

# **A Business Plan for a Selected Company**

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## **ABSTRAKT**

Tato bakalářská práce se zabývá sestavením podnikatelského plánu pro secondhand ve Zlíně. Práce se skládá ze dvou částí – teoretické a praktické. V teoretické části jsou vysvětleny základní pojmy spojené s podnikáním a uvedena obecná struktura podnikatelského plánu. Praktická část se zabývá vypracováním konkrétního podnikatelského plánu pro second hand a popisuje jeho jednotlivé kapitoly – popis společnosti, organizační strukturu, analýzu trhu a konkurence, marketingový plán, finanční plán a analýzu rizik. Pro vyhodnocení výsledku jsou v podnikatelském plánu použity analýzy jako například PEST, SWOT, či Porterova analýza. Výstupem práce je na základě zhodnocení zpracovaných analýz a výpočtů zjištění, zda je podnikatelský záměr vhodné zrealizovat.

Klíčová slova: podnikatelský plán, podnikání, second hand, marketingový plán, finanční plán, analýza konkurence

## **ABSTRACT**

This bachelor's thesis deals with developing a business plan for a second hand in Zlín. The thesis consists of two parts – theory and analysis. The theoretical part explains basic terminology connected with business and describes a general structure of a business plan. The analytical part develops a concrete business plan for the establishment of the second hand and defines individual chapters of a business plan – company description, organizational structure, market and competition analyses, marketing plan, financial plan and risk evaluation. To evaluate the result, analyses such as PEST, SWOT or Porter's analysis are used in the business plan. The aim of this thesis is to find out whether the business plan is feasible according to the outcomes of performed analyses and calculations.

Keywords: business plan, entrepreneurship, second hand, marketing plan, financial plan, competition analysis

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

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## INTRODUCTION

The aim of this bachelor's thesis is to develop a business plan for a new company. The author decided to develop a business plan because of her belief that the knowledge acquired from this process may be further applied in many areas including her possible future career in business. The idea of a second-hand store came for two reasons. Firstly, the author personally is enthusiastic about fashion and cares about fast fashion and fashion industry's impact on the environment and consequently, supports slow and sustainable fashion herself. The second reason is an increasing level of environmental awareness and growing understanding of a necessity to be environmentally responsible and to sustainably manage our planet by, for instance, buying second-hand clothing.

The thesis consists of two parts -theoretical and analytical. The theoretical part is divided into two sections - the first deals with definitions of basic business terms such as entrepreneurship, entrepreneur or enterprise as well as with description of specific types of businesses in the Czech Republic. The second section deals with a theoretical structure of a business plan describing each chapter's principles and defining its goals and purpose. The analytical part then follows the theory and focuses on establishing a business plan for a particular company – the *First Choice Second Hand*. The business plan includes a title page, an executive summary, a company and service description, a market and competition analysis, a marketing plan, a financial plan and a risk analysis. Specifically, the market and competition analysis contains PESTE analysis and Porter's five forces analysis. The marketing plan consists of SWOT analysis and a marketing mix. Further, the financial plan includes a balance sheet, calculation of start-up costs, staff costs, fixed costs and expected revenues and an income statement. Last but not least, the risk evaluation deals with possible internal and external risks which may influence the business. The overall business plan along with the results from particular analyses further serves as an evaluation of efficiency and profitability of establishing such a second hand in Zlín which is, at the same time, the ultimate goal of this thesis.

## **I. THEORY**

## 1 BUSINESS

As the focus of today's modern world shifted from agriculture and manufacturing to business, innovations and services, main goal of which is to provide people with as high convenience as possible, not only in developed countries entrepreneurship is considered to be the most important drive for economic growth. In regard to the terminology, the basic terms connected to business are entrepreneurship, entrepreneur and enterprises and are all defined in the Civil Code. Therefore, entrepreneurial activity is defined by law in the Czech Republic and is precisely stated in the new Civil Code, specifically § 420. Kozubíková (2017, 244) interpreted the Civil Code's definition that an entrepreneur is a person who is in self-employment and does business individually, systematically, under his/her own name and under his/her own liability, in order to make profit.

Generally, the word "business" is associated with the word "profit" although in many cases, money does not play the crucial role. Due to this fact, it would be improper to narrow the concept of business just to the act of making profit. Thus, according to Majdúchová (2014, 17) doing a business may be defined as an activity based on the knowledge and experience of each of the workers and thanks to which questions considering demand, use of resources or customers' satisfaction may be answered. To be more specific, as is quoted in *The Business Book* written by Atkinson (2014, 13), the UK entrepreneur Anita Roddick once declared: "Entrepreneurship is about survival, which nurtures creative thinking. Business is not financial science, it's about trading – buying and selling.", and complementary the UK businessman and co-founder of Ben and Jerry's ice-cream Jerry Greenfield stated that "Business can be a source of progressive change".

### 1.1 Entrepreneurship

The meaning of "entrepreneurship" may be interpreted in many ways, for instance, Alexy and Sivák (2005, 12) defined it as a set of activities that one person does to fulfil business goals, while creating a value and satisfying needs of society as well as of individuals. However, the key objective of all enterprises stays the same in its core and that is to make profit while facing all possible risks. Veber and Srpová (2008, 15) claimed that entrepreneurship may be defined by various approaches:

- Economic approach determines entrepreneurship as a process of using economical resources and activities in order to make its original value grow. It is about a dynamic process of creating an added value.

- Psychological approach understands entrepreneurship as an action driven by a need of gaining, experiencing and achieving an objective. In this sense, entrepreneurship represents a way of self-realization and self-reliance.
- Sociological approach claims that entrepreneurship is a process of creating a welfare for those who are involved, searching for the right way of using resources and creating new job opportunities.
- Legal approach defines entrepreneurship as a systematic activity whose aim is to make profit and is done by an entrepreneur itself, by his own name and for his own responsibility.

In addition, Veber and Srpová (2008, 15) described individual general characteristics of the entrepreneurship as following:

- purposeful activity,
- initiative, creative approaches,
- organization and management of transformation processes,
- practical benefit, utility and value added,
- take-over and counting with a risk of failure,
- repetition, cyclical process.

## 1.2 Entrepreneur

According to Veber and Srpová (2008, 16) the word “entrepreneur” originated in France in the Middle ages and its original meaning was “intermediary”. The main intention of every entrepreneur is creating a value for customers. The point of the matter is to decide whether a person is willing to set up and run his own business or is more likely to be satisfied in a position of a regular subordinate employee. There are many studies and hypothesis about personal qualities of a successful entrepreneur. Some argue that the right qualities must be already in entrepreneur’s veins and genes, whereas the opposition claims that skills of a successful entrepreneur can be learned and adopted. There are as well many definitions portraying an entrepreneur. According to the basic definition claimed by Veber and Srpová (2008, 16) an entrepreneur is a person engaged in entrepreneurial activity that entails a risk of potential grow or loss of the equity. In other words, entrepreneur is a person that is capable of recognizing opportunities, mobilizing and using available resources to achieve set objectives, as well as of willing to take attendant risks. Again, according to Veber and Srpová (2008, 16) a few common characteristics of entrepreneurs exist:

- ability of finding new opportunities, setting new objectives,

- securing finances needed for the business,
- ability to organize entrepreneurial activities,
- taking risks,
- self-confidence, patience, long-term commitment, learning from experiences etc.

According to the Civil Code, an entrepreneur is deemed to be:

- a person (natural or legal) recorded in the Commercial Register;
- a person engaged in business activity on the basis of an authorization to practise a certain trade;
- a person engaged in business activity on the basis of an authorization issued under particular Acts or regulations different from the provisions governing the issue of a trade authorization (Kozubíková 2017, 15)

## 2 TYPES OF BUSINESSES

As was already mentioned, there is a wide range of enterprises and a lot of things may come to our mind when hearing the term “enterprise”. In economic theory, the basic differentiation of all enterprises is according to its legal status. Before every new business is set up, it is crucial to wisely choose its legal form. This decision is important due to the fact that it is complicated to change the legal form later, however it is not impossible. In the Czech Republic, the Civil Code allows two legal forms of enterprises - business of a natural person and business of a legal entity (Švarcová 2019, 56). In general, business of a natural person is characterized by the fact, that the natural person is both, the entrepreneur and the worker. In the opposite, business of a legal entity is run by partners that bring the start-up capital, but they do not necessarily need to work in the company (Synek and Kislingerová 2015, 34).

### 2.1 Business of a natural person

The business of a natural person is generally run by a single person. This type of business brings two main benefits – the capital needed is usually quite small and possible regulations by the state are minimal. Of course, there are also disadvantages, such as complicated access to the capital needed, unlimited liability for the company’s debts and the life span of the company limited to the life expectancy of the owner. The most usual type of a natural person running a business is a sole trader. The business of a sole trader needs to be done independently, under the entrepreneur’s own name, at his own risk and for the purpose of making a profit (Synek and Kislingerová 2015, 80). Synek and Kislingerová (2015, 80) claim, that trade licences can be distinguished in terms of a professional competence and the way of obtaining the licence or according to the scope of business.

Depending on the way how the entrepreneur-to-be gains the license, the trade licences are divided to:

- **Declared trades** which, when meeting all necessary requirements, can be pursued upon a notice. These are:
- Craft trades – the professional competence needed is gained by apprenticeship and practical training. (e.g. watchmaking, joinery, plumbing, carpentering, masonry, lock smithery etc.)
- Regulated trades – the professional competence needed is different for each trade and for pursuing these trades a certificate of compliance is required. (e.g. installation, maintenance and repair of electrical equipment)

- **Free trades** – neither professional nor any other competence is specifically required. To acquire this trading license a person must meet the general conditions. The scope of business is manufacturing, business and services which are not included in craft or regulated trades. Moreover, free trades include for instance photographing, translating and interpreting, marketing, fashion designing, gardening etc. (Malach 2005, 28).
- **licensed trades** – can be done based on the licence issued by the Trade Licensing Office, or for instance by the Department of Agriculture, Ministry of Industry and Trade, Czech Mining Authority, Czech Arms and Ammunition Testing Authority, Czech Republic Police etc. depending on the scope of business. To acquire the license, an applicant must achieve required education or take special courses. A licensed trade may be considered building and maintaining weapons, taxi service, funeral service, telecommunications services, etc.

