and the practical. The theoretical part describes basic terms connected to entrepreneurship, forms of business, and the process of creating a business plan. The practical part applies described theory, and its main purpose is to produce a business plan.

Keywords: entrepreneur, business plan, e-commerce, fashion, sole proprietorship.

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

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## INTRODUCTION

Being an entrepreneur might be more challenging compared to being a regular employee. However, the independence and self-sufficiency that arise from entrepreneurship is a big motivation for some individuals to establish a business. Entrepreneurs are usually innovators who can come up with unusual solutions or fill the gap in the market. Creating a business plan allows an entrepreneur to think about his idea more thoroughly and assess if the business is worth establishing.

The reason why I chose to write a business plan as my bachelor thesis is the chance to learn how to create a comprehensive document about my business idea. I also saw a big gap in the Czech market because many businesses that also help specific organizations only focus on environmental issues or shelters. However, many women are exposed to the issue of domestic violence in their lives, and yet they do receive such little help. But I realized that this issue would not be solved by only donating money to a certain organization. This problem can be resolved by creating educational content and spreading awareness. The main goal of this bachelor thesis is to create a business plan for fashion e-commerce and see whether my idea is viable.

This bachelor thesis is divided into two parts – the theoretical and the practical. The theoretical part describes basic terms, advantages, and disadvantages of the most common legal forms of businesses in the Czech Republic and the structure of a business plan. The practical part is focused on creating a business plan for my idea. It consists of several analyses, an introduction to my business idea, the creation of the financial plan, and a description of possible exit strategies.

## **I. THEORY**

## 1 ENTREPRENEUR

An entrepreneur is a person that willingly takes the risk of setting up a new business; because of that, he is often seen as an extraordinary person or innovator. New companies are established to carry out his ideas, and new employers are usually hired. Entrepreneurs play a vital role in the market economy; hence their activities are linked to further economic development and decreasing unemployment rates (Hayes 2021).

According to Srpová and Rehoř et al. (2010, 19-20), an entrepreneur is an individual who comes up with a significant change in technological process or products that leads to the creation of added value. Another point of view states that the entrepreneur is simply a speculator who can quickly identify the fundamental economic law – demand and supply and can use this information to gain a profit.

Czech law defines entrepreneurs as “OSVČ - osoby samostatně výdělečné činné,” which translates as a person that can earn money without an employer (Vochozka and Mulač 2012, 34). Legal regulation of the Law number 90/2012 codex states that an entrepreneur is also every person who signs contracts connected to his business, production, or similar activities. Mentioned activities arise from the independent performance of the entrepreneur’s profession (Novák, Kozubíková and Zámečník 2018, 15).

### 1.1 Entrepreneurship

Kuratko states that entrepreneurship is more than just a creation of a business, even though it is an important aspect. Entrepreneurship involves taking risks, looking for opportunities, and pushing ideas to become a reality (Kuratko 2014, 3).

Entrepreneurship is defined in section 2 (455/1991 Codex) in the Trade law as “a continuous activity that is being done independently by the entrepreneur under his name and responsibility to gain a profit under the terms that are defined by this law.” (Zákony pro lidi 2012).

To fully understand the meaning of this law, an explanation of key terms is necessary:

- Continuous – the activity must be done repeatedly, not occasionally.
- Independently – if the entrepreneur is a natural person, he acts under his name. If he is a legal person, he operates under his statutory body.
- Own name – all legal acts of a natural person are done under his name and surname. The legal actions of a legal person are done under his company’s name.

- Own responsibility – entrepreneur (applies to natural and legal person) is responsible for all risks that arise from his actions.
- Gaining profit – the entrepreneur's operations must be done to gain a profit (Srpková and Rehoř et al. 2010, 19).

## 1.2 Enterprise

Vochozka and Mulač et al. (2012, 35) state that an enterprise is every subject that does any business-related activity regardless of its legal form. Every enterprise is an essential element of the national economy and is created by tangible components (moveable and immovable property), personal components (employees and employers), and intangible components (licenses, know-how, business name, patents, etc. ;).

According to Dvořáček and Slunčik (2012, 1) an enterprise is any subject that offers products or services in the market – the place where the offer and demand for certain activities meet. The main goal of subjects marked as an enterprise is to survive.

In general, an enterprise is a subject that transforms inputs into outputs. A more detailed approach states that an enterprise is economically and legally self-sufficient subject created to make a trade. Economic independence is related to owners' responsibility for the outcomes that arise from the enterprise's business activities, and legal autonomy allows the enterprise to conclude contracts with other subjects.

Enterprises can be divided into three groups: small, medium, and big enterprises. Characteristics of these groups vary because specific organizations have different approaches, but every approach looks at the number of employees. Other important criteria are annual turnover and the value of assets (Srpková and Rehoř et al. 2010, 36-38).

### 1.2.1 Enterprise Surrounding

Everything that surrounds an enterprise is its surrounding. Enterprises are in a specific locality, are exposed to competition, and have easy or more difficult access to resources. The main activity is acquiring resources that are, in most cases, scarce. Each enterprise is an open system that has relationships with the surrounding in which it operates. External factors (threads or possibilities) influence the outcomes of an enterprise (Dvořáček and Slunčik 2012, 1-4).

## 2 BUSINESS

Before establishing a business, an entrepreneur must contemplate whether he has the required qualities to establish a business and his business ideas. He also needs to create an elaborated business plan, know competitive advantages, and choose the proper legal form (Srpková and Rehoř et al. 2010, 54).

### 2.1 Natural person/ Sole proprietorship

The activities of an entrepreneur can be done under the following regulations:

- Trade Licensing Act
- Agriculture Act
- Another regulation - §3 of the Trade Licencing Act defines which activities are not considered to be traded, for example, doctors or auditors. A separate law further defines activities from this group (Novák, Kozubíková and Zámečník 2018, 15).

Being a natural person has several advantages, such as low expenditures that are related to establishing a business, independence, decision-making freedom, no duty to have a deposit, and the entrepreneur can do tax records instead of double-entry bookkeeping (only if the entrepreneur is not registered in the commercial register or he is not forced to switch to double-entry bookkeeping). Disadvantages of performing business activities as a natural person include the high risk that arises from the entrepreneur's unlimited liability for the company's commitments, limited access to bank loans, and increased interest rates (Vochozka and Mulač 2012, 38-39).

#### 2.1.1 Trade

Trades are divided into two main groups: reporting and licensed trades. Reporting trades are further divided into:

- **Free trades** are adjusted by annex number 4 of the Trade Law. They require fulfilling only the general conditions. Examples of free trades are operating an e-shop or production of glass, etc.
- **Craft trades** are adjusted by annex number 1 of the Trade Law. Having this kind of trade requires fulfilling general and special conditions that are necessary to prove the necessary education; for example, hairdressers receive an apprenticeship certificate, which proves that they have successfully mastered the required skills.
- **Tied trades** are adjusted by annex number 2 of the Trade Law. As in the previous two types of trades, general and special conditions must be fulfilled. Also, a certain

degree of education must be reached, or special qualification exams must be accomplished. Examples of tied trades are activities of accounting consultants, tax records, or running a driving school (Novák, Kozubíková, and Zámečník 2018, 18 - 19).

Licensed trades are adjusted by annex number 3 of the Trade Law. Entrepreneurs must have consent from the state (a license) to have this kind of trade. The category of licensed trades includes for example, the production and distribution of guns, and the activities of exchange offices (Synek et al. 2011, 37-38).

### **2.1.2 Establishing a trade**

The first step in establishing a trade is having legal capacity and a clean record. An entrepreneur requests his Trade License at the municipal Trade Licensing Office. However, the Trade License Office location does not have to correspond with an entrepreneur's permanent residence because each office operates as a central registration facility. The only required document for establishing a trade is ID and 1,000 CZK; therefore, paying an initial deposit is not required. The next step is filling in the registration form and writing the subject/s of business activities. The registration form can also be sent to the Trade License Office electronically or by postal services. An entrepreneur can extend the subjects of his business activities in his Trade License by paying a 500 CZK fee; therefore, it is advised to include more activities while establishing a trade. Also, if the location of business activities is different from the entrepreneur's permanent residence, it is important to have permission from the property owner (Dlouhá 2017).

The entrepreneur must also register at a Social Security Administration within eight days from issuing the Trade License. An OSVČ must pay social insurance every month. The same process applies to Health Insurance Company (Profi-kancelář 2019). Since January 2022, monthly deposits for social and health insurance have risen. The minimal deposit for social insurance is 2,841 CZK and for health insurance is 2,627 CZK (Hovorka 2021). After successfully completing all steps, an entrepreneur is eligible to perform business activities.

## **2.2 Legal person**

A legal person is created when a company or an enterprise is established because an entrepreneur creates an entirely new legal entity (Complex Office, 2018). Becoming a legal person involves having an entry in the commercial register. Signing a mutual contract



(approval of the statutes) in a prescribed form is enough to establish a company /corporation/ trading company. The proposal to have an entry in the commercial register is introduced to the local commercial court 90 days since establishing a company or delivering a certificate of entrepreneurship /trade unless the law provides otherwise (Vochozka and Mulač 2012, 40).

Czech law states that the legal person has its legal character since its establishment to its end. All legal entities are obliged to keep a reliable record of their assets. If more founders establish a legal person, they must adopt the statutes (Zákony pro lidi 2012).

