

A Business Plan for a Second-hand E-shop

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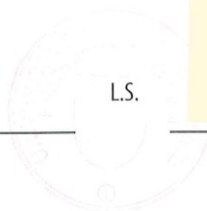
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ABSTRAKT

Tato bakalářská práce se zabývá podnikatelským plánem pro e-shop s použitým oblečením a cílem této práce je zjistit, zda je tento plán realizovatelný. Práce je rozdělena na dvě části, a to teoretickou a praktickou část. Teoretická část se vymezuje základní pojmy včetně definice podnikání, forem podnikání či definice podnikatele. V poslední kapitole teoretické části jsou popsány jednotlivé části podnikatelského plánu, které slouží jako předloha pro praktickou část. Praktická část se věnuje vytvořením podnikatelského plánu pro fiktivní e-shop s použitým oblečením.

Klíčová slova: podnikatelský plán, podnikatel, podnikání, e-commerce, e-shop, analýza konkurence.

ABSTRACT

This bachelor's thesis deals with developing a business plan for a second-hand e-shop with the aim to determine whether the plan is viable. The bachelor's thesis is divided into two parts - theoretical and practical. The theoretical part is focused on defining basic terms including entrepreneurship, legal forms of businesses and entrepreneur. The structure of a business plan is introduced and described, as well. The final chapter of the theoretical part serves as basis for the practical part which deals with development of a business plan for a second-hand e-shop, šěrní.to.

Keywords: business plan, entrepreneur, entrepreneurship, e-commerce, e-shop, competition analysis.

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

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INTRODUCTION

To be an entrepreneur is popular among young generations and most of them want to establish a business. However, establishing a business is not easy, and that is the reason why a business plan is important. The business plan will take a closer look at different aspects and criteria that the business needs to think about. Many entrepreneurs say that business is just about money, but that is not true for me. It is true that an entrepreneur establishes a business for a profit, but the business must make sense and have some added value. If these two elements are missing, the business will not make money because customers will look for another one. The goal of this business idea is to show whether this business idea is viable or not.

The reason why I am writing a business plan right now is that I have always had a passion for fashion and approximately three years ago, in my first year at university, I discovered slow fashion and second-hand shops. I was trying to create an original business plan with unique idea. Firstly, I was planning to open a second-hand store, but later I was discussing with my colleague, Monika, and the idea for an online second-hand that rents outfits came up. I would like to establish this type of company in the future, as I think it is an original idea and one the Czech market is missing.

The thesis is divided into two parts – the theoretical and practical. In the theoretical part, terms like business, entrepreneur and entrepreneurship are explained. In the following chapters, how to form a business in the Czech Republic is described as well as different forms of businesses. The last chapter describes the elements of a business plan.

The theoretical part is followed by practical part. It includes a description of the company as well as the logo. That is followed by industry and market analysis, competition analysis, the marketing plan, and finances. This whole practical part is summarized, and it also serves as the last chapter of this bachelor thesis.

I. THEORY

1 ENTREPRENEURSHIP

There is not one single definition of “business”. Some authors, including Srpová and Řehoř et al. (2010, 20) as well as Vochozka and Mulač (2012, 34) are inclined to the legal definition of “business” as stated in Czech law. In Section 2 of the Commercial Code of the Czech Republic, business means „a continuous activity carried out by a self-employed entrepreneur in his own name and on his own responsibility for the purpose of obtaining profit.“ The Commercial Code was used until 2013 and now the definition of entrepreneurship cannot be found separately, only as a part of the definition of entrepreneur in the Civil Code.

In the Czech Republic, business can be structured in two different ways:

- **A natural person** – an entrepreneur must obtain a trade license in accordance with Act No. 455/1991 Coll. – Trade Licensing Act
- **Legal entity** – A legal entity can exist in different forms, e.g. General Commercial Partnership, Joint-Stock Company, Limited Partnership, Limited Liability Company (Česko 2014, 1370), and Corporations, Foundation, or Institutes (Česko 2014, 57, 74, 93)

The Trade Licensing Act distinguishes between two types of licenses:

- **Notifiable trades license**
 - Unqualified (free)
 - Qualified
 - Professional
- **Permitted (licensed) trades license**

1.1 Entrepreneur

An entrepreneur is a person or a legal entity whose purpose is to make a profit, typically as an individual. According to Švarcová et al. (2014, 61) “An entrepreneur independently carries out gainful activity on his own account and responsibility in a trade or similar manner with the intention of doing so consistently for the purpose of making a profit”.

Civil Code of the Czech Republic, Section 420 Subsection 1 states, that an entrepreneur is “somebody, who on his own account and responsibility, carries out gainful activity in a trade or similar manner with the intention to do so consistently for the purpose of making a profit.” Further proceeding according to Section 421 (§ 421), Subsection 1 and 2 “a person registered in the Commercial Register is considered an entrepreneur...An entrepreneur shall

be deemed to be a person who has a trade or other license pursuant to another law” (Česko 2014, 96).

In the field of business, entrepreneurs can be further divided into primary and secondary types. One example of a primary entrepreneur is a business owner in connection with his business. However, if he is primarily concerned with the vision of the business, he will outsource daily business operations and roles to a company that conducts business as a secondary entrepreneur that is acting in the interest of the primary entrepreneur (the owner). It should be noted that an entrepreneur can also exist solely as an investor who is involved in neither creating the vision for the business nor daily operations (Srpková and Řehoř et al. 2010, 30).

1.2 Enterprise

An enterprise is defined by Vochozka and Mulač et al. (2012, 35-6) as “...any entity which carries out economic activities, whatever its legal form, is an essential element of the national economy and consists of: Tangible components of business (movable and immovable property); Personal components of business (employees and employers); Intangible business components (business name, patents, licenses, trademarks, know-how, etc.)”. According to Synek and Kislingerová (2015, 3), an enterprise is characterized by the following features: exerting effort to valorize the invested capital, satisfaction of customer needs, risk minimalization, and capital injection.

An enterprise is generally understood as an entity that transforms inputs into outputs. A more detailed examination of a business defines it as an economically and legally autonomous unit, the purpose of which is to conduct business operations. Economic autonomy, or a manifestation of freedom in business, is also covered by the owners’ responsibility for the results. On the other hand, “legal autonomy” means that the company can enter into legal relations with other entities, conclude contracts, and respect rights and obligations (Srpková and Řehoř et al. 2010, 35).

The most recent revisions to the Civil Code replace enterprise with the term “business company”. In Section 423, the business company “is the name under which the entrepreneur is registered in the commercial register” (Česko 2014, 97).

Enterprises are entities producing for the purpose of sale. Businesses aim to maximize profit. An enterprise can be either profit or non-profit. For-profit enterprises in the market act simultaneously as:

- **Buyers** – using production factors (work, land, capital) to produce goods and services. In this position, the company creates demand for production factors (i.e. demand for labor, land and capital)
- **Sellers** – on the product market, selling their products and services. They receive payment, with which they purchase production factors for the purpose of repetition of production (Šimková 2014, 20)

In the Czech Republic, in addition to for-profit enterprises, there are also non-profit enterprises. According to Vojík (2008, 20) a non-profit enterprise “...is that enterprise, which is not created for a profit, but the business can and should generate at least some profit”. When starting a non-profit enterprise, the aim is to meet the needs of a certain segment of culture or art, or to provide a public service (Vojík 2008, 20).

2 ESTABLISHING A BUSINESS

In the steps taken before starting a business, there are a few factors that should be considered. Srpová and Řehoř et al. (2010, 54) state that a business with the potential for success will have considered the following areas:

- viability and realism of the business idea
- creation of a comprehensive business plan
- identification of potential areas of competitive advantage
- determination of an initial budget, including necessary capital
- analysis of the current legal environment
- whether the owner has a personal predilection for business
- review of external support systems

Before starting a business, entrepreneurs must choose a legal form of business. According to Švarcová (2014, 65) this happens in two separate steps:

- 1) The creation of a written agreement between any partners who are involved.

The written agreement can be either:

- A Memorandum of Association signed and notarized by all partners
- or
- A signed and notarized Founder's Deed (for types of companies the law allows to be founded by a single founder)

- 2) The application to be entered into the Commercial Register, which must be done within the first six months of the company's existence.

2.1 Natural person

Natural persons include entrepreneurs and employees. Entrepreneurs must do business on the basis of a trade license according to the Trade Licensing Act or other license under other laws (example doctors, veterinarians or pharmacists). Employees are individuals who are able to initiate their employment relationship with their employer (Šimková 2014, 118).

As mentioned earlier, entrepreneurs must have a trade license. According to Section 9 of the Trade Licensing Act (Kunštátová 2019, 74), trades are divided into two groups:

- **Notifiable trades**, which may be performed on the basis of a declaration provided that the statutory conditions are met
- **Permitted (licensed) trades**, which may be performed under a concession (license)

Notifiable trades can be divided into one of three types:

- **Vocational trades** require education and professional experience in the particular area or related area. These include butchery, bakery, locksmithing, et al.
- **Professional trades** demand special qualification. Professional trades include employment as an optician, or owning and operating a driving school, et al.
- **Unqualified trades** do not require any special education, experience, or licensing. Free trades include accommodation services, textile manufacturing, and translation and interpreting, among others (Kunštátová 2019, 74)

Permitted (licensed) trades may only be performed on the basis of a concession. In order to obtain a concession, it is necessary to fulfil the required professional or special competence, which is stated for each branch of the licensed trade. Examples of this type of trade are a taxi service or an exchange office (Šimková 2014, 119-120).

It is also possible for an entrepreneur to have multiple trades, as long as he has a trade license for each one. For example, one person can participate in a licensed trade, a free trade, and a craft trade at the same time, as long as they have a trade license for each one (Švarcová et al. 59-60).

2.2 Legal entity

A legal entity is “any entity that has rights and obligations and is not a natural person” (Vochozka and Mulačka et al. 2012, 40-41).

Legal entities may take the form of:

- **Trading companies**
 - General partnership
 - Limited partnership
 - Limited liability company
 - Join-stock company

However, the most accurate definition of a legal entity can be found in the Civil Code. The Civil Code in Section 2, 3 and 4 (Česko 2014, 57, 74, 93) separates legal entities into three groups:

- Corporations (business corporations and associations)
- Funds (foundations and endowment funds)
- Institutes (the name must include „enrolled institute“ or the abbreviation „z.ú.“)

2.3 Trading companies

2.3.1 Public limited company (v.o.s.)

A public company is a company in which at least two persons operate under a joint venture and guarantee the liabilities of the company jointly and severally with all their assets (Veber and Srpová 2012, 72).