In dependence to the scope of business, following trade licenses are distinguished:

- trading – purchase of goods with the intention of further resale
- manufacturing – manufacture, assembly, maintain goods
- providing services – repair and maintenance of goods, travel agency operation, hospitality (Malach 2005, 448)

## 2.2 Business of a legal entity

While a natural person is by the rule one specific entrepreneur, the term “legal entity” means an organized unit, a partnership of several people, that are issued legal personality by the state (Švarcová 2019, 57). There are several forms of businesses of legal entities in the Czech Republic according to the Commercial Register. The three main forms are private companies, commercial companies and cooperatives. Despite the fact that setting-up a business of a natural person is administratively less demanding than the business of a legal entity, it is a very common form of enterprise in the Czech Republic. Business of a legal entity is set up by the date of incorporation and acts under the name stated in the commercial register. It is generally divided into:

- Private companies – a general partnership or a limited partnership – are owned by at least two partners whose personal involvement in the company is assumed and who share the profit together. Neither the amount of deposits nor the internal organizational structure of the company is prescribed by law. The major disadvantage is



the same as of the natural person's business- that is the unlimited liability of the partners. (Synek and Kislingerová 2015, 81)

- Capital companies - a limited liability company or a joint-stock company – A capital company can be founded by the minimum of one person. The only obligation of the company's founder(s) is to contribute with a capital and create a reserve fund. They usually have limited liability (Synek and Kislingerová 2015, 82).

### *Private companies*

#### **general partnership**

The general commercial partnership (in Czech “veřejná obchodní společnost”, “veř. obch. spol.” or “v. o. s.”) is a company founded by at least two people who are responsible for the company's liabilities jointly, unlimitedly and severally with their whole property. The profit as well as the loss is divided between all the partners equally. Each one of the partners is an authority and is prohibited to run a competitive company in the field (Švarcová 2019, 68). The partners invest either a monetary or a non-monetary capital, which happen to be the asset of the company. (Synek and Kislingerová 2015, 82)

#### **limited partnership**

As a rule, limited partnership (translated to Czech as “komanditní společnost”, “kom. spol.” or “k. s.”) may be founded by at least one limited partner (in Czech “komanditista”) and at least one general partner (in Czech “komplementář”). Limited partners are responsible for the company's liability only up to the amount of their deposit, which they are obligated to put down into the initial sum of money. General partners are unlimitedly responsible for the liabilities and they are in charge of the day-to-day management of the company. Moreover, only general partners are prohibited to compete in the business' field (Švarcová 2019, 68). According to Synek and Kislingerová (2015, 82) the role of general partners is similar to the role of partners in the general partnership company and the role of limited partners is similar to that of partners in a limited-liability company. General partners are in charge of the day-to-day management of the company, whereas limited partners may only control it.

### *Capital companies*

#### **a limited liability company**

As Švarcová (2019, 68) claims, the limited liability company (in Czech “společnost s ručením omezeným”, “spol. s r. o.” or “s. r. o.”) is a company in which the joint venturers

put deposits into the nominal capital and are responsible for liabilities limitedly up to the amount of their deposits. Additionally, Synek and Kislíngerová (2015, 82) claim that it can be founded by even one person - natural or legal. The capital base must be 1 CZK at a minimum. The highest authority of the company is a general meeting whereas statutory authority is a secretary. This form of a company is highly popular as the funding and managing of such a company is easier than a that of a joint-stock company.

### **A joint-stock company**

Every joint-stock company (translated to Czech as “akciová společnost” or “a. s.”) is a company with a minimal registered capital of at least 2,000,000 CZK which is, however, composed of a specific number of shares. Shares or stocks are securities in a specific nominal value which give shareholders rights to gain profit from the dividend, partake in the management of the company as well as in the eventual liquidation balance of the company (Švarcová 2019, 69). This type of company can be founded by one founder - must be a legal entity, or more founders. Considerable disadvantages are complicated founding of such company, state controls and common shareholders' lack of interest in the company's affairs (Synek and Kislíngerová 2015, 82-83).

### 3 BUSINESS PLAN

Before starting a business, it is more than necessary to develop a business plan – a formal written document considered to be the key to every successful business. As stated by Shelton (2017, 23), a business plan is comprised of five key parts: business objectives, motives for trying to achieve the given objectives, a plan for how to achieve them, evidences showing the uniqueness and inimitability of the business, and last but not least, relevant information about the company and the founders initiating the business activity.

Nevertheless, the business plan is not only a physical document, but as Shelton (2017, 23) claims, it is also a “road map” as it leads the entrepreneur to a finish line in a form of a successful accomplishment of the business idea. Except of the act of starting a new business, there are several other reasons for writing a business plan. Namely extending an ongoing business, franchising an existing business or going out of a business and providing potential buyers with information about the organization. The main goals of the process of writing a business plan is to explore ideas and claim them either attainable and financially attractive or not. Thus, clearly the business plan does not guarantee the expected success of the business.

#### 3.1 Goals and benefits of a business plan

Such a business plan is crucial for every company as it helps to assess the survivability and feasibility and to determine the business objectives. The objectives must be achievable and attractive concerning the expected profit of such a plan. A business plan describes all the relevant internal and external factors influencing the business. Thanks to a successful business plan, the entrepreneur has a better understanding of the business intended and about the capital needed, is able to secure finances better, establish the right marketing communication and recognize important strategic partners and customers (Abrams 2019, xxxii). Each business plan is initially written with a specific purpose and intended for a specific reader. According to Finch (2010, 2) a person writing the plan must decide beforehand what to focus on it depending on who is going to be the reader. The founder of the business may expect the reader to assist with building or growing the business, invest in the business, join the business, offer a grant etc. Nevertheless, Shelton (2017, 25) claims, that the ultimate goal of a business plan is not to attract funding, but to help the owner to identify all the possible risks and chances for success, to understand his/her own role as an employee as well as an owner and last but not least to decide whether to actually start the business.

There are many benefits brought from having written a proper business plan. As far as money is concerned, such a business plan serves to control the finances and money flow in the business. Additionally, it helps to gain money, as potential investors or lenders find it necessary to read the business plan thoroughly first of all in order to take the plan seriously and to see if the businessowner truly understands his/her business with all its strengths and weaknesses as well as that he/she counts with all the possible risks and outcomes. Moreover, having prepared answers to the investors' possible questions about the plan will definitely help to persuade them to accept the proposal. The business plan is helpful whenever the businessowner is deciding whether to quit or proceed the business as it shows all the possible flaws and therefore allows to avoid them or correct them in the early stage. Another benefit of preparing a business plan is the possible improvement of the business idea by achieving different objectives or changing parts of it to more financially advantageous ones. It helps to improve the odds of success and avoid failure and with planning ahead the entrepreneur faces possible problems and prevents a disaster (McKeever 2011, 6-7).

### **3.2 Chapters of a business plan**

The business planning process, according to Shelton (2017, 29), includes these basic steps: developing the business idea and vision, recognize the potential market, develop the product and marketing, decide on operating and organizational strategies, consult and examine ideas, develop finances and determine profitability of idea, secure funding and update. The structure of a business plan varies from business to business and the content of a business plan is therefore always individual. However, as there are few common characteristics which should be covered in every business plan, it was concluded that the basic structure would be as follows:

- Title page
- The table of contents
- Executive summary
- Company description
- Organizational structure
- Target market and competition analysis
- Marketing plan
- Financial analysis
- Risk evaluation

### 3.2.1 Title page

The first page of a business plan is the title page. The title page allows a reader to get the immediate basic image about what the plan is going to deal with. A title page should include a company's name, a logo of the company, a name of the business plan, a name of the author and names of the owners, a date of the establishment, a contact information such as a phone number, an email, etc. (Srpová 2011, 15)

### 3.2.2 Executive summary

After the table of contents, an executive summary should follow. The main aim of the executive summary is to catch the reader's attention and persuade them to continue reading and to find out more about your business. Therefore, an executive summary is considered to be the most important part of a business plan. Generally, it serves as a shortened and clear statement of the business's goals and vision as well as an overview of the people, a place on the market or the technology used (Abrams 2019, 54). In addition, Finch (2010, 24) states that the summary should contain an outline of the proposal, reasons and chances to succeed, possible risks and the ways of minimising them and the purpose of writing the plan - what you expect from the reader. Finally, the summary should contain clear data and necessary information about the financial situation of a company. That is, for instance, the capital needed to start the business, the planned investment into it and the amount of money desired from investors (Shelton 2017, 71).

As was already mentioned, the crucial goal of an executive summary is to attract the reader's attention and make him understand the basics of the business concept immediately. To write a persuasive executive summary, it is necessary to communicate a positive and confident attitude about the business, nevertheless it is also important to be honest and convey also the possible problems too. Before writing the executive summary, the author must think about who the intended recipient is and according to that, focus on the "right" and important points first. There are two types of executive summary distinguished: the synopsis summary and the narrative summary. A synopsis summary is clear and straight as it contains the specific conclusions of each of the business plan's sections. On the contrary, a narrative summary is more of a storytelling about the company, including more emotions in presenting the business. It focuses more on the concept and distinguishing characteristics of the business, than on the functional details (Abrams 2019, 54).

As Finch (2010, 23) claims, that the summary may be the only thing the recipient will read and therefore should be one page long at maximum and recommends writing the summary last as it reflects the result of the whole planning process.

### **3.2.3 Company description**

The company description gives a precise information about the company. According to Finch (2010, 28) the company description should mainly include outlines of what the business is and what purpose it fills; where/on which market is the business done; how, when and where the business started; who is the founder and why was the company founded and last but not least if it has been successful or not and why?

The previous chapter – an executive summary has more of a persuasive function, whereas the company's description is a clear summary of basic information that should generally contain the company's legal form, name, location and in some cases a mission statement. A mission statement is considered to be the most challenging part as it conveys the company's fundamental principles, aims and objectives and the ways to achieve them. Therefore, a mission statement gives a better understanding of the business's intentions to both – the author and the recipient. This part of a business plan may be easy to write when doing business for a longer time already, however, it is much more complicated for those who are at the very beginning with their entrepreneurship as it requires a lot of precise thinking and planning (Abrams 2019, 68-71). Moreover, Shelton (2017, 74) adds that a company description should be maximally one page long.

### **3.2.4 Organizational structure**

The organisation structure must clearly show and describe the directing, managing and other key personnel. It is convenient to show the key personnel in a positive note and highlight their skills and achievements. The more skilled and experienced employees, the higher possibility of a future success of the business. As Finch (2010, 61) states, in a case of more complex and extended company, it is beneficial to provide a diagram showing the actual company's structure. It should inform about the organisation system, about the company's areas, about the number of employees in each area, etc.

According to Abrams (2019, 230) the core of the business management is made by:

1. "The people who run your business;
2. Your management structure and style."

And the businessowner should mainly focus on these two (Abrams 2019, 230).

