

# The Detailing Studio: A Business Plan

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## **ABSTRAKT**

Hlavním cílem této bakalářské práce je vypracování podnikatelského plánu na založení ručního mytí automobilů a detailingového studia v Ostravě s využitím metody Lean Canvas. Práce je rozdělena do dvou částí. Teoretická část obsahuje stručný úvod do studia podnikání, právní formy podnikání, rozbor struktury podnikatelského plánu a metody Lean Canvas. Praktická část obsahuje v návaznosti na část teoretickou konkrétní zpracování podnikatelského záměru pro založení a provoz ručního mytí automobilů a detailingového studia.

Klíčová slova: Podnikatelský záměr, podnikatelský plán, podnik, podnikání, auto myčka, Lean Canvas

## **ABSTRACT**

The main aim of this thesis is the preparation of business plan for establishing a hand car wash and detail service enterprise in the city of Ostrava by using Lean Canvas method. The thesis is divided into two parts. Theoretical part discusses brief entrepreneurship introduction, business legal structures, business plan and Lean Canvas structure analysis. In connection with theoretical part, the practical part of the thesis contains business plan for establishing a hand car wash and detail service enterprise.

Keywords: Business Plan, business, enterprise, car wash, business model, Lean Canvas

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*“Do what you can, with what you have, where you are.”*

Theodore Roosevelt

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

# CONTENTS

<b>CONTENTS .....</b>	<b>7</b>
<b>INTRODUCTION .....</b>	<b>9</b>
<b>I. THEORY .....</b>	<b>10</b>
<b>1 ENTEPRENEURSHIP .....</b>	<b>11</b>
1.1 ENTREPRENEUR .....	12
1.2 TYPES OF ENTREPRENEURSHIP .....	13
<b>2 BUSINESS (LEGAL) STRUCTURE IN CZECH REPUBLIC .....</b>	<b>15</b>
2.1 THE BUSINESS OF NATURAL PERSONS .....	15
2.1.1 Declared Trades .....	15
2.1.2 Concession Trades .....	16
2.2 THE BUSINESS OF LEGAL PERSONS .....	16
2.2.1 Public Business Company (PBC) .....	16
2.2.2 Commandite Company (CC) .....	16
2.2.3 Public Limited Company (Plc. /Ltd.) .....	17
2.2.4 Company Limited by Shares (Ltd. /Inc) .....	17
<b>3 BUSINESS PLAN .....</b>	<b>18</b>
3.1 PURPOSE AND PRINCIPLES FOR BUSINESS PLAN PROCESSING .....	18
3.2 TYPES OF BUSINESS PLANS .....	19
3.2.1 According to Organization's Activities .....	19
3.2.2 According to the Product/Service Life Cycle .....	19
3.2.3 In Accordance with the Purpose of Utilization .....	20
3.2.4 According to Structure .....	20
3.3 BUSINESS PLAN OUTLINE .....	21
3.3.1 Executive Summary .....	23
3.3.2 The Business .....	23
3.3.3 The Marketing .....	27
3.3.4 The Financials .....	30
<b>4 BUSINESS MODEL CANVAS .....</b>	<b>32</b>
4.1 THE 9 BUILDING BLOCKS .....	32
4.1.1 Customer Segments .....	32
4.1.2 Value Proposition .....	33
4.1.3 Channels .....	33
4.1.4 Customer Relationships .....	33
4.1.5 Revenue Streams .....	33
4.1.6 Key Resources .....	34
4.1.7 Key Activities .....	34
4.1.8 Key Partnerships .....	34
4.1.9 Cost Structure .....	34
4.2 FROM THE BUSINESS MODEL CANVAS TO LEAN CANVAS .....	35
4.3 WHY LEAN CANVAS? .....	36
4.4 BUSINESS MODEL DESIGN PROCESS .....	37
4.5 LEAN CANVAS DESIGN PROCESS .....	37
<b>II. ANALYSIS .....</b>	<b>40</b>



<b>5</b>	<b>LEAN CANVAS.....</b>	<b>41</b>
5.1	PROBLEM.....	41
5.2	CUSTOMER SEGMENTS .....	42
5.3	UNIQUE VALUE PROPOSITION.....	42
5.4	SOLUTION.....	43
5.5	CHANNELS.....	43
5.6	COST STRUCTURE.....	43
5.7	REVENUE STREAMS .....	44
5.8	KEY METRICS .....	44
5.9	UNFAIR ADVANTAGE.....	45
<b>6</b>	<b>BUSINESS PLAN.....</b>	<b>47</b>
6.1	COVER SHEET.....	47
6.2	EXECUTIVE SUMMARY .....	48
6.2.1	Mission Statement .....	49
6.3	THE BUSINESS .....	49
6.3.1	Strengths and Weaknesses (SWOT Analysis).....	50
6.3.2	Legal Structure .....	51
6.3.3	Business Description .....	51
6.3.4	Service Description.....	52
6.3.5	Intellectual Property Description.....	54
6.3.6	Location.....	54
6.3.7	Management and Personnel.....	54
6.3.8	Records .....	55
6.3.9	Insurance.....	55
6.3.10	Security.....	55
6.3.11	Litigation .....	55
6.4	THE MARKETING .....	56
6.4.1	Markets (Customers) .....	56
6.4.2	Competition .....	57
6.4.3	Distribution and Sales.....	60
6.4.4	Marketing mix (4Ps).....	60
6.4.5	Market Trends .....	61
6.4.6	Strategy.....	61
6.5	THE FINANCIALS .....	62
6.5.1	Balance Sheet .....	62
6.5.2	Use of Funds.....	62
6.5.3	Income Statement and Projections .....	63
6.5.4	Cash Flow Statement.....	65
6.5.5	Break-Even Analysis .....	65
6.6	THE SUPPORTING DOCUMENTS.....	66
	<b>CONCLUSION .....</b>	<b>67</b>
	<b>BIBLIOGRAPHY .....</b>	<b>68</b>
	<b>LIST OF TABLES .....</b>	<b>69</b>
	<b>LIST OF FIGURES .....</b>	<b>70</b>