Basic characteristics:

- consists of at least two people
- can be established by either a legal or natural person
- each company owner can be held personally responsible for the liabilities of the company
- business partners are banned from competing in the same industry (neither partner may have another business in the same field)
- the profit or loss is divided equally between the partners (Veber and Srpová 2012, 73)

2.3.2 Limited partnership (k. s.)

A limited partnership is a type of company, where two or more partners create a business, but one or more of the partners are only liable up to the amount of their investment. Formed by at least one general partner and at least one limited partner (Veber and Srpová 2012, 73).

Basic characteristics:

- one or more partners only guarantee up to the amount of their investment, making them “limited partners”
- one or more partners have unlimited liability, and are referred to as “general partners”
- has at least one limited partner and at least one general partner
- the limited partner is obliged to contribute to the registered capital of the company in the amount determined by the Memorandum of Association, but must be at least 5000 CZK
- the division of profits into the part attributable to the company and the part attributable to the general partners is determined by the ratio set out in the Memorandum of Association, otherwise the profit is divided equally between them

- losses shall be borne equally by the general partners, unless otherwise specified in the Memorandum of Association
- limited partners could also be required to contribute to the loss, depending on the terms in the Memorandum of Association
- only general partners are involved in company management
- prohibition of competition in the industry applies only to general partners (Veber and Srpová 2012, 73)

2.3.3 Limited liability company (s. r. o.)

In this type of company, the share capital consists of contributions from partners. Its partners guarantee the company's liabilities to a limited extent, up to the amount of subscribed deposits (Veber and Srpová 2012, 74).

Basic characteristics:

- may be established by one or more people; natural person or legal entity
- partners are limited in personal liability for the company's liabilities, up to the amount of unpaid deposits entered in the Commercial Register
- the Memorandum of Association may allow the creation of different types of shares
- the profit determined by the General Meeting for distribution is divided among the shareholders according to their shares
- prohibition of competition in the field applies to statutory representatives and members of the Supervisory Board (if the Supervisory Board is established)
- the value of the registered capital must be at least 1 CZK (Veber and Srpová 2012, 74)

2.3.4 Joint-stock company (a. s.)

A joint-stock company has registered capital, which is divided into a certain number of shares. Shares are generally securities of a specific nominal value. Newly since 2014, there is also the possibility that the company will issue so-called "single shares" that do not have a nominal value and represent shares in the company's registered capital (Veber and Srpová 2012, 74). Shares carry the rights of a shareholder as a partner, namely rights to:

- profits (dividend pay-out)
- voting privileges at general shareholder meetings
- liquidation balance of the company, in case of dissolution of the company

Basic characteristics:

- registered capital is divided into a sufficient number of shares
- the registered capital must be at least 2,000,000 CZK (or 80,000 EUR if the business accounting is kept in euros)
- requires the adoption of the Articles of Association
- the registered capital is expressed in Czech crowns or euros
- formed by its entry in the Commercial Register
- maintains a list of shareholders (Veber and Srpová 2012, 75)

3 CHAPTERS OF A BUSINESS PLAN

A business plan based on Abrams' definition is (2019, 5) "...a document outlining how a company will achieve its goals". For a start-up company, a business plan describes what the company wants to do and how they plan to do it, and for an existing company, a business plan can be created around a new idea or project that they plan to do. Abrams continues, "It assesses all critical aspects of a business – including its mission, market, industry, competition, team, operations, financials, objectives, and more – and identifies a sustainable strategic position".

Shelton defines a business plan as a document containing five key parts: "...business goals, the reasons why these goals are attainable, a plan for reaching those goals, data backing the uniqueness of the products and services to be sold, and supporting information about the organization and team attempting to reach those goals" (2017, 23).

On the other hand, Blackwell (2017, 5-6) mentions just a few points that should be followed to create a successful business plan, but he does not define a business plan as a whole. Based on Blackwell's book, the points should be "clear, brief, logical, truthful and back up words with figures wherever possible" (2017, 5-6). The information of the business plan must follow a logical pattern.

3.1 Title page

A title page is a part of every important document, so it should be part of a business plan, as well. Koráb, Režňáková, and Peterka (2007, 74) state that this title page should include the company's name and logo, the names of entrepreneurs, the location of the company's headquarters, and the legal form of the business, along with a short description of the company.

3.2 Company description

The company description lists the basic idea about a business and its fundamental missions and goals. Firstly, it is important to mention the basic details of the business. The main points of the company description stated by Koráb, Režňáková, and Peterka (2007, 76-80) are almost the same as the points identified by Abrams (2019, 68). The difference between them is that Abrams believes that the company milestones should be tied to specific dates, which is nowadays very important. "The object of this section is to convey information such as your legal status, ownership, products or services, company mission, and milestones achieved to date". Abrams (2019, 68) divides the description into the following seven parts.

3.2.1 Mission statement

When creating a new company, the main goal of the company usually includes some kind of mission or goal, which is what the business wants to achieve. The mission can be simple, possibly something like finding the niche in the market and creating something unique that customers are missing (Červený 2014, 14). The business should be able to "...sum up the basic objectives and philosophy of the company in just a few sentences" (Abrams 2019, 70). Mission is sometimes elaborated in the form of corporate principles, or policies, for example: "Our business must be operated in accordance with laws and business ethics", or "Our business must be environmentally friendly" (Červený 2014, 15).

3.2.2 Legal issues

In the process of forming a business, entrepreneurs must address many critical legal issues. First of all, founders need to decide which type of legal entity they will choose for their company. According to Abrams (2019, 71), most businesses start as a sole proprietorship or a partnership, due to being easy and the fact that there is less paperwork. In addition to the legal form, there are other issues such as "licensing or distribution agreements, trademarks, patents and copyrights". According to Koráb, Režňáková, and Peterka (2007, 76), the legal form could also be a self-employed person, who is part of the trades or a limited liability company. The main trade for the business is also important, because it will characterize the business activity.

3.2.3 Business location

Every business needs a location, even though the location for some businesses is only used for correspondence, like an e-shop. The locations of the headquarters of the company, the main place of business, and branch locations, if any, should be listed. If a location has not yet been secured, but will be, indicate the general whereabouts of the company's intended operations (Abrams 2019, 77). In this part, it is also good to include general contact information, including the postal and delivery addresses (Koráb, Režňáková, and Peterka 2007, 77).

3.2.4 Products and services

The main goal is to "...clearly identify and describe the nature of the products or services you provide". The description should be specific, and if there is a wide range of products, they can be sorted into general categories. Additionally, it is also a good indicator of the future success of the company if this section also includes products or services that are

planned to be offered in the future, even if they are not being produced yet (Abrams 2019, 76-7). This section is important because the products and services the company offers are the core of its profitability. Detailed information about the products or services provided is not necessary, but it should be easy to identify which kinds of products are unique and have a competitive advantage over the market (Koráb, Režňáková, and Peterka 2007, 77).

3.2.5 Management/Leadership

The management team and the organizational structure are both crucial for a new business. It is good to have a specific team that will take care of the business plan as a whole, while also having other teams that are responsible for marketing, accounting, public relations or customer service. Abrams (2019, 77) states that the business should write a list which will include the names of people who are key members of the business.

3.3 Industry Analysis & Trends

According to Abrams (2019, 88-9) an industry consists of “...all companies supplying a similar product or service, other businesses closely related to that product or service, and supply and distribution systems supporting such companies”. This is in comparison to an economic sector, which is a wider category that includes multiple industries. Per Abrams, the four general sectors are service, manufacturing, retail, and distribution. However, a business is not necessarily limited to only one sector. First, it is good to describe the industry, find a trend in the industry and lastly, find strategic opportunities that already exist in that specific industry. This kind of information can help to create a future budget for the business and greatly increase the company’s chances of success. Over the course of each year, industries can change quite a bit, so it is important to be aware of and prepare for these changes. In this way, your business will be better positioned for future developments (Abrams 2019, 99).

Sustainability is “taking from the earth only those resources that are easily renewable while doing no harm to the environment” (Sharma and Narula 2020). Consumer concerns about sustainability in the fashion industry are growing. Global Fashion Agenda, Boston Consulting Group, and Sustainable Apparel Coalition (2019) shows that “...the fashion industry has improved its social and environmental performance in the past year, but at a slower rate than the previous year. Despite this improvement, the fashion industry is still far from sustainable”. According to Global Fashion Agenda, Boston Consulting Group, and Sustainable Apparel Coalition (2019), the term sustainability “was mentioned on social

media more than a third faster than overall social media growth between 2015 and 2018, and the awareness is highest among younger people, especially Millennials”. This awareness is having a huge impact on consumer purchasing decisions, “...with more than a third of survey respondents reporting they have already switched from their preferred brand to another for reasons related to responsible practices” (Pulse of the Fashion Industry 2019).

The fashion market in the Czech Republic is not the biggest in the world, however Haunerová, Khelerová, and Šimonovská (2019, 44-5) describe the Czech fashion market as “young, attractive, ambitious, and ferocious”. The fashion industry is still developing in the Czech Republic and it is still looking for its place. “Despite the fact that from year 2002 to year 2012 total sales fell from 63.6 billion CZK to 45.9 billion CZK in the textile and clothing industry, in the year 2017 there is a slight increase...to the final 55.3 billion CZK” (Haunerová, Khelerová, and Šimonovská 2019, 35).

3.4 Market Analysis

First, the business should define the target market and based on that, the company can easily determine potential customers, which will be targeted. According to Abrams (2019, 107), the target market should be:

- **Definable** – it should have specific characteristics which identify what the product or service has in common with the potential customer
- **Meaningful** – the characteristics should be in relation to the decision to purchase
- **Sizable** – the target market should be big enough to provide long-term successful business
- **Reachable** – there should be affordable and effective ways to market to potential customers (Abrams 2019, 107)

Competition in the market is also important, and our goal is to analyze it. Srpová (2011, 21) states that it is good to create a detailed analysis of our competition. Firstly, we need to find the biggest companies in the market (those which have the biggest market share) and analyze their strengths and weaknesses. It is important to remember that it is not about subjective opinion but about customers, because customers decide who will be profitable and who will not. “Every business has its own competition and is aware of it” (Abrams 2019, 125). Abrams (2019, 125) also emphasizes that the competitive analysis needs to be prepared carefully and should focus on these points:

- **Who** – Who are your major competitors?