### 3.2.5 Target market and competition analysis

The concept of “business environment” may be understood as the whole surrounding of a specific enterprise, which is usually composed of various elements, factors and aspects that somehow influence the enterprise and may facilitate the business activity. Factors which can influence the business environment may be divided into short-term factors (special government actions), long-term factors (building infrastructure), or factors affecting a particular place (local factors), particular industry, or a whole area (Malach 2005, 69-71). In general, business environment may be determined by a set of political, social-cultural, technological, economic, legislative and environmental factors on macro-environment level as well as by an impact of a competition or peculiarities of a specific business sector in which a firm operates considering its relationships with purchasers and suppliers (Mulačová and Mulač 2013, 43).

However, businesses can be categorized in a number of areas, including size, legal status, sector or type of industry (Worthington and Britton 2009, 238). Considering the industry in which the company operates, Abrams (2019, 88) states that it is crucial for the entrepreneur to understand which forces influence the industry and therefore also, what makes an impact on his/her business too. The business industry falls under a broader category - an economic sector. There are four general economic sectors: service, manufacturing, retail and distribution, however, any company can be a part of more than one sectors. After identifying the economic sector, Abrams (2019, 89) claims that the business plan should further be focused on the description of the particular industry, trends and opportunities in the industry. To get this information, it may be necessary to do some research. “An industry consists of all companies supplying similar product or service, other businesses closely related to that product or service and supply and distribution systems supporting such companies.” (Abrams 2019, 88). Abrams (2019, 87) recommends paying attention especially on the size and growth rate of the specific industry and on the industry maturity as well as to its sensitivity to economic cycles in order to be agile and able to adapt to any changes that might come. According to Taylor (2014, 17) the ultimate goal of this chapter is to prove a profitability of the industry.

#### **Market analysis**

Due to the fact that not only the industry, market and potential customers, but everything around us changes and evolves, it is crucial to keep the market research up-to-date. In order to have a successful business, it is necessary to get to know the customers at the first place. A successful entrepreneur must know who are the customers, how they tend to

behave, what are their true desires, and how much are they willing to pay for the product/service This knowledge enables the entrepreneur to satisfy the customers' wants and needs (Abrams 2019, 61). To understand the target market and its size along with the ideal customer, Shelton (2014, 62-63) recommends starting with visualising the potential market in which the business will operate. However, it is necessary to try to avoid thinking about the market in too broad sense, as than one may come to a conclusion that the market includes everyone who could potentially use the product or service. Nevertheless, the businessman should keep in mind that there is a difference between intermediaries and end-customers. Therefore, it is helpful to try to imagine a group of prospective customers all with similar characteristics, wants and interests, including specific aspects such as common age, gender, location, job, income level, family structure, hobbies, diet, etc.

Abrams (2019, 107-110) in her book "Successful Business Plan: Secrets Strategies" similarly divides the potential market into specific market segments with specific characteristics but further recommends to look at the market from the most basic and objective points of view: demographic description , geographic description, psychographic description, purchasing patterns description and buying sensitivities description.

Abrams (2019, 107) also claims that the definition of the target market must meet these 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.
- Sizable. It must be large enough to profitably sustain your business.
- Reachable. Both the definition and size must lead to affordable and effective ways to market to your potential customers" (Abrams 2019, 100)

### **Competition Analysis**

What Abrams (2019, 124), Finch (2010, 35) and Shelton (2014, 68) agree on, is that there is no market where a competition does not exist. In fact, every business has many competitors which influence the business and hence should never be underestimated. The key to success for every businessman is to identify factors that will distinguish his/her company from the competition and make customers to prefer it over others. One way of doing so is to find a gap in the market and address customers' needs that have not yet been



satisfied by a competition. Most importantly, an entrepreneur must examine the competition in order to be prepared to face it. To successfully assess the competition, it is necessary to identify who is the potential competition, what is the subject of the competition, how are those businesses compared to each other, who is the possible future competition and which barriers must the competition cross when entering the market.

Shelton (2014, 61) recommends comparing the company's strengths and weaknesses with the competition. To do so, it is convenient to use a so called "SWOT matrix" where S stands for strengths, W for weaknesses, O for opportunities and T for threats. According to Srpová and Řehoř (2010, 132) a company can only influence strengths and weaknesses that both present the internal factors of a company, on the contrary, opportunities and threats form the external analysis of a company

One of the useful tools to analyse the rival businesses offering similar product or service along with identifying their strengths and weaknesses is the Porter's five forces analysis. This analysis indicates the rivalry among existing competition, bargaining power of the suppliers, bargaining power of buyers, threat of substitutes and threat of new entrants (MindTools 2020).

### **3.2.6 Marketing plan**

Taylor (2014, 21) claims that having a good product or service, but bad marketing could leave the product unnoticed and hard for the customer to reach it. On the other hand, having a bad product or service with good marketing will make people purchase it, but only once. Consequently, it is important for an entrepreneur to have both – good product/service and good marketing. Marketing plan should help us to decide how to promote the product and spread sufficient awareness about it in order to succeed with it on the market. Abrams (2019, 164) adds that it should identify what is the message intended to be delivered to customers and how it is going to be conveyed.

A highly used, effective and helpful tool for writing a marketing plan is the marketing mix of "the Four Ps" which fundamentally helps to achieve company's objectives and can influence customer's demand for the product or service. The four Ps stand for:

- Product – a description of a product (in a form of goods or service) which is offered to the customers along with its tangible aspects, qualities, design and the value it brings to the customers.

- Price– the company’s pricing strategy and the actual price of the product – in other words, the amount of money a customer is willing to pay for the product. The price of a product itself depends on the costs, demand and competition.
- Place– the process of distribution of the product to customers as well as the description of distribution channels used.
- Promotion – the system of ways of how the product or service is promoted and communicated to customers (Mulačová and Mulač 2013, 247-248).

It is necessary to mention that according to Kotler, it is necessary to evaluate the marketing mix from the customer’s point of view rather than from the seller’s. Such a marketing mix is further called “the Four Cs” and evaluates the Customer Value, Cost to the Customer, Convenience and Communication. Regarding services, another possible model of marketing mix is “the Seven Ps”: Personnel, Process, Physical evidence, Politics, Public opinion, Packaging, Personal selling and last but not least, Passion (Němec, 2005).

### **3.2.7 Financial plan**

For every new business it is vital to carefully prepare a complex financial plan and truly heed to what it eventually shows. In fact, it is impossible to certainly determine whether the business will be successful or not before implementing it, and that is what makes doing business frightening but also adventurous and exciting. Nevertheless, the ultimate goal of this section is to determine the meaning and feasibility of the business from a financial point of view (McKeever 2011, 35).

The financial plan is probably the most difficult part, as it should contain only accurate data accompanied with comments and it is one of the last elements of the business plan, as it presents a recap of all that precedes it and puts it into numbers. Generally, it is divided into several parts: opening balance sheet, plan of costs and revenues, planned income statement, break-event point, effectiveness evaluation and planned funding (Srpová 2010, 65). Nevertheless, there is no fixed financial plan structure that could be applied to every business. For instance, Shelton (2014, 99) claims there are only three major financial statements: income statement, cash-flow statement and balance sheet.

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

Income statement, or in other words, profit and loss statement, track a period of time and states the amount of generated earnings. It portrays revenues and costs and consequently states the income/earning by subtracting the costs from the revenues (Shelton 2014, 100). According to Fullen (2006, 148) the income projection works as a model for profitability and progress. For new businesses, it may be hard to create accurate projection as they have no history and only a few data, but it is necessary to take any available information and construct a possible scenario of income and expenses.

### ***Cash Flow statement***

In the opposite to the income statement, cash flow shows the amount of money on a company's bank account that can be used immediately. Therefore, it is not about the profit generated but about the company's ability to pay for any possible obligations (Abrams and Vallone 2007, 136). Shelton (2014, 104) states that Cash Flow consists of three main categories: "cash flow from operations, cash flow from investments, and cash flow from financing".

### ***Balance Sheet***

Balance sheet is an overview of a company's financial position. The balance sheet lists assets, liabilities and equity of a company. In other words, this financial statement shows the property of a company and sources used to fund it. Unlike income and cash flow statements, which track data during given period, balance sheet shows data at a particular point in time (on a specific day) Shelton (2014, 107).

In addition, Taylor (2014, 33) claims that a ***break-even point*** shows the number of products that need to be sold in order to not lose money and generate net profit. The operating budget depends on the priorities of the entrepreneur in spending money, the incurred expenses and how the entrepreneur plans to cover those expenses. The operating budget should also take into account the initial investments and loans needed.

### **3.2.8 Risk evaluation**

As was already confirmed, there is no business without a risk. Every business can fail and no matter how positive the entrepreneur's approach is, a risk assessment is a crucial part of every successful business. It may seem like describing all the possible risks could discourage all the possible investors. Quite the contrary, investors will see the entre-

preneur understands the importance of the risks, is prepared to face them, takes the business seriously and believes in its success (Abrams 2014, 154). Except of high and low, tolerable and non-tolerable risks, Abrams (2014, 154-155) categorizes risks into these types:

- market risk – no market need for the product/service or the market is not ready yet
- competitive risk – the response of established competitors or entry of new competitors on the market
- technology risk – the technology fails or does not work as planned
- product risk – the product is not finished in time or does not work as planned
- execution risk - failure of management
- capitalization risk – wrongly estimated costs and income
- global risk – unexpected situations that could interrupt the business

Srpová (2010, 66) see risks also in company's weaknesses, in changes of customers' or competitors' behaviour or in changes in legislation.

### **3.2.9 Appendix**

Usually, the last part of a business plan is an appendix, however in some cases it is not needed. Despite every business plan differs in its structure and content, there are always some specific evidence that can support the business idea. These items carry information relevant for the reader, proofs and statements that could help the recipient with understanding the proposal as well as answers to any possible questions. For instance, the appendix could contain financial statements of previous years, copies of lease agreements, plans for construction, business signs or logos, a list of purchase of opening inventory, key employees' CVs, etc. (McKeever 2011, 165)

## **II. ANALYSIS**

## 4 A BUSINESS PLAN FOR “THE FIRST CHOICE SECOND HAND”

### 4.1 Title page



*Figure 1: Logo of the company (own creation)*

<b>Name of the company:</b>	First Choice Second Hand
<b>Slogan:</b>	“May second hands be our first choice.”
<b>Legal form:</b>	Business of a natural person
<b>Location of the company:</b>	Náměstí Míru, Zlín 760 01
<b>Date of establishment:</b>	1 January 2020
<b>Founder:</b>	Karolína Wlosoková
<b>Contact information:</b>	+420 739 888 706, 1choice2hand@gmail.com
<b>Website:</b>	www.1choice2hand.cz
<b>Financing:</b>	founder’s savings 1 000 000 CZK

**About us:** The First Choice Second Hand is a fashion store concept with second-hand clothes. Customers may not only buy second-hand and vintage pieces in our store, but they can also bring their old clothes and support us while helping to protect the environment.

