

# **A Business Plan for a Zero Waste Shop**

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## **ABSTRAKT**

Bakalárska práca sa zaoberá vytvorením podnikateľského plánu pre bezobalový obchod. Jej cieľom je zistiť realizovateľnosť a ziskovosť daného obchodu. Práca je rozdelená na teoretickú a analytickú časť. Teoretická časť vymedzuje pojmy ako podnikateľ, podnik, vymenúva a definuje rôzne formy podnikania. Teoretická časť v neposlednom rade obsahuje podrobný popis jednotlivých častí podnikateľského plánu, ktorý následne slúži ako predloha pre rozpracovanie analytickej časti bakalárskej práce. Analytická časť sa zaoberá vytvorením kompletného podnikateľského plánu pre bezobalový obchod nazvaný E(R)CO.

Kľúčová slova: podnikateľ, podnikanie, bezobalový obchod, podnikateľský plán, analýza konkurencie

## **ABSTRACT**

The bachelor's thesis deals with a business plan development focused on a zero-waste shop. The thesis aims to determine whether the business plan is feasible and whether it can be realised. This thesis is divided into a theoretical and an analytical part. The theoretical part is focused on defining terms such as an entrepreneur, an enterprise and also appoints and determine legal forms of businesses. A detailed structure of a business plan is defined as well and serves as a basis for the elaboration of analytical part of the bachelor's thesis. This part is focused on designing and creating a business plan for a zero-waste shop named E(R)CO.

Keywords: entrepreneur, entrepreneurship, zero-waste shop, business plan, competition analysis

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*“Only when the last tree has been cut down, the last fish has been caught, and the last stream poisoned, will we realize we cannot eat money.”*

Native American Saying

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

The topic of this bachelor's thesis is a business plan for a zero-waste shop. This topic was chosen due to the author's belief on the importance of ecology and a sustainable living which are becoming more and more popular among the general public.

In the last few years, there has been an enormous shift from seeing ecology as an alternative lifestyle, to seeing it as an inevitable step needed in order to decelerate some of the environmental issues, such as pollution or wasting of resources. This shift in the thinking of individuals and businesses can be seen in many industries such as fashion, shopping or transportation.

The purpose of the business which is devoted to the zero-waste lifestyle is not only to make a profit but also to raise the awareness about certain environmental issues and to share its beliefs with the public. Many people wish to reduce their waste, but do not have the access to sustainable products. Therefore, a zero-waste business aims to make the sustainable living and reducing the waste easier and more accessible to the general public.

The theoretical part of the bachelor's thesis contains the information, knowledge and insights which are crucial in order to write the practical part. It is divided into three main parts – entrepreneurship, a business and a business plan. The third part is essential for this bachelor thesis, as it contains the specific instructions on how to write a business plan. It provides the characterization of a business plan in general, benefits of a business plan and some useful advice when writing one. Perhaps, the most important part of this chapter is the structure of a business plan. As there is no given and strict structure, business plans may be individually adjusted according to the preferences of a writer.

The analytical part provides a detailed overview of the planned zero-waste shop. It shows some of the risks and solutions to prevent them, it offers a basic financial prediction and other essential information.

The bachelor's thesis aims to plan a business model for a zero-waste shop and to state whether such business will or will not be feasible.

## **I. THEORY**

## 1 ENTREPRENEURSHIP

Kuratko (2014, 23) defines entrepreneurship as a process during which a person called an entrepreneur applies his/her knowledge and a vision in order to create a new perspective idea. Srpová and Řehoř (2010, 20) define the term entrepreneurship according to the Commercial Code as a continuous and systematic activity. Therefore, the activity cannot be carried out only occasionally. They specify that an entrepreneur is pursuing a trade:

- **independently** – either by a natural or legal person. While a natural person is eligible to pursue a trade by themselves, a legal person is pursuing a trade via the responsible statutory body,
- **under its own name** – all legal procedures and actions of a natural person are done using their own name and their own surname. In case of a legal person, they use their business name,
- **under its sole responsibility** – both the natural and the legal person bear all the risks which may occur while pursuing the trade,
- **profit-orientated** – it is not mandatory to realise a profit; however, the business activity must be carried out with the objective of realising it.

### 1.1 Socially responsible entrepreneurship

Srpová and Řehoř (2010, 28) discuss the concept of social responsibilities of entrepreneurship and state that there are several approaches to how to describe it. They address some fundamental characteristics of the concept and highlight:

- **a voluntary principle** – businesses who support the idea of social responsibilities are willingly and on a voluntary basis developing certain activities above the range of legislation and requirements,
- **active cooperation and a discussion with all interested parties** – taking into consideration all stakeholders,
- **engagement of business** – businesses create trends in a community and are using the concept of social responsibilities to develop strategies, goals and values of their business,
- **organized, systematic and long-term perspectives** – they are focused on long-term goals and sustainability,

- **proper operation of a business, with regards to a so-called “triple-bottom-line business”** – this a rather modern concept of business, is characterized by three main sections and these are economical, social and environmental.

## 1.2 Entrepreneur

Definitions of the word entrepreneur differ from author to author, from book to book. Srpová and Řehoř (2010, 30) stress the fact that in order to define an entrepreneur, it is necessary to state whether we try to describe it from an economical, psychological, business or political perspective. For example, Kuratko states (2014, 23) entrepreneur is a creator who sees opportunities and is able to turn these opportunities into doable, successful concepts. An entrepreneur is willing to put efforts, his/her personal time and his/her capital while bearing in mind potential dangers which may come up during the realisation of these concepts.

### 1.2.1 Pros and Cons of Becoming an Entrepreneur

Mariotti and Glackin (2013, 9–10) advise looking on both the pros and cons of becoming an entrepreneur before starting a business. The authors state some of the benefits, which are, for example:

- **self-government** – when a person becomes a business owner, they set their own rules such as the number of hours they will spend working,
- **gratification** – typically, people start a business in the field that they are interested in and therefore it is easier for them to work harder and be satisfied by work,
- **the social aspect** – an entrepreneur can contribute to the society and the community. For example, if an entrepreneur cares about the environment, it can be taken into consideration when creating the business,
- **a rational salary** – Britt (2012) adds that unlike when being an employee, an entrepreneur is paid according to the time and efforts they put into developing the business and accomplishments of their business.

Entrepreneurship, like most of the things, has its ups and downs. Pros have already been mentioned. According to Mariotti and Glacking (2013, 9–10), some of the cons are:

- **a bankruptcy** – the business, if not run carefully, can bring an entrepreneur a considerable loss of not only his/her money but also the investments of other parties, if they have some,

- **time consumption** – while it is true that an entrepreneur can decide how many hours will he/she be working, most of the time, the entrepreneurs work long hours and rarely have any free day during the week,
- **financial uncertainty** – when owning a business, the entrepreneur is not guaranteed any particular amount of money or work benefits they may have if being an employee.

## 2 A BUSINESS

Dvořáček and Slunčík (2012, 1) state, a business can be defined as any entity involved in a business activity which consists of offering goods and services in the market.

Based on the recommendation of the European Commission (2019), businesses, according to their size, can be divided into these categories:

- **Microbusinesses** - a business is sorted into a category of microbusinesses if these factors are present:
  - a staff headcount is less than 10 employees,
  - yearly turnover is less or equal to 2 000 000 €,
  - a balance sheet total is less or equal to 2 000 000 €.
- **Small Businesses** –have these properties:
  - a staff headcount is less than 10 employees,
  - yearly turnover is less or equal to 2 000 000 €,
  - a balance sheet total is less or equal to 2 000 000 €.
- **Medium-Sized Businesses** – belong to this category if:
  - a staff headcount is less than 250 employees,
  - yearly turnover is less or equal to 50 000 000 €,
  - a balance sheet total is less or equal to 43 000 000 €. (European Commission, 2019)
- **Large Businesses** - Srpová and Řehor (2010, 36) add that large businesses have these properties:
  - a staff headcount is more than 250 employees,
  - yearly turnover is higher than 50 000 000 €,
  - a balance sheet total is more than 43 000 000 €.

### 2.1 Legal forms of businesses

Veber and Srpová (2012, 68–69) state that one of the first steps while establishing a business is to choose a suitable legal form of a business. They claim that according to a Commercial Code, there are two legal forms of a business, and these are a business of a natural person or a business of a legal person. The authors define that while the business of a natural person is done individually, under the name of the entrepreneur and his/her full liability, a business of a legal person becomes a legal entity. They claim the main difference between these two legal forms is that a natural person has two roles, and that is to provide a capital contribution and a workforce. A legal person also provides capital can but is not required to work in the company. The income tax of the legal person is 19%, and for the natural person, it is 15%.

The most typical forms of business ownership, according to Papula (2017, 57– 62) are sole trader, general partnership, limited partnership, joint-stock company and limited liability company, which are described below.

## 2.2 The Business of a Sole Trader

Veber and Srpová (2012, 76–79) describe trade as a systematic (not occasional) activity, pursued individually, under one's name, on one's responsibility, while bearing all the risks and with the intent to make a profit. The authors also remind that some business activities cannot be operated as a trade because a law reserves some business activities either for the country or for a selected legal person. These activities include, for example, activities of the post office, doctors or banks. (Veber and Srpová 2012, 76–79)

According to Srpová and Řehoř (2010, 68), self-employed person's business can be established either by a natural or by a legal person while fulfilling the requirements stated by the law of the Czech Republic. Veber and Srpová (2012, 76–79) state that the general conditions for establishing and running a self-employed person's business are:

- being older than 18 (proven by the identity card),
- a full legal capacity (may be replaced by permission of the court that a legal guardian of the minor agrees with the minor independently conducting a business),
- integrity (for the citizens of the Czech Republic proven by an extract from the Criminal Register and for citizens of another member state of the European Union proven by the documents pursuant to the Labour Code).

A printed matter is required to be brought while declaring the trade. According to Papula (2017, 58), it needs to have these requisites:

- personal information,
- a name of a business or name and surname of a natural person,
- one or more subjects of the business,
- a place of the business,
- the day of commencement of the trade (only if it starts later than the declaration of the trade),
- the personal information of a responsible representative (only if there is any).

A person is required to fill in a form called “Jednotný registrační formulář” or “JRF” in a Central registration place. This form serves as a replacement of different kinds of forms which are required to fill in not only prior to a business establishment but also during the



running of a business. Thanks to the JRF, it is possible for example to notify the authorities about some changes in the business or send the notification of vacancy in one's business. (Ministerstvo průmyslu a obchodu 2020)

If all the requirements above were fulfilled, the sole trader is given a trade licence with a unique identification number and starting from the day of the declaration, the sole trader is competent to start the trade. It is possible for a person with a residence outside the Czech Republic to establish an enterprise in this country while fulfilling the same requirements as a Czech citizen. It is required for this person to have a residence permit in the form of visa for a stay over 90 days, which are also called a long-term visa or to have a long-term residence permit. (Papula 2017, 58)

### **2.2.1 Pros and Cons of a Sole Trader Business**

As Majdúchová and Neumannová (2014, 134–135) state, some of the benefits of a sole trader are for example easily manageable organizational structure which is flexible for the changing needs of the market, no need for a large capital or the opportunity to make the decision-making process independently. On the other hand, they claim that some of the cons of a sole trader are the limited capital or a huge responsibility of the sole trader, which can cause physical and mental difficulties.

## **2.3 Partnership**

According to Majdúchová and Neumannová (2014, 136), personal companies are characterized by the participation of all the business partners. Each personal company is required to be consisted of at least two partners who run the business together. Each partner is reliable for the liabilities of the company with the capital that he/she deposits to the business and with his/her property. The authors divide the personal companies into two categories, and these are general partnerships and limited partnerships.