- **What** – On what basis do you compete?
- **How** – How do you compare to the competition?
- **Future** – Who are your potential future competitors?
- **Barriers** – What are the barriers to entry for new competitors? (Abrams 2019, 125)

Market analysis can be done in a few different ways. There are two commonly used types of analysis: **SLEPT** analysis, which can be used in a macroeconomic environment and **SWOT** analysis, which can be used for situational analysis.

3.4.1 SLEPT analysis

SLEPT analysis serves as a method of exploring various external factors affecting the organization. It is suitable for strategic analysis of the macroeconomic (external) environment. Using SLEPT, it is possible to analyze environmental factors that could represent future opportunities or threats. These factors are:

- **Social** - effects of social and cultural changes
- **Legal** – legal factors
- **Economic** - influence of local, national and global economies
- **Political** - existing and potential effects on political influence
- **Technological** - impact of new and advanced technologies (Hanzelková, Keřkovský, and Vykypěl 2017, 50-1)

The SLEPT analysis will be completed by utilizing the MAP method. The MAP method consists of: M – monitoring, A – analyzing, P – predicting. The main advantage of this method is that it brings systematic and orderly analysis into the SLEPT analysis. The three stages are: monitoring - identifying factors that may be relevant; analysis – reviewing their current impact (retrospective analysis); and prediction – considering and trying to determine what will happen next (Hanzelková, Keřkovský, and Vykypěl 2017, 79-80).

3.4.2 SWOT analysis

SWOT analysis can be used for situation analysis. In this analysis, it is necessary to estimate and appreciate internal strengths, weaknesses, future opportunities and threats to the company. SWOT is an acronym, and the letters stand for:

- Strengths
- Weaknesses
- Opportunities

- Threats

The results of the SWOT analysis should be relevant and should be focused on some specific area of the business. In this case, a SWOT analysis can be used before establishing a business. The analysis should be focused on essential facts and phenomena and should be objective. The objectiveness can be achieved, for example, by giving a preliminary SWOT analysis to other experts in the company and getting further suggestions for improvement (Hanzelková, Keřkovský, and Vykypěl 2017, 137-9).

3.5 Marketing plan

A marketing plan is a type of strategic plan of the business. This plan should describe what will be different from the competition in the business (Koráb, Peterka, and Režňáková 2007, 82). Marketing is closely related to sales, but it is still a very different activity. Marketing consists of activities like "...advertising, creating brochures, social media marketing, networking and public relations (PR)" (Abrams 2019, 164). Nowadays, marketing is amazingly powerful around the world and is critical for the success of a company. The marketing mix could be chosen from among three types, based on the business. The types are: 4P - product, price, place, promotion; 4C - customer, cost, convenience, communications; and 7P - product, price, place, promotion, politics, public opinion, people (Srpková 2011, 23).

3.5.1 Marketing Mix – 4P

To have a successful business, creation of strong marketing strategy is necessity. For many start-ups, and especially e-shops, the 4P mix is the foundation of their marketing strategy. This marketing mix contains segmentation as well as market position. Hanzelková, Keřkovský, and Vykypěl (2017, 126-8) define the 4P marketing mix as:

- **Product** – a specific product and its properties from the customer's point of view
- **Prices** – the price of the product and overall pricing policy
- **Place** – the availability of products and services
- **Promotion** – business promotion

3.6 Financials

The financial plan will show a business plan in numbers and it also shows the reality of the business plan from an economic point of view. According to Srpková (2011, 28), this plan should include a Profit and Loss Statement, a Return on Investment and a Cash-flow

Statement. For a start-up business or an expansion of an existing business, the figures communicate the amount of money that will be needed and used when operations commence. Sometimes, a business will already have the money needed to start operating, but usually the business needs to find an alternative financing option, such as loans or investments. When a business asks individuals to invest, the potential investors expect to see a realistic and carefully prepared financial plan (Sutton 2012, 126).

3.6.1 Profit and Loss Statement

A Profit and Loss Statement is “...a written summary of revenues, costs, and profit for a certain period of time” (Růčková 2019, 32). It captures income and cost movements. This statement is created either yearly or at a shorter interval. Every business is created for profit, otherwise the existence of this business lacks sense. In the profit and loss statement, it is easy to see if the business is making a profit or has a loss, and such a statement is part of every annual financial statement of the company (Čechová 2011, 8).

3.6.2 Return on Investment (ROI)

Return on Investment is “...a performance measure used to evaluate the efficiency of an investment or compare the efficiency of a number of different investments” (Chen 2020). The ROI is measuring the investment itself and the costs associated with this investment. The formula to calculate Return on Investment is:

$$\text{ROI} = \text{Net Profit} / \text{Total Investment} * 100$$

3.6.3 Cash flow

Cash Flow is defined as the movement of capital including “...income - money, which actually came into the company, and expenditure - money, which actually left the company” (Scholleová 2017, 39). As claimed by Scholleová (2017, 39), two methods for the creation of cash flow can be used – direct and indirect. The direct method deducts income and expenditure. The indirect method is where the net profit for the period is corrected for mismatches between “accounting items” (income and expenses) and real money. According to Sedláček (2010, 65) most companies use the indirect method, because it is easier than the direct method for the company. The advantage of indirect method is that it captures the transformation of profit or loss to net cash flow.

II. ANALYSIS

4 TITLE PAGE



Figure 1: Logo of the company 1 (by Zuzana Macanová)

Name of the company	šérni.to
Legal form	Sole trader
Location	Lobezská 61/65, 326 00 Plzeň
Date of Establishment	18. 2. 2021
Websites	www.serni.to
Owner	Lucie Plchotová
Contact information	PlchotovaLucie@seznam.cz, + 420 734 709 748

5 COMPANY DESCRIPTION

5.1 General company description

The e-shop šérni.to is a sustainable online platform which will create outfits for women from 20 to 44 years of age. Two target groups will be created. Firstly, women ranging in age from 20 to 30 years of age. Secondly, women in the age range from 31 to 44 years of age. These outfits will consist of second-hand clothing or unused clothes purchased from wholesalers. The advantage of this e-shop lies in the fact that it is the first of its kind in the Czech market. Thanks to a professional stylist, the firm can provide its customers with a first-class outfit for occasions like weddings or balls but can also offer casual and business outfits for every day. The name šérni.to is taken from the anglicism „share,“ and is then transliterated into the Czech language in order to be relevant to the Czech women who are the company’s target audience. The name is further customized by adding „it“ (CZ: to), because “it” refers to an outfit.

5.2 Mission statement

One of the company’s goals is to support the fashion industry. The support of the fashion industry in this sense means that the e-shop will use clothing that is already in circulation and stylize it into a brand-new outfit. Using clothing which is already in circulation helps not only the environment but also the fashion industry, by not creating new clothing and a new collection another week during the year. The fashion industry “makes up 10% of humanity’s carbon emissions, dries up water sources, and pollutes rivers and streams” (McFall-Johnsen 2019). Another goal is to show people, both young and old, that it is possible to find great clothes in second-hand shops. The vision is to create a brand that will save customers time by creating an outfit which will demonstrate how people can combine clothes into a stylish outfit. The company promises professional services with a professional approach.

5.3 Legal form

The founder of the company is Lucie Plchotová. The company will be established under a trade license, specifically “Production, Marketing, and Services Not Elsewhere Classified”. This is the ideal structure for this business because it does not require Lucie to have specific professional certifications or other competencies. This also provides the benefit that the

business can be started as soon as the paperwork at the Trade Licensing Office is complete and the payment on taxes is also lower.

5.4 Location

Because this firm will operate solely in the online environment, a physical store is not established. This does not preclude the idea that this e-shop could add a physical store in the future. Without a physical store, there is a necessity of two kinds of addresses - a place of business and a warehouse. The address for the place of business and warehouse will be the same: Lobežská 61/65, 326 00 Plzeň. If the customer so desires, it is possible to pick up outfits at the place of business address during the set hours-of-operation. Outside of these hours, an individual appointment can be made. The date and time for a personal appointment will be discussed via e-mail or phone from Monday to Sunday from 10AM to 6PM. However, the outfits are sent via Zásilkovna to all corners of the Czech Republic.

Table 1: šérni.to hours of Operation

Monday to Friday	10AM – 3PM (otherwise by appointment)
Saturday	by appointment
Sunday	by appointment

5.5 Products and services description

In addition to creating and renting outfits, this e-shop will create and offer šérni.to “boxes” to customers. Each of these boxes will contain two types of outfits put together by our professional stylists according to the upcoming trends for the season.

Creating an outfit

The firm’s main goal is to create an outfit from clothes found in second-hand shops or purchased from wholesalers where the clothes are unwanted and would otherwise be destroyed. Thanks to this, the company can ensure that the clothes will be rotated into and out of stock, and no new items will be created, only re-created. Our stylists will put together outfits that customers can see on our e-shop, through social media, or on our blog. After an outfit is returned, the outfit will be transformed into a new one. Firstly, the outfit will need to be washed and inspected for any damage. Possible damage can be repaired, but if there is no damage, the stylist can work on a new outfit where she has a free hand. Elements can be added to the outfit and hems and seams can be altered. Thanks to this process, no waste is generated, which is one of the e-shop’s goals.

Outfit rental

One of the strengths, and one of the primary goals of the e-shop, is renting outfits. These outfits will be carefully created and matched to fit each customer's style. The outfits will be created in specific styles (like classic, boho, casual, minimalist, rock, vintage) and for specific occasions (such as a wedding, ball, meeting, interview, or date) so the customers can choose the best outfit for the specific events in their life. The rental will be for 3 days, and the customer will have the option to extend this rental period to their specified duration free of charge. The rent limit for one outfit is set at 7 days. Then, after the outfit is returned, the firm will use it to make something completely new.

“šérni.to box“

The “šérni.to box“ will be shipped two times a year, reflecting the traditional timing of collection releases in the fashion industry. These collections are divided into spring/summer and autumn/winter, making it important for the firm to find the right clothes for each season. Customers can prepay for a box, even though the contents of each box will be a surprise. The trusted professional stylists will be given free reign when creating these outfits, so customers will not be disappointed with the stylist's choices. The price for each box will be 1000 CZK.