## INTRODUCTION

*“Have the courage to follow your heart and intuition. They somehow truly know what you want to become.”*

- Steve Jobs

Even though starting a business is not an easy task there are lots of people who try to stand out from the crowd. These people follow their hearts and intuition and we called them entrepreneurs. Starting a business is difficult and it requires a lot of work, motivation, determination and strong will to face relentless competition these days and therefore we need to be well prepared. Having a plan is one of the best ways how to start.

The main aim of this bachelor thesis is the creation of a business plan. The theoretical part briefly discusses entrepreneurship; business legal structures in the Czech Republic and focuses on findings how to prepare a successful business plan for a business start-up. The thesis introduces method called Lean Canvas which helps to create a business model significantly faster and easier in comparison to other methods commonly used when starting business.

The practical part uses the knowledge from the theoretical part to create a business plan for the hand car wash and detailing studio in the Ostrava city. Washing a car by hand is becoming very popular all over the world these days. It is the gentlest and the most thorough method of car washing and service itself has high-grow potential. The work focuses on several analyses such as market analysis, competition analysis and financial analysis. At the end of the thesis we should be able to ascertain the feasibility of the business plan based on the findings and collected data.

## **I. THEORY**

## 1 ENTEPRENEURSHIP

Despite fact entrepreneurship is the foundation of the development of human culture and our civilization, entrepreneurship was not a subject of social interest, evaluation and studies for a long time. There are a lot of people who do not consider knowing the history and the theory of entrepreneurship relevant. There are entrepreneurs with no entrepreneurial education or who did not read any literature about entrepreneurship and they still become successful. Although the theory of entrepreneurship will not automatically guarantee a success, it helps us find the best way to being successful and avoid failure.<sup>1</sup>

The motive for starting own entrepreneurship could be either exploiting a potentially lucrative opportunity or the fact there is no other reasonable way of earning money. It is considerable that starting a business these days may be more difficult than in the past due multitude of regulations. Speaking of which, the World Bank and the International Finance Corporation have done a research in 2011 and found out that setting up a business in Brazil take 119 days, in China 38, and in New Zealand it takes only one day to start a business. There are many people starting their own businesses despite this fact and they should do so, because small firms account for most of the new jobs created, inventions and new ideas.<sup>2</sup>

Entrepreneurship can be perceived as a dynamic process of vision, change and creation requiring an application of energy and passion toward the creation and implementation of new ideas and creative solutions. It is a process where incremental wealth is created by individuals (or teams) willing to take risks.<sup>3</sup>

Theory of entrepreneurship became a single scientific discipline in 1980s. Deakins and Freel (2003, p.2.) divided research of this field into three approaches:

- **Economical approach** – focuses on entrepreneur in economic development. According to this approach, entrepreneur is an extraordinary person – an innovator who changes the product or technological process. An entrepreneur is a speculator

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<sup>1</sup> Jitka Srpová, *Základy podnikání: teoretické poznatky, příklady a zkušenosti českých podnikatelů* (Praha: Grada, 2010), 18.

<sup>2</sup> Michael Morris, *A practical guide to entrepreneurship: how to turn an idea into profitable business* (London: Kogan Page, 2012), 5-7.

<sup>3</sup> Donald F. Kuratko, *Entrepreneurship: Theory, Process, Practice* (Mason: South Western/Cengage Learning, 2014), 4-5.

capable of indentifying supply and demand and uses this information as an opportunity to make a profit.

- **Psychological approach** – focuses on typical entrepreneur’s characteristics. Those characteristics should identify a potentially successful entrepreneur but existence of those specific characteristics was not proven. This approach was criticized but conduced to discover characteristics of an entrepreneur.

**Socio-economical approach** – focuses on the influence of the socio-economic environment on success in business.<sup>4</sup>

## 1.1 Entrepreneur

The word entrepreneur is derived from the French *etrepndre* meaning “to undertake”. Entrepreneurs are individuals who recognize opportunities where others see chaos, contradiction and confusion and are heroes of free enterprise and today’s marketplace. Entrepreneurs move the world of business forward because they start new companies and create jobs for others.<sup>5</sup>

There is no definition of entrepreneur or profile entrepreneur can represent but a lot of myths have arisen about entrepreneurs over the years. For example people think that entrepreneurs are more doers than thinkers. Even though entrepreneurs tend toward action, what they do more is that they think and plan their moves carefully. Another myth is that entrepreneurs are born, not made, but like other disciplines, entrepreneurship has also models, processes and case studies to be studied and can be learned. Most people think wrongly either money or luck is what entrepreneurs need in the first place. Capital is important to keep the business alive but many entrepreneurs have overcome a lack of money while establishing their ventures. It is an advantage when we are in “the right place at the right time”. In fact being well prepared is more important because luck happens when preparation meets opportunity.<sup>6</sup>

A lot of people think that most of new businesses fail. Statistics say that 70% of new businesses cease its activities within a year and 90% of them in three years. But many of those businesses did not go bankrupt and entrepreneurs terminated business because it

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<sup>4</sup> Jitka Srpová, *Základy podnikání: teoretické poznatky, příklady a zkušenosti českých podnikatelů* (Praha: Grada, 2010), 18-19.