Legal entities can take the form of a public company, limited liability company, limited partnership, joint-stock company, or cooperative. The main advantage of legal entities is their limited liability, but this depends on their form (Bartůšková 2019).

### **2.2.1 Public company**

A public company is the most common example of a personal trade company and is established by at least two people. Its abbreviation is in the Czech language “v.o.s.” (Synek and Kislingerová et al. 2015, 81). The owners are fully liable for the company’s liabilities. Their profit is divided equally unless the terms in the contract are stated differently.) (Zákony pro lidi 2012).

Compared to a natural person, a public company has several advantages. For example, the process of getting capital and overcoming qualification limitations is much easier. One of the main reasons why public companies are popular is that having a share capital is unnecessary. Therefore, everyone that fulfills the conditions can establish a public company easily (compared to other types of trade companies). Disadvantages include the owners’ guarantee over the company’s commitments with their entire property /assets, prohibited competition, and the whole company is automatically liquidated in the case of the penultimate owner’s death (Vochozka and Mulač 2012, 44).

### **2.2.2 Limited liability company**

According to Vochozka and Mulač (2012, 43), a limited liability company is simply a more professional natural person to a certain extent. One natural or legal person can establish a limited liability company. Establishing a limited liability company includes concluding a partnership agreement, having a share capital, receiving a licensed trade, signing up in a commercial register, and registering the company at the tax office. Novák, Kozubíková, and Zámečník (2018, 23) add that it is a capital company, and the owners owe the amount that represents their unpaid debts that are written in the commercial register. The profit is divided

between the owners after paying corporate income tax and after the general meeting decide the method and the range. The main body of a limited liability company is a statutory body and a general meeting.

Suppose the entrepreneur's goal is to have an income bigger than 15 million CZK and employees. In that case, it is worth establishing a limited liability company rather than being a natural person. Because the company's liability is limited, the risk that arises from the entrepreneurship is transferred to the company, not to the entrepreneur. However, having a limited liability company brings more bureaucracy (Office house 2018).

### 2.2.3 Limited partnership

A limited partnership is a company that has two types of associates. Limited partners must pay off their deposit, they guarantee for the company's liabilities limitedly and they do not carry the loss. General partners are a statutory body, and they guarantee the company's liabilities unlimitedly (Vochozka and Mulač 2012, 44-45). The profit is divided in half. The general partners' part is divided between them equally. The limited partners receive their profit according to the amount of repaid deposits (Sprová and Rehoř et al. 2010, 73).

The advantages of a limited company are:

- share capital is not required
- competition is not prohibited for limited partners

Disadvantages include the inability and incompetence of the limited partners to decide about business management and the duty of single partners to guarantee their whole property for companies' liabilities (Vochozka and Mulač 2012, 45).

### 2.2.4 Joint-stock company

A joint-stock company's capital is divided into a certain number of stocks with nominal value. Shares are securities that allow shareholders to contribute to the management operations of the joint-stock company, receive a profit, and have a liquidation balance (Novákm Kozubíková, Zámečník 2018, 23). Joint-stock companies need to have:

- The General Meeting
- The Managing Board
- The Supervisory Board (Srpová and Rehoř et al. 2010, 80)

The company guarantees for its liabilities with all its assets; however, shareholders do not have such a responsibility. Losing the value of shares is the only risky situation for

shareholders when entering a joint-stock company. One legal person (founder) can establish the company with a founding document. Joint-stock companies generally have a substantial external impression. However establishing is more difficult (compared to other types of trade companies), requires a large amount of share capital, and its operations are quite demanding (Vochozka and Mulač 2012, 42-43).

### 3 BUSINESS PLAN

Koráb, Peterka, and Režňáková (2007, 11-13) state that a business plan is a written material created by an entrepreneur which describes key external and internal factors that are related to the establishing and operating a business. A business plan has the following functions:

- Helps with planning expenditures
- Shows how profitable or in debt will be the business
- Serves as an important tool for receiving financial resources and controlling business activities

Creating a business plan is a crucial step to having a successful business. The founders can think about their business ideas more thoroughly, define their long-term goals or needs, and strengthen the overall performance of a company. They can also create a comprehensive document containing necessary information for potential investors (Abrams 2019, 4).

Granger and Sterling (2012, 27-28) added that a business plan includes “confidential information that should not be distributed.” It provides insight into business finances, shows how much capital is required to establish a business, the sources of funding, and, most importantly, demonstrates that an entrepreneur has a clear vision and plan.

#### 3.1 Chapters of a business plan

Before creating a business plan, it is crucial to note that humans usually perceive things visually; therefore, it is recommended to create a visually appealing document that will grab the attention of potential investors. The content of each business plan varies because it is a unique document for each company. However, every business should include the following components (Koráb, Peterka, and Režňáková 2007, 35-36).

##### 3.1.1 Title page

The title page usually contains the most important information, such as the name of the company and its residency, founders' names, their personal information, and a brief description of the company (Koráb, Peterka, and Režňáková 2007, 36). Granger and Sterling (2012, 29) add that the cover page can be modified to any format. Abrams (2019, 69) stresses the importance of choosing an appropriate company name that will represent its vision even after several years.

### 3.1.2 Description of a company

This section usually consists of one page (Shelton 2017, 74). A business plan is usually read by investors; therefore, the company description should contain key information about a business. Mentioning real facts is a crucial step in creating a proper business plan (Koráb, Peterka and Režňáková 2007, 37).

### 3.1.3 Company's objectives

The majority of successful companies have not only visually appealing logos, but they have also clearly defined and described their objectives – “mission” or “philosophy.” Abrams (2019, 79) describes the foremost Mission Statements as: “principles and objectives that guide all other aspects and activities of the business.” This section defines the company's purpose, and it will guide the founders' decisions (Shelton 2017, 81). Granger and Sterling (2012, 31) note that a summary is supposed to state a company's story; therefore, it should be written in a narrative style.

### 3.1.4 Merchandising

This chapter provides an insight into offered products/services and includes a thorough description. While creating a fashion-oriented business plan, some entrepreneurs include photos or use storyboards. Some projects even require legal protection – trademarks, copyrights, or patents. The product part of a business plan should contain the following:

- Description of the merchandise – specification of the product(s), product mix
- Merchandise collection
- Unique properties - description of everything special about the offered product
- Suppliers and delivery (Granger and Sterling 2012, 33-35).

Shelton (2017, 83) adds that the authors should also mention their distribution channels – retail, wholesale, e-commerce, etc.

### 3.1.5 Legal form

The process of establishing a business requires choosing its legal form. Most businesses typically start as a partnership or sole proprietorship. Choosing to be a legal person brings much more paperwork and more important decisions, for example, the type of a company, how many shares it will have, etc. (Abrams 2019, 71).

### 3.1.6 Location and operating area

The author of a business plan is supposed to give an insight into the geographical base from which the business expects to attract customers. (Butler 2000, 15). Entrepreneurs are also supposed to list the location of the company's headquarters, primary place of business, and any branch locations (Granger and Sterling 2012, 115).

### 3.1.7 Market analysis

According to Kozel, Mynářová, and Svobodová (2011, 13) the market analysis examines the market, its structure, and participants. Research results in gathering information about the market and customers. It analyses whether opportunities to turn ideas or dreams into a profitable company exist. (Granger and Sterling 2012, 47). The target market is supposed to be:

- Definable – description of usual characteristics among customers
- Meaningful – customers' traits should have a connection between them and lead to purchase
- Sizeable – the size of the market must be big enough to generate profit for a business
- Reachable – analyzing methods to market to a potential customer. (Abrams 2019,107).

In order to analyze the market, SWOT and PEST analyses are commonly performed. SWOT analysis is aimed at assessing the microeconomic environment of a business, while PEST analysis describes the macroeconomic factors that might have an impact on a selected company (Kozel, Mynářová and Svobodová 2011, 45-46).

#### 3.1.7.1 SWOT analysis

Performing SWOT analysis enables the entrepreneur to assess the strengths, weaknesses, opportunities, and strengths of a business as opposed to the competition.

- Strengths – identify the competitive advantage of a business
- Weaknesses – limits of a business that does not allow it to operate as well as the competition
- Opportunities – possibilities of new products or services that are not implemented by the competitors
- Threads – description of external factors that may harm business operations.

Understanding competitors' position in the marketplace gives an entrepreneur an ability to position the business in the market reached from its competitive advantage (Granger and Sterling 2012, 56).

### **3.1.7.2 PEST analysis**

PEST analysis is based on assessing a macroenvironment's influence on a business. Each letter from the abbreviation PEST stands for a different factor: P – political, E – economic, S – social, and T – technological. The goal of the analysis is to determine current trends that can impact future development. When creating a macro analysis, it is important to also evaluate foreign trends (Kozel, Mynářová and Svobodová 2011, 45).

### **3.1.8 Competition**

Competition is not only the company that also sells similar products or offers nearly identical services. Kozel, Mynářová, and Svobodová (2011, 37) stress that the author of a business plan should not underestimate the following: more versions of a certain product offered by the same company, substitutes, and alternatives satisfying the same or different needs.

### **3.1.9 Marketing plan**

A marketing plan aims to summarize actions that will result in buying the offered product. Underestimating the proper preparation of a marketing plan will have a negative impact on business. The entrepreneur will analyze the market needs, and he will also make sure that there is enough space to have a profitable business. Examining the market will give an entrepreneur an insight into the customer's wants, needs, and habits. Understanding mentioned factors enable the creation of a successful company (Sterling and Granger 2012, 45). Abrams (2019, 164) advises using the services of professionals while creating a marketing plan, but she also stresses the importance of defining the key elements of business by the founder.