5.6 Management & Organization

Since šérni.to is a startup company, involving just a few people. Two people will be hired as internal employees and five people will be hired externally. The five external employees will be a graphic designer, a person to perform e-shop maintenance, an accountant, a professional photographer and a copywriter. The specific responsibilities will be described.

Lucie Plchotová is the owner of the e-shop. She will take care of the administration, finances, marketing and B2C relations. She will order and pick up the pieces of clothing from the suppliers, deal with the complaints, communicate with customers and process orders and pick-ups. She has experience in marketing, business environment and customer care. Lucie will be available by phone 24/7. Her salary is not predetermined, because as a trader, she will receive what remains. The only internal employee is Monika Polletová. She earned a bachelor's degree in Fashion Design from the University of West Bohemia in Pilsen and now is continuing with her master's studies of Fashion Design at Tomas Bata University in Zlín. She will be the only stylist and designer at šérni.to. She will help Lucie with orders and select material and outfits and, based on her network connections from the fashion area, it will be possible to create a supplier network. The gross wage for Monika is set at 23,000

CZK. The other internal employee is a seamstress, due to the need to create more outfits. She will work in close cooperation with the stylist and help her with the outfits. Her gross wage will be 15,000 CZK.

The external management team will consist of five different people. These people will be hired externally, because there is not enough experience among the members of the internal team and the e-shop will need them only a few times per year. The graphic designer will work on design of the e-shop and help the photographer with the design for promotion. The graphic designer will work 4 months/year and the monthly salary for the graphic designer will be 30,000 CZK. The e-shop administrator will be paid 25,000 CZK/month and will work 6 months/year. An accountant will be paid 20,000 CZK/month and will work 3 months/year. The professional photographer will be paid 15,000 CZK/month for 6 months. And the copywriter will be paid 15,000 CZK/month and will work every month. In the third year, a seamstress will be hired, and she will help with the work which needs to be done. She will be paid 10,000 CZK/month based on the necessity of the e-shop.

The initial deposits will be 500,000 CZK and will serve as start-up capital of the company. The initial deposits will be paid by the owner Lucie Plchotová from her own savings.

5.7 Exit plan

An exit plan for the business has also been prepared. The exit plan is a contingency plan if things do not work out. This plan serves to sell the business to a new owner who shares the same passion and will continue with the idea of second-hand clothing e-shop. It will be sold through a Seller Financing Agreement and the seller, who is also the owner of the e-shop, will allow the buyer to pay for the business over time. The price for the business will be reasonably agreed upon, considering the future added value and the slow fashion development not only in the world but also in the Czech Republic. It goes without saying that šérni.to will do everything possible to avoid such a situation.

6 INDUSTRY ANALYSIS

An e-shop like šěrnĭ.to is classified in the tertiary sector, which is service sector. In The items most frequently purchased online are electronics, followed by cosmetics, and then clothing (Businessinfo.cz 2020). This position is crucial for our business, because we can see that Czech e-commerce is steadily growing and the demand for clothing still exists. Shoptet CEO Miroslav Ud'an said that "it is the clothing trend that is observing a growing trend in online shopping". Not only large fashion e-shops, but also shops that sell sports equipment, for example, play a role" (Businessinfo.cz 2020).

The company Glami, in its Fashion Re(search) 2019, determines e-commerce trends by analyzing websites. They found that second-hand clothing is experiencing a golden age in the world, but more importantly in the Czech Republic, with around 12% of the Czech population buying second-hand clothes (Glami 2019). This fact shows that both e-commerce and the market for second-hand clothing are growing. Glami's Fashion (Re)search shows that 61% of people search for fashion based on pictures of the pieces of clothing or outfit. Another "social" feature of the any e-shop should include reviews left by customers who have purchased items previously. New customers can search user reviews to see if other customers are satisfied or dissatisfied with the items or outfits. Around 59% of people use product reviews when making a purchase decision (Glami 2019). Another important aspect for customers who are shopping online is size tables, so that they can easily check to see if a particular item will fit them or not. Glami's analysis also identified additional online trends such the ability to search for favorite brands, keep items in a "wish-list", receive discount notifications, and the option to shop by specific outfit created by influencers or other famous people. (Glami 2019) Based on this data from Glami's Fashion (Re)search, šěrnĭ.to e-shop can take advantage of trends in the online environment to create an e-shop that incorporates the latest trends, to be further developed based on customer needs.

7 MARKET ANALYSIS

In a market analysis, it is important to describe the ideal customer and then create two analyses to show detailed information. The first is a SLEPT analysis, which will be done through the MAP method. The second is a SWOT analysis, which shows four important aspects of the business environment, specifically strengths, weaknesses, opportunities, and threats.

7.1 Size of the market

The size of the market is defined based on statistics from the Czech Statistical Office. The population of the Czech Republic was 10,681,161 as of 30 September 2019 (Czech Statistical Office 2019). The Czech Statistical Office also provides an age distribution of the 2018 population. The female population as of 31 December 2018 was 5,405,606. In the Czech Republic, as of 31 December 2018, there were 638,239 women between the ages of 20 and 30, and 1,118,120 women between 31 and 44 years old (Czech Statistical Office 2019). The target market size is 1,756,358 women in the Czech Republic.

7.2 An ideal customer

As was described earlier, this business's ideal customer (or target customer) is a woman. This is because men are usually less passionate about purchasing clothes than women (Owen 2019). Internet research from the Czech Statistical Office (2019) shows that 60.2% of women from 16-24 years old bought items online in the last three months. In those same three months, 65.6% of women from 25-34 years old bought items online, and 52.9% of women from 34-44 years bought items online. Based on this information, the target customer group for šěrní.to e-shop is women between 20 and 44 years old. It should be a woman who knows something about the problems with fast-fashion and wants to choose slow fashion, or a woman who doesn't have time to match individual pieces of clothing into a single outfit. Younger women will appreciate the fact that the e-shop is ecological and sustainable, while older women will especially appreciate saving time that they can instead devote to their interests, family or work.

7.3 SLEPT Analysis

This analysis is focused on external factors, commonly referred to as macroeconomic factors. Based on this analysis, our business can understand important information about the global economy, and more specifically, the market itself. The analysis will be performed

through the MAP method. The three steps are monitoring, then analysis, and lastly prediction.

7.3.1 Social Factors

The population is growing, as shown by data from the Czech Statistical Office. As the average age the Czech Republic increases, a new target group will be added, or the business will adapt to the market. The rate of employment is 75.20%, which shows that people have liquidity and are ready to spend it (Trading Economics 2019). Based on these data it is not obvious if people will spend money on the clothes, but e-commerce research by Shoptet shows that e-commerce in the Czech Republic is growing and the category of clothing is growing along with it. The category of clothing is more than 17% of Czech e-commerce (Česká e-commerce 2020). For šérni.to, it won't be a challenge to encourage customers to rent outfits because the target group demands clothes naturally.

The average age of the Czech population was 42.2 years old until 2017. By 2050, it is projected to increase to 46.3 years old according to the Czech Statistical Office projection in 2018 (Czech Statistical Office 2019). In January 2020, the general unemployment rate in the Czech Republic was 2.1% among people aged from 15-64 years old (Czech Statistical Office 2020).

As for the population, it is possible to say in advance that the average age will increase, at least as far as the Czech Republic is concerned. The demand for clothes is huge and people are willing to buy clothes online (Kacerovská 2019). Sustainability is a growing online trend, not only in fashion. Businesses are promoting sustainability on social media, and in commercials as well. Many designers try to offer sustainable clothing to their customers and follow the trend of the year 2020 (Matveeva 2020). The main goal of šérni.to is to promote sustainable second-hand outfits for customers. At the time of writing this bachelor's thesis, the current situation does not show a dramatic change in the rate of employment and unemployment which can change if a dramatic change occurs in the economic environment.

7.3.2 Legislative factors

The most recent revisions to the Civil Code of the Czech Republic contain information and obligations that arise from concluding contracts off-premises for e-shops, which must be on its website. E-shops are required to record online sales via the Registration of Sales, more commonly referred to by the acronym "EET", which comes from the Czech abbreviation for "elektronická evidence tržeb". Also, an understanding of the provisions of the EU General Data Protection Regulation (GDPR) is crucial for the e-shop, as is knowledge of copyright

related to photographs, videos, and text used on the website. These are a few of the most important things that must be considered while creating an e-shop (Shopsys 2017).

Important information is included in the most recent revisions to the Civil Code of the Czech Republic. Based on the Consumer Protection Act, the business will be affected by price regulations and warranty claims. The e-shop needs to pay attention to warranty claims, which need to be done within 30 days. (Ministry of Industry and Trade 2019). The Registration of Sales is crucial for almost every business, and e-shops are no exception. The business must be registered first, then an identification certificate is generated. An important distinction is that sales must be realized in the Czech Republic. And because the e-shop records and stores customer addresses, it is necessary to provide customers with a privacy statement or disclosure, as is mandated by GDPR.

Before opening, the e-shop should have available business terms and conditions, a warranty complaints procedure with instructions regarding the possibility of withdrawal from the contract, completed registration at The Office for Personal Data Protection and completed identification information about the e-shop. The final item that must be displayed for customers to see is regarding receipts: "...the salesperson is obliged to issue a receipt to the buyer. Sales must be registered to the tax authority online..." (Etržby 2017).

7.3.3 Economic factors

Inflation, Gross Domestic Product (GDP), and GDP per capita are the three most important macroeconomic indicators for a business. The Czech National Bank changed conditions for mortgage credit, and it happened at the same time as an increase in the price of real estate, which is not favorable for starting a business in the Czech Republic. The business does not need to receive the mortgage credit, but it will also be more difficult to find affordable real estate for a future physical store location.

The average year-on-year inflation rate in 2019 was 2.8% as the Czech Statistical Office stated (Czech Statistical Office 2020). The GDP of the Czech Republic in 2019 was 5,647,181 billion CZK (Kurzy 2020). According to the Organization for Economic Cooperation and Development (OECD), the GDP per capita was converted into purchasing power of 39,741 USD (approximately 896,954.370 CZK) (Adamcová 2019).