## 4.2 Executive summary

The business plan proposes the opening of a new second hand called the *First Choice Second Hand* in the centre of Zlín. This second hand is for everyone who enjoys cheap but good fashion, vintage clothes and accessories, and is interested in slow fashion. This second hand is a business of a natural person and will be founded and managed by Karolína Wlosoková.

The focus of this company is to offer customers cheap second-hand but fashionable clothes and accessories. As an additional service, the company offers collecting of customers' unwanted clothes and therefore prevents the clothes from ending on landfills. Discarded textiles all around the world are doomed for landfills and during its decomposition methane is emitted, which is harmful to the environment. Therefore, the company's ultimate purpose is to fight against fast fashion and on the contrary, support slow, sustainable and ethical fashion and make a positive impact on the global environment. The vision of *First Choice Second Hand* is a second-hand store being the first choice of people deciding where to buy new clothes.

## 4.3 Company description

The *First Choice Second Hand* is a fashion store that offers a second-hand clothes and second-hand accessories. The additional service offered by this second-hand is collection of any customer's discarded clothes and its subsequent sale directly in the store. The company is run as a business of a natural person and the founder – Karolína Wlosoková is also the head manager. The store is located on Náměstí Míru in the centre of Zlín.

The name of this company is “First Choice Second Hand”. The name itself evokes and underlines the company's vision which is a second-hand purchase being the first choice of people planning to buy new clothes.

### 4.3.1 Mission statement

The company's mission is to contribute to environmental protection by supporting re-usability and sustainability of products – especially clothes. Considering the fact that fashion industry is the second largest polluter of the environment globally, we focus on developing the sustainable or so called “slow fashion”. We do that by selling clothes that had been used before but was prevented from ending on a landfill. If more people would buy used clothes, the production of new one would not be that high. Choosing second hand

over fashion retail store is one of a few ways of reducing the impact on the Earth environment when it comes to fashion industry. The second thing we do to help is that we work not only as a fashion store but also as the collection point of old clothing. People can bring their old clothing to our store and make sure that it will be taken care of it appropriately instead of throwing it into trash.

#### 4.3.2 Legal form

The legal form of this second hand is a business of a natural person founded and owned by Karolína Wlosoková who also represents the head manager. As was already explained, business of a natural person is founded by only one person and it is the easiest form regarding the way of obtaining the trading license. Thus, a business of a natural person is also the most suitable legal form for this kind of business. Specifically, the object of this business is defined in the Trade Licensing Act No. 455/1991 Coll., Part C, as “47. Intermediation in trade and services” and “48. Wholesale and retail trade” (Ministry of Industry and Trade, 2020).

#### 4.3.3 Location

The Second Hand is located in Zlín - the seat of a Zlín region. As of today, Zlín has nearly 75,000 inhabitants and continues to be a significant player among other important cities of the Czech Republic (Mistopisy.cz, 2020) The city is home to a lot of young people – mainly as it is full of students of the Tomas Bata University.

The city is famous for the legacy of Tomas Bata, on the basis of which the Tomas Bata University was founded. The Tomas Bata University makes Zlín being an advantageous market full of young and ambitious people. Moreover, one of the courses of TBU is a fashion design, students of which are our target customers as they are the most likely to be interested in original and slow fashion.

#### 4.3.4 Opening hours

During workdays, the opening hours are fixed from 9:00 – 17:00. On Saturdays the opening hours are shortened (10:00 – 14:00) and on Sundays, the store is closed. See the table below:

<b>OPENING HOURS</b>	
<b>Monday – Friday</b>	<b>9:00 – 17:00</b>



<b>Saturday</b>	<b>10:00 – 14:00</b>
<b>Sunday</b>	<b>Closed</b>

*Table 1: Opening hours (own creation)*

#### 4.3.5 Organizational structure

The *First Choice Second Hand* was founded by Karolína Wlosoková, the TBU graduate interested in fashion and specifically in fashion industry's environmental impact. She is the company's founder, owner and head manager as well. The businessowner is responsible for functioning of the company, management of human resources, meeting company's goals and objectives, accounting and last but not least for the company's promotion and marketing. The owner will also work in the store on Mondays and Saturdays; however, her wage will be based on the company's profit.

Besides that, the second hand will be operated by one full-time employee - shop assistant to be hired. Her main responsibilities will be: stocking and re-stocking shelves with merchandise, organizing the merchandise, keeping the store tidy and clean, putting price tags on the products, welcoming the customers entering the store, assisting the customers and giving them advice on their fashion choices, selling the products and processing payments. Additionally, there will be one part-time employee assisting the cashier and helping with the re-stocking, clothes sorting, selling, and other connected activities.

#### 4.3.6 Service description

As was already mentioned, this second hand specializes on selling second-hand clothes and accessories. As these products are to be re-used, the second-hand store helps to spread the awareness and emphasizes the feeling of the necessity of ecological behaviour. Along with that, it offers customers products which are both – more original and cheaper than in fashion brand stores. The offer includes products for ladies and men of the age between 15 -99 (that depends more on the size of the clothing rather than age). The customers' shopping experience is supported by clear organization of goods into men and women sections and according to the type of product (bottoms, t-shirts, shirts, jackets, etc) and special departments such as luxury and brand goods, vintage style, rock style, etc. The size of the sales area is sufficient to customers' comfortable movement.

The majority of products is supplied either from Austria by the wholesale VelkoSekáč, or from Germany and Switzerland by the wholesale ETCIMEX s. r. o. Some

products are purchased and delivered from other second hands from abroad by the businessowner herself and at her own expenses as she takes it as a hobby.

Besides, this second-hand store has a collection point as an extra service provided for customers. This means, a person can donate used or old clothing to our second hand. In our store, the clothing is categorized according to its condition. If the clothing is in an excellent condition, without any defects and suitable for sale, it will be sold in our store. If the clothing is not in 100% condition – it may have defects yet no visible ones, it will be donated to the Zlín charity, already sorted, clean and ready-to-use. The customers who donate clothing to our store get a percentage discount on the next purchase (e.g. if the customer brings 10 pieces of clothes, he/she gets 10% discount for the next purchase). Moreover, the donator can be sure that he/she either supports the local second hand and therefore also contributes to the slow fashion' positive environmental impact, or he/she supports the Zlín charity.

#### **4.4 Target market and competition analysis**

This chapter deals with the market and competition analysis. The market analysis is focused on the external factors influencing the market and on the definition of the target market. The competition analysis is devoted to identification and evaluation of the possible competitors.

##### **4.4.1 PEST Analysis**

The PEST analysis helps to understand and measure the target market. The acronym PEST stands for the Political, Economic, Socio-cultural and Technological environment in which the business operates, and which influences the individual business.

##### **Political and Legal environment**

Since the legal form of this particular business is a natural person, it is important to point out that the owner must pay the income tax from profit which is, however, only 15% (Finance.cz, n.d.). Furthermore, the natural person is obligated to pay the health and social insurance all by himself/herself. In 2020, the health insurance reserves minimum per month is 2,352 CZK and the health insurance reserves minimum per month is 2,544 CZK (Finance.cz, 2020).

To start a business as a natural person, the entrepreneur must comply with several conditions imposed by the Trade Licence Act. However, it is important to keep in mind

that an entrepreneur might be a subject of state controls during the business operation also. The type and the number of possible state controls depends on the business. Controls can be made for instance by State Hygienic Station, Public Health Authority, Czech Trade Inspection, Trades Licensing Authority, Tax Office, Czech Social Security Administration, Czech Environmental Inspectorate, etc. (there are 20-30 state institution controls) (Hovorka, 2017).

Individual entrepreneurs in the Czech Republic are obligated to pay income tax and furthermore, since 2016 are obligated to use the Registration of sales (abbreviated as “EET”) system and record their sales. Such obligation was introduced by the Act on Registration of Sales No. 112/2016 Coll. in order to rebuild fair competition among businesses as well as to secure the state’s tax revenue (Etržby, n.d.).

Regarding the political environment of business in the Czech Republic, the government has increased its control, in particular, by the recent introduction of the system of electronic records of cash sales (EET) or by adding tax control statements. The tax rate in the Czech Republic has been fairly stable in recent years, except of the consumption tax which has increased (Morávek, 2019).

### **Economic environment**

As reported by the Czech Statistical Office, the national GDP increased up to 2%, the inflation rate to 3.1% and the general unemployment rate was about 2% in the last quarter of the year 2019 (ČSÚ, 2020). The economic environment of this business can also be determined with regards to the average nominal gross wage which has been 36,144 CZK in the Czech Republic at the end of the year 2019. In comparison with the year 2018, it has increased by 2,274 CZK (ČSÚ, 2020).

In Zlín region - where the second hand is located, the average nominal gross wage has been continuously growing since 2015 and it was stated to be 30,425 CZK in the year 2019. According to the Czech Statistical Office, the general unemployment rate in Zlín Region was 2,1% by the end of 2019. (ČSÚ, 2020)

However, on the beginning of March 2020 the already mentioned global coronavirus pandemic hit the Czech Republic and caused the growth of unemployment which was registered by the Labour Office of the Czech Republic at the end of that month. It is assumed that the unemployment will continue growing in the next few months and the economic situation not only in the Czech Republic, but also globally is expected to drastically deteriorate (Finance.cz, 2020). According to the Fashion (Re)search 2019 by GLAMI, 34%

of e-shops reported higher demand for cheap products as a change of consumers behaviour during the Coronavirus pandemic (fashion-research.cz, 2020).