### **2.3.1 A General Partnership**

Majdúchová and Neumanová (2014, 141) state that general partnership can be established by a legal person which is authorized by entering the Commercial Register. The minimum number of founders of such partnership are two partners who are responsible for the liabilities of the business together, equally with all their assets. All profits are shared equally among all companions.

A term “General Partnership” can be translated into the Czech language as “verejná obchodní společnost”. Every General Partnership in the Czech Republic contains the

business name and the abbreviation "veř. obch. spol." or "v. o. s." to indicate the legal form of the business. In case the company name contains a name of (at least) one of the companions, it is possible to use "a spol.". (iPodnikatel.cz 2013)

Majdúchová and Neumanová (2014, 141) add that there are no requirements for a nominal capital for this legal form of a business. A general partnership is established by the Articles of Association, which should contain a business name, a place of the business, the companions of a business or stating the name and a place of a legal person or a name and a residence of a natural person, a subject of the business and its activities.

Majdúchová and Neumanová (2014, 141) advise that it is crucial for a business to be successfully functioning to set other partnership rules such as the method of valuation of private assets or the process of division of a possible loss. It is required to apply for some kind of a business permit, such as trade permit, prior to applying for registration to the Commercial Register. (iPodnikatel.cz 2013)

As in any other form, there are benefits and possible obstacles in establishing this legal form of a business. A significant benefit is the low capital needed for starting of such business as there is no set amount of money – no nominal capital – set by the law that is necessary in order to establish a general partnership. A potential difficulty is the possible threat of one of the partners leaving the partnership, which can eventually lead to the business downfall. (Majdúchová and Neumanová 2014, 141)

### **2.3.2 A Limited Partnership**

A limited partnership is not a very widespread form of a partnership. The term limited partnership can be translated into the Czech language as "komanditní společnost". It is required for the business name to contain also the indication of a legal form of the business – either "kom. spol." or "k. s.". (iPodnikatel.cz 2013)

Majdúchová and Neumanová (2014, 145) state that such company can be established by both legal and natural person, however, the authors claim that this type of partnership requires at least one general partner and at least one limited partner. It is compulsory for a limited partner to constitute a contribution of at least 5 000 CZK. The general partner is responsible for the company's liabilities with all his/her assets without a limit, and he/she is entitled to the business management of the company. On the other hand, the limited partner is responsible for the liabilities of the company up to the amount of unpaid deposit stated in the Commercial Register.

This kind of partnership can be, similarly to other legal forms of business, established by creating the Articles of Association, which should contain:

- a name and a place of the business,
- information of a legal person and a natural person,
- a business activity,
- a resolution of general partners and limited partners,
- an amount of the deposit contributed by limited partners. (Majdúchová and Neumanová 2014, 145)

As benefits of this legal form authors state for example the option for the partners to choose to either be personally involved in the managing and controlling of the business or the participation of the partners only through a deposit. It is also beneficial for new entrepreneurs as there is only low nominal capital required. As the potential difficulties, they state the need for strict division of power among the partners to prevent further conflicts. (Majdúchová and Neumanová 2014, 145)

## **2.4 Capital Companies**

According to Papula (2017, 62), capital companies are divided into limited liability companies and joint-stock companies. The author claims that capital companies are typical for equity participation of their companions (or one companion) in the business. However, it is not required for the companions to personally participate in the running of the business. Moreover, the companions are responsible for the debts of the business only to the extent of their shares.

### **2.4.1 A Joint-Stock Company**

In this form of a business organization, the capital is divided into a number of shares, and these shares have a certain currency value. The joint-stock company is responsible for its liabilities with all its assets, while a shareholder is not responsible for a company's liabilities.

The term Joint-Stock Company can be translated into the Czech language as "akciová společnost". For an indication of the form of a business, it is required to add "akciová společnost" or "akc. spol." or "a.s." to the name of the business. (Papula, 2017)

According to Majdúchová and Neumannová (2014, 154), a joint-stock company can be established either based on public offering of shares or without a public offering.

Dědič (2012, 50) state that both natural and legal person can start a joint-stock company. It is required for the capital of the business to be at least 2 000 000 CZK or 20 000 000 CZK if the company is established by a public offering of their shares.

The management body consists of the general assembly, the board of directors and the board of supervisors. The general assembly is the supreme authority of a joint-stock company. It consists of all shareholders. It is compulsory for the general assembly to meet at least annually. Shareholders have as many votes as many shares they obtain. Among their responsibilities are issues such as profit division, electing the board of directors and the board of supervisors, or authorization of financial statements of the company. The board of directors are a statutory body of a company and are required to have at least one representative who are in charge of the company. The board of supervisors oversees the company as it is the supreme supervisory body. It must have at least one representative to not only supervise the accounting, documents and financial statements of a company but also to propose a profit division to the general assembly. (Majdúchová and Neumannová 2014, 154)

Moreover, a so-called “one-tier system” can be put into the practice instead of a traditional “two-tier system”, meaning that the board of directors and the board of supervisors can be substituted by a statutory director and a management board. By using this new “one-tier system”, only one representative is needed. This representative can be both statutory director and a member of the management board at the same time, which could be a benefit in smaller companies. (Office House 2019)

#### **2.4.2 A Limited Liability Company**

Papula (2017, 62) claims that the limited liability company can be defined as a company whose capital is composed of deposits from companions. The company accounts with the deposit in full quantity. Companions account for liabilities up to the deposit amount.

A term limited liability company can be translated into the Czech language as “společnost s ručením omezeným”. The name of the business must consist of the name itself and indication that it is the limited liability company. For this matter, it is needed to put “s.r.o” or “spol. s.r.o” in the name of the business. It is a form of a company whose capital is consisted of predetermined deposits of the partners. A limited liability company can be established by one partner but not more than 50 partners. The required deposit of a partner in the Czech Republic is 1 CZK, and therefore the nominal capital is also 1 CZK. The business is founded as soon as all its partners agree on Articles of association and sign it in

the presence of a notary, However, it is established as soon as it is incorporated in the Commercial Register. (Papula 2017, 62)

In case there is only one companion to establish a business, they need to write a memorandum. A notary is required to establish a limited liability company. For this purpose, an entrepreneur who wishes to establish such business will need an identity card (of all companions), an extract from a judicial record (this will be obtained by the notary by an online system) and the consent of the owner of the property where the business should be established. (Simply Office 2019)

According to Majdúchová and Neumannová (2014, 148–149), the company is responsible for the liabilities with all its assets as opposed to the partner who is liable up to the amount of unpaid deposit stated in the Commercial Register. The company is required to sign a memorandum or Articles of association which need to have some of these properties:

- a business name and a place of the business,
- stating the partner or partners involved in the business,
- a subject of the business,
- the amount of the nominal capital and the amount of the nominal capital paid by each of the partners,
- selecting a responsible administrator of the deposit,
- the amount of capital deposited in the reserve fund,
- Etc.

Herz (2018) states that the biggest advantage of a limited liability company is the “limited liability” element, which provides protection of the companion’s property in case of a failed business. This is also one of the reasons why this legal form is the most usual among the other legal forms.

## **2.5 Choosing a Legal Form of a Business**

Before starting a business activity, it is necessary for an entrepreneur to choose a legal form of a business. An entrepreneur should weigh all the benefits and the possible obstacles, that may come with each of the legal forms. (Srpová and Řehoř 2010, 67)

An important factor can be the minimum required nominal capital needed for establishing a business, the number of companions necessary, or formal difficulties linked to the establishment. (Veber and Srpová 2012, 68–71) The authors also add that choosing the form of a business is not permanent and can be alternated. (Srpová and Řehoř 2010, 67)

### 3 A BUSINESS PLAN

Srpová and Řehoř (2010, 54) claim that before starting the business we need to take a lot of factors into consideration. We need to think whether we do have a support of the community, if the business idea is perspective and what is the competitive advantage of our future business. It is advised to derive a business plan which if appropriately devised, can confirm or refute the success of the prospective business. The authors also advise entrepreneurs to familiarize with the legislation, laws and requirements of the country of establishing the business.

Kuratko (2014, 374) characterizes a business plan, also called a venture plan, as a document which in written form represents and defines the planned business idea. He emphasizes the importance of every aspect being taken into consideration, not only the business idea itself but also how it is promoted, the analysis of the market, the possible expansion and many more.

Koráb (2007, 35) advises new entrepreneurs to find a way how to differentiate their business from other competitors. He highlights that a good business plan should stand out in its graphical and visual form.

#### 3.1 Benefits of a Business Plan

A business plan prepares the entrepreneur to think and to analyse the venture idea from every aspect. This way, the entrepreneur is ready and has an action plan to deal with some obstacles which may arise. The entrepreneur is able to state precisely how many employees are needed for the proper business functioning or how to stand out in the market among the competition. (Srpová 2011, 14)

Some of the other benefits that Kuratko (2014, 377) mentions are:

- By analysing, planning of the venture idea an entrepreneur gains a better and more complex view of the venture. The entrepreneur is able to see the possible complications.
- The venture plan provides an entrepreneur with exact measures and predictions. This way, it is easier to compare predictions with real outcomes.

By completing the venture plan, an entrepreneur is given an explicit tool which can also be used for receiving financial support from a bank or other financial institutions. (Srpová 2011, 14)

## 3.2 Structure of a Business Plan

Srpová (2011, 14) states that there is no strict structure given when developing a business plan. According to the author, financial institutions such as banks or investors may have different preferences on a business plan format. The author provides this structure: title page, contents, introduction, the purpose of the document, summary, the description of the business idea, goals of the business, market analysis, competition analysis, marketing and business strategy, implementation plan, financial plan, main prerequisites for a successful business and risk analysis, annexes. (Srpová 2011, 14–15)

Koráb (2007, 36–38) chooses a similar structure, which looks like this: title page, the executive summary, market analysis, description of the company, production plan, marketing plan, organizational plan, evaluation of the risks, financial plan, annexes.

### 3.2.1 Title Page

According to Koráb (2007, 36) serves as an elementary summary of the venture, stating information such as the business name, location of the business, contact information (phone number, e-mail), the owner's name, the concise description of the company, characteristics of the business or the structure of the business.

Srpová (2011, 15) adds that a logo and a date of the establishment should also be provided. The author also advises inserting a short declaration stating that none of the information provided in the business plan can be copied or saved neither in electric nor in a printed version without the previous written consent of the author.

### 3.2.2 The Executive Summary

Abrams and Vallone (2007, 17) highlight the importance of the executive summary. They claim that it is crucial answering all the essential questions in this part, such as:

- What is the concept of the business?
- Is the business thoroughly planned?
- What advantages does the business possess as opposed to the competition?
- Are the financial plans realistic, and will the business be feasible? (Abrams and Vallone 2007, 17)

Shelton (2017, 48) supports the statements of Abrams and Vallone (2017, 17) and adds that the executive summary must be clear, based on facts and must be written impressively in order to stand out to the target readers which are usually the investors or banks.

According to Koráb (2007, 36), this part should consist of only the basic information about the business such as a quick description, a mission, a vision, a location, target market or competitive advantage. The author also advises inserting a brief financial plan for the next few years. Abrams and Vallone (2007, 17) advise to complete the following chapters of the business plan first and then develop the executive summary. They state it is much easier and faster because the entrepreneur will already know what to write.