An analysis of customers defines the target customer and his shopping preferences – what, when and where he buys something. It is important to specify, who buys companies' products, whether they are consumers (B2C) or producers and traders (B2B). Assessing the motivations of customers to buy a certain product or service is also necessary (Kozel, Mynářová, and Svobodová 2011, 39-40).

### 3.1.9.1 4P – Marketing mix

The marketing mix is a summary of marketing tools that have an impact on a market (Kozel, Mynářová, and Svobodová 2011, 44). Examination of 4P defines why customers buy.

- Product – anything that is offered to satisfy customers' needs or wishes
- Price – the exact amount of money required by a company
- Place - location, decoration, etc.,
- Promotion – assessing the best method of addressing the properties and benefits of a product/service to customers (Horáková 2014, 26).

If all elements are harmonized, they have a synergic effect. When describing services, 7P is used. It is an extended version of 4P, where elements such as Personnel, Physical evidence, and Process are added (Kozel, Mynářová and Svobodová 2011, 44).

### 3.1.10 Management and the proprietors of the business

According to Butler (2000, 16-17), this part describes the proprietors or main people involved in the process of setting up and operating a business. He also advises including a description of special skills or abilities that will lead to success. Koráb, Peterka, and Režňáková (2007, 89) add that the author is supposed to provide a detailed description of human resources and their exact specialization and position within a company.

It is important to keep in mind that different legal entities (such as limited liability companies) require establishing of the Board of Directors. In such a case, the name of the chairperson should be included in a business plan. Mentioning the names of potential investors is also important (Abrams 2019, 77).

### 3.1.11 Financial plan

In order to have a feasible business, the following documents should be prepared: an income statement, a cash flow statement, and a balance sheet. It is important not to underestimate financial planning because almost every activity in business has an impact on its finances. The main purpose of creating mentioned documents is to find out the amount of money needed to have a successful business (Granger and Sterling 2012, 244). Abrams adds that a business plan should contain a break-even analysis which shows the point at which sales surpass costs and a business will begin to generate a profit. (Abrams 2019, 297).

According to Shelton (2017, 182), the author of a business plan is supposed to describe the following elements:

1. How much funding is needed?



2. For what purposes?
3. From which sources?

Then, the next step is to raise funds, implement programs, and generate business and cash flow. Valentin (2015, 196-198) states that family members and close friends are also good protentional sources of capital because the founders should wait to reward contributors until they can afford it. Another method of raising capital is crowdfunding because it allows raising money without promising contributors a repayment. Some companies might take business loans that have to be repaid with interest. However, the applicants' income must be big enough to repay them.

**3.1.11.1 Balance sheet**

Brigham, Ehrhardt, and Fox 2019, 67) claim that the balance is “a snapshot of a firm’s position at a specific point in time.” The company’s assets are shown on the left side, and the liabilities are shown on the right side. For the purposes of an accurate depiction of the balance sheet that is used in the Czech Republic, the structure of Table 1 follows the balance sheet described by Čižinská (2018, 50).

Table 1: Balance sheet (Brigham, Ehrhardt and Fox 2019, 70; Čižinská 2018, 50)

<b>ASSETS</b>	<b>LIABILITIES</b>
<u>Current assets</u> <ul style="list-style-type: none"> <li>- Inventory</li> <li>- Debtors</li> <li>- Cash</li> <li>- Short term investments</li> <li>- Receivables</li> </ul>	<u>Non-current liabilities</u> <ul style="list-style-type: none"> <li>- Long term debt</li> <li>- Pension fund provisions</li> <li>- Tax liabilities</li> <li>- Other provisions</li> </ul>
<u>Non-current assets</u> <ul style="list-style-type: none"> <li>- Intangible assets</li> <li>- Buildings</li> <li>- Plant and machinery</li> <li>- Accumulated depreciation</li>   <li>- Inventory</li> <li>- Debtors</li> <li>- Cash</li> <li>- Short term investments</li> </ul>	<u>Current liabilities</u> <ul style="list-style-type: none"> <li>- Loans</li> <li>- Trade creditors</li> <li>- Other</li> </ul>

- Receivables	
<u>Goodwill</u>	<u>Shareholder's equity</u>
	- Common stock
	- Retained earnings
	- Reserves
	- Share premium
TOTAL ASSETS EQUALS TOTAL LIABILITIES	

### ***3.1.11.2 Income statement***

The income statement shows the company's revenues, costs, and profit for a certain period of time. However, incomes and expenditures are not shown. (Růčková 2007, 33). Revenues and costs are in the profit and loss statement divided into three big groups: from operating activities (main activities of a business), financial activities (interests from deposits or loans), and from extraordinary activities (compensation for damage caused by a natural disaster, unexpected damages on a company's property) (Moneta Money Bank).

### ***3.1.11.3 Cash flow statement***

Cash flow describes the real flow of money and shows its resources in a company. Its analysis is based on income and expenses. Creating a cash flow statement can be done by using two approaches – direct and indirect methods. The direct method focuses on discovering incomes and expenses. However, this method is difficult because double-entry bookkeeping does not have account for incomes and expenses. Creating cash flow without accounting – analyzing financial operations in bank accounts and cash desk is time-consuming and not effective. The indirect method is focused on a profit and loss statement. The value of profit or loss (the difference between revenues and expenditures) is adjusted with differences between the articles of a balance sheet that express the difference between revenue, and expenditure flows and income and expense flows (Sedláček 2011, 43-52).

### ***3.1.11.4 Break-even point***

According to Jiránek (2018), a break-even point represents an important milestone in the company's business operations. In order to reach this point, sales and total costs must be equal. The following formula is used to calculate the break-even point:

$$\text{BEP} = \text{Fixed costs} / (\text{Price} - \text{Variable costs})$$

Taušl, Procházková, and Jelínková (2018, 49) add that a breakeven point analysis is used to determine the number of products that the company has to produce or to set the minimum price at which the company will not be at a loss.

### **3.1.12 Development, milestones, and exit plan**

Abrams (2019, 272-283) states that one of the most crucial aspects of business planning is to define the long-term goals of a business. It is advised to plan ahead and establish milestones to keep the business on track. It is important to state the objectives and then measure if the business is making any progress. Furthermore, investors are usually interested in this part because it shows what they get in return. Creating a milestone list enables the founders to see what the business is trying to achieve and define objectives. It is important to include probable dates of achieving mentioned milestones. Authors should also describe their vision of the company's future – new locations, strategic partnerships, etc. While creating an exit plan, a business has several options, the most common are to go public, initial public offering, or the sale of the company.

## **II. ANALYSIS**

## 4 TITLE PAGE



Figure 1: Logo of the Ženám (by Sára Hajasteková)

*“Change will not come if we wait for some other person, or if we wait for some other time. We are the ones we've been waiting for. We are the change that we seek.” — Barack Obama*

Company name: Ženám

Founder: Angelika Šišková

Legal form: Sole proprietor

Contact information:

- Mobile phone: +420 981 766 982
- E-mail: zenam@gmail.com

Residency: Prostřední 6506, 760 01 Zlín

## **5 DESCRIPTION OF THE COMPANY**

Company Ženám sells unisex T-shirts with a unique design and motive behind them. Products are made for customers from 16 to 45 years of age. Although it might look like this collection is targeted at women's audience only, the issue of domestic violence is present in the whole society. Having unisex sizes allows people of various genders to support our mission and to have a fashionable piece of clothing (but it is expected that the majority of the customers will be women). Five percent from each purchase will be donated to the ROSA Centre, which main goal is to help victims of domestic violence through registered social services. (ROSA Centre) The name of this project in Czech means that buyers are giving money and helping WOMEN – ŽENÁM. No similar projects exist in the Czech Republic. Therefore, Ženám would represent an important milestone in helping victims of domestic violence.

### **5.1 Company's objectives**

Despite the that we live in an advanced society, innocent women are exposed to domestic violence each year. The biggest goal of Ženám is to help these victims because this problem is often overlooked. The exact usage of money donated to the ROSA Centre will be negotiated with the owners, but it is essential to raise more awareness about this issue and spread the knowledge through various workshops.

### **5.2 Merchandising**

The collection will consist of unisex T-shirts in M, L, and XL sizes. The sizing is limited because the goal of Ženám is to penetrate the market as soon as possible. Creating a minimum viable product allows to sell collection sooner, and it also provides helpful feedback from customers because the further expansion of production will be performed based on their wishes.

The supplier can be found on the website [Merchyou.cz](https://merchyou.cz) under Build Your Brand. The T-shirts have a casual fit and are made from 100% cotton. The products will be distributed to customers via Zásilkovna.



Figure 2: T-shirt Ženám (by Sára Hajasteková)

The design is the same as the logo, and it symbolizes a woman with one covered eye, which depicts shame or guilt. Also, punching usually leads to a black eye. The design also underlines this because victims typically try to cover it and are silent about this uncomfortable situation. The shut mouth represents silence and shyness.

The primary colors of this collection are white, black, and red. White was chosen to be the main color of this collection because it is associated with innocence. Red represents courage and black power. Combining these three colors makes the perfect depiction of the company's objectives.