### **Socio-cultural environment**

The location of the business is also a crucial factor influencing the company's success. The *First Choice Second Hand* is located in the very centre of Zlín, right in the Náměstí Míru. Moreover, the Golden Apple shopping centre, a number of cafés and restaurants, and the Tomas Bata University are in close proximity. As previously stated, Zlín is considered a student city because of the Tomas Bata University which has almost 9,000 students (Univerzita Tomáše Bati ve Zlíně, n.d.). These students make a significant part of the potential customers as young people tend to be interested in global issues such as waste and pollution and are likely to contribute by shopping in the second hand. Overall, the city Zlín has almost 75,000 inhabitants (in 2020), out of which slightly more than a half are women (who tend to buy clothes more than men and are our target customers) and 80% are people over 15 years of age (Mistopisy.cz, 2020). Consequently, it is essential to understand the preferences of the target group of customers which, in this case, are the convenient location and accessibility of the store, purchasing clothes for attractive prices and purchasing clothes while contributing to the environment. According to the GLAMI research, 13% of Czech population buys clothes in second hands, which is higher percentage than of people buying clothes from fashion designers (5%) or in luxury boutiques (6%). Moreover, 70% of respondents chose the price of a product as a crucial factor when deciding about the purchase. (fashion-research.cz, 2020)

### **Technological environment**

In the modern world, where everything changes rapidly and quickly, the technological factors are crucial for many kinds of businesses. However, in this particular business, no extraordinary or ground-breaking technology is planned to be used. The technology used in this second-hand is rather ordinary, fulfilling the purpose of having lower operational costs, maximum security of the store and offering customers as enjoyable experience as possible. One of the most important technologies is the cash register with the point-of-sale (POS) software program installed. The POS generally accelerates and automatize the transaction process (e.g. by showing cashier the price of the product, automatically calculating sales tax, processing coupon codes, scanning item bar codes, etc.) (Hayes, 2019).

#### 4.4.2 Porter's five forces

One of the crucial steps when starting the business is to evaluate the competition. An effective method for doing so, is the Porter's five forces analysis. Porter's five forces altogether aim to determine the extent and the power of the company's competition and thus also to understand the power of our business in the industry. It includes the rivalry among existing competitors, threat of new entrants, threat of substitute services, bargaining power of suppliers and bargaining power of buyers.

#### Competition Rivalry

Zlín is considered a medium-sized city, however, this does not change the fact that the number of second-hand stores in Zlín is quite high. The major competition existing in Zlín is:

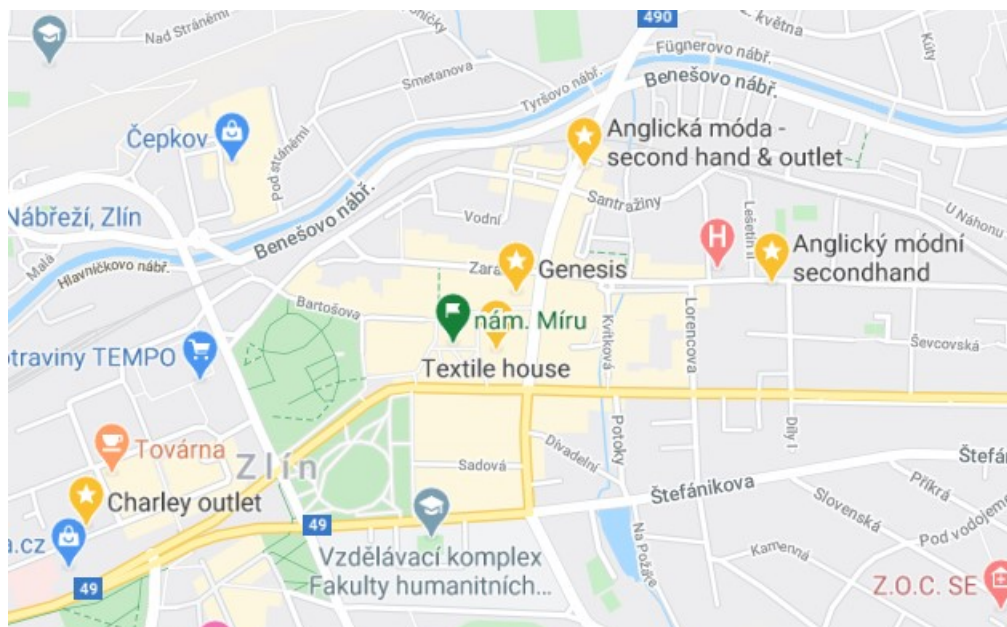


Figure 2: Map of Competition (Google maps)

- **Genesis**

The address: Rašínova 68/3, 760 01 Zlín

*Genesis* is a well-known second-hand chain store which has around 50 branches all over the Czech Republic. Its motto is: "People to people!"

- **Textile-house**

The address: nám. Míru 176, 760 01 Zlín

Similarly to *Genesis* second hand, *Textile-house* is also a chain store, but it is international, having 170 shops in 8 countries out of which seven are in the Czech Republic.

These two second hands are possibly our main competitors due to the fact that they are both located in the closest proximity to our store. The clothes in *Genesis*, however, are not as fashionable as in the *First Choice Second Hand*, and therefore, the *Textile-House* is considered our number one competitor.

- **Charley outlet**

The address: Jana Antonína Bati, 760 01 Zlín

*Charley* is recognized not only as a clothing retail store but also as a wholesale of clothes. As the vast majority of products sold in *Charley* is luxury-brand clothes, it is more of an outlet than a typical second-hand store.

- **Anglická móda - second hand & outlet**

The address: Dlouhá 497, 760 01 Zlín

- **Anglický módní secondhand**

The address: Kvítková 686, 760 01 Zlín

The last two second hands are specialized on selling fashion from Great Britain, which makes it different from our second hand. Nevertheless, they both are our competitors as they offer cheap clothes and are located quite near to *First Choice Second Hand*.

## **Supplier Power**

Generally, the influence of suppliers may represent a significant risk in case there are only a few of them on the market. However, regarding our business, there are plenty of wholesale retailers supplying goods from European countries, mainly Great Britain, Austria, Germany or Italy and therefore, the bargaining power of suppliers is low. Moreover, in the case of second hands the entrepreneur can easily become his/her own supplier by purchasing products in second hands or wholesale events both abroad, or in the Czech Republic. Clothing is goods independent on any special factors and a sudden change of its availability or prices is very unlikely to occur.

## **Buyer Power**

The power of buyers and their influence on the company's success is limited since there is a high number of potential customers (which is proved also by the fact that there is

an intense and yet successful competition). Of course, there are many alternatives – stores as well as online shops - from which the customers can buy clothes, but as was already mentioned, the potential for success is in the increasing environmental awareness thanks to which second-hand fashion is becoming more than a temporary trend. Consequently, the bargaining power of buyers who are interested in the environment is low as there are not many alternatives with sustainable fashion but in general, they can choose from many options when purchasing new clothes.

### **Threat of Substitution**

The most considerable threat is online shopping which plays a significant role in today's world and is popular mainly among young people. For the customers it may be more convenient to shop via the internet as it is more efficient, easier for evaluation of the alternatives and what is more, people do not have to put any physical effort into it. On the other hand, majority of elderly is out of the digital world, do not have access to the internet or do not know how to use it. Despite that, our second hand plans to start an online shop in the future.

### **Threat of New Entry**

Since the barriers to enter this particular industry are rather low and a number of entrepreneurs see the opportunity in slow fashion nowadays, the entry of new competitors is always possible and should be expected. The business can be run by any self-employed person without any need for special practice or education.

## **4.5 Marketing plan**

The outputs of the market analysis will be used to compile a marketing plan which specifically deals with defining customer segments, finding added value for the customer and finding effective way of delivering this value. It outlines the company's overall marketing strategy whose eventual aim is to generate profit.

### **4.5.1 SWOT Analysis**

For defining the internal factors and external factors which will most probably influence the business, it is recommended to use the strategic planning technique SWOT matrix (also called SWOT analysis). SWOT stands for Strengths, Weaknesses, Opportunities and Threats concerning the company.

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
------------------	-------------------

<ul style="list-style-type: none"> <li>• fashionable clothing from foreign countries</li> <li>• affordable clothing</li> <li>• original clothing</li> <li>• friendly atmosphere</li> <li>• environmental impact</li> <li>• convenient location</li> </ul>	<ul style="list-style-type: none"> <li>• limited financial budget</li> <li>• new on the market</li> <li>• no experience in business</li> <li>• complicated process of the clothes sorting</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>• increasing environmental awareness</li> <li>• filling market niche of fashionistas</li> <li>• economic crisis</li> </ul>	<ul style="list-style-type: none"> <li>• new entry competition</li> <li>• strong competition</li> <li>• online shops</li> <li>• lack of customers</li> <li>• rising price of rent</li> <li>• economic crisis</li> <li>• uncertain quality of delivered goods</li> </ul>

Table 2: SWOT Analysis (own creation)

**Strengths**

The company’s main strengths include the company’s differentiation from the existing competition and the company’s effort to take advantage from the growing trend of ecologically friendly and sustainable fashion. To start with the biggest strength of our company it is the focus on a protection of the environment. Unlike retail stores, who themselves are the most harmful to our planet, we support sustainability and recycling. Secondly, the clothing and accessories sold in the *First Choice Second Hand* are supplied from wholesales and second hands from abroad (mainly Germany and Austria) and therefore, are different and original unlike the new clothing from current collections in retail stores.

Regarding the difference between our company and other second hands, we thoroughly sort through the clothes and choose only the best quality, trendy and fashionable products. Moreover, the products sold in our store are clearly divided into sections according to the size, type, gender and what is more, there will be also special sections with vintage, branded and trendy style clothing. One of other great strengths lies in the prices,



which are lower than prices of new clothing in retail stores and everything is affordable. Since our employees are experienced, communicative and especially - customer-oriented the atmosphere in our store is friendly and welcoming.

Regarding the location of the store, it can be considered a strength as it is situated right on the main square next to the Golden Apple shopping mall. There is a number of cafés, restaurants, shops and services around. Due to the fact that our two main competitors are located nearby, it is highly possible that their customers will consider our store an option as well and therefore will probably come to visit us.

Another advantage is that the clothing is original as it comes to the second hand after some time it was in the current collection and therefore can be hardly found on someone else. Additionally, the clothing in second hands is already washed so the customer can see how the material behaves after being washed.

### **Weaknesses**

Among the weaknesses of the company, the major problem is entering the new market without any reputation and with the businessowner's lack of experience of running a business. Nevertheless, it both can be improved with time. Another weakness is the entrepreneur's possible uncertainty about the quality of products ordered from wholesalers, as they are usually packed in sacks. Moreover, the supplied and paid goods as well as the collected clothing from people must be sorted through carefully which takes a lot of time and effort to the manager and it must be further washed and ironed by the outsourced laundry Mýval Zlín. Another possible weakness is the limited financial budget of the owner.

### **Opportunities**

The fact that nowadays the environmental awareness is spreading rapidly, and more and more people feel the necessity to manage resources and ecosystems of our planet, is considered our main opportunity. Another opportunity is winning the customers' loyalty, especially of those interested in fashion, as we are the only second-hand with high-quality clothing and different style categories. With this advantage, our opportunity is filling the niche market of fashionistas keen on sustainable and original fashion.