### **3.2.3 Company Description**

Abrams and Vallone (2017, 26) define this part of the business plan as a section which contains, the basic information about the business. Its purpose is to very quickly and summarize all the important information about the organizational structure of the enterprise, about its development and legal form. According to the authors, this part should contain a name of your business and its location; information about the owner (or owners); product or service description, the scope of the selected business; mission and vision statement.

A mission can be defined as the aim or the objective of the business, and it deals with the sole purpose of its existence. It is advised to present the mission not only to its employees but also to the customers or to the other stakeholders. (ManagementMania 2015)

Vision is a particular image of the business in the future, and it is based on the specific goals and aim of the business. Having a vision means being focused on the right direction where an entrepreneur wishes his/her business to go. (Business Queensland 2019)

### **3.2.4 Market Analysis and Trends**

Blackwell (2011, 8) advises to start the main body of the business plan with the market analysis and current trends as this is a part which is perhaps the most interesting for the audience. He claims that it is crucial to prove to the investors and banks that the selected market is large enough and that it is worth investing in.

Abrams and Vallone (2007, 42–56) name the parts which should be discussed in this section. They mention that it is important to specify the geographic location of the selected and target market; demographic information about the ideal customer; define the essential needs and wants of the target customer; determine the market size and the current trends of the market. They advise gathering requisites such as statistics of demographic information, information about current trends in the specific industry or information about market research. Koráb (2007, 36–37) suggests also defining natural factors, the legislation and the political background. Moreover, the author claims analysis of customers based on the target segmentation is also required.



Srpová (2011, 18) states that a business will be successful only if there exists a market requiring the products or services one's business wants to provide. Moreover, an entrepreneur should always focus on the needs of his/her customers, as success is depended on the satisfaction rate and fulfilment of customer's needs and wants.

The target market is formed by customer segments that:

- find the product or service useful and serves as a utility for the customer,
- the product or service is easily accessible for the customer,
- will be willing to pay for such goods or services that one's business provides. (Srpová 2011, 19-20)

Osterwalder and Pigneur (2010, 20) add that a venture plan can be comprised of one or more customer segments. These segments can be either a small-sized or a large customer segment, depending on the business. The authors also provide a useful tool on how to decide whether a customer group belongs to a separate segment, and that is for example, when a customer group:

- needs a specific or different kind of customer relationship,
- different distribution channels are used in order to reach the customers,
- the profitability is considerably different as compared to other customer groups. (Osterwalder and Pigneur 2010, 20)

Srpová (2011, 20) states that market research is needed after the segmentation. She suggests using the internet, information provided by statistical offices or annual reports of selected regions, cities or countries, as a source.

### **3.2.5 The Competition Analysis**

Abrams and Vallone (2007, 58–60) state that this part of a venture plan should contain the type of competition of one's business; the list of all the competitors, defining both direct and indirect competitors; state the market share of the competition and focus on the specific advantages of one's business. The first step of competition analysis is to find and describe its different types. This part is not focused on specific competitors, but on specific categories of competition such as similar shops in the selected location. It is also advised to provide statistics regarding the number of new business in the market and state some of the barriers to entering the market.

Moreover, Abrams and Vallone (2007, 59) suggest including a forecast on the possibility of a new enterprise entering the market.

Srpová (2011, 22) defines as the next step to name and describe the direct and indirect competition. She adds that some businesses may not be seen as the competition in the present, nevertheless may become one in the future. Srpová (2011, 22) defines direct competitors as businesses which are significant in the market. Indirect competitors are businesses which may not seem like competitors in the first place because they provide a different product or service. However, they share the same audience. (Business 2 Community 2016)

It is advised to characterize the specific competitive advantages of a business. Some of the typical advantages are:

- the prize,
- products features,
- marketing strategy,
- luxurious and exclusive partners (Abrams and Vallone 2007, 68).

A strategic position can be defined as a relative position of the business or its products and services in the specified market. It shows in what way a business is presented among the other companies in the market. (Harvard Business School 2020) Srpová (2011, 22) agrees with the statements of Harvard Business School (2020) and adds that the aim of the positioning is to show a difference of one's business as opposed to its competition and create a specific image in the customer's mind.

### **SWOT Analysis**

According to Gattis (2010, 34), it is advised to design a strategic analysis by using a SWOT analysis, which is a useful tool. Osterwalder and Pigneur (2010, 216) define a SWOT analysis as an effective method to evaluate the integrity of the business plan. According to the authors, the SWOT analysis consists of four perspectives which describe and assess the internal and external surroundings of business. The abbreviation stands for:

- **S** – strengths – such as:
  - things that a business does well/better than a competitor,
  - characteristics and qualities that differentiate a business and its competitor.
- **W** – weaknesses – such as:
  - things that a business lacks or the competitor does better,
  - limitations in resources.
- **O** – opportunities – such as:
  - the emerging need for products/services that a business provides,

- no or only a few competitors in the market.
- **T** – threats – such as:
  - new competitors in the market,
  - negative media coverage. Osterwalder and Pigneur (2010, 216)

### PEST Analysis

PEST analysis is a management method by which the business addresses some of the crucial macroeconomic factors which influence the running of the business. The four areas of the PEST analysis are:

- **political** – such as the potential changes in legislation of a country,
- **economic** – such as the inflation rates, unemployment rates,
- **social** – such as lifestyle and demographics,
- **technological** – such as new innovations (Kenton 2020).

### 3.2.6 Marketing Plan

A marketing plan is a document which lays out the promotion strategy of a business, used in order to reach its target market. It is a crucial indicator of the success of a business. It should be realistic, effective, and it should use suitable selling techniques. (Abrams and Vallone 2007, 75)

The Marketing Mix is a method of stating the product strategy. It is always defined after a segmentation, targeting and positioning. It is commonly known as 4P, and that is because it comprised of 4 elements:

- **product** – what product or business is provided and its specific features such as the quality of the product, design or other services included,
- **price** – the money given for the product or service and overall pricing strategy of the business,
- **place** – the distribution channels starting from the manufacturing until reaching the customer,
- **promotion** – specific ways of how to make sure the target customers get to know the business, its products and services such as advertisements or leaflets. (ManagementMania 2015)

Abrams and Vallone (2007, 76) add that an effective marketing message is needed in order to succeed. It should reflect the objectives, values and the aim of the business. Such information should also show the differences between the business and its competitors.

### 3.2.7 Management and Organization

This part is devoted to the introduction of the owners and key members of the working team. It defines the organizational structure of the business. It is crucial to show that the employees are qualified for the job, and the organizational structure is sufficient for the proper functioning of the business. (Abrams and Vallone 2007, 98–99)

### 3.2.8 Financial Plan

According to Gattis (2010, 54), the purpose of a financial plan is to prove the business is achievable and feasible. The financial plan is comprised of two main parts:

- **financial background of the business** – this part should include the aimed sales and projections, start-up costs, employees, the technology and equipment, marketing costs and the resources needed for the proper functioning of a business. Included should also be a financial statement and summary of the financial needs.
- **financials** – this part should consist of financials such as balance sheet, cash flow report, break-even analysis and income statement. (Gattis 2010, 54)

This part includes the costs which are predicted to occur when operating a business. Some businesses such as for example “no-frills” airlines are focused mostly on a low-cost structure. In order to fully understand this part of the business plan, it is crucial to define the terms fixed and variable costs. Fixed costs are specific in their stability as they remain the same no matter the number of goods produced or services provided, for example, rent. Variable costs are proportionally changing with the amount of the goods produced or services provided, for example, direct material. (Osterwalder and Pigneur 2010, 40–41)

### 3.2.9 Risk Evaluation

Adams and Vallone (2007, 118) claim that business always carries the risks even if the business has employees with proper qualification and clear and achievable strategy.

Koráb (2007, 38) suggests characterizing the possible risks involved with the running of the business, caused by the competition, marketing gaps or weaknesses of the marketing plan and many more adverse circumstances. The author advises to be prepared, analyse the risks and develop strategies and steps for their elimination.

Some of the risks which may occur are:

- the market risks – the needs of the target market may change as a consequence of a political situation, natural disasters etc.,

- the financial risks – the material, energy or service costs may rise due to some circumstances, etc.,
- the risk of competition – the competitor may change their prices, change their marketing strategy which may result in customer preferring their products or services, etc. (Abrams and Vallone 2007, 118)

### **3.2.10 Appendix**

Srpová (2011, 33) claims that the number of appendixes depends on the business. The author states, some documents may be enclosed in the appendix in case they are needed to prevent that a business plan contains too many pages. Documents such as resumes of key employees extract from the register of companies, product visuals, or financial records to support the business plan.

## **II. ANALYSIS**

#### 4 TITLE PAGE



Figure 1 Logo of the company (own creation)

<b>Name of the company:</b>	E(R)CO s.r.o.
<b>Name of the owner:</b>	Michaela Urbanová
<b>Legal form:</b>	Limited Liability Company
<b>Location:</b>	J.A. Bati 5645 (Budova 51), 760 01 Zlín
<b>Date of establishment</b>	1.11.2020
<b>Contact:</b>	+420 724 815 742
<b>E-mail:</b>	ercozerowaste@gmail.com
<b>Description of the business:</b>	The scope of E(R)CO is to provide zero-waste and low waste food, home, cosmetic and office supplies for every eco-friendly household.

## **5 EXECUTIVE SUMMARY**

### **The Business**

The business is in the planning stage and has not been established yet. The founders and owners of the business will be Michaela Urbanová and Matej Kubaloš. The shop will provide food, household and office supplies; hygienic and cosmetic products, following the zero-waste ideology. Besides serving as a quick overview of the products, our website is also devoted to education on matters such as recycling, zero waste shopping or composting. The business also gives lectures for individual groups, schools or businesses.

### **Mission**

Our mission is to provide products which help to save the environment, are not tested on animals and save resources. We aim to satisfy the needs of our customers and make the transition to a zero-waste living easy.

### **Vision**

We are committed to lower the usage of resources, stop animal cruelty, child labour and support the local markets, farmers and handmade makers. Since the business believes in full transparency, its vision is a world where every customer knows where a product was manufactured, what it is made of and who made it. Eventually, we would like to open more stores in Zlín and the surrounding areas.

### **Target Market**

The target customers are people from Zlín and surrounding areas, who are aware of environmental issues, people who are willing to make changes in their usual behaviour and who want to shop locally without unnecessary packaging, especially women.

### **Marketing and Sales Strategy**

Using social media – Instagram and Facebook to promote the business, paid sponsorships with influencers who create zero-waste content on their social media; creating competitions on social media.

### **Competitive Advantage**

The business offers a variety of sustainable products, including low waste make-up products which may be attractive for women who form an essential part of our target market. The business tries to create a community, not only a place to do the daily shopping.

### **Finances**

The business will be financed from the deposit of 200,000 CZK provided by the owners and a bank loan in the amount of 400,000 CZK.



## **6 COMPANY DESCRIPTION**

The name of the business is E(R)CO, which is a combination of a word ECO and letter R in brackets. The letter (R) is supposed to be a link to the famous 5 R's of the zero-waste ideology – refuse, reduce, reuse, recycle, rot. The company E(R)CO is described in more detail in the next few chapters.

### **6.1 Scope of the Business**

The business is focused on bringing the customers mostly local, fresh food without chemicals and unnecessary packaging. Apart from food products, we provide a variety of household supplies such as cleaning, shower or office items which are made from eco-friendly materials, without unnecessary packaging, save water usage and are in bio quality. We try to minimize the plastic, paper and glass usage as opposed to the traditional shops, while still complying with strict hygiene requirements.

We try to provide as much comfort while shopping as possible, making zero-waste easy and convenient. The webpage of the business serves as a platform for learning, consisting of a series of weekly videos or articles connected with the zero-waste shopping and the zero-waste living.