<sup>5</sup> Donald F. Kuratko, *Entrepreneurship: Theory, Process, Practice* (Mason: South Western/Cengage Learning, 2014), 5.

<sup>6</sup> Ibid, 5-8.

does no longer fulfill their expectations. Entrepreneurship is not without risk and success depends on a field of business, type of entrepreneurship, its funding, entrepreneur's abilities and experiences, etc.<sup>7</sup>

Pros and cons of an entrepreneurship need to be considered before starting a new business. There is no list with advantages and disadvantages to be an entrepreneur or an employee. It depends on situation the individual is in.<sup>8</sup>

There are few general characteristics of entrepreneur:

- long-term focus
- entrepreneurial spirit
- motivation
- initiative and activity
- risk-taking
- good health condition<sup>9</sup>

## 1.2 Types of Entrepreneurship

Entrepreneurs start a business with some vision they want to reach and how big (small) their business will be. Thanks to this vision we are able to define a type of entrepreneurship, its potential, growth rate, amount of resources necessary for startup and growth, its financial planning, etc. Experiences, abilities and skills of an entrepreneur and his team are related with this vision as well. Amar Bidhé defined five categories of entrepreneurship based on research in 500 companies:

- **Life-style venture** – a lot of small business owners are in business because they do not want to be employed and want to be own bosses to themselves. They operate on a local market and have not higher ambitions for growth. It could be a hairdresser for example as a freelancer.
- **Modest venture** – entrepreneur group that is little more successful but is avoiding bigger competitors on purpose. They are aware of their business activity but they do not want large enterprise and do not cross the border of region.

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<sup>7</sup> Jitka Srpová, *Základy podnikání: teoretické poznatky, příklady a zkušenosti českých podnikatelů* (Praha: Grada, 2010), 21.

<sup>8</sup> Vojtěch Koráb a Marek Mihalisko, *Založení a řízení společnosti: společnost s ručením omezeným, komanditní společnost, veřejná obchodní společnost* (Brno: Computer Press, 2005), 3.

<sup>9</sup> Jaromír Veber, *Podnikání malé a střední firmy* (Praha: Grada, 2012), 54-56.

- **Promising venture** – entrepreneurs with clear and obvious vision to become number one on a local or regional market. They use more aggressive strategy to attract and keep customers and still innovate. They operate on markets with minimal financial uncertainty.
- **High-growth venture** – only few entrepreneurs can start a venture with high-growth potential. These entrepreneurs focus on thorough market analysis to identify lucrative opportunity before they start a business. To handle this enterprise requires a professional leadership and management.
- **Revolutionary venture** – revolutionary entrepreneurs turn up once maybe twice a decade. Entrepreneurs of this character come up with completely new conception of entrepreneurship as such and current competitors are not capable of keeping up. In their own way they are masters of improvisation.<sup>10</sup>

Starting entrepreneur should also think about what kind of enterprise he would like to build in a first place. If it will be family run business passed on from generation to generation or if he will be in business on his own or with some associate and copartner to build a large company. Legal structure of a company, its funding or management can be decided according to this decision.<sup>11</sup>

It is absolutely essential to write a properly structured business plan, rather than carrying it in the head. It helps the entrepreneur to spot and forces him to resolve all the contradiction that mental plan contain. To make the plan thorough and rigorous we can follow the structure of a business-plan template which can act as a reminder of all the things that need to be considered because running a business is complex and it is better to have it on paper to manage it all.<sup>12</sup>

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<sup>10</sup> Jitka Srpová, *Základy podnikání: teoretické poznatky, příklady a zkušenosti českých podnikatelů* (Praha: Grada, 2010), 22-23.

<sup>11</sup> Ibid, 48.

<sup>12</sup> Michael Morris, *A practical guide to entrepreneurship: how to turn an idea into profitable business* (London: Kogan Page, 2012), 17.

## 2 BUSINESS (LEGAL) STRUCTURE IN CZECH REPUBLIC

Choice of business legal structure of business should be made after the creation of business plan. This choice is at the time more qualified and easier because the potential entrepreneur usually already knows what he wants to do. Entrepreneur must decide whether to do the business as a natural or legal person.<sup>13</sup>

Legal conditions for doing business in the Czech Republic are based on the Charter of Fundamental Rights and Freedoms. Specific legislative regulation of business is determined by the Commercial Code (law no.513/1991 Sb., is legislative regulations governing business, legal form of business or commercial obligations. It defines the concepts of business, entrepreneur, enterprise, commercial property, company, trade secrets, etc.), the Trade Act (law no. 455/1991 Sb., focuses on the relationship between the state and business entities operating within the business license) and other laws.<sup>14</sup>

### 2.1 The Business of Natural Persons

The business of natural persons is self-employment of individuals under their own name and on their own responsibility. Individuals are entered in the commercial register either at their own request, or required, under the terms of the Commercial Code.<sup>15</sup>

#### 2.1.1 Declared Trades

These are created and operated on the basis of notification and are certified extract from the Trade Register. General terms and conditions are: minimum age 18 years, legal capacity, clean criminal record. Special conditions are expertise and competence.

- **Craft trades** – a certificate of apprenticeship, graduation or diploma in fields or six year experience in fields (e.g. butchery, bricklaying, bodywork, assembling, etc.) is required.
- **Regulated trades** – a competence set out in Annex Trade Act (e.g. accounting and bookkeeping, driving school, etc.) is required.
- **Free trades** – no competence is required. Entrepreneur defines the extent of this trade that from a list of 80 activities, select those that will operate.<sup>16</sup>

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<sup>13</sup> Jaromír Veber, *Podnikání malé a střední firmy* (Praha: Grada, 2012), 61.