If the customers' experience in our second hand will be pleasant, they will spread the information by word-of-mouth, and they will keep coming back. A possible opportunity can be recognized also in the economic crisis caused by the coronavirus pandemic in 2020. As a result of the economic crisis, people will tend to save money and will buy cheaper products rather than expensive ones. Moreover, it is possible that our existing potential competition will not survive the crisis and therefore will exit the market.

## Threats

The significant threats are the already quite high number of competitors in Zlín and its possible and expected increase due to the fact that many entrepreneurs see a business opportunity in second hands caused by the heightened environmental awareness among people. Also, the location of the store can be considered a threat from the point of view that there are two main competitors located right next to us. Therefore, the consequential lack of loyal customers would be a problem. Last but not least, online shops present a huge threat for us as online shopping is preferred by many customers and the *First Choice Second Hand* do not have an e-shop yet. The list of threats includes also a possible rise in price of the rent, or decreasing customers' demand for the products caused by possible global disaster such as the coronavirus pandemic in 2020 due to which also the majority of stores had to shut down for a significant period of time and lost their monthly profit.

### 4.5.2 Marketing Mix

The Marketing mix comprises of the descriptions of the four Ps – product, price, place and promotion.

### Target Market segmentation

We target customers looking for timeless and quality clothing who prefer individual style and originality before fashion trends and who care about the environmental impact of fashion industry on the planet. Second-hand fashion is nowadays becoming very popular among young people, who tend to put more attention to environmental issues than older generations. Mothers and women on maternity leave enjoy buying clothes in second-hand stores not only because the prices are lower but also because it is a retail therapy for them. Last but not least, second hands have always been prioritized by elder people who care much less about the brand or style of their clothes and usually just search for low prices. Considering all this and the fact that this second hand is not focused on one specific target market, the target customers are of any gender in the age of 15-99. The customers may be divided into three segments.

**SEGMENT 1** – rather young people interested in original and slow fashion (fashionistas), fashion designers and students. These customers will probably reach for the clothing in the category A (original, branded, fashionable, at higher prices)

**SEGMENT 2** – customers in the age of 30-49 – ladies, mothers who will probably reach for the category B of clothing (cheaper and no-brand, yet very fashionable)

**SEGMENT 3** – customers in the age of 50 and more who will probably reach for the category C of clothing, preferring low prices before the style, brand, originality, etc.

### **Product**

The *First Choice Second Hand* offers second-hand, yet fashionable, quality, stylish and even brand name clothing and accessories in immaculate quality supplied from abroad. We provide clothing for males and females sorted according to the category into specific sections. The sections are bottoms – jeans, trousers, skirts, shorts; dresses; t-shirts, shirts, blouses, tops; sweatshirts and hoodies; blazers, jackets and coats; etc. Moreover, there are special sections with extravagant, vintage, punk style and most importantly, with high-end clothing. Besides clothing we offer also accessories such as bags, handbags, backpacks, sunglasses and jewellery - bracelets, necklace, earrings, rings.

An additional service provided by the *First Choice Second Hand* is collecting discarded and unwanted clothes from the public. People who want to get rid of their clothing responsibly may bring it into the *First Choice Second Hand* and assure themselves it will be re-used. The clothing is further sorted through and only the best-quality pieces in excellent condition with no visible defects will actually be sold in the second hand. The clothes with minor yet no visible defects, in good condition will go to the Zlín charity. Lastly, the clothes that don't meet our quality standards will be reduced to rags (cleaning materials, leisure equipment).

The production process of new clothing causes several impacts on the environment, such as by the emission of greenhouse gases to the environment or contamination of water as toxic wastewaters from textile factories are dumped into the rivers and flow into oceans as well. The majority of clothes ends on landfills, where for instance synthetic fibres can take up to 200 years to decompose while emitting methane into the air, which consequently causes global warming. Generally, re-using and recycling clothes reduces pressure on resources such as soil, or water as the production of cotton and wool needs irrigation and space. By buying and wearing already used clothes, we prolonger their life cycle and as was already mentioned, conserve natural resources, reduce pollution and reduce the need for landfill space (Sustain Your Style, n.d.). All of this along with the professional service provided by our shop assistants, warm atmosphere, and modern and stylish interior will make an impression on every customer.

### **Price**

The pricing strategy of the *First Choice Second Hand* is primarily based on the prices of our competitors. There are two main competitors located near to our second hand, but both have different pricing strategy. Genesis sells clothing at low prices which, however, corresponds the products' quality. Our pricing strategy will be similar to the one of Textile-house. Pricing of products will depend on the collection, brand, quality, etc. but generally, the prices will be much lower than of a new goods from brand store. The pricing strategy also depends on the costs of suppliers which however is expected to be consistent, and on the expected customers' behaviour.

The price of a product depends on its quality, condition, novelty, brand and style. Products are divided into three categories based on the product's characteristics. Below is an exemplifying list of possible prices of products according to the category to which it belongs.

<b>Category A</b>	Very stylish, original, branded, high-quality, outlet products in new collections	300 – 1200 CZK
<b>Category B</b>	Not branded, ordinary and basic, yet quality and fashionable products	100 – 500 CZK
<b>Category C</b>	Clothing donated by people and products which are on stock for a long time	15 – 150 CZK

*Table 3: Pricing (own creation)*

## Place

The location of the *First Choice Second Hand* is strategically convenient because it is situated right on the main square and right next to the Golden Apple shopping mall. There is a number of cafés, restaurants, shops and services around. On the other hand, the fact that our two main competitors are located nearby presents a possible threat for us. Nevertheless, it can be assumed that in the case that our competition's customers do not purchase anything there they are very likely to visit our store as well as the next possible option. The month's rent for the store is 40,000 CZK. The store is divided into a sales part and a warehouse in the back of the store. The threshold area will contain the best pieces of clothes as well as accessories exhibited. The point of sale and the counter will be placed in the front part of the store near to the entrance. Overall, the room will be spacious enough to allow customers to have enough of personal space when browsing products. There will be two changing rooms for customers. The interior will be designed aesthetically and equipped mostly with used furniture bought in second-hand shops.

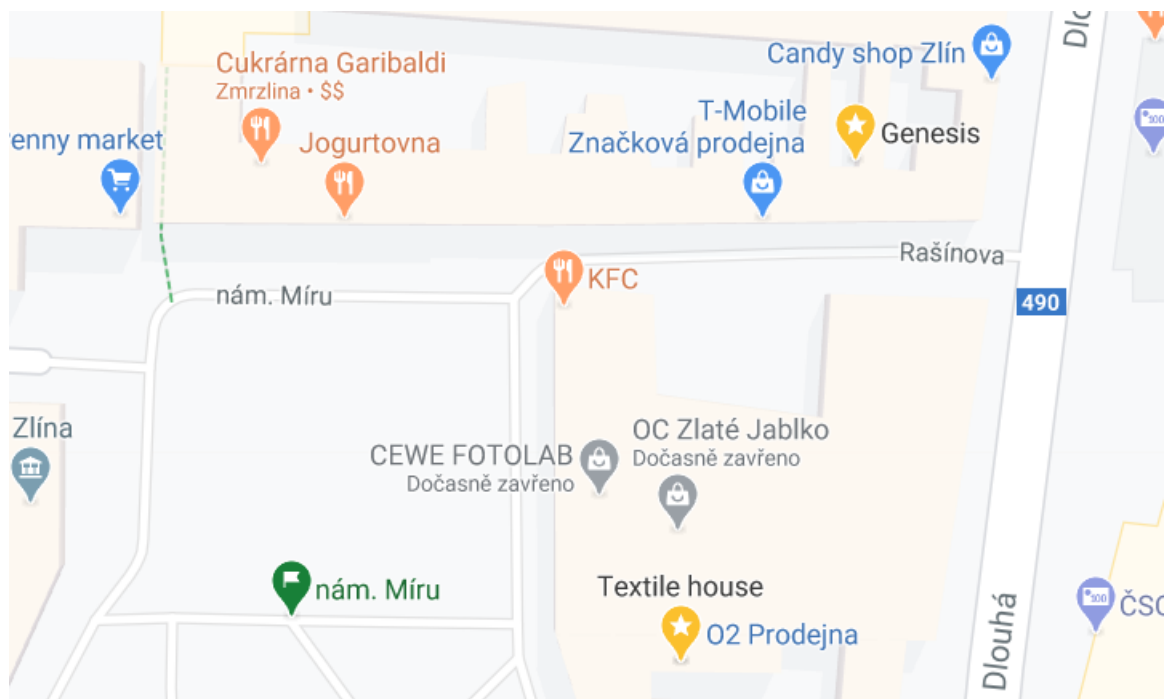


Figure 3: Location (Google maps)

### Promotion

Since the *First Choice Second Hand* is a new store, it is crucial to let people know about who we are and what do we sell, and it must be done so in advance – at least one month prior the opening. The *First Choice Second Hand* will be promoted through social media, website, leaflets, loyalty programme and word of mouth. We mostly focus on the online marketing. The chosen forms of promotion will correspond to a particular segment of customers. For the customer segment 1, we aim to catch their attention mostly through social media – Instagram and Facebook, as young people spend a lot of time on the internet and use these social media platforms daily. For the customer segment 2 we will focus on Facebook advertisements as well as on the loyalty program to encourage the customers to come back. We will also use leaflets for communication with the customers of segment 3 and the elderly since they usually do not use internet and purchase clothing rather rarely.

- **Facebook and the website**

In today's modern world it is vital to be online and promote the business through social media channels. The *First Choice Second Hand* will be on Facebook, especially for the informative purpose. People who want to know the opening hours, location, reviews of other customers, or special offers and dates of new collections, will most probably visit our Facebook profile, however, they can also visit our website [www.1stchoice2ndhand.cz](http://www.1stchoice2ndhand.cz),

where they will find the basic information as well. Besides, the second hand will be promoted in the Facebook group *UTB Za Klima*, which is a platform of TBU students dealing with environmental issues and aiming to increase an environmental awareness. Last but not least, we will take advantage of paid advertisement on Facebook through which we can reach people from Zlín or people interested in second hands. A price for Facebook ads is flexible and may be easily managed according to our needs.

- **Instagram**

Instagram is a social media platform used mostly by young people on a daily basis. Nowadays it is clear that Instagram is mainly about promotion of wide range of products and services. The *First Choice Second Hand* will use Instagram as the main promotional channel. The Instagram posts will include the best pieces combined and photographed in an aesthetic way to catch the attention. We will post Instagram stories everyday with new products, beautiful pieces of clothes, information about new collections and special offers in order to inspire the customers to visit us. We plan to cooperate with social media influencers from Zlín and the surrounding area, who can purchase something in our store, promote it on their Instagram and get a special discount for them or for their followers. We plan to take advantage of the possibility of paid promotion on Instagram, especially when starting the business.