Due to these economic factors, it is never easy to predict any particular situation. Based on the prediction by Ministry of Finance of the Czech Republic, real GDP should be 2.0% due to an economic slowdown. Inflation will increase in 2020 to 2.8% "due to price

developments at the end of the last year and higher expected oil prices” (Ministry of Finance 2020).

7.3.4 Political factors

The last two governments have focused on strengthening the control role in business – EET and VAT control statement. EET is described earlier in the chapter with legislative factors, but a VAT control statement in business depends if the business is a VAT payer or not. If a business is a VAT payer, then the submission is necessary. If it is not, the business does not need to submit a VAT control statement. Tax increases are relatively stable except for the consumption tax. The government’s social steps such as raising the minimum wage or introducing guaranteed wage can be seen as one of the development impulses. However, the bad signal for entrepreneurs is still the high taxation of labor (including social security and health insurance).

Focusing on EET, it is good to have such an instrument in the business, it provides transparency and greatly reduces fraud in most businesses. The VAT control statement is important for people who are VAT payers. It is important to submit this control statement by 25th day after the end of the tax period (monthly fee, or quarter). If the business or entrepreneur is not a VAT payer, the submission of VAT control statement is not required. Every year, the taxation of labor for entrepreneurs is higher. In the year 2020, the minimum deposits for social security is 2,544 CZK and for health insurance it is 2,352 CZK. The difference between those 2019 and 2020 is for the social security +156 CZK and health insurance +144 CZK. This is a bad because in the employer’s contributions, the company pays a good third of the gross wage or more. Considering the government’s social steps, raising the minimum wage or introducing a guaranteed wage, can be seen as one of the development impulses so that people have more liquidity and want to spend more.

The political situation in the Czech Republic is stable for now and no major changes are anticipated. The policy statement of the government of the Czech Republic includes priorities such as pension reform, “digital Czech Republic” (for example e-government), and others. These priorities do not currently include anything specific about businesses or e-shops in the Czech Republic. However, the taxation is higher every year so it is possible that next year the minimum deposits will be changing.

7.3.5 Technological factors

The government of the Czech Republic has stated that the Czech Republic wants to be a “Country for the Future”. The Research, Development and Innovation Council of the Czech

Republic prepared a document called “Innovation Strategy”. This Innovation Strategy is targeting the years 2019 – 2030 and has nine pillars which include not only innovations for startups and investment, but also research and development (Research, Development and Innovation Council 2019). Besides this document, new technologies in fashion are becoming more popular in the Czech Republic. Some of these technologies include things such as Virtual Reality, the Internet of Things, Artificial Intelligence, and mobile commerce.

According to a Retail Vision Study, around “70% of businesses are ready to adopt IoT into their items to improve customer experience” (Columbus 2017). Based on the Shopper Study 2020 by Zebra “the number of customers showrooming (or experiencing items in store and ultimately purchasing online) is nearly equal to those researching products online and purchasing in store,” which is good for šérni.to e-shop. 83% of decision makers say that “mobile ordering provides an opportunity to improve the shopping experience” (Zebra Technologies 2020). This is a huge advantage for the e-shop, with opportunities to create a mobile application and improve the shopping experience of customers.

The Czech Republic is trying to be a country for the future. One prediction is that, not just the government, but everything in the Czech Republic, will have an online digital component, in the same way that even physical stores nowadays need to have an e-shop to complement their physical store. Successful physical stores are likely to have Virtual Reality (VR) technology inside the store. It is better to be one step ahead, so now is the time for the business to enter the world of Virtual Reality technology, including technology like a Virtual Mirror. The presence of these technologies makes the physical stores attractive for customers. The e-shop does not have a physical store yet but gathering all this information can create a physical store on a really high level as far as the technological factors are taken into account.

7.4 SWOT Analysis

By looking at our business, it is possible to create a SWOT considering business’s strengths, weaknesses, opportunities and threats, analysis as shown in the table below.

Table 2: SWOT Analysis of šérni.to (own creation)

Strengths	Weaknesses
Creating complete outfits	One warehouse

Renting outfits	No physical store
Professional qualifications of employees	The name of the e-shop
Uniqueness in the market	Limited variety of pieces and sizes of outfits
Different styles, sizes of the outfit	Small supply network

Opportunities	Threats
Innovation in technology development	Inflation
Unfulfilled customer needs (different sizes, styles)	VAT growth
Fashion trends (spring/summer and fall/winter collection, fashion weeks)	Changes in customer preferences
Ensuring long-term customer loyalty	New competition
Entrance into new markets	New regulatory measures and trade barriers
Take advantage of new trends	Tax on personal income
Few competitors in the area	Economic crisis
Opening a physical store	Higher carrier prices

SWOT analysis shows how šerni.to will be successful or not on the market. Some strengths include that the service of the e-shop is to rent outfits and a professional stylist will create these outfits. The professional stylist has a professional qualification and studied

fashion design at university. Different styles of clothing and sizes will be offered online and the uniqueness of the outfit is guaranteed.

However, there are also some weaknesses, such as only having one warehouse and no physical store. There could be a physical store in future years, but in the beginning, it is important to create a successful e-shop, looking forward towards growth. Another challenge is the name of the e-shop, which is created in the Czech language and may not be easily understood by foreigners. The target market is focused on Czech women so international growth will show if it is good name or not.

The largest opportunity in the market is innovation in technology development, such as VR, VR mirrors, Artificial Intelligence or Internet of Things, which are all important elements in the fashion industry. The e-shop believes that the customer may have unfulfilled needs, specifically in second-hand stores. The problem is that current second-hand stores only sell clothing piece-by-piece and not as a whole outfit. This is the biggest opportunity for šérni.to to provide this service to customers. Changing fashion trends is a huge opportunity to be trendy all the time, follow international trends, and bring them into the Czech environment.

The biggest threats are inflation, new competitors, changes in customer preferences and an economic crisis. The growth of prices, also known as inflation, could cause a problem which can be solved only by an increase in our prices. New competitors could enter the Czech market and offer something different and take the customer from šérni.to e-shop to their store or e-shop. Because of this, an important thing to do is to take care of the customer by offering them a loyalty program, discounts and coupons, and by communicating and using social media as an element to show the business “behind the scenes” and focusing on personal connections to get closer to each customer. The last big threat to all businesses is an economic crisis. It is possible to expect some kind of crisis, such as an economic recession, or some kind of pandemic situation. At the time that this bachelor’s thesis is being written, there is no economic crisis in the Czech Republic, but the situation could change so it is good to be prepared for everything.

8 COMPETITION ANALYSIS

This chapter provides more detail about the business' direct and indirect competition in the fashion industry. Because this is an e-shop, competition from the entire Czech Republic will be analyzed. Moreover, some global or international competitors will be discussed as well, because in the Czech Republic there is not yet a single direct competitor. The demand for clothing rental is great all over the world. Since the end of 2019, the fast-fashion chain H&M in Sweden has been testing whether or not this service will work. Because trends start later in the Czech Republic, this trend has not yet arrived and therefore it is not possible to determine the level of demand in the Czech Republic (Beňová 2019).

8.1 Indirect competition

For an e-shop dealing with second-hand clothing, there is a lot of indirect competition. In the Czech Republic, there are many physical second-hand stores but not all of them have an e-shop. The three online second-hand shops were chosen based on the blog post from Veronika Tázlerová (Stylish Coffee blog). The 1981, Vinted.cz, and Cosmic Kids. These second-hand stores will now be analyzed further.

8.1.1 1981

1981 is an online second-hand shop which provides second-hand and vintage clothing that can be bought online or personally on their events. It is also possible to try on the clothes personally at some of the pop-ups, which are events created by the team of 1981 twice a month to try-on clothes and create a community. This specific second-hand has a stylish Instagram account – new pieces of clothing are captured not only in pictures, but also in videos (Tázlerová 2020).

8.1.2 Vinted.cz

Vinted.cz was founded in the Czech Republic in January 2011 by Janet Lavicka and Lukáš Vala under the name VotočVohoz.cz (currently Vinted.cz). Vinted.cz, people can upload photos and information about any pieces of clothing that they no longer want. People can buy a new clothes, accessories or different kind of items or just swap it with another seller. The money from the sale is given to the seller, without no commissions deducted. Although this online e-shop is trying to sell absolutely everything regardless of the level of worn (Tázlerová 2020).

8.1.3 Cosmic Kids

Cosmic Kids, an online second-hand clothing store where clothes are often completely handmade, originated from the founder's love of fashion and photography. The clothes are only for sale. The founder, Kamila Šíbalová, peruses second-hand shops in Prague and its surroundings and selects clothing based on its vintage condition and material, while taking current trends into account. At Cosmic Kids, Ms. Šíbalová increasingly concentrates on sewing clothes, resulting in many upcycled pieces. She cooperates with a seamstress who sews a series of second-hand items according to her designs (Tázlerová 2020).

8.2 Direct competition

Šérni.to is a new concept in the Czech Republic. Although there are a few places in the world where a customer can rent an outfit, none of them uses second-hand clothing. Most of these platforms are a part of big, fast-fashion chains that šérni.to does not want to support. In December 2019, the Swedish chain H&M launched a clothing rental service. The cost for one week is 850 CZK. For some people, this could be considered as direct competition, but upon closer inspection, it is not, because H&M is a part of the fast-fashion world and šérni.to is promoting slow fashion.

According to the British businesswoman Jane Shepherdson, rental of fashionable clothes is a big trend nowadays and will increase not only in Great Britain (Butler 2019). She established a rental company called My Wardrobe HQ in Great Britain and she claims that renting clothes will eventually be more popular in the UK than buying clothes. My Wardrobe HQ rents designer clothes and it is an opportunity for those who want to wear beautiful clothes, shoes and accessories that they usually cannot afford. This is another competitor, but the core of the My Wardrobe HQ Company is focused on designer clothing and luxury fashion instead of second-hand clothing (Williams 2019).

8.3 Summary of the competition analysis

The analysis exposed that considering the indirect competition, it is good to do a detailed analysis of what kind of services are offered in the Czech market. However, every second-hand store which was mentioned in indirect competition sells the clothes to the customers; none are renting the clothes. Another advantage is that the four second-hand stores offer individual pieces of clothing such as jeans or jackets, but šérni.to wants to offer complete outfits which consist of jeans, t-shirts and accessories.