<sup>14</sup> Ibid, 68.

<sup>15</sup> Ibid, 68-69.

<sup>16</sup> Jitka Srpová, *Základy podnikání: teoretické poznatky, příklady a zkušenosti českých podnikatelů* (Praha: Grada, 2010), 67.



### 2.1.2 Concession Trades

Concession trades are created and operated by administrative decision and are certified extract from the Trade Register. Positive statement of the competent state authority (e.g. taxi service, running travel agency, road transportation, etc.) is required.<sup>17</sup>

## 2.2 The Business of Legal Persons

Starting a business as a legal person is administratively more difficult and some capital is required. Commercial Code defines the following legal entities:

### 2.2.1 Public Business Company (PBC)

PBC, in Czech known as *veřejná obchodní společnost*, is a partnership in which at least two persons are doing a business under a common business name and are responsible for liabilities of the company, jointly and severally, for its assets by all their property. Companion may be a legal or natural person. The profit is divided equally between the partners.

- Advantages – initial capital is not required; simple withdrawal of a partner of the company; good access to foreign capital; etc.
- Disadvantages – unlimited liability of company members also bring personal risks; the same competition ban; conflicts due to the high personal risk, etc.<sup>18</sup>

### 2.2.2 Commandite Company (CC)

CC, in Czech known as *komanditní společnost*, is a combined company where one type of partners (so called general partners) is unlimitedly liable for company obligations in a mutual way by their entire property. Another type (limited partners), guarantee company obligations only to the extent of their property share.<sup>19</sup>

- Advantages – not necessarily large initial capital is required, the company may change without liquidation of a public business company, etc.
- Disadvantages – must be very detailed drafting of the social contract.<sup>20</sup>

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<sup>17</sup> Ibid, 67.

<sup>18</sup> Jaromír Veber, *Podnikání malé a střední firmy* (Praha: Grada, 2012), 72.

<sup>19</sup> Helena Fialová, *Ekonomický slovník: s odborným výkladem česky a anglicky* (Praha: A plus, 2014), 192.

<sup>20</sup> Jaromír Veber, *Podnikání malé a střední firmy* (Praha: Grada, 2012), 73.

### 2.2.3 Public Limited Company (Plc. /Ltd.)

Plc. in Czech known as *Společnost s ručením omezeným* is the most common form of business entities and its initial capital consists of property shares of partners. From one up to 50 partners are liable for company obligations in the value of outstanding property shares. Plc. may be established both, by natural person or legal person. The supreme body is the general meeting. Statutory body of the company, are executive directors appointed by the general meeting.

- Advantages – limited liability of shareholders/partners; as property shares can also be non-cash investments.
- Disadvantages – administratively more difficult.<sup>21</sup>

On the date of January 1, 2014 is initial capital only a financial item (as well as in France, Germany or Poland), because amount of initial capital now is only 1 CZK in comparison with former 200.000 CZK.<sup>22</sup>

### 2.2.4 Company Limited by Shares (Ltd. /Inc)

Ltd. in Czech known as *akciová společnost*, is a share-holding company in which the partners guarantee the company obligations only to the extent of the *nominal value* (the value marked on the document; face value of the security) of *stocks* (a security documenting the ownership as a share in a stock company). Stocks are traded on stock exchanges. The main body of an incorporated company is a general meeting stock-holders. The managing body is a board of directors (managing board).<sup>23</sup>

The initial registered capital of the company founded without a public offer of shares must be, at least, 2mil.CZK. Company founded with a public offer, at least, 20mil.CZK.

- Advantages – shareholders are not liable for company obligations; the soundness and stability; good access to capital; etc.
- Disadvantages – high initial capital is necessary; very complicated and restricted legislation; administratively difficult foundation and managing; audit of financial statement; etc.<sup>24</sup>

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<sup>21</sup> Jaromír Veber, *Podnikání malé a střední firmy* (Praha: Grada, 2012), 74.

<sup>22</sup> <http://www.businessinfo.cz/cs/clanky/spolecnost-s-rucenim-omezenym-od-roku-2014-43857.html>

<sup>23</sup> Helena Fialová, *Ekonomický slovník: s odborným výkladem česky a anglicky* (Praha: A plus, 2014), 12; 188; 192.

<sup>24</sup> Jaromír Veber, *Podnikání malé a střední firmy* (Praha: Grada, 2012), 75.

### 3 BUSINESS PLAN

In order to assess the feasibility and viability of our business idea comprehensively, we need to prepare and write a business plan. It is a written document processed by entrepreneur describing all substantial inner and external factors related with business activity. It could be compared to road atlas that answers on questions such as: where we are, where we want to and how we get there.<sup>25</sup>

Business plan also summarizes our plans and possible potential of our business we want to start. Business plan should include all the data from research and knowledge we have acquired about the industry. It also depends on the size of a business we want to start or improve, if it would be small or big business, simple or complicated.<sup>26</sup>

#### 3.1 Purpose and Principles for Business Plan Processing

Purpose of this tool is to plan, to be a starting point for a decision making process or to check progress. Business plan is especially useful when entrepreneur is establishing a new company or standing before extensive changes with long-term consequences on its operations. On the other hand, external entities analyze the company's ability for a business project realization, before investing or financing such an enterprise. A well-prepared business plan can contribute to attracting investors.<sup>27</sup>

General principles should be respected when we are processing business plan. Business plan should be:

- Innovative
- Intelligible and concise
- Logical and well-arranged
- Truthful and real
- Risk-respecting.<sup>28</sup>

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<sup>25</sup> Jitka Srpová, *Základy podnikání: teoretické poznatky, příklady a zkušenosti českých podnikatelů* (Praha: Grada, 2010), 59.