### 5.3 Legal form

The founder is Angelika Šišková. Despite the fact that the type of a business can be changed in the future, choosing the right type depends on the subject of business activities, number of founders, and required capital. As e-commerce, the company Ženám does not have to be a limited liability company. Having a trade license and operating as a sole proprietorship is enough; hence the founder does not have to pay an initial deposit, only 1,000 CZK fee at the Trade Licensing Office. Furthermore, there will be only one founder, Angelika Šišková. Therefore, having a trade license is a suitable option.

The company will operate under a trade license, with the specification "Providing Trade and Services and Designing, Styling activity and Modelling" (points 48 and 67 in the Commercial Code) (iPodnikatel 2020).

#### **5.4 Location and operating area**

Because Ženám is e-commerce, no physical store is required. The company's main activities will be done via social media platforms, mainly Facebook and Instagram; hence they provide an option to sell via them. It allows saving significant amounts of money because creating an own e-shop will not be a necessity. The address of a business and a warehouse will be the same: Prostřední 6505, Zlín.

#### **5.5 Management and properties of a business**

Ženám will be a small company that will consist of only two employees – the founder, Angelika Šišková, and an external accountant. Even though creating merchandise involves working with various people, for example, graphic designers, marketing experts, etc., the company will not offer them employment; instead, it will use the services of a Bajan company, which is a marketing agency. Due to the costs, the founder will employ Patrícia Križovská after the first year of the company's existence. The gross wage for Patrícia will be set to 24,000 CZK per month. However, her wage might be bigger, and it will depend on the company's profit.

The founder, Angelika Šišková, is the owner of the company Ženám. Her responsibilities will include managing the day-to-day operations– calling suppliers, packing and shipping orders, communicating with clients, dealing with finances, picking up merch from suppliers, and administrating Facebook's and Instagram's marketplace. Also, she will oversee negotiating terms and conditions under which the company will support ROSA Centre. She owns a camera and can edit photos in Photoshop and Lightroom; hence she can create a part of the content for social media by herself. The amount of her monthly wage is not fixed because the company Ženám is registered under free trade.

The company will hire the accountant externally, and she will be paid 4,000 CZK every month. Her duties will include keeping accounts every month and processing an annual tax report (which costs 10,000 CZK). Therefore, the monthly costs for the accountant are 4, 833 CZK.

In order to successfully reach online customers, create social media content, and develop a strategy to hit the target customers, the services of a marketing agency will be used. The founder had her practical training in the Bajan company, which employs graphic designers, social media managers, copywriters, and software developers. Managing Facebook and Instagram (including the work of graphic designers) will cost 35,000 CZK per month. The monthly post-plan consists of 10 Facebook posts (including FB stories) and 20 Instagram



posts (including IG stories). Additional services include creating and implementing social media campaigns.

## 6 MARKET ANALYSIS

In order to successfully analyze the market, two analyses are required to perform – PEST analysis and SWOT analysis. PEST analysis will be done by using data mainly from the Czech Statistical Office and assessing various macroeconomic factors. On the other hand, performing the SWOT analysis will include evaluating possible microeconomic elements mainly from the founder's point of view.

### 6.1 Market size and target market

The data from the census held in 2021 shows there are 50.7% women and 49.3% men in the Czech Republic. The average woman is 44,1 years old, and the average man is 41,2 years old. There are 63.5% of citizens of productive age (Černý 2022). The average age of citizens in the Czech Republic fits into Ženám's target group.

There were 4, 115, 594 citizens (both male and women) in the Czech Republic from the target group by 2020. Because the latest census was held in 2021, only preliminary results are currently available. In order to calculate the number of women in a target group, the data from 2020 must be used. There were 1, 995,208 women between 16 to 45 years old in the Czech Republic (Český statistický úřad 2020). This number is the estimated target market size for the company Ženám.

#### 6.1.1 Customer

It is expected that a usual customer will have the following characteristics:

- The monthly wage around 20,000 - 25,000 CZK or more
- The will to help and support domestic violence survivors
- Is not greedy and has a sense of fashion

Because company Ženám is e-commerce, customers are expected to have their own mobile phones or computers and use social media because the majority of promotion will be focused on the online environment. The target customers are from 16 to 45 years old. Therefore, most of them use social media on a daily basis.

#### 6.1.2 PEST Analysis

This analysis describes the macroeconomic factors that might have an impact on a company Ženám. It is mainly focused on evaluating global and domestic political and economic situation, describing social situation in the Czech Republic and looking at the latest e-commerce and fashion trends.

### 6.1.2.1 *Political factors*

The new Prime Minister is Peter Fiala, and he is a member of the Civic Democratic Party. The aim of this political party is to lower taxes and give more freedom to the entrepreneurs. The emphasis is put on individualism and the free market, which is the key factor in overall economic prosperity (OSD).

The new government agreed on the final Government Statement, which states that:

- it will be possible to have accountant records in euros
- entrepreneurs and companies will have less bureaucratic duties
- there will be more focus on medium and small companies, and they will receive donations easier (Vláda České Republiky 2022). This is also mentioned in the Support Strategy for Small and Medium Enterprises. Its main goal is to increase productivity and competitiveness, which will contribute to strengthening the international position of the Czech Republic in the field of research and innovations (Ministerstvo průmyslu a obchodu 2021).

Regarding these statements, the new government has a pro-business attitude. Due to its aims, the whole process of establishing own business, receiving donations, and being an entrepreneur will be significantly easier.

The sole proprietor must pay 2,841CZK as social insurance and 2,841CZK as health insurance every month. Compared to 2021, social insurance rose by 253 CZK, and health insurance rose by 243 CZK (Bureš 2021). Other important duties of sole proprietors include:

- Proving an overview of their incomes and expenses for the calendar year
- Filling in a tax return – this is required only if the entrepreneur's annual income is higher than 15,000 CZK (iDoklad 2022).

Compared to 2021, the tax discount for sole proprietors grew by 3,000 CZK. The total amount is 30,840 CZK. The tax rate remains the same – 15% (BusinessInfo 2022). All regulations that sole proprietors must follow are stated in The Commercial Code and in The Labor Code.

The duty to electronically monitor sales was suspended since the Covid – 19 outbreak. However, the entrepreneurs in the Czech Republic will not be required to electronically monitor their sales from the beginning of 2023 because the government is not going to further operate with the EET system. It is crucial to note that the full act is still being discussed. Therefore, there might be some additions to it in the future (etržby 2022).

Concerning the geopolitical situation, there are significant changes in the European Union due to the Russian war against Ukraine. The prices of energy and other commodities are rising, and this trend is very likely to continue. The war also significantly impacts the neighboring countries due to the Ukrainian refugees and dependence on the gas from Russia. Leaders of the EU agreed to phase out the dependence on the Russian gas, oil, and coal imports and find acceptable alternatives. Therefore, it is expected that the prices of these commodities will be higher in the future. When creating a financial plan for a business, the authors should consider this expected expansion of prices. Higher prices of gas can have an impact on delivery and material costs (Borrell 2022).

### **6.1.2.2 Economic factors**

The board of CNB increased the two weeks repo rate to 4.5%, the discount rate to 3.5%, and the lombard rate to 5.5%. The new rates have been valid since the 4<sup>th</sup> of February, 2022 (Česká národní banka 2022). The increase has an impact on the consumers because the interest rates will be higher on deposit and loan products.

The minimal gross wage in the Czech Republic is 16,200 CZK per month (or 96.40 CZK per hour) since January 2022. This amount only applies to a 40-hour working week. Compared to the 2021, the minimal gross wage rose by 1,000 CZK (Ministerstvo práce a sociálních věcí 2021).

The average rate of inflation was 3.8% in 2021, and its rate had been the highest since the 2008 (Česká národní banka). The Czech Statistical Office published an official rate of inflation in 2022, which is 6.1%. However, this value is expressed by increasing the average annual consumer price index (Český statistický úřad 2022).

The CNB reacted to this increasing trend by raising key interest rates. The current situation is caused by the shortage of many materials that lead to high production expenses and expensive electricity and gas. However, the key element is the rapid growth of expenses in many Czech companies, and this is reflected in higher prices. Some companies are still suffering from the covid-19 restrictions that didn't allow them to operate as usual, and they were forced to drastically limit their business activities (Česká národní banka 2022).

Compared to 2020, the Czech economy rose by 3.3%. The growth of GDP rose from 3.3% to 3.6% in the fourth quarter of 2021. Despite the covid-19 economic impact, the forecasts for 2022 are positive, and the Czech economy might reach its pre-pandemic condition (České noviny 2022).

**6.1.2.3 Social factors**

The Czech Republic had 10,516,707 citizens by 31.12.2021. Compared to 2020, the population has decreased by 185,293 citizens (Český statistický úřad 2021). The rate of unemployment has risen to 3.5%. But according to the director of the Labour Office, Viktor Najmon, the unemployment rate always rises at the end of the year due to seasonal unemployment (Seznam správy 2022). The Finance Ministry estimates that in 2022 will be the rate of an unemployment 2.7% due to the high job demand in certain sectors and less covid-19 restrictions (Žurovec 2021).

The rate of employment from 15 to 64 years old is 74.8%. Concerning this information, the majority of people from Ženám’s target group are employed (Český statistický úřad 2021). Therefore, they can afford to spend excess money.