Taking a look at the direct competition, there are services which offer clothing rental, but with a pricing structure that is different from ours. Sometimes, the prices are so high that it is less expensive for the customer to go to the fast-fashion store and buy an outfit there. In this area, we have an advantage because we can offer items at an affordable price for almost every customer.

Šérni.to wants to focus on pricing and offering really good prices that can entice the customer to rent outfits from us and not buy them from others. Sustainability and second-hand clothes are closely connected due to promoting slow fashion to the world and to the Czech market. Matching pieces of clothing into a perfect outfit at an affordable price is the goal.

9 MARKETING PLAN

This chapter provides a detailed description about how the company will approach target customers, how the service will be delivered and the structure of pricing. This information will be presented through the traditional marketing “4Ps”.

9.1 Product

The product is the service of renting outfits. The e-shop will buy unsold clothing from wholesalers, like Zalando or About You and other second-hand shops in the Czech Republic in order to create new outfits. The items are not representing a specific brand, but they are bought based on the condition of the clothing and its visual appeal. Sizes will be limited to ensure the uniqueness of the outfit and the sizes will be from S to XXL. Each type of outfit will be only in one specific size. However, professional stylist will create a number of outfits in the same style but different sizes to ensure that everybody can choose. The outfit will consist of a t-shirt, blouse or shirt with shorts, jeans, trousers or a skirt and accessories such as a hat, a handbag, or a belt. The outfit will not include footwear. Two groups of women will be targeted and specific styles that they like will be introduced on the e-shop. For the younger group, it could be business, casual, or boho style, and for older women it could be casual, sportswear, or elegant. The product portfolio also includes a surprise package with 2 outfits per season, more specifically spring/summer and autumn/winter. These packages can be prepaid until a certain date. The added value is that šérni.to will create a whole outfit for the customer, except for footwear, which the customer will be able to rent and not need to deal with trying to coordinate individual pieces of clothing at home, which will save time. To provide an unforgettable experience, the package will have also herbs inside and when a customer opens it, the smell will be there as well as the cleaned and ironed outfit.

9.2 Price

The rental price per outfit is set for 3 days. In case of extension of the period of renting, the price will be the same as it was before for the rental. Before renting an outfit, it is necessary for the customer to create an account in the e-shop and make a deposit of 300 CZK. The rental price for a complete outfit is 600 CZK/3 days. When only a part of the outfit is rented, for example, only a skirt or shirt, the deposit is only 300 CZK and the introductory rental price is 150 CZK/3 days. The price per whole outfit was created by setting a price - 500 CZK and adding a trade surcharge of 100 CZK to arrive at a price per whole outfit of 600 CZK.

Table 3: The costs for renting outfits (own creation)

	3-day Rental Price	Deposit
Whole Outfit	600 CZK	300 CZK
Half Outfit	300 CZK	150 CZK

The price of the surprise package is 1000 CZK. For the spring/summer season, the package must be reserved and paid for no later than December 31, and for the autumn/winter season, the package must be reserved and paid for no later than August 31. There is a 10% discount available for customers who rent at least two outfits per month due to an interview at work, a date with a new men/woman or a special event like a birthday, wedding or party. This discount can be used only once per month for one rental of an outfit.

Table 4: Other offers of šérni.to e-shop (own creation)

Surprise Package	1000 CZK/one season
Discount 10%	Renting at least 2 outfits/month

9.3 Place

The e-shop will serve as the main communication channel and will be created on platform called Shoptet, which provides an excellent service in creating an e-shop. Photos of outfits, descriptions, and prices can be found on the website. There will also be information about the team, the story of šérni.to and how it is possible to contact the team. Live chat SmartSupp will be added in the e-shop. This live chat will serve the customers and there will be an operator. The advantage of this live chat is that it is for free. The design of the e-shop will be minimalistic with a few elements such as menu, live chat, search box, which should help customer to easily navigate the website. The e-shop is designed to be user-friendly, mobile compatible, using call-to-action buttons, as well as images and reviews from customers.

Our warehouse and office will be located in Pilsen. There is a big house which is in the personal ownership and the first floor of the building is for šérni.to. It will be divided into 3 rooms and first room will be an office for the owner – Lucie Plchotová. At the office it is possible to pick up items (free of charge) after coordinating by telephone or e-mail or during normal hours of operation. The office measures 23 square meters and will serve only as an office for the owner and pick up location. Next to this office, there will be a room for the professional stylist. This room is 36 square meters, and will contain the sewing machines,

washing machines and driers. The last room on this floor is for the warehouse where all the outfits will be stored. This room is connected to the office for the professional stylist. The warehouse is 100 square meters, which is also the biggest room on the first floor.

In terms of transportation, customers can pick up items at our office or we can send items to them through Zásilkovna, which is a company with customer package collection points all over the Czech Republic.

Table 5: Transportation costs (own creation)

Transportation costs per outfit	
Zásilkovna (online payment)	65 CZK (Zásilkovna point)
Zásilkovna (payment in the shop)	80 CZK (Zásilkovna point)
Personal Pick-up	Free of charge

9.4 Promotion

This subchapter will detail the most effective promotions for the business. Šěrní.to will be using online and offline promotion. For online promotion, šěrní.to will create a blog connected with the e-shop, a Facebook business page, an Instagram business account and a TikTok account. For offline promotion, there will be a presence at the Mercedes-Benz Prague Fashion week and festivals that will be used to promote šěrní.to. The promotion will start 1 month before the opening of šěrní.to to prepare the Czech market for a second-hand e-shop and will be for free.

9.4.1 Blog

A blog is important to connect to the e-shop for customers who want to find more about slow fashion and topics like which brands support slow fashion, events about slow fashion such as festivals or fashion weeks, as well as some books and movies about fashion. The blog will be created on blog.cz which is for free and design will be done by the owner. It will serve both of the target groups, but mostly for the older group of women in the age from 31 to 44 years old, because they enjoy reading more than Millennials. The blog should help the customer to answer all possible questions about šěrní.to and will be written by the owner, Lucie Plchotová, who already has experience writing her personal blog. The goal is to raise awareness about the brand, to support the decision-making process and it to improve customer care.

9.4.2 Facebook

Facebook offers a business page, and like Instagram, the business page is free of charge. It will be appreciated by both target groups, because almost everyone is on Facebook. Considering a Facebook business page, šérni.to wants to target to our group based on gender, age and location. These three indicators are the most important for the e-shop because the target group is women aged 20 to 44 years old and the location is the Czech Republic. The photos, videos and texts will determine if the customer will come back or not. For the Facebook page, the e-shop will need a copywriter, a graphic designer and a professional photographer. Two campaigns will be created on Facebook. Both campaigns will be for a month and the cost will be 1000 CZK total. The last element that needs to be set is Facebook Pixel, which will measure, optimize and compile user groups for the e-shop's advertising campaigns on Facebook. Facebook Pixel is an important element for remarketing. At the end of the month, the conversion rate will show whether the goal of the campaign was met or not. It also enables the e-shop to measure the value of money transactions. The copywriter will be responsible for the content on this social media, and she will also be a PPC specialist.

9.4.3 Instagram

Šérni.to will have a business account on Instagram, but the setting will be used through business manager on Facebook as an Instagram promotion. Instagram will be more appreciated by Millennials and the target group from 20 to 31 years old, due to that group's daily use of the application. The Šérni.to Instagram account will not be a sale channel, but it will be a place where customers can get inspired. The Instagram account will serve as a visual window into the šérni.to business and will bring perfect photos and videos. The promotion of the business on Instagram will be provided through cooperation with Micro-Influencers, and it will be a barter arrangement. Šérni.to will be cooperating with these micro-influencers: @martinakeepingitreal, @danielakrupova, @nikolita.sz, @castorka. The Micro-Influencers have less intervention, but they have more loyal followers, are more interested in more specific things like slow fashion. and are more authentic. The hashtag which will be using to promote the business will be #sernito.

9.4.4 TikTok

TikTok is "...one of the fastest growing social media platforms in the world" (Mohsin 2020). The users are mostly people from Generation Z but also Millennials, who are part of the target group of this business. The goal is to create a 15-second video with specific music which will help the business to communicate and engage with customers. According to

Mohsin (2020), 41% of users are aged between 16 to 24 years old. Šérni.to will challenge their customers to post videos and tag šérni.to through monthly challenges posted on the Instagram account. TikTok was introduced last year (2019) in the Czech Republic and it is growing, so promotion is not very expensive (Mediaguru 2019). It is easy, simple and spreading quickly, so šérni.to will try unpaid promotion for the first two weeks. Then, šérni.to will pay 300 CZK per 2,000 views to reach more customers.

9.4.5 Festivals and Fashion Week

Šérni.to does not want to use only online marketing and promotion but also offline marketing and promotion, specifically at festivals focused on slow fashion such as Slou Days or ReFashionN. An honor would be an invitation to Mercedes-Benz Prague Fashion week and to be able to cooperate with them.

Table 6: Costs at the promotion in CZK (own creation)

Promotion Costs	
Facebook promotion	1,000 CZK/month (500 CZK per campaign)
Instagram promotion	0 CZK per campaign, per micro influencers
TikTok promotion	300 CZK/month (2,000 views)
Festivals	5,000 CZK (2,500 CZK per festival)
Webhosting	1,626 CZK/month
Total	7,926 CZK

10 THE FINANCIALS

The financials are important in an analysis of the business because they can show if the business is profitable or not. The initial costs of Šěrní.to will be introduced in the first sub-chapter, following with estimated costs in the first three years. Also, the estimated number of outfit rentals will be provided, and the revenue will be calculated. Three different versions of the finances – optimistic, pessimistic and realistic – will be provided to see if the business has a real chance in the Czech market. In the end, a Return on Investment will be calculated to show when the investment will return. Also, a break-even point will be calculated but only as an illustration because it is not feasible to calculate break-even point if the production is not homogenous. The e-shop will also open a bank account and the capital will be deposited in the bank account.

10.1 Initial costs

The initial costs of šěrní.to are shown in the table below. The initial costs consist of establishing a trade license and buying equipment needed for to start the business.