- **leaflets**

We will make leaflets with information about our second hand including the location, opening hours, social medias and website, and our motto to inform people and motivate them to visit us. These leaflets will be placed in individual faculties of the Tomas Bata University, in public transport, in mailboxes and in the café *Kavárna Továrna* and café *bistro Kávová Holka* who will both support us.

- **word of mouth**

Word of mouth is a promotion coming from the customers' side. It is highly effective, yet it depends on the customers' experience and overall satisfaction and their will to recommend our store to other people. Satisfied customers may share their experience with their family, friends or relatives. The advantage of this kind of promotion is that it is for free.

- **loyalty program**

The loyalty cards are one of the possible ways of how to keep a customer. For every purchase, the customer will get a stamp on the loyalty card and for every 5<sup>th</sup> purchase, he will get 25% discount on the next purchase. Furthermore, as was already explained, the donators of clothing to our store will get a percentage discount for the next purchase as well.

## 4.6 Financial Plan

The aim of the financial plan is to reveal a possible profit or loss that the business might bring. The financial part is the last and the most important part of the business plan and consists of calculation of start-up costs, balance sheet, calculation of staff and fixed costs, calculation of expected revenues and the income statement. The total sum of the founder's own savings invested into this business is 1,000,000 CZK.

### 4.6.1 Simplified balance sheet

Balance sheet is a report that states the company's financial position regarding assets, liabilities and founder's equity at the end of a specified date. On the left side of the table, the company's fixed and current assets are stated. On the right side of the table, the company's liabilities (equity capital and borrowed capital) are stated. The registered capital in the amount of 1,000,000 CZK is covered by the founder's own finances.

ASSETS (CZK)		LIABILITIES (CZK)	
<b>Fixed assets</b>	<b>0</b>	<b>Equity</b>	<b>1,000,000</b>
		Registered capital	1,000,000
<b>Current assets</b>	<b>1,000,000</b>	<b>Liabilities</b>	<b>0</b>
Cash	50,000		
Bank account	950,000		
<b>TOTAL</b>	<b>1,000,000</b>	<b>TOTAL</b>	<b>1,000,000</b>

*Table 4: Simplified balance sheet (own creation)*

### 4.6.2 Start-up costs

Start-up costs determine how much money we need to establish the business. It includes every cost that is needed to be paid in order to start a company and open a store. Despite these costs present a large sum of money, they are paid only once – at the beginning. Total start-up costs will be financed by the owner's investment of 1,000,000 CZK.

The start-up costs are listed in the table below:

Finances for the establishment of the second hand (CZK)	
<b>Trade license</b>	<b>1,000</b>
<b>Promotion</b>	<b>4,356</b>
Leaflets	4,356
<b>Equipment of the second hand</b>	<b>86,500</b>
EET cash desk	5,000
Basic furniture – shelves, clothes racks	35,000
Countertop	3,000
Fitting rooms	3,000
Internet and Wi-Fi router	950
Electricity	1,500
PC	11,000
Renovation	10,000
Lights (fixtures)	7,000
Clothes' hangers	250
Decorations	2,000
Security system	7,800
<b>Inventory (clothes + accessories)</b>	<b>60,000</b>
<b>Total Start-up Costs</b>	<b>151,856</b>

*Table 5: Start-up costs; equipment and machinery of the store (own creation)*

#### 4.6.3 Calculation of staff and fixed costs

##### Staff costs

The whole company is run by the owner herself, who will also work in the store on Mondays and Saturdays and will do the management, accounting and marketing as well. Besides that, one full-time employee will be hired to work in the store every Tuesday, Wednesday, Thursday and Friday. Both – the owner and the employee have to provide a great customer service, receive and process all payments (point-of-sale operations), handle the donated clothes, restock shelves, help clean and maintain the business. The working hours are since 8.30 until 17.30 (with additional 30 minutes in the morning and in the evening – before opening and after closing the store – for cleaning and preparing the store). Additionally, there will be one part-time employee who will help with sorting the clothing,



restocking shelves and with the basic maintenance of the store. He/she will be on a DPP (“dohoda o provedení práce”) contract and will work on Mondays, Wednesdays and Fridays approximately for 3,5 hours a day (depending on the need and agreement).

Staff Costs (CZK)	Gross wage/month	Social insurance (25%)	Health insurance (9%)	Salary + social and health insurance	Annual salary
<b>Full-time employee</b>	18,000	4,500	1,620	24,120	289,440
<b>Part-time employee</b>	4,200	0	0	4,200	50,400
<b>Total</b>	<b>22,200</b>	<b>4,500</b>	<b>1,620</b>	<b>28,320</b>	<b>339,840</b>

Table 6: Staff costs (own creation)

The gross wage of the full-time employee is 18,000 CZK per month. This employee will work 4 days (=36 hours) per week which makes 144 hours per month. The employer is obligated to pay the social and health insurance for the full-time employee and therefore, the cost of his/her salary would be 24,120 CZK per month and 289,440 CZK per year.

The monthly salary of the part-time employee is 4,200 as he/she will work 10.5 hours per week (= 42 hours per month) and his/her hourly wage is 100 CZK. His/her annual salary is 50,400 CZK. Since he/she will be on a DPP contract, the employer is not obligated to pay the social and health insurance.

### Fixed costs

The company’s fixed costs paid regularly are listed in the table below. The fixed costs consist of the rent, energy, insurance, wages and internet service.

Fixed Costs	Per month	Per year
<b>Rent</b>	40,000 CZK	480,000 CZK
<b>Internet and mobile services</b>	1,150 CZKI	13,800 CZK
<b>Insurance</b>	3,500 CZK	42,000 CZK
<b>Wages</b>	28,320 CZK	339,840 CZK

<b>Webhosting</b>	83 CZK	996 CZK
<b>Laundry in Mýval</b>	2,500 CZK	30,000 CZK
<b>Loyalty cards (slevotisk.cz)</b>	1,000 CZK	12,000 CZK
<b>Social media advertisement (Instagram and Facebook)</b>	8,000 CZK	96,000 CZK
<b>TOTAL</b>	<b>84,553 CZK</b>	<b>1,014,636 CZK</b>

Table 7: Fixed costs (own creation)

#### 4.6.4 Expected revenues

Since the subject of our business is a second-hand store, it is a bit complicated to determine the prices of products and revenues with absolute certainty. The purchase prices are set by suppliers; however, the selling prices of products depend on the quality of the product, and the product's attractiveness to a customer. Therefore, the statement of expected revenues is based on an educated guess.

Product / Category A	Variable costs (CZK)	Selling price (CZK)	Gross margin (CZK)
<b>jeans, trousers</b>	200	600	400
<b>skirts, shorts</b>	150	500	350
<b>Dresses</b>	150	500	350
<b>t-shirts, blouses</b>	110	400	290
<b>shirts, tops</b>	100	350	250
<b>Sweatshirts, hoodies</b>	170	450	280
<b>blazers, jackets, coats</b>	200	500	300
<b>bags, handbags, backpacks</b>	120	400	330
<b>Sunglasses and jewellery</b>	80	250	170

Table 8: Production costs - Category A (own creation)

Product / category B	Variable costs (CZK)	Selling price (CZK)	Gross margin (CZK)
<b>jeans, trousers</b>	50	150	100
<b>skirts, shorts</b>	35	135	100

<b>Dresses</b>	40	135	95
<b>t-shirts, blouses</b>	25	125	100
<b>shirts, tops</b>	20	100	80
<b>Sweatshirts, hoodies</b>	40	140	100
<b>blazers, jackets, coats</b>	60	170	110
<b>bags, handbags, backpacks</b>	50	150	100
<b>Sunglasses and jewellery</b>	25	110	85

*Table 9: Production costs - Category B (own creation)*

Product / Category C	Variable costs* (CZK)	Selling price (CZK)	Gross margin (CZK)
<b>jeans, trousers</b>	0	80	80
<b>skirts, shorts</b>	0	60	60
<b>Dresses</b>	0	70	70
<b>t-shirts, blouses</b>	0	50	50
<b>shirts, tops</b>	0	40	40
<b>Sweatshirts, hoodies</b>	0	50	50
<b>blazers, jackets, coats</b>	0	60	60
<b>bags, handbags, backpacks</b>	0	50	50
<b>Sunglasses and jewellery</b>	0	40	40

*Table 10: Production costs - Category C (own creation)*

\*The variable costs of these products are 0 CZK because they are donated by customers for free. Nevertheless, each donator gets a percentage discount for next purchase, which consequently means an extra cost connected with these products for the entrepreneur.

### Calculation of revenues

To calculate the revenues and the profit, it is crucial to predict a number of products sold per day. For doing so with reasonable accuracy, it is helpful to create three possible scenarios – an optimistic, realistic and pessimistic one. The numbers of products sold were predicted according to the data of competitors. All products are divided into specific groups based on the type of product as well as its approximate price and according to the product category (these are explained in the chapter 4.5.2. – Marketing Mix – Price). Consequently, the groups are **bottoms and dresses** including jeans, trousers, skirts, shorts and

dresses; **tops** including t-shirts, blouses, shirts and tops; **topcoats** including sweatshirts, hoodies, blazers, jackets and coats; and **accessories** including bags, handbags, backpacks, sunglasses and jewellery. The categories, groups and possible sales of products in three different scenarios are stated below.

Revenues	Optimistic (per day)	Realistic (per day)	Pessimistic (per day)
<b>Category A</b>			
<b>Bottoms and dresses</b>	5	3	2
<b>Tops</b>	9	5	2
<b>Topcoats</b>	5	3	1
<b>Accessories</b>	3	2	1
<b>Category B</b>			
<b>Bottoms and dresses</b>	6	4	2
<b>Tops</b>	10	6	2
<b>Topcoats</b>	6	3	1
<b>Accessories</b>	4	2	1
<b>Category C</b>			
<b>Bottoms and dresses</b>	4	3	2
<b>Tops</b>	7	4	2
<b>Topcoats</b>	4	3	1
<b>Accessories</b>	2	1	1
<b>Variable costs per day (CZK)</b>	<b>4,875</b>	<b>2,875</b>	<b>1,230</b>
<b>Revenues per day (CZK)</b>	<b>12,405</b>	<b>8,350</b>	<b>3,885</b>
<b>Gross margin per day (CZK)</b>	<b>7,530</b>	<b>5,475</b>	<b>2,655</b>
<b>Variable costs per month (CZK)</b>	<b>117,000</b>	<b>69,000</b>	<b>29,520</b>
<b>Revenues per month (CZK)</b>	<b>297,720</b>	<b>200,400</b>	<b>93,240</b>
<b>Gross margin per month (CZK)</b>	<b>180,720</b>	<b>131,400</b>	<b>63,720</b>

Table 11: Predicted sales (own creation)

Variable costs per day were calculated as the average variable cost of the product multiplied by the number of the pieces of product sold. Revenues per day were calculated as the average selling price of the product multiplied by the number of the pieces of product sold. The gross margin per day was calculated as the variable cost of the product multiplied by the number of the pieces of product sold. This method was applied for all product categories as well as for all scenarios. The calculation results were multiplied by 24 (the number of working days per one month) in order to calculate the variable costs, revenues and gross margin per month.