### **6.2 Mission Statement**

The zero-waste shop E(R)CO pledges to provide products which help to save the environment, are not tested on animals and save resources. Our employees are eager and dedicated to providing advice and spread the knowledge to the general public on topics such as environmental issues, zero-waste lifestyle, low-waste lifestyle, recycling, upcycling, composting and many more environment-related topics. The business aims to satisfy the needs of our customers and make the transition to a low waste living easy.

### **6.3 Vision Statement**

Our vision is to spread the zero-waste lifestyle to as many people as possible in Zlín and surrounding areas. We want to eventually open more stores around Zlín and other cities, in order to make shopping in our stores even more convenient for our customers. We are committed to lower the usage of resources, stop animal cruelty, child labour and support the local markets, farmers and handmade makers. Our vision is a world where every customer knows where a product was manufactured, what was it made of and who made it, as we believe in full transparency.

## 6.4 Legal Issues

The business's legal form will be a limited liability company of companions. This legal form was chosen because of the limited liability of the companions. The E(R)CO s.r.o. will be established by Mrs Michaela Urbanová and Mr Matej Kubaloš, who will represent the board of directors. Both owners meet the requirements for the formation of a trade licence. Neither supervisory nor advisory committee was set up due to the size of the business. Moreover, a proposal for the registration to the Commercial Register will be filled.

## 6.5 Location

The zero-waste shop E(R)CO s.r.o. will be located in J.A. Bati 5645 (Budova 51), 760 01 Zlín. It is a very frequented place with means of the public travel and parking lot close by, which will be useful for our customers as they will probably need some means of transport after shopping for their groceries and home supplies. It is a place with many other shops, restaurants and even dental clinics, therefore very convenient location for our customers as they can do their shopping in the same building.

## 6.6 Description of Products and Services

The business will operate as a shop specialized in local, organic, zero-waste and low waste goods. The shop will provide fresh vegetables, fruits, and baked products, locally produced if possible. Besides fresh goods, the shop will also offer refill stations with dry products such as pasta, lentils, cereals, dried fruit, seeds, coffee beans or rice. It will provide cleaning supplies such as reusable dishcloths, dishwashing brushes, straw brushes, refill stations for soap, laundry detergent and more useful cleaning items. There will be a variety of reusable containers such as glass jars, wooden boxes or cotton bags, which will be available for purchase if our customers don't have some. The business will also offer cosmetic and bathroom products, for example, refill stations with shampoo, conditioners, body oils, plastic-free shaving products or low waste make-up products. Moreover, we will offer office supplies, coffee cups, pencils and plastic-free pens or recycled notebooks.

The business will operate a webpage which will serve as an educational platform. The products, services, suppliers and distribution channels are discussed in chapter 10 - Marketing Plan.

## 6.7 Opening hours

The opening hours were set in accordance with the competition and the shops in the business premises where our business will be located. They are the same from Monday to Friday. The shop will open at 8 o'clock and close at 18 o'clock. On Saturday the shop will be open only for 8 hours, from 8 o'clock to 16 o'clock. Finally, on Sunday the shop will be closed due to sanitary reasons.

The opening hours may change in accordance with the frequency of customers after the shop opens and according to the competition.

Table 1 Opening hours (own creation)

OPENING HOURS	
Monday – Friday	8:00 – 18:00
Saturday	8:00 – 16:00
Sunday	Closed

## 7 MARKET ANALYSIS

The business will be run at the local market in Zlín, offering a new, improved concept of shopping, which will be healthier for the customers and for the environment. It will provide useful information on its webpage and its social media, to share awareness and reinforce the knowledge of people on environmental issues.

According to the Czech Statistical Office, 3,732,219 tons of municipal waste was produced in the Czech Republic, in the year 2018. This means that one person produced approximately 350 kilograms of municipal waste. (Český statistický úřad 2019) From the amount of waste, created in this country, only 25% gets recycled, other waste is either sent to the landfill or is burned down. With that being said, it is clear that something needs to be done to change it. This is a reason why the zero-waste initiatives have started.

The whole point of a zero-waste is to limit and minimize the amount of waste which is created, support mindful shopping, teach individuals and businesses how to recycle, compost or reuse items (Zerowastecesco.cz 2020). Globally, the zero-waste started to be popular at the beginning of the 21<sup>st</sup> century. In the Czech Republic, it expanded especially after 2015, when a Czech Zero Waste blog was created. Events such as “Týden bez odpadu” or “10 tisíc sáčků pro Česko” coordinated by the Czech Zero Waste blog, also help to raise the awareness of the people in the country. The number of businesses and individuals participating in such events is growing each year.

Clear evidence that this market is on the rise is the number of zero-waste shops around the country. (Škrdlík 2017) Customers can find such shops on the website <https://mapa.reduca.cz/>, which is a handy and efficient way to find the closest shop, a farm market or a farm. A similar concept of zero-waste shops can be found for example in Prague (Bezobalu, Nebaleno), Brno (Nasyp si, Bezobalový obchod Brno), Olomouc (Olomouc bez obalu) or Zlín (Bezobaláč) and many more cities and towns in the Czech Republic.

### 7.1 Size of the Market

This subchapter presents the approximate size of the market, based on international studies and statistics of the Czech Statistical Office.

Lohas Sweeden (2020) states, LOHAS (an acronym for Lifestyle of Health and Sustainability) represents not only the individuals who create it, but it also represents the characteristics of the market and the goods and services that these individuals prefer in their daily lives. Such people are concerned about the health, sustainability and the world issues. The elemental link these people share is not demographics, such as the gender or the age,

but their values and their beliefs. According to Lohas Sweden (2020), research in the US, Australia, Japan and some countries in Europe estimated that approximately 100 million people worldwide are considered to be part of LOHAS. From this number, around 20% of Europe's population can be considered to be part of it.

Although the demographics are not that fundamental, there are more women than men represented, and women tend to think and behave more ecologically. (Lohas Sweden 2020)

Bubenheim adds that according to the studies, the age group of 21-33 years old is the least environmentally friendly and claims that the older generation is the exact opposite. Higher education is also a positive factor, meaning that people with higher education tend to be more environmentally friendly as they are aware of environmental issues. Finally, the author claims that income is not a significant factor which would affect the shopping behaviour of the people who represent LOHAS, as they are driven by their values, beliefs and opinions on the world and less by the money. (Bubenheim 2018)

Table 2 Calculations on the Size of the Market (own creation)

SIZE OF THE MARKET	
The population of the Czech Republic	10 693 939
The total population of district Zlín	191 711
The number of men in district Zlín	93 748
The number of women in district Zlín	93 748
The number of men over 33 in district Zlín	58 506
The number of women over 33 in district Zlín	64 837

According to the Czech Statistical Office, the population of the Czech Republic to 31<sup>st</sup> of December 2019 was 10 693 939 people. (Český statistický úřad 2019) The population of the district Zlín (as stated in the subchapter 9.3.2 *Pest Analysis*) was to 31<sup>st</sup> of December 2018 in sum 191 711 citizens – 93 748 men and 97 963 women. (Český statistický úřad 2018). Considering the research, which was mentioned above, people over 33 are more environmentally friendly and therefore they define the size of the market of the planned zero-waste business.

## 7.2 The Target Group

Regarding the previous subchapters and the analysis, the target group are people over 33 years old, especially women and people with higher education, living in the district Zlín. The

secondary target audience consists of people with sensitive skin who need natural, bio products.

Concerning the personality, the target group of the zero-waste shop E(R)Co are people concerned about the planet who are actively trying to lower their impact on the earth and its environment. Also, people who are concerned, aware of certain issues and lifestyle, people with the ideology of sustainability. Such people will be mindful about their shopping, and they will try to educate themselves on matters such as the recycling or environment, and they will be willing to try the new ways of shopping as opposed to the traditional shopping.

## 8 COMPETITION ANALYSIS

This chapter is devoted to competition analysis. Direct and indirect competitors of the planned business are named, defined and evaluated. As mentioned in the previous chapters, the zero-waste shop will be located in Zlín. Therefore, the competition analysis will be based on the stores in Zlín and e-shops offering similar products.

### 8.1 Direct Competitors

As direct competitors are considered shops located near the E(R)CO s.r.o., and such shops are shown in the map below. These shops are considered to be a competition for the business as they provide close substitutes to the customers.

The distance of the direct competitors:

- Bezobaláč – 1,4 km
- Biomarket U zeleného stromu– 850 m
- dm drogerie markt – 800 m
- Supermarkets: Albert – 1,1 km, Billa – 800 m, Lidl – 1,9 km, Kaufland – 1,3 km



Figure 2 Distance of Competitors (Google Maps 2020)

The *Figure 2* shows the direct competitors and their position (market in the green colour) as compared to the location of the planned business (marked in the pink colour).

#### 8.1.1 Bezobaláč

It is a zero-waste shop located in Zlín on nám. T. G. Masaryka. The main focus of this shop is on food which is available without packaging. Customer can weight out the desired

amount and bring his/her food containers. Besides food items, they offer bathroom and cleaning supplies in a limited amount. Such supplies can be refilled in the refilling stations in the shops to the customer's container. They offer products such as bar soaps; wooden items such as hairbrush or hand brush; bamboo toothbrushes; or jars for zero-waste shopping.

The shop has its website which serves as an e-shop, although the customers are required to go to the shop in person to pick-up their order. They prepare the chosen food items in old jars which can customers borrow and return during the next shopping. The opening hours are Monday-Friday 8:30-18:00, Saturday 9:00-12:00, on Sundays the shop is closed. (Bezobaláč Zlín 2020)

### **8.1.2 Biomarket U zeleného stromu**

It is a well-known shop, with a long tradition in Zlín, as they opened their first shop in 1999. Currently, they operate five shops - three shops in Zlín and two in Vizovice and Uherské Hradiště. The closest shop is situated on Náměstí Práce in Zlín. They offer natural and gluten-free products.

This shop is not a zero-waste shop, although they offer pastry without packaging, a few products in glass containers and a few products which are made of plant-based milk, which can be considered low waste. Their main focus is on food in bio quality, and their target group are people who want to live a healthy lifestyle.

The shop on Náměstí Práce is tiny, which can be inconvenient for the customers when more people want to shop at the same time. Although, they have a website, there are no options for customers, besides their partners, to buy any products online. The opening hours of the selected shop are Monday-Friday 8:00-18:00, Saturday 8:00-12:00, on Sundays the shop is closed. (Zdravizprirody.cz 2020)

### **8.1.3 dm drogerie markt**

Dm drogerie markt is a well-known drugstore on an international market. They are operating many shops all over the Czech Republic and have many satisfied customers. The selected shop is located in Obchodní dům Zlín, which is a place with many shops and restaurants.

The drugstore provides a variety of food items in bio quality, although all usually packaged in plastic. Besides food, they offer products such as bamboo toothbrushes, canvas bags and variety of cruelty-free, vegan and bio quality products, which are mostly packaged in plastic.



Recently they have started to provide refilling stations in certain shops in the Slovakia and Austria and it is possible they will offer such stations in the Czech Republic as well. In these refilling stations, they offer dishwashing liquid and a product for washing of clothes. They are running an e-shop on their website. The opening hours of the selected shop are Monday-Sunday 8:00-20:00. (dm.cz 2020)

#### **8.1.4 Supermarkets**

In the category of supermarkets, Albert, Billa, Lidl and Kaufland were chosen for their proximity to the E(R)CO shop and for their popularity among the customers. Besides food items which are mostly packaged in plastics or glass, most of the supermarkets provide ecological products only by one company - Frosch.