The average age in the Czech Republic was 42.6 years old by 2020. Compared to the previous years, the trend is increasing. According to the Czech Statistics Office, for the last 20 years, the average age in the Czech Republic has increased by 4,3 years.

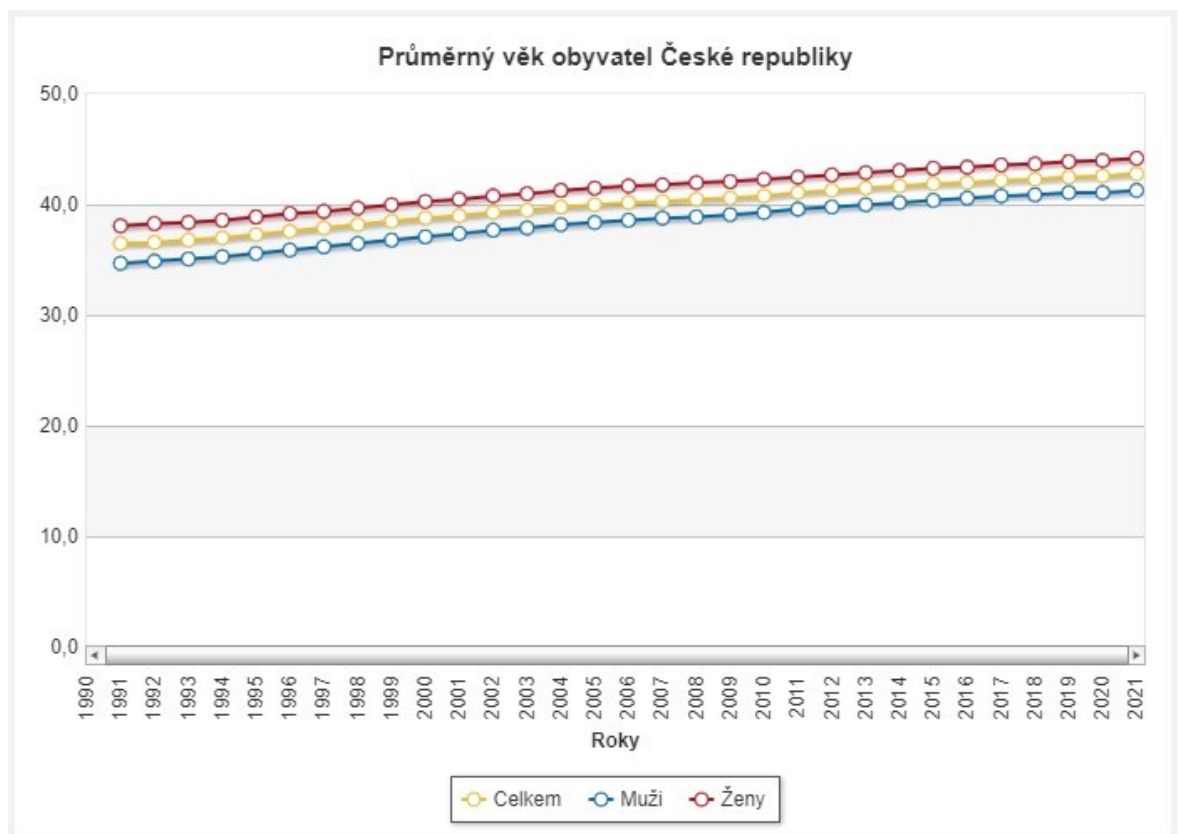


Figure 3: The growth of average age in the Czech Republic (Český statistický úřad 2019)

Regarding this increasing trend, the average age of the Czech population may be higher each year. Therefore a new target group might be added to fulfill the market needs, but this is not a priority for a company.

#### 6.1.2.4 Technological factor

Data from the website “Česká e-commerce” shows the annual growth of e-commerce by 18%. Samuel Huba, the founder of Shoptet, states that the Czech Republic is the kingdom of e-shops (Česká e-commerce). Therefore, fashion e-commerce Ženám has the potential to be a successful project.

Langerová (2021) published an article stating that the Czech e-commerce market expanded rapidly in 2020. The share in retail exceeded 16%, which means that the annual growth was 3%. Because people were forced to stay at home due to the covid-19 restrictions, they have learned how to shop online. Therefore, it is the right time to launch a new business online.

Data from 2020 shows that 81.3% of the population in the Czech Republic use the internet (The World Bank 2020). One of the new government’s aims is to support building high-speed networks in the whole Czech Republic. This would enable more people to use the internet. Therefore, it will have a positive impact on e-commerce.

#### 6.1.3 SWOT Analysis

It is possible to create a SWOT analysis for the business Ženám. The table below describes its strengths, weaknesses, opportunities, and threads.

Table 2 Swot analysis (Own creation)

STRENGTHS	WEAKNESSES
No similar projects exist	Expensive promotion
Unique design	Limited variety of sizes and designs
A percentage from each purchase is donated to the ROSA Centre	No physical store
Unisex T-shirts made from high-quality materials	It might be a sensitive topic for some people
Buyers will directly contribute to the better future	Price

OPPORTUNITIES	THREADS
An ability to collaborate with interesting influencers and celebrities	High inflation
Helping domestic violence victims	Expected economic crisis
Changing the lives of many women	Possible direct competition in the future
Writing blog, having a Spotify account Launching own e-shop	

A SWOT analysis illustrates the potential success or failure of Ženám. The biggest strength is that no similar projects exist, and the company Ženám will forever be the first project of this kind. Unique and minimalistic design can be combined with everyday outfits. Therefore, the customers can create many outfit combinations. Unisex sizes allow women and men to wear this collection, so there is no distinction between genders. The additional value of this collection is that a percentage of each purchase is donated to the ROSA Centre, which helps victims of domestic violence. ROSA Centre was chosen because they provide help to the victims of domestic violence, and they also want to contribute to a society with no respect for violence. The mission of this organization is to reduce violence with prevention. Donating money to them would improve and probably expand currently offered services, and it would allow to come up with new workshops that would take place in more regions of the Czech Republic.

Because this project is just at its beginning and it does not have a big support base, the promotion will be more expensive due to the intense campaigns, paid ads, and collaborations with influencers. The first collection will consist of one type of T-shirt, and it might be a possible weakness due to the limited options available. Having no physical store is will lower expenditures, but at the same time, potential customers will be unable to try T-shirts. Also, some people might not be able to afford to buy this collection, and it might be a sensitive topic for some domestic violence victims.

However, there are several unique opportunities. Because domestic violence is a problem that occurs in modern society, spreading knowledge is essential. This gives Ženám a chance to collaborate with many influencers and celebrities that will further spread the message of this project on their social media platforms. Creating a community of people will make a big step forward to a better future where the lives of many abused women will be changed. Many e-commerce fashion projects have their e-shops. However, the e-shop Ženám would also contain its blog where domestic violence survivors' stories would be

published (after their consent). It would also be a great platform to spread knowledge about this issue in society.

Due to the unstable economic situation, many threads can influence Ženám's business operations. The inflation rate has rapidly increased. The trend is likely to continue due to the current global events, and it can affect the prices of materials. It is expected that potential direct competitors might be a threat to company Ženám in the future.



## 7 COMPETITION ANALYSIS

This chapter of a business plan deals with competition. Because project Ženám is fashion e-commerce, analyzing the Czech online market is required. Furthermore, it is necessary to describe major worldwide online competitors due to the accessibility of the internet.

### 7.1 Indirect competition

The category of indirect competition includes all products that are not similar but satisfy the same consumers' needs. The main goal of project Ženám is to help; therefore, indirect competition might consist of projects that are aimed at helping specific organizations or charities.

#### 7.1.1 Brand bez domova

As the title says, the clothing brand focuses on helping homeless people. Each piece of merch is unique because it is custom-made in sheltered workshops. The first project that this brand supports is supposed to be Azylaky. cz. The website is a portal that shows all shelters for homeless people in the Czech Republic. However, Brand bez domova also supports people with handicaps by providing them employment in sheltered workshops. Longer delivery due to the custom-made pieces of clothing is the main disadvantage. (Brand bez domova)

#### 7.1.2 Robin Veselý

Despite the fact that this creator's main purpose is not selling clothes or donating money, Robin has a collection of T-shirts and hoodies that are sold via Instagram. His designs are very minimalistic, and they usually consist of plain text on the front side and the logo on the back side. His target customers are expected to be in the same age group as the Ženám's target customers. Also, his promotion activities include creating podcasts on Spotify and creating content on Tik Tok. This artist also uses Instagram as a place where he sells his merch. Therefore, his selling is similar to Ženám's plans. His social media content does not focus only on promoting his merch but also on spreading knowledge about his philosophy and holistic approach to health. This creator has similar goals as project Ženám – to raise awareness. Therefore, he is a valid competitor.

#### 7.1.3 Dedoles

Dedoles is another fashion brand that sells merch and donates a certain percentage of their profit to projects that mainly deal with ecology. Their activities are also oriented toward helping and educating people with handicaps. Furthermore, the business supports single

parent-families by providing them long-term humanitarian aid and complex professional help. Although Dedoles is a Slovak brand, including this competitor is worth mentioning because this business also operates in the Czech Republic (Dedoles).

## **7.2 Direct competition**

Because Ženám is a unique project, it does not have direct competition in the Czech Republic. No identical project exists. Klára Šplíchalová, the general director of the Donors Forum, states that Czechs like to provide help to people that need it. In 2021, the charity organizations in Prague received donations worth 800 million CZK (Šmerglová, 2021). However, some companies or sole proprietors might not state the donations in their tax returns; therefore, the amount of money can be larger. Hence the project Ženám has a long-term potential to be a successful business.