Table 7: Initial costs of šěrní.to e-shop

Initial costs of šěrní.to e-shop in CZK	
<i>Establishment of the e-shop</i>	33,859 CZK
Trade license	1,000
Web domain	5,227 per year
Shoptet web hosting	19,632 per year (1,626 per month)
EET	6,000
E-scanner	2,000
<i>Promotion</i>	14,000 CZK
E-shop design	10,000
Business cards	2,000 (10 CZK per one)
E-shop signs	2,000
<i>Equipment</i>	187,000 CZK
Car	80,000
Printer	3,000
Notebook	10,000

Mobile phone	7,000
Table and two chairs	4,500
Decorations	1,000
Sewing machines	4,000 (2,000 per one)
Clothes hangers	15,000 (50 per ten)
Washing machines	20,000 (10,000 per one)
Dryers	28,000 (14,000 per one)
Irons	4,000 (2,000 per one)
Wi-Fi router	500
Security system (camera)	10,000
Total	234,859 CZK

The establishment of the e-shop is not the most expensive thing in the initial cost table due to creation of an e-shop online, where company Shoptet was chosen. The initial promotion will include only the e-shop design and business cards. Other promotion will be paid monthly. The washing machine, dryer and iron are necessary so that the outfits can be clean and ready to rent and will be stored in the same room as the stylist is working.

10.2 Expenses in the first three years

This chapter will firstly show the budgeted expenses related to the operation of šérni.to monthly and then during its first three years. The costs are divided into two types, fixed and variable, in order to provide a detailed analysis of šérni.to's costs. Self-employed wage (my wage) is not part of the costs of šérni.to e-shop. The wage will be generated from the profit. In this chapter, the transportation is calculated assuming that half of the customers will pay through online payment and half of the customers will use payment in the shop. Personal pick-up, which is free, is not included in the following tables.

Table 8: Monthly fixed costs in CZK

Monthly fixed costs in CZK	
Gross wage for the stylist	23,000
Health insurance (9%)	2,070
Social security (25%)	5,750
Gross wage for the seamstress	15,000
Health insurance (9%)	1,350
Social security (25%)	3,750
Promotion costs	7,926
Graphic designer (external employee)	10,000

E-shop maintenance (external employee)	12,500
Accountant (external employee)	5,000
Photographer (external employee)	7,500
Copywriter (external employee)	15,000
Petrol	10,000
Rent	4,000
Internet connection	600
Telephone expenses	500
E-shop hosting (Shoptet)	1,626
Printer ink	200
Printer paper	75
Insurance	2,000
Security system	1,000
Bank account (FIO)	Free of charge
Antivirus (Avast)	100
Clothes hangers	1,042
Total	129,989 CZK

Table 9: Monthly variable costs in CZK

Monthly variable costs in CZK	
Clothes from second-hand	12,500 CZK/50outfits (250CZK /outfit)
Packaging	2,500 CZK/50outfits (50 CZK/one outfit)
Transportation (Zásilkovna)	1,625 CZK/25 customers (65 CZK/online payment)
	2,000 CZK/25 customers (80 CZK/payment in the shop)
Total	18,625 CZK

The monthly fixed costs are calculated to be **129,989 CZK** and monthly variable costs are calculated to be **18,625 CZK**. The table below show the fixed and variable costs in 1st year.

Table 10: Fixed costs in 1st year in CZK

Fixed costs in 1st year in CZK	
Gross wage for stylist	276,000
Health insurance (9%)	24,840
Social security (25%)	69,000

Gross wage for seamstress	180,000
Health insurance (9%)	16,200
Social security (25%)	45,000
Accountant (external employee)	60,000
Graphic designer (external employee)	120,000
E-shop maintenance (external employee)	150,000
Photographer (external employee)	90,000
Copywriter (external employee)	180,000
Promotion costs	95,112
Petrol	120,000
Rent	48,000
Internet connection	7,200
Telephone expenses	6,000
Web domain	5,227/per year
E-shop hosting (Shoptet)	19,632/per year
Printer ink	2,400
Printer paper	900
Insurance	24,000
Security system	12,000
Bank account (FIO)	Free of charge
Antivirus (Avast)	1,200
Clothes hangers	12,500
Total	1,565,211 CZK

Table 11: Variable costs in the 1st year in CZK

Variable costs in the 1st year in CZK	
Clothes from second-hand	50,000 (200 outfits)
Packaging	240,000
Transportation	156,000/online payment 192,000/payment in the shop
Total	638,000 CZK

The variable costs show that 200 outfits need to be bought to create 100 new outfits for šerni.to. Packaging costs 50 CZK/outfit. For the first half of the 1st year, 50 outfits will be

offered in a cycle of eight times per month, and in the second half of the 1st year, 100 outfits will be offered in a cycle of four times per month. Transportation is calculated as an online payment (65 CZK/outfit) for half of the customers and as a payment in the shop (80 CZK/outfit) for the other half of the customers. The fixed costs in the first year are calculated on **1,565,211 CZK** and variable costs in the first year are calculated on **638,000 CZK**. Total costs in the 1st year are **2,203,211 CZK**. The 2nd year will be shown in tables below.

Table 12: Fixed costs in 2nd year in CZK

Fixed costs in 2nd year in CZK	
Gross wage for stylist	276,000
Health insurance (9%)	24,840
Social security (25%)	69,000
Gross wage for seamstress	180,000
Health insurance (9%)	16,200
Social security (25%)	45,000
Accountant (external employee)	60,000
Graphic designer (external employee)	120,000
E-shop maintenance (external employee)	150,000
Photographer (external employee)	90,000
Copywriter (external employee)	180,000
Promotion costs	95,112
Petrol	120,000
Rent	48,000
Internet connection	7,200
Telephone expenses	9,600 (800 per month)
Web domain	5,227/per year
E-shop hosting (Shoptet)	19,632/per year
Printer ink	2,400
Printer paper	900
Insurance	24,000
Security system	12,000
Bank account (FIO)	Free of charge
Antivirus (Avast)	1,200
Total	1,556,311 CZK

Table 13: Variable costs in the 2nd year in CZK

Variable costs in the 2nd year in CZK	
Clothes from second-hand	12,500 (50 outfits)
Packaging	420,000
Transportation	234,000/online payment 384,000/payment in the shop
Total	1,050,500 CZK

In the 2nd year almost everything in the fixed costs remains the same except telephone expenses, due to the necessity of additional calls. Costs also increase for clothes hangers. Considering the variable costs, fewer pieces of clothing will be bought from other second-hand shops due to having reserves from the 1st year. The cost for packaging is 50 CZK/outfit. During the first half of the 2nd year, 100 outfits will be offered in a cycle of six times per month. During the second half of the year, 100 outfits will be offered in a cycle of eight times per month. The number of cycles needs to be higher in the second half of the year because the business needs to grow. Transportation is calculated as an online payment (65 CZK/outfit) for half of the customers and as a payment in the shop (80 CZK/outfit) for the other half of the customers. The fixed costs in the 2nd year are **1,556,311 CZK** and variable costs in the 2nd year are **1,050,500 CZK**. The total costs in the 2nd year are **2,606,811 CZK**. The next table represents fixed and variable costs in the 3rd year.

Table 14: Fixed costs in 3rd year in CZK

Fixed costs in 3rd year in CZK	
Gross wage for stylist	276,000
Health insurance (9%)	24,840
Social security (25%)	69,000
Gross wage for seamstress	180,000
Health insurance (9%)	16,200
Social security (25%)	45,000
Accountant (external employee)	60,000
Graphic designer (external employee)	120,000
E-shop maintenance (external employee)	150,000
Photographer (external employee)	90,000
Copywriter (external employee)	180,000
Seamstress (external employee)	120,000 (10,000/month)
Promotion costs	95,112

Petrol	120,000
Rent	48,000
Internet connection	7,200
Telephone expenses	9,600 (800 per month)
Web domain	5,227/per year
E-shop hosting (Shoptet)	19,632/per year
Printer ink	2,400
Printer paper	900
Insurance	24,000
Security system	12,000
Bank account (FIO)	Free of charge
Antivirus (Avast)	1,200
Total	1,676,311 CZK

Table 15: Variable costs in the 3rd year in CZK

Variable costs in the 3rd year in CZK	
Clothes from second-hand	5,000 (20 outfits)
Packaging	486,000
Transportation	280,800/online payment 432,000/payment in the shop
Total	1,203,800 CZK

The fixed costs in the 3rd year will change just slightly due to the addition of another external employee – a seamstress to help the business with the outfits. The other fixed costs remain the same. Purchasing additional clothes from other second-hand shops is not necessary, but to provide reserves in case some outfits are damaged over the years, 20 new outfits will be bought and created in šérni.to's style. Packaging still costs 50 CZK/outfit. During the 1st half of the 3rd year, 120 outfits will be offered in a cycle of six times per month, and in the second half of the 3rd year, 150 outfits will be offered in the same cycle – six times per month. Šérni.to wants to focus on the quality of the outfits and communication with customers, which is the reason why the cycles are not higher. Transportation is calculated as an online payment (65 CZK/outfit) for half of the customers and as a payment in the shop (80 CZK/outfit) for the other half of the customers. The fixed costs in the 3rd year are

1,676,311 CZK and the variable costs are 1,203,800 CZK. The total costs in the 3rd year are 2,880,111 CZK.

10.3 Revenue plan

The estimated revenues for the first three years will be shown in this chapter. The price per complete outfit rental is set at 600 CZK and surprise packages will cost 1000 CZK. Three options – realistic, optimistic and pessimistic – will be shown below.

Table 16: Estimated number of outfit rentals and surprise packages in the first three years (realistic version)

	1-6 month	6-12 month	12-18 month	18-24 month	24-30 months	30-36 months
Renting outfits	50 whole outfits	100 whole outfits	100 whole outfits	100 whole outfits	120 whole outfits	150 whole outfits
Surprise packages	5	10	15	20	25	30

Table 17: Estimated revenues in the first three years in CZK (realistic version)

	1-6 month	6-12 month	12-18 month	18-24 month	24-30 months	30-36 months
Renting outfits	1,440,000 CZK	1,440,000 CZK	2,160,000 CZK	2,880,000 CZK	2,592,000 CZK	2,700,000 CZK
Surprise packages	5,000 CZK	10,000 CZK	15,000 CZK	20,000 CZK	25,000 CZK	30,000 CZK
Total revenues in the 1st year = 2,895,000 CZK Total revenues in the 2nd year = 5,075,000 CZK Total revenues in the 3rd year = 5,247,000 CZK						

Secondly, the table below shows an optimistic version of estimated number of outfit rentals and surprise packages, as well as revenues in the first three years. In the optimistic version, an additional 20 outfits will be created (compared to the number of outfits in realistic version), but the cycle of renting will be the same as in the realistic version.