It is important to mention recent more ecological initiatives of the supermarkets to reduce the unnecessary packaging on certain products to replace the plastic packaging with other alternatives such as glass, cardboard or no packaging at all. The opening hours differ from store to store, but the usual opening hours are from early morning (7:00) to late in the evening (20:00-22:00)

### **8.2 Indirect Competitors**

Indirect competitors are considered to be all e-shops which offer a wide range of environmentally friendly and zero-waste products. From the e-shops providing such products was chosen the e-shop of Econea.cz, which is perceived as a considerable competition. There is a number of similar e-shops such as – zerowastelifestyle.cz, zeromarket.cz, biooo.cz and many more. Rohlík.cz, which has recently started to provide a zero-waste programme for its customers, is also considered to be a competitor.

#### **8.2.1 Econea.cz**

Econea.cz is fully operated online through their e-shop, which was established in 2013. They offer a variety of ecological products intending to sell only products which are manufactured in the most environmental-friendly way possible. Econea.cz supplies products such as cleaning items, natural cosmetics, products for hygiene, products for babies, products for a zero-waste lifestyle such as canvas bags, reusable food containers and bottles.

Their website is very convenient and easy to follow, the information about products are detailed and state how and where were the products made. Their orders are also packed in the most ecological way possible. However, besides tea, they do not offer food items in this e-shop. (Econea.cz 2020)

### 8.2.2 Rohlík.cz

This e-shop was established in 2014 in Prague. It became popular very quickly, and recently started deliveries in Zlín. They offer an effortless and convenient way to the shopping of groceries, home and office items, cleaning and hygiene items and even items for pets. They partnered with Benu pharmacy and nowadays can Rohlík.cz customers easily buy also drugs, vitamins and other stuff all in one order.

This e-shop also provides an option for customers who are concerned about the environment, and they have introduced a programme called “Otoč obal”. The customers can choose certain products which are packaged in reusable containers and bottles with a small fee (5-20 CZK). During the next delivery, the customer can return these containers to the courier, and they will be given back to the manufacturer to reuse again and again. The fee is returned to the customer after returning the jars to the courier. Besides that, they supply ecological cleaning items from manufacturers such as Weleda or Frosch. (Rohlík.cz 2020)

## 8.3 Strategic Position

For a future success of the planned business, it is essential to know the obstacles and the possible opportunities which may come along the way. To define a strategic position and market opportunities of the business SWOT and PEST analysis were chosen.

### 8.3.1 SWOT Analysis

The goal of the SWOT analysis is to define the strengths, weaknesses which are internal factors and to define external factors which are opportunities and threats of the business. SWOT analysis can be seen in the table below.

Table 3 SWOT Analysis of E(R)CO (own creation)

STRENGTHS	WEAKNESSES
Wide range of products	No references yet
Variability of the price of products	Higher prices compared to supermarkets
Customer Service	New business in the market
Eliminating chemicals and packaging	The need for external financing
Providing local products	
OPPORTUNITIES	THREATS
Growing trends of the zero-waste community	Supermarkets with zero-waste initiatives

Promotion via the internet and social media	Future health crisis
Higher ecological awareness of people	New businesses in the market
Initiatives by the European Union	Growing preferences of e-shops

The strength can be seen in a wide range of products. Unlike its competitors, it is not focused only on food items or only on drugstore items or office items, but it provides food items, items for personal hygiene, products for cleaning, make-up products and items for office and zero-waste aids. The strength of the business is also the customer service - each customer will be greeted, asked if he/she needs help. Each customer will be updated with the latest news and the current discounts. A very important factor of this business is the elimination of chemicals, toxic substances and unnecessary packaging which are used in the common retail chains. The business will provide mostly local products if possible. Therefore, the customers can support local businesses.

As to the weaknesses, since this business will be new in the market, it will have no references. The higher price of some products may be a disadvantage, and it may be difficult for the business to adopt the same or similar pricing as supermarkets or other shops providing commercial products. The financial position of the business is considered to be a weakness, as it is necessary to use external finances, which can result in a higher risk of the business not being able to repay the borrowed money.

Regarding the opportunities, the number of people who are trying to lower their impact on the environment is growing. The zero-waste community is getting bigger, and more and more people get involved and practice this kind of lifestyle or at least partly try to change their lifestyle. Currently, new laws are prepared following the proposals of the European Union to stop the usage of disposable plastics. These laws create the opportunity for businesses to provide different alternatives to the customers, and the demand for such products is high.

Another opportunity is the higher awareness of people regarding environmental issues and the alternative ways of shopping. Internet and social media provide a convenient way of informing customers about the business, the offer, discounts or new products. Social media also offer a space to educate people on different matters such as recycling, composting and so on.

Currently, as the biggest threat can be seen the ongoing pandemic of COVID-19 and any future health crisis, which may lead to lower demand for products which are not packaged and may be seen as a health risk. The higher demand for online shopping, the new

businesses in the market and the zero-waste or low waste initiatives of supermarkets can be viewed as considerable threads.

### 8.3.2 PEST Analysis

The PEST analysis, which is presented in the next subchapter, is based on four factors. The factors are political, economic, social and technological, and they are relevant to the planned business.

#### Political factors

- **Directive (EU) on the reduction of the impact of certain plastic products on the environment** – this directive is aimed at the reduction of disposable plastics. Disposable products made of plastic materials such as food containers, cutlery or cotton buds will be banned, along with the products made of expanded polystyrene. These products will be required to be made from different, more ecological materials as of 2021. Regarding this directive, the countries of the European Union are required to enlighten their citizens about the environmental issues and the negative aspects of disposable plastics. (EUR-Lex 2019) The fact that such issues are dealt with on an international level can create a higher demand for ecological alternatives to conventional products and for a shop providing such products.
- **Sales Registration Act (as of 1<sup>st</sup> of March 2017)** – imposes the obligation to all entrepreneurs to register every received payment in an electronic form. Each payment is equipped by a unique code which is given to the customers on the receipt. An entrepreneur is obligated to place a notice on a highly visible place stating the obligation to register the sales and to provide a receipt for every payment. As of 28<sup>th</sup> of February 2018, it is no longer required to register payments which were paid by card or online payments. (Etrzby.cz 2020)
- **General Data Protection Regulation** – it represents a new way to protect the data of the citizens of the European Union. It aims to protect the rights of the citizens and to prevent unauthorized usage of personal data. This regulation applies to all businesses, online services and individuals. The failure to comply with the regulation is penalized by fines. (Gdpr.cz 2020)

#### Economic factors

- **The current economic situation in the Czech Republic** – according to Ing. Žurovec (2020), the coronavirus pandemics drastically changed the previous prognosis from

January 2020. He believes that a global recession is inevitable. In 2019, the growth of the real GDP slowed down to 2,6%, the average inflation rate was 2,8%, and the average unemployment rate as measured over the year 2019 was 2%. To conduct the prediction for the next months, Ing. Žurovec (2020) counts with the assumption that Europe will overcome the pandemics by the second quarter of 2020. He believes that due to the reduction of demand, the employment will be decreasing and subsequently, the unemployment rate will be increasing. By 2021, the average real wage will most likely decline. This macroeconomic prognosis may be changed with regards to the pandemics and its spreading across the world. Moreover, the relationship between the United Kingdom and the European Union, after the Brexit, represents a certain risk. As to the internal risks, the situation on the real estate market and automobile market will be crucial for the Czech Republic's economy and its future. (Žurovec 2020)

### **Social factors**

- **Demographic data** – In the Zlín district lived to 31<sup>st</sup> of December 2018 in sum 191 711 citizens – 93 748 men and 97 963 women. The most represented was the age group of 40 to 44-year-olds with 16 693 representatives, the second largest was the age group of 45 to 49-year-olds with 13 990 representatives and the third largest was the age group of 35 to 39-year-old with 13 559 representatives. (Český statistický úrad 2018)
- **Initiatives in the Statutory City of Zlín** – The crucial document is the Local Concept of Environmental Education and Enlightening of the Statutory City of Zlín for the period 2019-2022. It states that one of the highest priorities of the city is to increase the knowledge of its citizens about the environments and active participation of the citizens in addressing and preventing the environmental issues, through media, webpages, ecomaps or public events. (Zlín.eu 2018)

### **Technological factors**

- Regarding the Sales Registration Act, the entrepreneur is obligated to have a point of sale device smartphone, tablet, etc. with a wireless internet connection, cash registers, computer cash register or similar devices. (Etrzby.cz 2020)
- Moreover, having an internet connection in business premises is very convenient for communication with the suppliers and customers and is almost impossible for a business to operate without it.

## 9 MARKETING PLAN

The marketing plan is described and characterized through the marketing mix, also called 4Ps, consisting of the product, the price, the place and the location. All 4Ps are described below.

### 9.1 Products and Services

The customers will be encouraged to bring their containers or will be able to borrow containers from our shop for a small returnable fee or to buy the jars provided by the business. The process of refilling is very easy. First, the container needs to be weighted by the staff, so the jar is not counted in the cost, then based on the preference of the customer, either the staff or the customer himself/herself refills the jar with the chosen bulk item from refilling station. Finally, the product code needs to be written on the jar (either labelled or written directly on the jar with a marker).

The business will operate as a shop specialized in local, organic, zero-waste and low waste goods. The main focus when choosing products and the suppliers was on the:

- **location** – preference of locally produced and manufactured goods, with the aim to support local entrepreneurs and to lower the emissions from transport of goods,
- **high quality** – preference of the products without chemicals and toxic substances which are dangerous not only for the customers but also for the environment,
- **cruelty-free** – none of the products sold in the business is tested on animals,
- **plastic-free** – none of the products sold in the business is made of plastics or packaged in plastics. Most of the products are entirely package-free, some products are in reusable, compostable or recyclable containers to contain the quality or the features of products.

The list of all goods, their suppliers and their prices can be found in Appendix P I. The products offered are categorized into the following sections.

#### 9.1.1 Food

##### Fresh vegetables and fruits

As the focus of this shop is to lower the environmental impact, the fruits and vegetables offered will be seasonal. We will cooperate with local Moravian farms - Čerstvě utrženo, and Živá farma - who will supply salad vegetables, root vegetables, apples or pears. All products will be delivered in reusable containers which will be returned during the next delivery.

**Pastry**

Bread, whole wheat pastry, baguettes and other kinds of bakery products will be delivered by the Pekařství Sřelná located in Vsetín. These products will be delivered in reusable boxes and stored in a bakery display counter to preserve the freshness of the products.

**Dry products**

All dry products will be delivered either in reusable bags or glass containers which will be returned to the supplier during the next delivery. These products will be stored in refill stations, to maintain the hygiene standards and provide easier manipulation. The suppliers of dried products will be local Moravian farms and companies - Živá farma, Farma Blatnička, Probio, Damini and Bionebio – who will supply dried fruits, dried herbs, cereals, rice, pasta, sugar, salt or coffee beans.

**Products packaged in glass**

Plant-based milk - almond milk, poppy milk and hazelnut milk will be delivered by a Slovak company Nuttery, as well as dried banana, nuts, goji, chia seeds and almond yoghurts. These products will be delivered and sold in returnable glass bottles.

**9.1.2 Cleaning products**

Refiling stations with the washing gel, hand soap, laundry detergent and other cleaning supplies will be provided by the Czech company from Brno, Tierra Verde. Products for dishwashing, universal surface cleaner and car wash, packaged in glass bottles will be supplied by a Slovak company Christee. These glass jars will not be returned to the manufacturer; however, they are reusable and recyclable.