## **7.3 Competition summary**

Due to the unique concept of a company Ženám, the business will not have any direct competition, which is a big advantage. The biggest thread that might affect Ženám is Dedoles because customers can support various projects. Therefore, people with different preferences are attracted. Ženám is, on the other hand, only focused on helping only one area - domestic violence victims.

## 8 MARKETING PLAN

This chapter deals with the description of a marketing mix – product, price, place, promotion. In order to have a successful business, founders should describe each of these elements in detail. However, with the expansion of the business, their description will change.

### 8.1 Product

Ženám is a unique project that sells a collection of T-shirts. A certain percentage from each purchase will be donated to ROSA Centre. In order to penetrate the market quickly, a minimal viable product will be offered.

The minimal viable product consists of one T-shirt with a printed logo. T-shirts will be in sizes S – XL, in white color, and they are unisex; therefore, every gender can wear them. The T-shirt's fit is supposed to be oversized because this fit is popular nowadays. The customer can wear the T-shirt with jeans or leggings. The T-shirt can also be worn with tights or as a dress. Unlimited ways of styling show that brand Ženám offers fashionable products that can be worn on different occasions by different people.

Products will be packed in plastic packaging. The customer will receive a thank you leaflet in A5 format. In order to enhance the experience of opening a package, each product will be sprayed with a vanilla scent.

### 8.2 Price

The products must be slightly more expensive, due to the company's objectives. Also, Ženám is not a charity. It is a business whose goal is to make a profit. The price for one T-shirt is set to 1,000 CZK and includes 5% donation to the ROSA Centre. The shipping will be paid by the customer.

### 8.3 Place

The warehouse will be located in Zlín. The founder, Angelika Šišková, lives in a three-story house with her own room, where the office will be. All materials and products will be stored in her spacious room, which will serve as a station for packing orders. Shipping will be done via Zásilkovna. Customers will have two shipping options: standard delivery to address or to Zásilkovna's point. Table below shows the costs of shipping.

Table 3 Delivery options (Zásilkovna 2022)

OPTION	PRICE
Personal pick – up	Free
Zásilkovna – standard delivery to address	From 79 CZK + 12 CZK for cash on delivery
Zásilkovna’s point	From 47 CZK + 12 CZK for cash on delivery

The company’s business activities will be performed via social media platforms. In order to save costs, no e-shop will be created at the beginning. Products will be sold via Facebook and Instagram Marketplace. Also, most of the communication with customers will be done via these two social media platforms. The Facebook and Instagram accounts of Ženám will contain all necessary information about the company, such as contact information, return policy, shipping, payment methods, etc.

## 8.4 Promotion

Because one of the Ženám’s objectives is to create a better society for women, the promotion of merch and the spread of knowledge will be necessary. Most of the promotion will be done online via social media platforms and Google ads. Also, there will be podcasts on Spotify. After an expansion of the company, new promotion options will be introduced, for example, blogs or more expensive social media campaigns. Offline promotion includes participation in a start-up-oriented event, Můj první million.

### 8.4.1 Social media

According to the Český statistický úřad (2021), there are 4,938,000 social media users that have more than 16 years in the Czech Republic. The number of users represents 56.3% of the population of this age. The statistics is from the year 2021, and compared to the year 2020, the annual growth of social media users was 2.5%. Most social media users are in the age range of 16 to 24 years. Most users are women (58%) (Media Guru 2021). Social media accounts will be mainly administrated by the Bajan company. Despite the fact that the marketing agency will be hired, all communication with clients will be done by the founder Angelika Šišková. It is important to keep in with customers and respond to their feedback personally, not with the help of a marketing agency. Building good relationships with customers is crucial for company Ženám.

#### **8.4.1.1 Facebook**

Facebook is the leading social media platform in the Czech Republic, with 6,500,000 users (Česká tisková kancelář, 2021). Creating a Facebook page is free, and the whole process is quick. Facebook Business Manager allows administrating pages effectively. In order to introduce company Ženám to an online environment, several campaigns must be created. The first Facebook campaign will be aimed at introducing the problem of domestic violence, and its budget will be 4,000 CZK. The second campaign will be aimed at showing merch, its budget will be 2,000 CZK, and it will be primarily targeted at Zlín's area. Due to the rich experiences of the Bajan company, more expensive campaigns will not be necessary.

Mainly women create the target audience from 16 to 45 years old. Creating visually appealing and interesting content that will grab their attention is necessary. The company will be active in Facebook groups where might be a target audience, for example, in group Pro Ženy or Ženy ženám.

#### **8.4.1.2 Instagram**

Instagram is the second most popular social media platform in the Czech Republic with 2,900,000 users (Česká tisková kancelář 2021). The app is popular among the younger generation and gives more space to interact with the audience via live streams, quizzes, showing the project's background through Instagram stories, etc, Even though Facebook has nearly identical functions, their usage is much more popular on Instagram. By switching the Instagram regular account to professional, several tools are unlocked. The owner of the account can see functions as advertisement tools and statistics. Analyzing data from these functions can contribute to creating more suitable content and effective campaigns. There will also be two campaigns on Instagram – one for 3,000 CZK and the second one for 1,000 CZK. Because the Facebook page will contain a link to Ženám's Instagram account, some users may discover the company's Instagram page from Facebook campaigns.

In order to promote products even more effectively, company Ženám will cooperate with influencers. The goal is to have partnerships with influencers that are followed by the target audience. Despite the fact that the company will not cooperate with the largest influencers, calculating estimated costs for partnership is difficult because influencers charge the amount of money based on the length of cooperation, requirements of a company, or the number of followers. Therefore, the rough estimated cost for cooperation with five influencers is 35,000 CZK. The company will have paid partnerships with @duhovka.ink, @lenabrauner, @sharlotaofficial, @koki9\_official, and @annetx.

The graphical layout of Instagram's feed will be focused on the company's colors – black, white, and red. Highlight stories will show the company's background – the process of printing designs on t-shirts, packing orders, etc.

#### 8.4.1.3 Tik Tok

This Chinese app has 1,500,000 users in the Czech Republic and is popular among the younger audience (Svoboda, 2021). Creating short videos with trending music might attract new potential customers. Despite the fact that the company's goal is to help survivors of domestic violence, which is a serious subject, the content on this social media platform will be adjusted to catch users' attention. Not every Tik Tok video is about performing the latest dance moves in a parking lot. Some creators address serious issues, and they still manage to reach their target audience. The advantage of Tik Tok videos is that some of them blow up overnight. Therefore, the company will not cooperate with any influencers or pay for campaigns on this app.

Table 4 Costs for online promotion (own creation)

PROMOTION	CZK
Services of Bajan company	37,000 per month
Facebook	6,000
Instagram	39,000
Tik Tok	0
Spotify	0
<b>Total</b>	<b>82,000 CZK</b>

#### 8.4.2 Offline promotion – Můj první million

Technical Innovation Centre in Zlín annually organizes an event called Můj první million, whose main goal is to develop business ideas. The participants are mentored by professionals to create a functional business plan and then present it to the special committee consisting of various entrepreneurs. The main advantage is that there is a high possibility of attracting potential investors and having access to exclusive contacts. The participants will also gain valuable experience. The winner can receive an investment of up to 1,500,000 CZK. The first prize is 70,000 CZK to start a business and free office for one year in the TIC

building. There is no registration fee. Therefore the competitors do not have any expenses (Můj první milion).

## 9 FINANCIALS

This chapter describes the financial plan of the company Ženám. In order to establish a business, an initial deposit of 300,000 CZK is required. The founder, Angelika Šišková, will pay it from her own savings. Also, her parents will financially support her at the beginning. Therefore, no loan is required. This project will also be introduced on the crowdfunding platform Donio.cz. The founder will have feedback from donors on whether the business is worth establishing, and the company can also gain money. However, the charts below do not include the money gathered from this platform because it is hard to estimate the exact amount.

Subchapters of a financial plan include calculating fixed and variable costs, break-even point calculation, and estimated revenue plan for realistic, pessimistic, and optimistic situations. It also contains three important documents – balance sheet, income statement, and cash flow.

### 9.1 Initial Costs

The initial costs of the company Ženám are described in a table below.

Table 5: Initial costs (own creation)

START UP COSTS IN CZK	
T-shirts – 200 pieces	32,850
Screen printing for 200 pieces	4,124
Packaging - 200 pieces	540
A5 leaflets – 200 pieces	637.54
Shipping for all the things above	360
Trade license	1,000
Influencers	35,000
Services of the Bajan company	36,700
Social media campaigns	10,000
EQUIPMENT IN CZK	
Labels for shipping	228
Two steam irons	3,200
Lint roller	150
PC screen	3,990



INITIAL COSTS TOTAL	128,779.54
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The total initial costs for establishing business Ženám are **128,779.54 CZK**. The company will have 200 pieces of T-shirts on stock before any business operations because there might be a bigger demand for certain sizes and, also some T-shirts might damage. Therefore, it is appropriate to have a reserve on the stock. The founder will be able to see if the quality of screen printing is sufficient before officially selling the T-shirts. Due to no available data on the internet about the shipping, the table contains only the estimated, amount which is 90 CZK for each shipping.