<sup>26</sup> Chris Gattis, *Business plan template* (Huntsville: Blue Point Publishers, 2010), 3-4.

<sup>27</sup> Jitka Srpová, *Základy podnikání: teoretické poznatky, příklady a zkušenosti českých podnikatelů* (Praha: Grada, 2010), 59-60.

<sup>28</sup> Ibid, 59-60.

## 3.2 Types of Business Plans

### 3.2.1 According to Organization's Activities

For example in logistics, there is a strict legislation defining demands on storage, protection of purchased materials and raw materials and their transportation. These claims predetermine the labor requirements and its qualification.<sup>29</sup> For example, car wash service must meet environment, noise or fire standards.

### 3.2.2 According to the Product/Service Life Cycle

Large companies and corporations do not determine trends but customers and their needs, supply and demand, etc. Every product/service has its own life cycle. As a result, began to examine more closely the patterns associated with the life cycle that are associated with a number of factors (e.g. maturity of the market, its degree of saturation). Life-cycle stages of the product/service affect demands on business strategy and thus business plan process.<sup>30</sup>

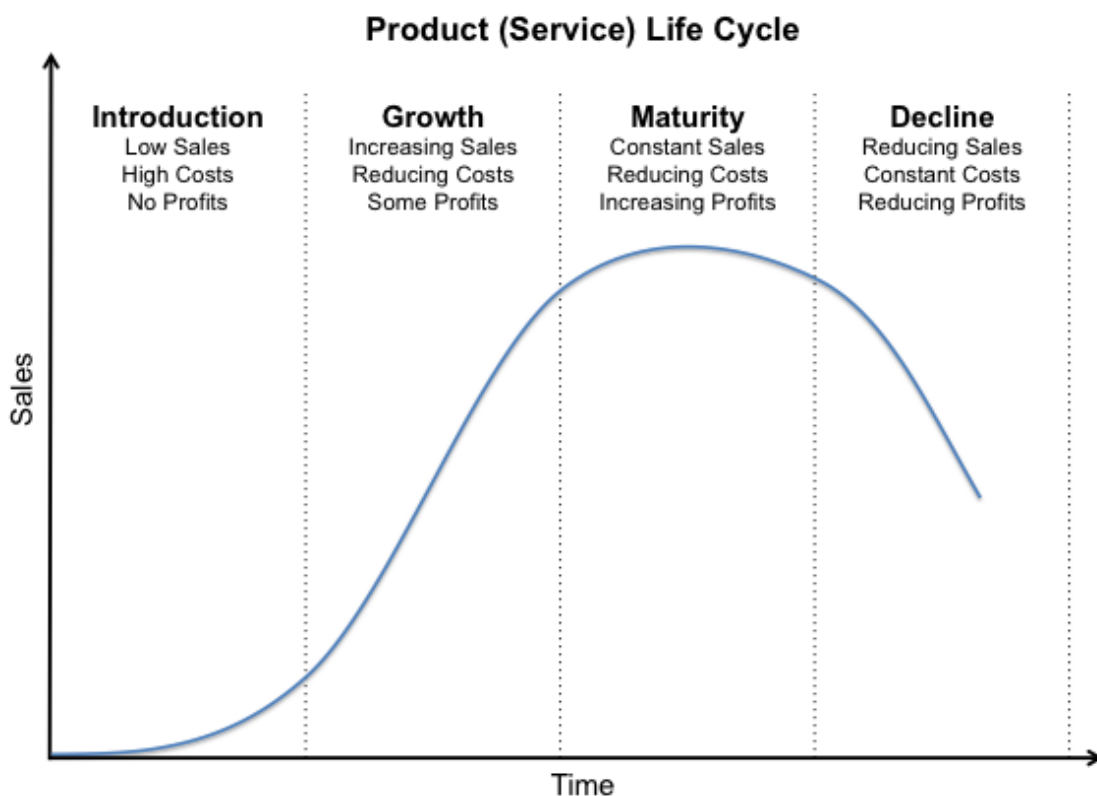


Figure 1: Product/Service Life Cycle, (www.businesssetfree.com)

<sup>29</sup> Radim Červený, *Business plan: krok za krokem* (Praha: C.H. Beck, 2014), 3-4.

<sup>30</sup> Ibid, 5-8.

### 3.2.3 In Accordance with the Purpose of Utilization

Purpose and motive are other important aspects the business plans are prepared for.

- Business plan **developed for an existing company/organization or aspiring entrepreneurs**, where the main motive for the implementation of a new business and it is necessary to thoroughly plan.
- Business plan **developed in order to attract business partner** – merger of two business partners to create powerful new business unit, for example, to strengthen its market position, to get new customers or to access new distribution channels.
- Business plan **developed for the bank/investor** with the main motive to get the necessary financing for business development.<sup>31</sup>

### 3.2.4 According to Structure

#### 3.2.4.1 Formal

Formal Business Plan is usually the most comprehensive and detailed form of our plan. It is mostly presented to bankers, investors or other partners. It gives us the most detailed information about research, conclusion, goals and objectives. It also gives us an idea, a vision of whole industry. It describes our competition, our customers' needs, our strengths or weaknesses. Formal business plan gives us complete look at our business's finances and is mostly used when new business is established.<sup>32</sup>

#### 3.2.4.2 Informal

Informal Business Plan is more general from all points of view. It is more strategic plan than business plan. It gives us the same research outcome, conclusions, goals and objectives as the formal plan but in a more summarized form. It will not have a big financial projections section because is primarily designed for the management of the company; it will contain budgets and cost projections only. On the other hand it gives us lots of details in the marketing and promotion areas or information about changes in operations or manufacturing.<sup>33</sup>

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<sup>31</sup> Radim Červený, *Business plan: krok za krokem* (Praha: C.H. Beck, 2014), 8-9.