#### 4.6.5 Income statement

Since the *First Choice Second Hand* is a business of a natural person, the owner is obligated to pay the personal income tax which makes 15% of the EBT (earnings before taxes) in the Czech Republic. EBT was calculated by subtracting costs from revenues. As a result of the income statement, the EAT (earnings after taxes) was calculated by subtracting costs and income tax from revenues. For better understanding, EBT was calculated for the first month (includes start-up costs), 2<sup>nd</sup> month (start-up costs are no longer paid), and overall 1<sup>st</sup> year (start-up costs are counted in only once), however, EAT is by rule reported annually.

The income statement below is based on the realistic scenario previously shown.

Income Statement (realistic)	1 <sup>st</sup> Month	2 <sup>nd</sup> Month	1 <sup>st</sup> Year
<b>Revenues</b>	200,400 CZK	200,400 CZK	2,404,800 CZK
<b>Variable costs</b>	69,000 CZK	69,000 CZK	828,000 CZK
<b>Fixed Costs</b>	84,553 CZK	84,553 CZK	1,014,636 CZK
<b>Start-up Costs</b>	91,856 CZK	0	91,856 CZK
<b>EBT</b>	<b>-45,069 CZK</b>	<b>46,847 CZK</b>	<b>470,308 CZK</b>
<b>Tax 15%</b>			70,587 CZK
<b>EAT</b>			<b>399,994 CZK</b>

Table 12: Income statement (own creation)

According to the realistic scenario, it was found that the *First Choice Second Hand* would earn a net profit of 399,994 CZK yearly.

The income statement below is based on the optimistic scenario previously shown.

Income Statement (realistic)	1 <sup>st</sup> Month	2 <sup>nd</sup> Month	Yearly
<b>Revenues</b>	297,720 CZK	297,720 CZK	3,572,640 CZK
<b>Variable costs</b>	117,000 CZK	117,000 CZK	1,404,000 CZK
<b>Fixed Costs</b>	84,553 CZK	84,553 CZK	1,014,636 CZK
<b>Start-up Costs</b>	91,856 CZK	0 CZK	91,856 CZK
<b>EBT</b>	<b>4,311 CZK</b>	<b>96,167 CZK</b>	<b>1,062,148 CZK</b>
<b>Tax 15%</b>			159,322 CZK
<b>EAT</b>			<b>902,826 CZK</b>

Table 13: Income statement (own creation)

According to the optimistic scenario, it was found out that the *First Choice Second Hand* would earn a net profit of 902,826 CZK yearly.

The income statement below is based on the pessimistic scenario previously shown.

Income Statement (pessimistic)	1 <sup>st</sup> Month	2 <sup>nd</sup> Month	Yearly
<b>Revenues</b>	93,240 CZK	93,240 CZK	1,118,880 CZK
<b>Variable costs</b>	29,520 CZK	29,520 CZK	354,240 CZK
<b>Fixed Costs</b>	84,553 CZK	84,553 CZK	1,014,636 CZK
<b>Start-up Costs</b>	91,856 CZK	0 CZK	91,856 CZK
<b>EBT</b>	<b>-112,689 CZK</b>	<b>-20,883 CZK</b>	<b>-341,852 CZK</b>
<b>Tax 15%</b>			0 CZK
<b>EAT</b>			<b>-341,852 CZK</b>

Table 14: Income statement (pessimistic scenario)

If EBT is negative, it means a loss for the company and the income tax is not further paid. According to the pessimistic scenario, it was found out that the *First Choice Second Hand* would make a loss of 341,852 CZK yearly.

Considering the realistic scenario in which the owner believes, the company would make loss in the first month, but would make a profit of 39,820 CZK each following month and a profit of 399,994 CZK per year. Consequently, regarding the results, the business has potential to succeed and is assumed to be profitable.

#### 4.6.6 Return on investment

Return on investment (ROI) is calculated according to a special formula:

$$\text{ROI} = (\text{Current Value of Investment} - \text{Cost of Investment}) / \text{Cost of Investment} * 100$$

In other words, ROI is calculated as net income divided by the initial investment. The result is then multiplied by 100 and expressed as a percentage.

The higher the ROI, the greater the profitability of a business. Generally, if ROI is positive, it means that returns exceed investment. On the contrary, a negative result of ROI means the investment generates loss (Chen, 2020).

$$\text{ROI for realistic scenario: } 399,994/1,000,000 = 0,399994 = \mathbf{39,99\%}$$

$$\text{ROI for optimistic scenario: } 902,826/1,000,000 = 0,902826 = \mathbf{90,28\%}$$

According to both – realistic and optimistic scenario, the ROI is positive and therefore, the investment should generate profit.

### 4.7 Risk Evaluation

It is more than necessary to examine and evaluate every possible risk which the entrepreneur may face when starting this business. Generally, such a risk may be external (a risk we can hardly influence), or internal (we may influence it).

#### 4.7.1 Internal risks

##### Lack of experience

One of internal risks of this company is the lack of the entrepreneur's previous experience in doing business. The businessowner has never run a fashion store and has never been in a business environment of this kind before.

##### Service and product risk

There is always a risk that the offered products will not be as attractive for customers as expected or that the products' quality and condition will not be sufficient. Also, there may be lack of donated clothing by customers as they will not be interested into supporting slow fashion and consequently, the whole concept of a collection point for used clothes from public could collapse. Regarding the customers service, a possible unreliable or not enough motivated employee and a small management and employee team belongs amongst considerable risks also.

#### 4.7.2 External risks

##### **Lack of customers**

One of the major possible risks is that there will be not enough customers. Either potential customers will prefer one of existing competitors on the market or they simply will not be interested into buying second-hand, used clothes and will rather purchase completely new ones. The businessowner will aim to minimize this risk by emphasizing the ecological impact of second hands and by promoting the concept and the store itself by being active on social media platforms such as Facebook or Instagram and pay online advertisements.

##### **Competitive risk**

Generally, environmental awareness is increasing, and people are becoming more and more interested into slow fashion and fast fashion's environmental impacts. As a result, the number of second hands is increasing and thereby it would be no surprise if a new rivalry came into the market. The competitive rivalry is described in more details in the chapter 4.4.2. *Porter's five forces analysis* of this business plan.

##### **Financial risks**

The financial plan helps the entrepreneur to wisely evaluate and decide whether the business will or will not be profitable eventually. It is necessary to assess the start-up costs needed to establish the business at the first place. The businessowner should be realistic and avoid underestimating the costs or overestimating the revenues.

##### **Political and legislative risks**

There is a possibility of changes in legislation or in a political situation in the business environment. For instance, a recent introduction of EET (sales electronic evidence system) which has influenced all enterprises, can be considered a serious risk.

##### **Economic risks**

As was already stated and proved, the recent global coronavirus pandemic hit the world's economy and caused a financial crisis. During the pandemic, the majority of services had to stay closed for a significant period of time, and therefore, lost their profit. Consequently, many firms had to go out of businesses and a lot of people lost their jobs. The economic situation not only in the Czech Republic has worsen, the wages of many people has decreased and as a result, people has been spending less money. A similar scenario of a global disaster or a fall in wages would mean a serious risk for every business including the *First Choice Second Hand*.



## CONCLUSION

The aim of this bachelor's thesis was to establish a business plan for a new second hand – the *First Choice Second Hand* located in Zlín and evaluate its possible efficiency and profitability.

The theoretical part deals with explanation of basic business terms – entrepreneurship, entrepreneur and enterprise. Further, types of businesses and possible legal forms of businesses in the Czech Republic are described. The author decided to establish the business of a natural person. In the second section of the theoretical part, the structure of a business plan including all its individual chapters is theoretically explained. Each chapter includes definition, general principles, goals and its purpose.

The analytical part further focuses on the author's particular business idea – the *First Choice Second Hand* and thus, presents a detailed business plan. This idea came from the growing trend of environmental awareness and the author's interest in fashion. The business plan is based on the knowledge acquired from and information provided by the theoretical part of this thesis. The plan includes the title page followed by the executive summary and by the company and service description. Further, the market and competition analysis including PESTE and Porter analyses is described. The next chapter is a marketing plan consisting of SWOT and marketing mix analysis. After that follows a crucial chapter – the financial plan which contains simplified balance sheet, calculations of costs, expected revenues and income statement. Last but not least, possible internal and external risks which may influence the business are evaluated.

The accuracy of the business plan and its result is limited by a number of factors. For instance, no questionnaire was used and therefore, the results of analyses are based rather on the author's estimates and the results of calculations are only approximate. Moreover, some data for calculations are based on information found on the internet which may not be as accurate or updated.

Since the primary purpose of processing this business plan was to decide whether the establishment of the company would be viable or not, according to the analyses' and calculations' results the author concluded that in case of the optimistic and realistic scenarios the business is practicable and the concept has a potential. Along with that, the ultimate goal of this thesis can be considered fulfilled.

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**LIST OF ABBREVIATIONS**

a. s.	Akciová společnost
ČSÚ	Český statistický úřad
CZK	Czech koruna
DPP	Dohoda o provedení práce
e.g.	Exempli gratia
EAT	Earnings after taxes
EBT	Earnings before taxes
EET	Electronická evidence tržeb
GDP	Gross domestic product
Kom. spol.	Komanditní společnost
PEST	Political, Economic, Social, Technological factors
POS	Point of sale
ROI	Rentability of investment
s. r. o.	Společnost s ručením omezeným
Spol. s r. o.	Společnost s ručením omezeným
SWOT	Strengths, Weaknesses, Opportunities, Threats
TBU	Tomas Bata University
v. o. s.	Veřejná obchodní společnost
Veř. obch. spol.	Veřejná obchodní společnost

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