All kinds of wooden brushes and dishcloths made from bio cotton and bamboo will be supplied by Tierra Verde. Compostable trash bags in various sizes and bags for dog's trash will be provided by the Norwegian company Biobag.

**9.1.3 Products for personal hygiene and Cosmetic products**

Bamboo toothbrushes and ear sticks will be delivered by a Slovak company Cura Natura. Essentials for make-up removal and menstrual products will be from Tierra Verde. Natural floss will be distributed by a Czech company Yoni, and it is stored in little refillable glass jars. A Slovak company Kvitok, is going to deliver products such as cleansing sponges; powdered toothpaste; deodorants in glass containers, body oils, face peelings or anti-ageing creams. Different kinds of oils, butter and deodorants will be supplied by a Czech company Purity Vision specialized on fair trade products in bio quality. Metal shaving razors will be delivered by a German company MÜHLE.

Make-up products such – make-up for all skin tones, products for eye make-up, lipsticks or eyeliners - all in refillable wooden or glass containers – will be from Zao. The business will also provide cosmetic products by a Canadian company Elate Cosmetics such as make-up brushes, pressed eye shadows, pressed foundations or brow balms. The business will also offer a wide range of shampoos, body oils, conditioners and shower gels in the refilling stations. These liquid products will be distributed by Tierra Verde.

#### **9.1.4 Equipment for zero waste shopping and zero waste home**

Beeswax food wraps will be delivered by a Slovak company Včelobal, these food wraps are reusable and washable and come in different sizes and patterns. Stainless-steel containers, cotton produce bags, net produce sacks or stainless-steel bottles will be by Tierra Verde.

Reusable cups for coffee, tea or basically any kind of beverage will be delivered by the company Keep Cup. Moreover, the business will cooperate with companies – Yoni, Kitchen Craft, EatGreen, Ekobo, Retap and Vrecko na chlieb – providing straws, dinner wear, bowls or linen pastry bags.

#### **9.1.5 Office supplies**

Pen made of recycled paper, eco notebook with cork cover and bamboo pen, cork pencil case will be delivered by Imitrade. A German company Bartl will supply wooden pencil holders, wooden pencils with erasers and wooden pencil grinders.

#### **9.1.6 Gift sets**

This category includes zero waste starter packs, and gift sets which can be bought as a present for people who are interested in eco, low waste, vegan lifestyle. The gift sets will be divided into categories:

- for men – face cream for men, deodorant, shampoo and shower gel by Kvitko,
- for women – shower gel, shampoo, deodorant, face cream by Kvitko,
- anti-ageing – serum, cream and peeling by Kvitko,
- zero waste starter pack – bamboo ear sticks and toothbrush, powdered toothpaste and net produce sack by Tierra Verde,
- cosy home – two soy candles by a company Jemnô.

#### **9.1.7 Lectures**

The business will hold lectures on issues such as a zero-waste living, composting and recycling for schools, businesses or individual groups. They will be held either on the



premises of the business or in different premises chosen by the lectured group (classrooms, offices). Lectures on the premises of the business will be available for groups of maximum 20 people. Lectures for larger groups will not be possible due to the size of the premises. Its length and range will be individual, according to the requirements of the customer.

## **9.2 Prices**

The prices of products which will be offered in the shop are based on the competition, on the costs associated with the distribution and the purchase price.

### **Prices of Products**

A profit margin was set on 30%. The prices for each product are shown in the price list (Appendix P I). The goal is to sell mostly local products to cut down transportation expenses. Moreover, our goal is to sell products which are reasonably priced and make the zero-waste lifestyle possible for the general public, while making a profit.

### **Price of Lectures**

The business offers lectures on recycling, composting and zero-waste lifestyle for schools, companies or individual groups. A price of a one-hour lecture for a group of 2-20 people will be 1,000 CZK. If such a lecture is held in the premises of the business, the rental of 600 CZK will be added to the final price. Price will depend on the size of the lectured group and its time range. All travel costs connected with the lectures will be included in the total price.

## **9.3 Place**

The chosen location of the business is in a very frequented place, surrounded by other shops and restaurants. There are means of public transport and parking lot available for the customers. The building is equipped with an elevator, which means that the disabled people will have easier access to the shop. The place is 55 square meters, which is sufficient for the planned business.

The shop will be designed in a minimalistic, practical style. The interior design will be aesthetic, to create comfort for customers. The colour scheme of the shop will be white,

black, brown, beige and with a few details coloured in baby blue and yellow. The design of the shop is shown in the *Figure 3*.



Figure 3 The Design of the Shop (Unpacked 2020)

## 9.4 Promotion

The best way to promote a company these days seems to be the social media such as Facebook, Instagram or Twitter. It is reasonable to start the promotion before the actual business opening, to raise awareness about the business and make the customers excited. Therefore, the promotion of the planned zero-waste shop will start one month in advance on Facebook and Instagram accounts of the business, photos of the premises and products will be shown.

### Influencers

The business will also contact zero-waste blogs “Czechzerowaste.cz” and “Reducta.cz”, the Facebook group “Bez odpadu (zero waste) CZ/SK” and influencers “frieco\_cz; dewii.veg; \_weef; marketabartova and mycookingdiary.cz” for a paid sponsorship. All these influencers and blogs are related to a healthy, low waste lifestyle and have a large base of followers.

### Competitions on the Social Media

The followers will be encouraged to follow the social media of the E(R)CO zero-waste shop and a contest will be held two weeks before the opening. The followers will compete on Facebook and Instagram accounts of the business for discounts on purchases in our stores (10-30% discounts for three winners). The business plans on doing such competitions at least four times a year.

**Zero-waste map**

Apart from the paid promotion, the business will add itself to the zero-waste map on the website <https://mapa.reduca.cz/>, which shows all shops related to a zero-waste lifestyle, shows their addresses, photos and reviews. This service is for free. To 23<sup>rd</sup> of April 2020, there are 1,597 of businesses in this map. (Reduca 2020).

**Zero Waste Festival**

The business will take part in the annual Zero Waste Festival and will be a part of the Czech zero-waste community which connects all businesses and people who are interested in the zero-waste lifestyle.

**A website**

A website will be established one month prior to the business opening as well. It will contain a virtual map of our business, news, tips on how to shop in the planned zero-waste business. It will also be devoted to education on recycling, composting and zero-waste lifestyle. The webpage will contain pictures of all the products the business provides.

Moreover, each month, the shop will introduce at least one new product which will be available in the shop. These products will be chosen based on the review of people who will shop in our store and the products they are missing in our offer.

**Other forms of promotion**

On the day of the opening of the business will offer a 10% discount on every purchase and first 20 paying customers will receive a free cotton bag, which will be promoted on social media as well.

For the next months, the business will use the services of Instamag, which is a website devoted to increasing the reach of the company and acquiring real followers who are interested in the products and the business.

## 10 MANAGEMENT AND ORGANIZATION

This chapter will be devoted to defining the workload of employees, their wages and the hourly rate. As stated in chapter 7 – Company description, the business will have two owners, working in the shop full-time. Apart from them, two part-time workers will be required too.

### The Owners

Mr Kubaloš will be the executive manager, and he will be responsible for handling the suppliers, communication with the suppliers, ordering supplies and the promotion on social media. He will also handle the participation of the business in zero-waste festivals, lead the lectures, and he will manage the website of the business. The monthly gross wage for Mr Kubaloš was set on 28,000 CZK.

Mrs Urbanová will be the store manager and will be responsible for the proper functioning of the business on a daily basis. She will be responsible for the employees, their salary, an organization of the shift schedule for the upcoming weeks and restocking the products. Moreover, she will also lead the lectures. Apart from the workload mentioned, she will be taking care of customers, helping them with the weighting, refilling and working with the cash register. She will in charge of the disinfection and cleaning of the business on sanitary days, which are Sundays. The monthly gross wage for Mrs Urbanová will be 25,200 CZK.

Table 4 The Management Team (Source: own creation)

THE MANAGEMENT TEAM				
Name	Responsibilities	Characteristics	Deposit (CZK)	Profit share
Matej Kubaloš	B2B specialist	Communication skills	100,000	50%
	Promotion	Negotiation skills		
	Participation in festivals	Time management		
	Managing the website and e-shop	Education and experience in business management		
Michaela Urbanová	Employee care	Organizational skills	100,000	50%
	Shift scheduling	Communicational skills		
	Restocking products	Education in business management		
	Customer care	Detail orientated		

### Part-time workers

As stated before, two part-time workers are required to ensure the proper day to day functioning of the business. The part-time workers will be responsible for the customer care (weighting jars, helping with the refilling), working with the cash register, restocking the products and keeping the business premises clean. After the shop closes, it is necessary to clean the surfaces, which will be the responsibility of workers during the evening shifts.

Part-time workers will be chosen based on an interview with the owners to ensure that the workers understand and share the vision and mission of the business. Selecting the right workers is crucial for the owners in order to create a positive working environment and the best customer service possible.

They will be employed on an agreement to perform work, called DPČ contract, which limits the work per week to 20 hours. The hourly rate will be 100 CZK, and the monthly wage will depend on the hours worked in that month. The following table shows the estimated hours of work per week for each employee.

Table 5 Hours/week (own creation)

Employee	Working days	Working hours	Hours/week
<b>The owner (Michaela Urbanová)</b>	Monday – Friday	8 – 14	<b>32 hours/week</b>
	Sunday	10 – 12	
<b>The owner (Matej Kubaloš)</b>	Monday – Friday	8 – 16:30	<b>40 hours/week</b>
	X	X	
<b>Part-time worker 1</b>	Monday – Wednesday	14 – 18	<b>16 hours/week</b>
	Saturday	8 – 12	
<b>Part-time worker 2</b>	Thursday – Friday	14 – 18	<b>12 hours/week</b>
	Saturday	12 – 16	

## 11 THE FINANCIAL PLAN

The aim of this chapter is to determine whether the planned business will be feasible. Financial plan, which is depicted below, consists of the opening balance sheet, estimated initial costs and revenues of the business and the profit/loss in the first year.

### 11.1 Opening Balance Sheet

The following balance sheet shows the budget which can be spent on the planned business in its initial phases, including establishing the business, equipment needed, promotion, etc.

The registered capital is estimated to 200,000 CZK, paid equally by both owners. The capital provided by the owners will not be enough to cover all initial costs and to create a financial reserve. Therefore, a bank loan of 400,000 CZK by the Air Bank will be taken. The monthly instalment will be 5,042 CZK with the interest rate per annum being 3,9% (in case of early debt repayments) and the number of instalments being 92 months.

Table 6 Initial Balance Sheet (own creation)

Initial Balance Sheet, November 1, 2020 (in CZK)			
Assets		Liabilities	
<b>Long-term Assets</b>	<b>0</b>	<b>Equity</b>	<b>200,000</b>
	0	Registered Capital	200,000
<b>Current Assets</b>	<b>600,000</b>	<b>Liabilities</b>	<b>400,000</b>
Bank Account	600,000	Bank loan	400,000
<b>Total Assets</b>	<b>600,000</b>	<b>Total Liabilities</b>	<b>600,000</b>

### 11.2 Initial Costs

The initial costs presented in this subchapter are the expenditures linked to establishing the business, the equipment needed, the legal fees or the promotion costs. The initial expenditures of a zero-waste shop consist of administrative costs, equipment and furniture purchases, promotion and the inventory, which is fundamental for starting of a business. The simplified table shows the initial costs, a detailed table can be found in Appendix P II.