## 9.2 Fixed Costs and Variable Costs

It is important to note that the founder's wage is not included in these calculations because it will depend on the company's profit.

Table 6: Monthly fixed costs (own creation)

MONTHLY FIXED COSTS IN CZK	
Health insurance owner	2,627
Social security owner	2,841
Services of the Bajan company	37,000
Accountant (external employee)	4,833
Car (fuel, insurance, and others)	5,158
Rent	6,000
Mobile phone fee	859
Office supplies	300
Labels for shipping	168
Basic bank account in ČSOB	25
Lint roller	150
<b>TOTAL</b>	<b>60,575</b>

Table 7: Monthly variable costs (own creation)

MONTHLY VARIABLE COSTS IN CZK	
T-shirts – 134 pieces	22,009.50
Screen printing	1,938.67

Packaging for 134 pieces	322.94
A5 leaflets – 134 pieces	100.06
<b>TOTAL</b>	<b>24,371.16</b>

Monthly fixed costs are calculated to be **60,575 CZK**, and they reflect the equipment and necessary expenses for the company's business operations. Monthly variable costs are calculated to be **24,371.16 CZK**, and they depend on the volume of production. Their gradual growth is visible in the following tables. The calculation of monthly variable costs is derived from the estimated revenues of 1,600 pieces for the first year. It is important to note that the customer will pay for the shipping by himself. Therefore, the calculations do not include the company's expenses for shipping because the customer will repay them.

Table 8: Fixed costs for the first year (own creation)

FIXED COSTS FOR THE FIRST YEAR IN CZK	
Health insurance owner	31,524
Social security owner	34,092
Services of the Bajan company	444,000
Accountant (external employee)	58,000
Car	61,891.08
Rent	72,000
Internet	7,368
Mobile phone fee	10,308
Printer ink	3,600
Labels for shipping	2,016
Basic bank account in ČSOB	300
Lint rollers	1,800
<b>TOTAL</b>	<b>726,899.08</b>

Table 9: Variable costs for the first year (own creation)

VARIABLE COSTS FOR THE FIRST YEAR IN CZK	
T-shirts 1600 pieces	262,800
Screen printing	23,264
Packaging	3,875.27

A5 leaflets - 2000 pieces (no other option is available)	1,200.66
<b>TOTAL</b>	<b>287,264.66</b>

The company expects to sell 1,600 T-shirts during the first year. The fixed costs are calculated to be **726,899.08 CZK**, and variable costs are calculated to be **287,264.66 CZK**. The company PrintWorld only provides an option to print 2,000 leaflets; therefore, there will be 400 leaflets left. This number is taken into account in the calculation of variable costs for the following years.

Table 10: Fixed costs for the second year (own creation)

FIXED COSTS FOR THE SECOND YEAR IN CZK	
Gross wage for an employee	288,000
Insurance employee	129,024
Insurance owner	65,616
Social security owner	34,092
Services of Bajan company	444,000
Accountant (external employee)	58,000
Car	83,000
Rent	72,000
Internet	7,368
Mobile phone fee	10,308
Printer ink	3,600
Labels for shipping	2,016
Basic bank account in ČSOB	300
Lint rollers	1,800
<b>TOTAL</b>	<b>1,165,032</b>

Table 11: Variable costs for the second year (own creation)

VARIABLE COSTS FOR THE SECOND YEAR IN CZK	
T-shirts - 2600	427,050
Screen printing	37,804
Packaging	6,167.07

A5 leaflets - 2500 pieces (no other option is available)	1,357.08
<b>TOTAL</b>	<b>472,378.15</b>

The fixed costs for the second year are calculated to be **1,165,032 CZK**. The company will now have an employee – Patrícia Križovská. Her social insurance is 31.3% from her gross wage and the health insurance is 13.5% from her gross wage (Měšec, 2022). Also, the additional services of an accountant (processing payrolls) are required. Also, there is an estimated increase in gas and energy prices.

It is expected that the company will sell 2,600 pieces of T-shirts during the second year. Therefore, the variable costs are calculated to be **472,378.15 CZK**.

Table 12: Fixed costs for the third year (own creation)

FIXED COSTS FOR THE THIRD YEAR IN CZK	
Gross wage for an employee	288,000
Insurance employee	129,024
Insurance owner	65,616
Services of Bajan company	516,000
Accountant (external employee)	58,000
Renting an e-shop	17,400
Car	83,000
Rent	72,000
Internet	7,368
Mobile phone fee	10,308
Printer ink	3,600
Labels for shipping	2,016
Basic bank account in ČSOB	300
Lint rollers	1,800
<b>TOTAL</b>	<b>1,254,432</b>

Table 13: Variable costs for the third year (own creation)

VARIABLE COSTS FOR THE THIRD YEAR IN CZK	
T-shirts - 3800	624,150

Screen printing	43,620
Packaging	8,775.46
A5 leaflets - 3500 pieces (300 pieces are left)	1,687.96
<b>TOTAL</b>	<b>678,233.42</b>

The third year is estimated to be an important year for the company because Ženám will have its own e-shop; therefore, all selling activities will be focused there. This is reflected in the calculation of fixed costs. The company will only rent an e-shop, which will cost 17,400 CZK per year. Ženám will also use more extended services of the Bajan company. Therefore, the fixed costs for the third year increase by 89,400 CZK are calculated to be **1,254,432 CZK**. The company expects to sell 3,800 T-shirts in the third year. Variable costs are calculated to be **678,233.42 CZK**.

### 9.3 Balance sheet

Table 14: Starting balance sheet (own creation)

ASSETS	CZK	LIABILITIES	CZK
<u>Non-current Assets</u>	300,000	<u>Equity</u>	300,000
Inventory	7,568		
Stock	34,027.54		
Establishing expenses	1,000		
Cash and bank accounts	257,404		
<u>Current Assets</u>	0	<u>Current Liabilities</u>	0
<b>ASSETS TOTAL</b>	<b>300,000</b>	<b>LIABILITIES TOTAL</b>	<b>300,000</b>

This balance sheet illustrates the company's situation before any business activities. Because Ženám is e-commerce, there is no need to have non-current assets. The founder already has

a car, and she will not register it under her company. Therefore, the company only owns current assets.

#### 9.4 Break-even point

The price of one T-shirt is set at 1,000 CZK. Assessing the variable and fixed costs, the break-even point is 888 T-shirts sold (after rounding). This amount is reflected in the revenue plan.

#### 9.5 Revenue Plan

Table 15: Revenue plan – realistic version (own creation)

REVENUE PLAN – REALISTIC VERSION			
	First year	Second year	Third year
1-3m (pcs)	200	600	800
3-6m (pcs)	400	600	900
6-9m (pcs)	500	700	900
9-12 (pcs)	500	700	1,200
Total (pcs)	1,600	2,600	3,800
Price (CZK)	1,000	1,000	1,000
<b>REVENUES</b>	<b>1,600,000</b>	<b>2,600,000</b>	<b>3,800,000</b>
<b>TOTAL</b>			
<b>(CZK)</b>			

This table shows the estimated revenue plan. The price might be high for some customers, but it must be adjusted because the business donates money to the ROSA Centre. The company needs profit for its further operations, and it is important to note that this business is not a charity, and the founder will be dependent on Ženám's income. She will also give a wage to the employee; therefore, the T-shirts are slightly more expensive.

The estimated number of T-shirts sold for the first year is derived from the break-even point. Thanks to the services and experiences of the Bajan company, reaching 888 sales in the first year is very likely.

The costs for the production of one T-shirt are calculated to be **181.95 CZK**. Therefore, the revenue from selling one T-shirt is **818.05 CZK**.

Table 16: Revenue plan – pessimistic version (own creation)

REVENUE PLAN – PESSIMISTIC VERSION			
	First year	Second year	Third year
1-3m (pcs)	100	300	400
3-6m (pcs)	100	300	500
6-9m (pcs)	200	400	600
9-12 (pcs)	300	400	700
total (pcs)	700	1,400	2,200
Price (CZK)	1,000	1,000	1,000
<b>REVENUES</b>	<b>700,000</b>	<b>1,400,000</b>	<b>2,200,000</b>
<b>TOTAL (CZK)</b>			

This version illustrates the option where the break-even point will not be reached during the first year. Despite the fact that the company would still have 700,000 CZK as revenues, it would be in debt because the costs for the second year exceed the revenues.

Table 17: Revenue plan – optimistic version (own creation)

REVENUE PLAN – OPTIMISTIC VERSION			
	First year	Second year	Third year
1-3m (pcs)	400	700	900
3-6m (pcs)	600	700	1,000
6-9m (pcs)	700	900	1,000
9-12 (pcs)	700	900	1,200
Total (pcs)	2,400	3,200	4,100
Price (CZK)	1,000	1,000	1,000
<b>REVENUES</b>	<b>2,400,000</b>	<b>3,200,000</b>	<b>4,100,000</b>
<b>TOTAL (CZK)</b>			

Compared to the realistic version, the optimistic version expects to sell 800 T-shirts more during the first year. In order to reach this number, the company would have to collaborate with more influencers and have a more expensive online promotion. Because the

founder does not want to take a loan to establish her business, the realistic version of the revenue plan is sufficient for her.