Table 18: Estimated number of outfit rentals and surprise packages in the first three years (optimistic version)

	1-6 month	6-12 month	12-18 month	18-24 month	24-30 months	30-36 months
Renting outfits	70 outfits	120 outfits	120 outfits	120 outfits	150 outfits	170 outfits
Surprise packages	10	15	20	25	30	35

Table 19: Estimated revenues in the first three years in CZK (optimistic version)

	1-6 month	6-12 month	12-18 month	18-24 month	24-30 months	30-36 month
Renting outfits	2,016,000 CZK	1,728,000 CZK	2,592,000 CZK	3,456,000 CZK	3,240,000 CZK	3,672,000 CZK
Surprise packages	10,000 CZK	15,000 CZK	20,000 CZK	25,000 CZK	30,000 CZK	35,000 CZK
Total revenues in the 1st year = 3,769,000 CZK Total revenues in the 2nd year = 6,093,000 CZK Total revenues in the 3rd year = 6,977,000 CZK						

Thirdly, the table below shows a pessimistic version of the estimated number of outfit rentals and surprise packages as well as revenues in the first three years. In the pessimistic version, 20 fewer outfits will be created (compared to the realistic version), but the cycle of renting will be the same as in the realistic version.

Table 20: Estimated number of outfit rentals and surprise packages in the first three years (pessimistic version)

	1-6 month	6-12 month	12-18 month	18-24 month	24-30 months	30-36 months
Renting outfits	30 outfits	80 outfits	80 outfits	80 outfits	100 outfits	130 outfits
Surprise packages	1	2	3	4	5	6

Table 21: Estimated revenues in the first three years in CZK (pessimistic version)

	1-6 months	6-12 months	12-18 months	18-24 months	24-30 months	30-36 months
Renting outfits	864,000 CZK	1,152,000 CZK	1,728,000 CZK	2,304,000 CZK	2,160,000 CZK	2,808,000 CZK
Surprise packages	1,000 CZK	2,000 CZK	3,000 CZK	4,000 CZK	5,000 CZK	6,000 CZK
Total revenues in the 1st year = 2,019,000 CZK Total revenues in the 2nd year = 4,039,000 CZK Total revenues in the 3rd year = 4,979,000 CZK						

10.4 Profit calculation

The profit calculation shows if the business is making a profit or losing money. From the previous tables, the revenue and cost have been calculated, so this subchapter will provide a realistic look at the business. For these purposes, the realistic budget values were used, and the amount of revenue will be taken from there. The Profit and Loss Statement will show the activity forecast for the first three years of the company. In years where there is a profit, taxes at the rate of 15% are deducted.

Table 22: Profit calculation in the first three years in CZK (realistic version)

Profit calculation in the first three years in CZK			
	1st year	2nd year	3rd year
Revenues	2,895,000 CZK	5,075,000 CZK	5,247,000 CZK
Costs	2,203,211 CZK	2,606,811 CZK	2,880,111 CZK
Profit/Loss	+691,789 CZK	+2,468,189 CZK	+2,366,889 CZK
Net Profit	+588,021 CZK	+2,097,961 CZK	+2,011,856 CZK

The profit calculation using the realistic version of the budget shows that šérni.to will experience a profit in the first three years. The net profit in the 1st year is **+588,021 CZK**, and the profit increases in the 2nd and 3rd years. In the 2nd year, the net profit is **+2,097,961 CZK** and in the 3rd year, it is **+2,011,856 CZK**.

Table 23: Profit calculation in the first three years in CZK (optimistic version)

Profit calculation in the first three years in CZK (optimistic)			
	1st year	2nd year	3rd year
Revenues	3,769,000 CZK	6,093,000 CZK	6,977,000 CZK
Costs	2,203,211 CZK	2,606,811 CZK	2,880,111 CZK
Profit/Loss	+1,565,789 CZK	+3,486,189 CZK	+4,096,889 CZK
Net Profit	+1,330,921 CZK	+2,963,261 CZK	+3,482,356 CZK

The optimistic version of the profit calculation shows that šerni.to will earn a profit in the first three years, which again shows that the business is profitable from the beginning. The net profit in the 1st year is **+1,330,921 CZK**, in the 2nd year, it is **+2,963,261 CZK** and in the 3rd year, it is **+3,482,356 CZK**. The next table will focus on pessimistic version.

Table 24: Profit calculation in the first three years in CZK (pessimistic version)

Profit calculation in the first three years in CZK (pessimistic)			
	1st year	2nd year	3rd year
Revenues	2,019,000 CZK	4,039,000 CZK	4,979,000 CZK
Costs	2,203,211 CZK	2,606,811 CZK	2,880,111 CZK
Profit/Loss	-184,211 CZK	+1,432,189 CZK	+2,098,889 CZK
Net Profit	-184,211 CZK	+1,217,361 CZK	+1,784,056 CZK

The profit calculation utilizing the pessimistic values shows that šerni.to will experience a loss **-184,211 CZK** in the first year but profit in the following years. The net profit in the 2nd year is **+1,217,361 CZK** and in the 3rd year it is **+1,784,056 CZK**.

10.5 Return on Investment

Return on Investment (ROI) is an important number. It will show if the investment pays off and over what period of time. The table below show Return on Investment in the first three years and in the three version such as realistic, optimistic and pessimistic:

Table 25: Return on Investment in the first three years (realistic version)

ROI = Net Profit / Total Investment * 100	
ROI in the first year	+117.6%
ROI in the second year	+419.6%
ROI in the third year	+402.4%

In the first year, the ROI is **+117.6%**, which indicates how much the investment will return during the first year, and it is not necessary to count it in the following years. The investment will return in the first year. However, for purposes of illustration, it is calculated for the 2nd and 3rd years, as well. The Return on Investment in the second year is **+419.6%** and in the third year, it is **+402.4%**. During first three years, there is a significant increase in Return on Investment. Following table represents an optimistic version of ROI.

Table 26: Return on Investment in the first three years (optimistic version)

ROI = Net Profit / Total Investment * 100	
ROI in the first year	+260.8%
ROI in the second year	+592.6%
ROI in the third year	+696,5%

The optimistic version of ROI shows that the investment is returning in the first year. The increase in the return is significant, and it is not necessary to count second and third years but in the table, it is shown for purposes of illustration how quickly the investment will generate a return. The last table of ROI shows the pessimistic version.

Table 27: Return on Investment in the first three years (pessimistic version)

ROI = Net Profit / Total Investment * 100	
ROI in the first year	0%
ROI in the second year	+243,5%
ROI in the third year	+356,8%

The last table represents the pessimistic version of the budget, and it shows how the investment is returning or not. As can be seen, in the first year, the investment will not generate a return, due to zero net profit during the first year. However, the investment will generate a return in the following years, which is a good sign for the business.

10.6 Cash Flow

Cash Flow for the first year is calculated by the direct method. The initial deposit and total revenues in the first year are shown with plus signs; expenses to be paid are shown with minus signs. The total of cash flow for the first year is **+994,178 CZK**.

Table 28: Cash Flow of šěrní.to e-shop in the first year (direct method)

Cash Flow of šěrní.to e-shop (direct method) in the first year in CZK	
Initial deposit	+500,000
+ Total revenues in the first year	+2,895,000
– Health insurance for self-employed person (minimum deposit)	–28,224
– Social security for self-employed person (minimum deposit)	–30,528
– Rent	–48,000
– Gross wage for stylist	–276,000
– Health insurance for stylist	–24,840
– Social security for stylist	–69,000
– Gross wage for seamstress	–180,000
– Health insurance for seamstress	–16,200
– Social security for seamstress	–45,000
– Accountant (external employee)	– 60,000
– Graphic designer (external employee)	– 120,000
– E-shop maintenance (external employee)	– 150,000
–Photographer (external employee)	–90,000
–Copywriter (external employee)	–180,000
– Initial costs	–234,859
– Promotion costs	– 95,112
– Internet connection	– 7,200
– Telephone expenses	– 6,000
– Travel allowance	– 24,000
– Web domain	– 5,227
– Webhosting	– 19,632
– Insurance	–24,000
– Clothes from second-hand	– 50,000
– Printer ink	– 2,400
– Printer paper	– 900
– Security system	–12,000
–Antivirus	–1,200

-Clothes hangers	-12,500
-Packaging	-240,000
-Transportation	-348,000
Total	+994,178 CZK

Cash flow in the first year shows how much money was invested and generated and how much money was spent. Šérni.to cash flow is **+994,178 CZK** which is good considering it is in its first year of operations in the Czech market.

CONCLUSION

The purpose of this bachelor's thesis was to create a business plan for šérni.to e-shop and to show if the business idea will be viable or not. The financial plan shows that the outfits will be rented in a cycle and considering the realistic version, the revenue in the 1st year will be 1,440,000 CZK. Three different versions (realistic, optimistic and pessimistic) were calculated considering revenues, profit calculations and ROI calculations. These three indicators are the most important and show if the business will be viable and will survive in the Czech market. Considering the realistic version, the investment will generate a return in the 1st year, which indicates a successful business and from the calculations, it can be said that this business idea is viable.

Šérni.to has set a specific cycle of renting, and a problem can occur when these cycles are not met. It is important to enter the Czech market successfully in the first six months and continue to grow. This will be done mainly through our promotion strategy. Also, the team will be trying to create a best-quality outfits. If necessary, šérni.to is ready to adapt to new tastes of customers in a certain way.

Plans for the future are to create more outfits than in the beginning. The promotional strategy will remain the same in the first three years, and after these years, a new promotion strategy can be evolved based on the customer's needs. The Czech market will be continuously analyzed, and new trends will be identified. This business plan serves to create a second-hand e-shop initially, with an option to create a physical store in the future.

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LIST OF ABBREVIATIONS

CEO	Chief Executive Officer
CZ	Czech Republic
CZK	Czech Crown
e.g.	Exempli gratia
EET	Elektronická evidence tržeb
etc.	Et cetera
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
OECD	Organization for Economic Co-operation and Development
PR	Public Relations
ROI	Return on Investment
UK	United Kingdom
USD	United States Dollar
VAT	Value Added Tax

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