Table 7 Initial Costs (own creation)

INITIAL COSTS	CZK
Establishment of the business	10,400
Painting and minor space adjustments	4,000
Shop equipment (boxes, shelves, racks, counter, lighting, scale, etc.)	57,292
Decorations	8,700
Office supplies	3,398
Initial inventory	80,000
Promotion	27,250
Rent and real estate agency commission	22,916
<b>TOTAL INITIAL COSTS</b>	<b>213,956</b>

As displayed in the *Table 7*, the total initial costs of the business were estimated on 213,956 CZK with the initial inventory needed for the business being the priciest section. The initial costs will be financed by the deposits of companions and the bank loan. The rest of the money will be set aside as a financial reserve.

### 11.3 Costs in the First Year

This subchapter is devoted to the prediction of the costs of the business in the first year.

Table 8 Operating Costs in the First Year (own creation)

Operating Costs	Monthly (in CZK)	Annually (in CZK)
Rent	11,458	137,496
Wi-Fi	500	6,000
The super-gross wage - both owners	71,182	854,184
Part-time workers expenses	11,200	134,400
Webhosting + domain	45	540
Utilities	3,000	36,000
Business Insurance	500	6,000
Payment for EET cash register	500	6,000
Promotion via Instamag	288	3,456
Goods	50,000	600,000
Instalments	5,042	60,504

Initial costs	-	213,956
<b>Total operating costs</b>	<b>153,715</b>	<b>2,058,736</b>

Additionally, in the operating costs in the first month, we should count with the initial costs of the business which was estimated at 213,956 CZK. This means that the total operating costs in the first month will be 367,671 CZK. The operating costs in the next 11 months will be 153,715 CZK.

The cost of goods was estimated to be 50,000 CZK/month, counting with the realistic version of the number of customers in the first year, which was estimated to be 25 paying customers per day. This number can be changed according to the number of customers in the first month and their spending. After the first month, the business will be able to determine which goods are more requested by the customers and in what amounts are these goods bought. According to this, the business will spend either more or less money on supplies, compared to the estimated cost of goods in *Table 10*.

The predictions of costs for the second and third year can be found in Appendix P III. In the predictions for the second year, the business counts with the 8% increase of the number of customers in the shop (27 paying customers/day) which will increase the cost of goods accordingly. In the third year, the business counts with the 12% increase of the number of customers in the shop (30 paying customers/day), which is also reflected in the cost of goods in that year. The number of lectures and their average price remains the same.

## 11.4 Revenues Plan for the First Year

The revenues in this subchapter were estimated by an approximate number of customers and the average spending of customers. Although the main revenue stream of E(R)CO will be the shop, the business will also provide lectures.

### Revenues from the Shop

The author counts with the average customer spending being 250 CZK, with three versions of revenues – optimistic, realistic, pessimistic – based on the number of customers per day. Because the shop will be closed on Sundays, the author counted with an average of 26 days per month in the following table.



Table 9 Revenues from the Shop in CZK (own creation)

Version	Number of Customers/day	Their spending/day	Monthly Revenues (26 days)	Annual Revenues
Optimistic	40	10,000	260,000	3,120,000
Realistic	25	6,250	162,500	1,950,000
Pessimistic	10	2,500	65,000	780,000

Based on the realistic version, the estimated monthly revenues from the shop will be 162,500 CZK, and annual revenues will be 1,950,000 CZK.

### Revenues from the Lectures

The revenues from the lectures were estimated based on an approximate number of lectures per month, with the average price of the lecture. Since the minimum price of the lecture is 1,000 CZK, in the realistic version, the author counts with the average lecture price being 1,500 CZK per lecture. Considering the realistic version, the monthly revenues from the lectures will be 6,000 CZK.

Table 10 Revenues from the Lectures in CZK (own creation)

Version	Lectures/month	Average Lecture Price	Monthly Revenues	Annual Revenues
Optimistic	6	2,500	15,000	180,000
Realistic	4	1,500	6,000	72,000
Pessimistic	2	1,000	2,000	24,000

### Total Revenues

The total revenues were counted by adding up the monthly revenues from the shop and the monthly revenues from the lectures provided by the owners of the business. Based on the realistic version of the prediction, the total revenues of the business in the first year will be 2,022,000 CZK.

Table 11 Total Revenues in the First Year in CZK (own creation)

Version	Monthly revenues from the shop	Monthly revenues from the lectures	Total Monthly Revenues	Total Annual Revenues
Optimistic	260,000	15,000	275,000	3,300,000
Realistic	162,500	6,000	168,500	2,022,000
Pessimistic	65,000	2,000	67,000	804,000

### 11.5 Profit

The monthly gross profit can be estimated by the deduction of the monthly revenues and monthly costs. The profit after taxation (19%), depreciation, amortization and interest is the net profit.

#### The Profit in the First Year

The profit in the first year is once again predicted in three versions. The monthly costs of the business increase in proportion to the number of customers per month because the more paying customers the business has, the more supplies will be needed. The monthly costs in *Table 12* change like this:

- the realistic version – the cost for goods being 50,000 CZK (25 paying customers/day)
- the optimistic version – the cost for goods being 80,000 CZK (40 paying customers/day)
- the pessimistic version – the costs for goods being 20,000 CZK (10 paying customers/day).

Table 12 Profit in the First Year in CZK (own creation)

Version	Monthly Revenues	Monthly Costs	Monthly Gross Profit	Monthly Net Profit	Yearly Net Profit
<b>Optimistic</b>	275,000	183,715	91,285	<b>73,941</b>	<b>887,292</b>
<b>Realistic</b>	168,500	153,715	14,785	<b>13,254</b>	<b>159,048</b>
<b>Pessimistic</b>	67,000	123,715	-56,715	<b>-56,715</b>	<b>-680,580</b>

The tax (19%) in the first year, is in the realistic version 18,372 CZ, and in the optimistic version, it is 208,128 CZK. The net profit is the measure of the profitability of the business. Based on the realistic scenario, the monthly net profit of the business will be 13,254 CZK. This means that there will be enough money for investments into the equipment for the business or to create some financial reserves. We also need to consider the initial costs which

were not calculated in the *Table 12* as they were financed by the deposits of the companions and a bank loan. However, the interest is counted in the monthly costs of the business.

According to the pessimistic version, the business will be in the loss, which does not mean that the business will not be feasible in the future, as most of the new businesses are in the loss or make only little profit during the first years of operating.

The predictions of profits for the second and third year can be found in the appendix P IV.

## 12 RISK EVALUATION

The risk evaluation is essential for an entrepreneur to uncover and resolve possible dangers which may come up with the running of the business. Perhaps, the most considerable risk is the inability of the business to repay liabilities to the suppliers, employees or the owner of the business premises. The possible risks of E(R)CO are defined below.

### **Changing trends & low demand**

The world is changing very quickly and what is trendy one day, may not be a trend the next day. There is a possibility that even people who are interested in the zero-waste lifestyle and practice it, would look for easier and more convenient ways of how to obtain it, for example, through e-shops. Considering the huge shift from shopping in person to shopping online in the past few years, it is essential to think of a plan on how to run a zero-waste shop at least partially online, while still maintaining the objectives of being a zero-waste shop.

Moreover, the fact that the fully online e-shops such as Rohlík.cz are prosperous and are gaining many customers recently with their initiatives (returning containers, bioproducts, vegan products, package-free products, etc.), proves that such business could be realised.

### **Problems with suppliers**

Possibly, the biggest risk connected to suppliers is the increase of the supplied products due to a crisis or environmental changes which could cause, for example, an extreme drought, resulting in lower crop production. Moreover, the market is filled with many manufacturers and suppliers, therefore finding the ones that are providing products for a reasonable price while maintaining the quality of the products can be difficult.

The solution to these problems is mainly having a sufficient amount of financial reserves for the times of economic crisis, when the demand will be lower or when the prices of products will increase. Another solution regarding the unpredictable environmental issues is to focus on substitutes of the products, or choosing suppliers from different countries, while still bearing in mind the environmental footprint of transportation. Finally, in times of a crisis, the business could apply for financial compensation and help from the government, in order to prevent the business to go bankrupt.

### **Hygienic issues**

The current COVID-19 pandemic shows, that the hygiene is crucial for businesses with a high frequency of people, especially for shops such as the planned business, to prevent contamination and ensure the safety of customers and employees. As the zero-waste products do not have the packaging, it may cause difficulties, for example, in a flu season. Therefore,

it is essential for the business to take these issues seriously and secure the highest hygienic standards as possible, to prevent contamination of the products offered.

It is advisable to consider the fact that in times of a crisis, customers tend to care more about their health than about the environment. Due to this fact, it is crucial to plan for such events and ensure that the business will be able to provide sufficient product protection for example in the form of a dispensing point or a possible transfer to a partially online environment in a form of an e-shop for the time being.

## CONCLUSION

The goal of this thesis was to create a business plan for a zero-waste shop located in Zlín and based on the research to state whether such business would be viable or not.

The thesis is divided into the theoretical part, which contains the fundamental information required in order to create a business plan and the analytical part. Based on the theoretical part, the analytical part was elaborated.

Perhaps the most crucial chapters of the analytical part are the executive summary, which provides a quick overview of the planned business; the marketing plan which is devoted to the four P's of Marketing Mix – price, product, place, promotion; and the financial plan, which deals with the financing of the business, its costs, revenues and estimated profit. The financial plan provides three scenarios, and these are the optimistic one, the realistic one and the pessimistic one.

Considering the realistic version, the predicted monthly revenues in the first year are 168,500 CZK, and the monthly costs are 153,715. Based on the realistic version, the taxes in the first year are estimated to be 18,372 CZK. The estimated net profit for the first year is **159,048 CZK**, with the number of customers being **27 per day** and their average spending is **250 CZK**. The result can be seen as being positive, due to the fact that most businesses do not make a profit or make a very little profit in the first years.

If the predictions are right, the business will invest in expanding the range of offered products and will spend more on the wages of the owners and the hourly rate of part-time workers. In the future, the business may also provide an e-shop for online orders with in-person pick-ups. If the business happens to be in a loss in the first years, the operating costs would need to be reduced, for example, by dismissing the part-time workers.

Although the business plan was based on realistic data, there is a risk of the predicted revenues being overestimated, resulting in the business not being profitable in the first year. However, this risk can be reduced by an effective promotion and excellent customer service. To prevent some of the risks stated in the risk analysis, it is advised to create a financial reserve to survive the possible not so profitable months; to create a community for people who wish to practice a low waste lifestyle and to raise awareness about certain ecological issues in order to create a higher demand for zero-waste products.

In summary, based on the research, the author considers the business to have the potential to be feasible and to make a bigger profit in the future. Therefore, this shop could be opened and to be successful.