<sup>32</sup> Chris Gattis, *Business plan template* (Huntsville: Blue Point Publishers, 2010), 7-8.

<sup>33</sup> Ibid, 8-9.

### 3.2.4.3 Summary

Summary gives us a brief overview about business and it is mostly used for marketing purposes. It includes general information; it can be used as a recruitment tool for potential employees, at job fairs, etc. There is no confidential and proprietary information in the summary business plan.<sup>34</sup>

## 3.3 Business Plan Outline

*“If you don’t know where you are going, every road will get you nowhere”.*

- Henry Kissinger<sup>35</sup>

If we are in doubt how solid business plan should look like, the best way is do a quick search of the Internet and find some examples of business plans. We should find business plans similar to our business, to see layouts, templates and styles for inspiration. We will be able to find out what type of language we should use, what details are included, what lenders want, etc.<sup>36</sup>

How long business plan should be depends on the size of business we are starting. If we are establishing a very small business, it should be from 8 to 15 pages, plus financials and addenda; from 20 to 50 pages if we are starting a big business or need lots of money from banks or investors. It is important to present the idea to readers clearly. If we are not able to do that, we should probably find someone to help us with text reduction. It is not exactly important if we use some kind of software or basic text editor to write a business plan. The important thing is that a business plan should include fundamental information about our business. Business plan should be concise, but thorough.<sup>37</sup>

A business plan is ideally the intersection of everything inside the business (costs, products, services, personnel, etc.) and everything outside the business (competition, market trends, political forces, etc.). Business plan is born when inside and outside forces of the company meet.<sup>38</sup>

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<sup>34</sup> Chris Gattis, *Business plan template* (Huntsville: Blue Point Publishers, 2010), 9.

<sup>35</sup> Donald F. Kuratko, *Entrepreneurship: Theory, Process, Practice* (Mason: South Western/Cengage Learning, 2014), 2.

<sup>36</sup> Chris Gattis, *Business plan template* (Huntsville: Blue Point Publishers, 2010), 17.

<sup>37</sup> *Ibid*, 18-19.

<sup>38</sup> Garrett Sutton, *Writing winning business plans: how to prepare a business plan that investors will want to read and invest in* (Minden: BZK Press, 2012), 12.

Author decided to use Garret Sutton's outline:

- **Cover Sheet**
- **Table of Contents**
- **Executive Summary/ Mission Statement**
- **The Business**
  - Strengths and Weaknesses
  - Legal Structure
  - Business Description
  - Product or Service Description
  - Intellectual Property Description
  - Location
  - Management and Personnel
  - Records
  - Insurance
  - Security
  - Litigation
- **The Marketing**
  - Markets
  - Competition
  - Distribution and Sales
  - Marketing
  - Industry and Market Trends
  - Strategy
- **The Financials**
  - Use of Funds
  - Income Statement
  - Cash Flow Statement
  - Balance Sheet
  - Income Projections
  - Break-Even Analysis
- **The Supporting Documents**

### 3.3.1 Executive Summary

Executive summary may be the first chapter of our business plan but it should be written last. Because it is one of the two most important parts of a business plan and is the most read section of a plan. In fact, Executive summary is, together with the Financials, read by investors and bankers in first time. It is especially very important when we are starting new business and looking for funding and investors. Its role is to catch readers' attention and make them continue in reading. It should be brief and include the most important facts, concept and philosophy of the company.<sup>39</sup>

Executive summary informs us about the name and type of business (legal structure), investment (amount and purpose of money we are requesting and our repayment plan) and if the plan will be read by potential investor, we should be as specific as we can about the money and how we will use them. Executive summary answers all the key questions: why, who, what, when, where, and how. We should not be afraid to include a mission statement and motivation behind. Ideal length of Executive summary is one page.<sup>40</sup>

### 3.3.2 The Business

The business description is the first major part of a business plan. Because of too much personal liability, it is not recommended to address our corporate entity sole proprietorship or general partnership. We should choose between a corporation and limited liability company, because otherwise investors would not even bother reading the plan. It should describe our strengths and weaknesses, our operations, location, personnel, record, insurance and security. We should ask ourselves two questions about our business; why are we in business and what our business is? It is important to know and understand our business, because if we find an answer on these two questions, we will hopefully find the key that unlocks the potential of our business idea. One of the toughest parts of a business plan is to write down our strengths and weaknesses.<sup>41</sup>

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<sup>39</sup> Chris Gattis, *Business plan template* (Huntsville: Blue Point Publishers, 2010), 23-24.

<sup>40</sup> Garrett Sutton, *Writing winning business plans: how to prepare a business plan that investors will want to read and invest in* (Minden: BZK Press, 2012), 35-39.

<sup>41</sup> *Ibid*, 45-47.