## 9.6 Income Statement

Table 18: Income statement – realistic version (own creation)

INCOME STATEMENT IN CZK – REALISTIC VERSION			
	First year	Second year	Third year
Total Revenues	1,600,000	2,600,000	3,800,000
Costs of Sales (variable costs)	287,264.66	472,378.15	678,233.42
gross margin	1,312,735.34	2,127,621.85	3,121,766.58
Fixed Costs	726,899.08	1,165,032	1,254,432
EBITDA	585,836.26	962,589.85	1,867,334.58
Other expenses (donations in 5% of EBITDA)	29,291.81	48,129.49	93,366.73
Depreciation and amortization	0	0	0
Interest	0	0	0
EBIT	556,544.44	914,460.35	1,773,967.85
EBT - taxable income after rounding	556,500	914,400	1,773,900
Tax 15%	83,475	137,160	266,085
Taxpayer discount	30,840	30,840	30,840
Tax after taxpayer discount	52,635	106,320	235,245
<b>Net income</b>	<b>503,865</b>	<b>808,080</b>	<b>1,538,655</b>

ROSA Centre will receive 29,291.81 CZK for the first year. The net income is calculated to be **503,865 CZK** for the first year. The fixed costs for the second year are estimated to be 1,165, 032 CZK, which is 97,086 CZK per month, and variable costs are expected to be 39,364.84 per month. The total monthly costs for the second year are calculated to be 136,450.84 CZK. The company will have enough money to pay costs for the second year.



The estimated monthly fixed costs for the third year are 93,784 CZK, and variable monthly costs are 56,519.45 CZK. The total monthly costs for the third year are expected to be 150,303.45. The estimated net income for the second year is **808,080 CZK**. Therefore, the company will have enough money to cover all the costs for the third year.

Table 19: Income statement – pessimistic version (own creation)

INCOME STATEMENT - PESSIMISTIC VERSION			
	First year	Second year	Third year
Total Revenues	700,000	1,400,000	2,200,000
Costs of Sales (variable costs)	127,362.67	254,725.34	400,282.68
gross margin	572,637.32	1,145,274.65	1,799,717.32
Fixed Costs	726,899.08	1,165,032	1,125,408
EBITDA	-154,261.75	-19,757.34	674,309.31
other expenses (donations in 5% of EBITDA)	0	0	33,715.46
Depreciation and amortization	0	0	0
Interest	0	0	0
EBIT	-154,261.75	-19,757.34	640,593.85
EBT -taxable income after rounding	-154,200	-19,700	640,500
Deduction of tax loss from the first year			-154,200
Tax base			486,300
Tax 15%	0	-2,805	72,945
Taxpayer discount	30,840	30,840	30,840
Tax after taxpayer discount	0	0	42,105
<b>Net income</b>	<b>-154,200</b>	<b>-19,700</b>	<b>598,395</b>

As the table 18 shows, not reaching a break-even point would have damaging consequences on the company. The founder would not be able to pay a 5% donation to the ROSA Centre because she would not have enough money to do it. Therefore, the company's aim will not be reached.

The Czech accounting system allows deducing loss in the following five years (Finanční správa 2021). Therefore, the tax loss from the second year will be deduced in the fourth year. The tax loss from the first year will be deduced during the third year.

Table 20: Income statement – optimistic version (own creation)

ICOME STATEMENT – OPTIMISTIC VERSION			
	First year	Second year	Third year
Total Revenues	2,400,000	3,200,000	4,100,000
Costs of Sales (variable costs)	436,672.01	582,229.35	582,229.35
Gross margin	1,963,327.98	2,617,770.64	3,517,770.64
Fixed Costs	726,899.08	1,165,032	1,254,432
EBITDA	1,236,428.90	1,452,738.64	2,263,338.64
Other expenses (donations in 5% of EBITDA)	61,821.44	72,636.93	113,166.93
Depreciation and amortization	0	0	0
Interest	0	0	0
EBIT	1,174,607.46	1,380,101.71	2,150,171.71
EBT - taxable income after rounding	1,174,600	1,380,100	2,150,100
Tax 15%	176,190	207,015	322,515
Taxpayer discount	30,840	30,840	30,840
Tax after taxpayer discount	145,350	176,175	291,675
<b>Net income</b>	<b>1,029,250</b>	<b>1,203,925</b>	<b>1,858,425</b>

## 9.7 Cash Flow

Table 21: Cash flow for the first year (own creation)

CASH FLOW FOR THE FIRST YEAR IN CZK		
	Initial deposit	300,000
+	Total revenues in the first year	1,600,000
-	Health insurance for sole proprietor	31,524
-	Social insurance for sole proprietor	34,092
-	Services of the Bajan company	444,000
-	Accountant	58,000
-	Car	61,891.08
-	Rent	72,000
-	Internet	7,368
-	Mobile phone fee	10,308
-	Printer ink	3,600
-	Labels for shipping	2,016
-	Basic account in ČSOB	300
-	Lint rollers	1,800
-	Initial costs	128,779.54
-	T-shirts	262,800
-	Screen printing	23,264
-	Packaging	3,875.27
-	A5 leaflets	1,200.66
-	Donation to ROSA Centre	29,291.81
<b>TOTAL</b>		<b>727,764.91</b>

## 9.8 The sufficiency of the initial deposit

MONEY FOR THE FIRST MONTH IN CZK	
Initial deposit	300,000
Initial costs	128,779.54
Deposit after initial costs	171,220.46

FIRST MONTH	
Variable costs	24,380.85
Fixed costs	60,574.92
Money after costs	215,044.22
Expected profit for the first month	65,000
Money after the first month	280,044.22
SECOND MONTH	
Variable costs	24,380.85
Fixed costs	60,574.92
Total costs for the second month	84,955.78
Money after first month - total costs for the second month	<b>195,088.45</b>

As this table shows, the initial deposit of 300,000 CZK is sufficient. The initial costs include buying 200 pieces of T-shirts, packages, and thank-you notes. After the first month, the company will have enough money to cover all costs in the second month.

## 10 DEVELOPMENT, MILESTONES AND EXIT PLAN

Having defined milestones and tracking their accomplishment is an effective way of assessing a company's achievements. Because Ženám is e-commerce, it is an easily scalable business, and there are many expansion opportunities. However, it is important to have prepared exit strategy and be prepared for possible bad scenarios.

### 10.1 Development

Because Ženám will start its business activities with a minimal viable product, there is a space for expansion. The company plans to sell T-shirts with more fits, sizes, and designs. The goal is to create a collection that different body types and genders can wear. Also, the customer will be able to select more color options for the T-shirts.

Having an own e-shop is another goal of the company. A minimalistic e-shop would sell the products, and also contain blogs and podcasts. Because the company's objective is to spread the knowledge about victims of domestic violence, having an own blog and writing about educational content is a crucial step. Spotify podcasts will be focused on anonymous interviews with domestic violence survivors and on the celebration of womanhood. The main advantage of Spotify is that users can upload their files for free. Creating content on this app will not be done to earning money, but it will only serve as a promotion tool.

The company would also enable other brands to sell on Ženám's e-shop. However, they will also have to donate a certain percentage of their revenues to the organizations that help victims of domestic violence. Therefore, there will be space to help more organizations with the expansion of offered products.

With the expansion of orders and offered products, a bigger warehouse must be rented. Also, to be more professional and serious, having an own office will be necessary. However, described elements are long-term plans because all of the company's attention will be targeted at the online environment at first. Ženám's last big business-oriented goal is to have its own showroom in Zlín where new collections will be presented, and customers will be able to try on merch.

Besides business-oriented goals, the company aims to help victims of domestic violence. Therefore Ženám can help more organizations in the future.

### 10.2 Milestones

The first personal milestone will be giving the very first wage to the employee Patrícia Křižovská. The crucial factor for the company is having substantial growth over time. In

order to achieve this, successful online promotion strategies must be implemented. Another milestone is reaching almost zero returned orders every month due to the company's fault. From the non-business point of view, an important milestone for the company is to help victims of domestic survivors to live a decent life.

### **10.3 Exit plan**

Having a prepared exit plan can prevent the founder from dealing with possible difficulties in the future. The founder will sell the company to potential buyers in the worst case. However, this decision will be made after being insolvent. If this situation happens, the founder will sell the merch at a huge discount.

## CONCLUSION

The main goal of this bachelor thesis was to create a business plan for fashion e-commerce Ženám and assess whether it would be viable. This business can be established with an initial deposit of 300,000 CZK. In order to not be in debt, a break-even point of 888 T-shirts sold must be reached. Three different revenue plans show the probable situations that might happen. The realistic version shows that the company will sell 1,600 T-shirts during the first year. Net income is expected to be 503,865 CZK, and the donation to ROSA Centre will be 29,291.81 CZK. Therefore, this business idea is viable.

Ženám will represent the first company on the Czech market that will help victims of domestic violence. However, new ideas or projects are harder to introduce because people do not know anything about it yet. Nevertheless, the online environment gives space for an interesting promotion that can target certain groups of people. By using the marketing agency's services, the company will implement successful promotion strategies that will attract potential buyers.

The company's plans for the future include having its own e-shop. Various other companies will be able to sell their products there but only under one condition. They would have to also donate money to selected organizations that help victims of domestic violence. Due to the expansion of offered products, new analyses of the Czech market will be required to perform.

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## **LIST OF ABBREVIATIONS**

CNB	Czech National Bank
CZK	Czech Crown
EET	Elektronická evidence tržeb
GDP	Gross Domestic Product
ODS	Občanská demokratická strana

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