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**LIST OF ABBREVIATIONS**

B2B	Business to Business
CZK	Česká koruna
DPC	Dohoda o pracovní činnosti
Etc.	Et cetera (and other similar things)
g	Gram
GDP	Gross Domestic Product
JRF	Jednotný registrační formulář
kg	Kilogram
km	Kilometre
m	Metre
pc	Piece
pcs	Pieces
s.r.o	Společnost s ručením omezeným

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## APPENDICES

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## APPENDIX P I: PRICE LIST

Product	Supplier	Price in CZK	Weight/piece
Food			
Cherry tomatoes	Čerstvě utrženo	34	200g
Blueberries	Čerstvě utrženo	38	125g
Apricots	Čerstvě utrženo	37	1kg
Salad	Živá farma	25	1pc
Asparagus	Živá farma	37	200g
Carrot	Živá farma	28	1kg
Parsley	Živá farma	29	1kg
Apples (Idared)	Živá farma	33	1kg
Pears	Živá farma	42	1kg
Flour (refill)	Živá farma	17	1kg
Whole-wheat flour (refill)	Živá farma	22	1kg
Potatoes	Živá farma	28	1kg
Chickpeas	Farma Blatnička	66	1kg
Beans	Farma Blatnička	58	1kg
Soybeans	Farma Blatnička	39	1kg
Dried cherries	Farma Blatnička	28	100g
Dried pears	Farma Blatnička	45	100g
Dried apples	Farma Blatnička	30	100g
Dried apricots	Farma Blatnička	35	100g
Dried plums	Farma Blatnička	22	100g
Dried elderberry	Farma Blatnička	51	100g
Dried hawthorn	Farma Blatnička	25	100g
Dried thyme	Farma Blatnička	45	25g
Dried linden	Farma Blatnička	42	25g
Dried oregano	Farma Blatnička	55	25g
Corn flakes	Probio	149	1kg
Oats	Probio	59	1kg
Granola	Probio	125	1kg
Couscous	Probio	79	1kg

Bulgur	Probio	82	1kg
Rice	Probio	79	1kg
Fusilli pasta	Damini	99	1kg
Creste rigate pasta	Damini	102	1kg
Tagliatelle pasta	Damini	105	1kg
Macherroni rigati	Damini	102	1kg
Sugar	Bionebio	55	1kg
Cane sugar	Bionebio	80	1kg
Sea salt	Bionebio	29	1kg
Coffee beans Bio	Bionebio	199	300g
Cocoa	Bionebio	33	100g
Almond milk	Nuttery	49	1pc
Poppy milk	Nuttery	45	1pc
Hazelnut milk	Nuttery	49	1pc
Almond yoghurt	Nuttery	49	1pcs
Almonds	Nuttery	54	100g
Cashews	Nuttery	60	100g
Goji	Nuttery	55	100g
Chia seeds	Nuttery	25	100g
Hazelnuts	Nuttery	40	100g
Dried bananas	Nuttery	33	100g
Cleaning products			
Washing gel (refill)	Tierra Verde	130	1kg
Hand soap (refill)	Tierra Verde	125	1kg
Laundry detergent (refill)	Tierra Verde	120	1kg
Fabric softener (refill)	Tierra Verde	110	1kg
Dishwashing gel (refill)	Tierra Verde	450	1060ml
Dish washing gel (glass)	Christee	550	1060ml
Surface cleaner (glass)	Christee	500	1060ml
Car wash (glass)	Christee	650	1060ml
Dish washing brush (wood)	Tierra Verde	48	1pc
Bottle brush (wood)	Tierra Verde	160	1pc
Toilet brush (wood)	Tierra Verde	179	1pc



Straw brush (metal)	Tierra Verde	35	1pcs
Dishcloth	Tierra Verde	55	1pc
Trash bags	Biobag	229	100pcs
Bags for dog's poop	Biobag	95	50pcs
Products for personal hygiene and Cosmetic Products			
Toothbrush (bamboo)	Cura Natura	99	1pc
Ear sticks (bamboo)	Cura Natura	60	100pcs
Make-up facial rounds (cotton)	Tierra Verde	59	2pcs
Hand bar soap	Tierra Verde	69	1pc
Hairbrush (wood)	Tierra Verde	189	1pc
Menstrual cup (silicone)	Tierra Verde	599	1pc
Menstrual pad (cotton)	Tierra Verde	135	2pcs
Floss	Yoni	119	1pc
Konja cleansing sponge	Kvitok	139	1pc
Powdered toothpaste	Kvitok	175	1pc
Shampoo	Kvitok	119	1pc
Conditioner	Kvitok	86	1pc
Deodorant	Kvitok	89	1pc
Body oil	Kvitok	119	1pc
Face peeling	Kvitok	149	1pc
Skin serum	Kvitok	379	1pc
Skin oil	Kvitok	179	1pc
Anti-aging cream	Kvitok	499	1pc
Cream for a sensitive skin	Kvitok	289	1pc
Toner	Kvitok	255	1pc
Shea butter	Purity Vision	319	1pc
Coconut butter	Purity Vision	139	1pc
Rose water	Purity Vision	300	250ml
Lip balm	Purity Vision	159	1pc
Shaving razor (metal)	MÜHLE	949	1pc
Make-up (various shades)	Zao	975	1pc
Loose powder	Zao	429	1pc
Eye shadow pallete	Zao	275	1pc

Lipstick (various colours)	Zao	479	1pc
Bronzer	Zao	379	1pc
Eyeliners	Zao	520	1pc
Mascara	Zao	572	1pc
Make-up brush	Elate Cosmetics	559	1pc
Eyeshadow brush	Elate Cosmetics	450	1pc
Lipstick (various colours)	Elate Cosmetics	550	1pc
Make-up (various shades)	Elate Cosmetics	889	1pc
Pressed eye shadow	Elate Cosmetics	179	1pc
Pressed foundation	Elate Cosmetics	779	1pc
Brow balm	Elate Cosmetics	699	1pc
Shampoo (refill)	Tierra Verde	769	1kg
Conditioner (refill)	Tierra Verde	559	1kg
Shower gel (refill)	Tierra Verde	700	1kg
Equipment for zero waste shopping and zero waste home			
Beeswax food wrap	Včelobal	155	1pc
Stainless steel container	Tierra Verde	389	1pc
Canvas bag	Tierra Verde	142	1pc
Net produce sack	Tierra Verde	119	1pc
Stainless steel bottle	Tierra Verde	559	1pc
Cup size S	Keep Cup	299	1pc
Cup size M	Keep Cup	499	1pc
Cup size L	Keep Cup	599	1pc
Kids dinnerware	Ekobo	229	4pcs
Bowl	Ekobo	199	1pc
Plate	Ekobo	189	1pc
Cup	Ekobo	159	1pc
Kitchen storage jar S	Ekobo	150	1pc
Kitchen storage jar M	Ekobo	189	1pc
Kitchen storage jar L	Ekobo	229	1pc
Glass bottle (300 ml)	Retap	249	1pc
Reusable straws (glass)	Yoni	379	4pcs
Trashcan for food scraps	KitchenCraft	659	1pc

Coconut bowl	EatGreen	299	1pc
Coconut fork	EatGreen	99	1pc
Coconut spoon	EatGreen	99	1pc
Coconut knife	EatGreen	99	1pc
Pastry bag (linen)	Vrecko na chlieb	55	1pc
Pen (recycled paper)	Imitrade	37	1pc
Notebook + pen	Imitrade	199	1pc
Pencil case (cork)	Imitrade	89	1pc
Pencil holder (wood)	Bartl	189	1pc
Pencil with eraser (wood)	Bartl	45	1pc
Pencil grinder (wood + metal)	Bartl	79	1pc
Gift sets			
Gift set for men	Kvitko	599	1pc
Giftset for women	Kvitko	599	1pc
Anti-aging set	Kvitko	799	1pc
Zero-waste starter pack	Tierra Verde	499	1pc
Cosy home	Jemnô	699	1pc

**APPENDIX P II: INITIAL COSTS**

<b>INITIAL COSTS</b>	<b>CZK</b>
<b>Establishment of the business</b>	<b>10,400</b>
Administrative fee for establishing a trade	1,000
Memorandum of Association (notary)	3,000
Registration in the Commercial Register	6,000
Extract from the Criminal Record	200
Extract from the Commercial Register	100
Extract from the Trade Licencing	100
<b>Equipment</b>	<b>153,390</b>
Painting and minor space adjustments	4,000
Shop equipment (boxes, shelves, racks, counter, lightning, scale, etc.)	57,292
Boxes (10 pcs)	2,498
Wall shelf	1,875
Tables (2 pcs)	2,995
Racks (5 pcs)	12,468
Glass containers (20 pcs)	2,863
Wooden pallets for counter (5 pcs)	500
Lightning (3 pcs)	1,499
Display counter	2,500
Scales (3 pcs)	974
Measuring cups (5 pcs)	624
Glass jars (150 pcs)	6,837
Paper bags (1,000 pcs)	366
Shopping basket (6 pcs)	1,249
Refilling stations (2 pcs)	12,000
Wi-fi connection (router, cables, etc.)	2,000
EET cash register	6,044
Decorations	8,700
LED neon sign (logo of the shop)	8,250

Notice board	250
Black board	200
Other supplies	83,398
Printer & ink	2,875
Recycled paper (5 pcs)	523
Initial inventory	80,000
<b>Promotion</b>	<b>27,250</b>
Creation of a website	17,250
Instagram sponsored posts	5,500
Facebook sponsored posts	1,500
Cotton bags (opening day)	2,000
Discount 10% (opening day)	1,000
<b>Rent and real estate agency commission</b>	<b>22,916</b>
<b>TOTAL INITIAL COSTS</b>	<b>213,956</b>

**APPENDIX P III: COSTS IN THE SECOND AND THIRD YEAR****Costs in the Second Year in CZK**

<b>Operating Costs</b>	<b>Monthly (in CZK)</b>	<b>Annually (in CZK)</b>
Rent	11,458	137,496
Wi-Fi	500	6,000
Super-gross wage for both owners	71,182	854,184
Part-time workers expenses	11,200	134,400
Webhosting + domain	45	540
Utilities	3,000	36,000
Business Insurance	500	6,000
Payment for EET cash register	500	6,000
Goods (27 customers/day)	54,000	648,000
Instalments	5,042	60,504
<b>Total operating costs</b>	<b>157,427</b>	<b>1,889,124</b>

**Costs in the Third Year in CZK**

<b>Operating Costs</b>	<b>Monthly (in CZK)</b>	<b>Annually (in CZK)</b>
Rent	11,458	137,496
Wi-Fi	500	6,000
Super-gross wage for both owners	71,182	854,184
Part-time workers expenses	11,200	134,400
Webhosting + domain	45	540
Utilities	3,000	36,000
Business Insurance	500	6,000
Payment for EET cash register	500	6,000
Goods (30 customers/day)	60,480	725,760
Instalments	5,042	60,504
<b>Total operating costs</b>	<b>163,907</b>	<b>1,966,884</b>

## APPENDIX IV: PROFITS IN THE SECOND AND THIRD YEAR

### Profits in the Second Year in CZK

Version	Customers/ day	Monthly Revenues	Monthly Costs	Monthly Gross Profit	Monthly Net Profit	Yearly Net Profit
<b>Optimistic</b>	43	350,000	189,427	160,573	<b>130,064</b>	<b>1,560,768</b>
<b>Realistic</b>	27	216,600	157,427	58,573	<b>47,444</b>	<b>569,328</b>
<b>Pessimistic</b>	11	87,800	125,427	-37,627	<b>-37,627</b>	<b>-451,524</b>

\*8% increase in the number of customers per day as opposed to the first year; average customer spending 300 CZK; 26 days per month; the number of lectures and their average price remains the same

### Profits in the Third Year in CZK

Version	Customers/ day	Monthly Revenues	Monthly Costs	Monthly Gross Profit	Monthly Net Profit	Yearly Net Profit
<b>Optimistic</b>	48	514,200	199,427	314,773	<b>254,966</b>	<b>3,059,592</b>
<b>Realistic</b>	30	318,000	163,907	154,093	<b>124,815</b>	<b>1,497,780</b>
<b>Pessimistic</b>	12	126,800	127,427	-627	<b>-627</b>	<b>-7,524</b>

\*12% increase in the number of customers per day as opposed to the second year; average customer spending 400 CZK; 26 days per month, the number of lectures and their average price remains the same