### ***Strengths and Weaknesses***

There are two basic categories of strengths: common (something we do well) and competitive (something we do better than others in the field). A business can improve through common strengths but through competitive it can dominate. It is important to understand and know what our strengths are. For example, unique leadership skills or corporate vision can create highly advantageous employee and vendor loyalty or increase sales through good distribution relationships. We should not overlook not only ours, but our partners' and team members' key strengths because our personal strengths may translate quite well to our business.<sup>42</sup>

If we achieve lower costs, charge higher prices or both, compared to competition, we are in the so-called Competitive advantage. Porter's definition of competitive advantage is based on economic fundamentals. Competitive advantage allows us to follow a clear relationship between the value we create, how we create it, and what performance we achieve (profit and loss).<sup>43</sup>

Regarding weaknesses, we should surround ourselves, as many great entrepreneurs do so, with people which tell us the good, the bad and thy ugly because confronting the ugly truth is the best way to achieve progress on those elements of the business that are holding us back. There are two categories of weaknesses: common (those we share with a lot of other businesses) and catastrophic (those we cannot or would not overcome, such as the use of someone's else intellectual property or coming in second in the race to introduce new technology, etc.). Every business has weaknesses, and if we point them out, we are actually saying that we are aware of them and we will do everything possible to eliminate them. We should talk to people we trust, about what they think we could improve in our company, etc.<sup>44</sup>

### ***Legal Structure***

This part of a business plan states our business's legal structure (Sole Proprietorship, Partnership, Ltd., Plc. etc.) and explains why we chose that exact form. It is also possible to change the legal structure after time and we should mention it in our plan if we want to

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<sup>42</sup> Garrett Sutton, *Writing winning business plans: how to prepare a business plan that investors will want to read and invest in* (Minden: BZK Press, 2012), 50-52.

<sup>43</sup> Joan Magretta, *Michael Porter jasně a srozumitelně: o konkurenci a strategii* (Praha: Management Press, 2012), 19-67.

<sup>44</sup> Garrett Sutton, *Writing winning business plans: how to prepare a business plan that investors will want to read and invest in* (Minden: BZK Press, 2012), 53-5.

do so. Investors are interested in what we want to do with the company. The structure is very important, because as was mentioned above, the wrong structure might be silent decider for many investors.<sup>45</sup>

### ***Business Description***

In business description we should start with the basics such as what type of business are we pursuing (manufacturing, service, retail, etc.), how many employees do we have, what is the product of our service, our relationships with suppliers, support businesses, customers, advertisers, etc. We should keep in mind the needs of our customers. We should describe what kind of problem our service or product solves and what niche will it fill. It can be a competitive advantage, because great business plan highlight the advantages of each area of a business. Company's history, current status, turnover or plans for the future should be described and business goals discussed. To show our knowledge of the industry and our market we should use the Business Description subsections.<sup>46</sup>

### ***Product or Service Description***

In this section we should describe our product. It should be clear and in relation to the market and industry as a whole. Many questions will be answered in this section (e.g. what materials are required to produce the product, where do we get these materials or how and by whom these products are made). We need to be serious and thorough, so we should mention our relationships with suppliers, why we choose the supplier we want to use, how long our mutual relationship is or how will we pay suppliers, to show that we understand our business and its future needs. Work-hours should be stated or handling increases/decreases of workload. We should be creative but realistic and honest. Product (Service) Description is a part of a plan where you can remind your strength and weaknesses. If we need to be more specific about product or service we should place technical and complicated writings at the end with supporting documents.<sup>47</sup>

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<sup>45</sup> Garrett Sutton, *Writing winning business plans: how to prepare a business plan that investors will want to read and invest in* (Minden: BZK Press, 2012), 69-70.

<sup>46</sup> Ibid, 70-73.

<sup>47</sup> Garrett Sutton, *Writing winning business plans: how to prepare a business plan that investors will want to read and invest in* (Minden: BZK Press, 2012), 75-80.

### ***Intellectual Property Description***

Intellectual Property includes *know-how* (working procedures and techniques); it also includes copyrights, patents (pending), trademarks, domain names and trade secrets. We should include a short discussion about protection of the intellectual property.<sup>48</sup>

### ***Location***

It is short description of location where is or will be our business situated. If it is important we can highlight and clarify why we chose this location and why is beneficial for our company. Location description should include where the business is located (address) and why the particular location was chosen and what facilities are at the location. We should mention what kind of businesses already exist in the area and if it will be our competition. We should not forget about the future if the business will be or would not be profitable (expansion/ downsizing).<sup>49</sup>

### ***Management and Personnel***

There should be all names of owners, partners or any people related to our business in this section. Here we introduce people in our enterprise with their ownership interests and involvement in the business. If we are looking for funding, investors are almost always want to know whom we cooperate with and what is their function in our business will be and what is their intent. We should build teams of employees, advisors and mentors that make business grow without us. If we pay enough attention to people and their skills, then we will be able to have a business instead of job for ourselves. Money follows good management – quality of the company's management in the first place great entrepreneurs and savvy investors are looking for. We should include brief job description of key players in our business.<sup>50</sup>

### ***Records***

This section is about recordkeeping system or service we have chosen and why, who will be responsible for records, if it will be on-site or off-site or a combination of both. We

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<sup>48</sup> Garrett Sutton, *Writing winning business plans: how to prepare a business plan that investors will want to read and invest in* (Minden: BZK Press, 2012), 80-82.

<sup>49</sup> Ibid, 83-84.

<sup>50</sup> Ibid, 1-21, 85-90.

can describe how our records will be secured and information protected, who will have access to what records, etc.<sup>51</sup>

It tells readers how we will account for the operations of our business and what accounting software we use (if we use any; most companies are using some kind of software).<sup>52</sup>

### ***Insurance***

It includes product liability (if we sell product) and personal liability (if we sell service). It is our job to provide insurance for the clients' property while it is under our care. It also includes insurance of our employees (medical insurance). We need to be sure we have adequate insurance coverage.<sup>53</sup>

### ***Security***

Role of this part is to show we are willing and able to reduce risks connected with property, products, supplies or information (intellectual property). Are there any goods or equipment sensitive worth stealing or prone to damage in our business? We should cooperate with qualified insurance agent to prevent any inconveniences.<sup>54</sup>

### ***Litigation***

Lawyers and litigation are now a permanent part of the business these days but if we are free from such issues, we can state that our company is not currently engaged in or threatened with any litigation or any legal proceedings.<sup>55</sup>

### **3.3.3 The Marketing**

A marketing plan is actually a strategic plan that outlines how the company intends to face the competition. They often use different marketing tools that are defined in the **4P**'s of marketing mix (product, price, promotion, and placement). It is a coherent perspective on **product** features, **pricing** policy, **promotion** and distribution (**placement**) as methods and ways to get the product/service to the customer. A marketing plan should not be

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<sup>51</sup> Garrett Sutton, *Writing winning business plans: how to prepare a business plan that investors will want to read and invest in* (Minden: BZK Press, 2012), 93.

<sup>52</sup> Chris Gattis, *Business plan template* (Huntsville: Blue Point Publishers, 2010), 30.

<sup>53</sup> Garrett Sutton, *Writing winning business plans: how to prepare a business plan that investors will want to read and invest in* (Minden: BZK Press, 2012), 93-94.

<sup>54</sup> *Ibid*, 95-96.

<sup>55</sup> *Ibid*, 83.

oriented only on the present and near future but should consider whole market in wider picture including distant future.<sup>56</sup>

### ***Markets***

First of all, we need to understand the market in which we plan to operate. We need to know the size of the market, its growth expectations, trends, technology developments, etc. Especially market size and trends are two very important factors and from our market analysis the percentage of the total market we will represent should be evident.<sup>57</sup>

We should start with our potential customers and should explain why this group would be interested in our product/service. We need to consider what attracts our customers (quality, advertising, distance or price). We should identify our target markets in terms of demography (age, sex, income, region, etc.) and psychographic characteristics (needs, interests, attitudes and lifestyle).<sup>58</sup>

### ***Customers***

There are certain types of people (our target market) who can buy our products or use our service. We need to assure reader of business plan that these customers exist, who they are and what they want, there is enough of them to keep our business profitable and are willing to take our service offer. We should create a detailed picture of our customers. If there is significant group of customers it should be supported credible data and research.<sup>59</sup>

### ***Competition***

It seems to be difficult to get important information about our competitors, but if we do a proper research, it helps us with the strategy. We have two types of competition – direct and indirect. To know our major competitors we need to determine their strengths, weaknesses and their market share. It helps us to identify our opportunities and threats and according to Gattis, to fine-tune our product or service to take advantage over competitors.<sup>60</sup>

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<sup>56</sup> Vojtěch Koráb, *Podnikatelský plán* (Brno: Computer Press, 2007), 82.

<sup>57</sup> Chris Gattis, *Business plan template* (Huntsville: Blue Point Publishers, 2010), 33-35.

<sup>58</sup> Garrett Sutton, *Writing winning business plans: how to prepare a business plan that investors will want to read and invest in* (Minden: BZK Press, 2012), 98-99.

<sup>59</sup> Chris Gattis, *Business plan template* (Huntsville: Blue Point Publishers, 2010), 39-40.

<sup>60</sup> *Ibid*, 38-39.

### ***Distribution and Sales***

To make a sale we need to physically deliver goods to the customer. We need to be sure we understand and use purchasing patterns of our target customers. We should include discussion of any shipping necessary to our business, what resources we will use and why, if we will go to customer or customer will go to us. Data should be given in several ways (by product, region, target market, etc.) to be more understandable for the reader. Last but not least we should add detailed information about our distributors and suppliers.<sup>61</sup>

### ***Marketing***

It is getting our product/service in front of potential customer. Advertising, public relations, a sign to our shop, a business card and our business plan, this is all marketing. We should learn, copy and then improve from the research on the competition to find out where competitors advertise, how often, etc. We should learn from success and failure, strengths and weaknesses of the competition. Social media are important marketing tool too. Marketing is a key component of our success. Our marketing plan must be focused and thoughtful, because investors know that it is important.<sup>62</sup>

### ***Industry and Market Trends***

It is a description of the general industry in which we will operate giving us its annual financial or geographical definition. In this part we should discuss the different market segments, what are the major trends in our industry, how technology affects our business and if the economy situation has any impact on our industry. We should give answers on questions regarding any special or unusual laws or regulatory rules.<sup>63</sup>

### ***Strategy***

When we have our goals determined we should develop a strategy how to meet those goals. What budget we will need for marketing plan, in what time we will accomplish our goals or what resources will be necessary to meet goals we determined? What we have to do and how we will get our product/service in front of customer? As was mentioned above, our marketing strategy will be defined in terms of 4P's of Marketing.<sup>64</sup>

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<sup>61</sup> Garrett Sutton, *Writing winning business plans: how to prepare a business plan that investors will want to read and invest in* (Minden: BZK Press, 2012), 106-107.

<sup>62</sup> Ibid, 108-110.

<sup>63</sup> Chris Gattis, *Business plan template* (Huntsville: Blue Point Publishers, 2010), 37-38.

<sup>64</sup> Chris Gattis, *Business plan template* (Huntsville: Blue Point Publishers, 2010), 48-50.

### 3.3.4 The Financials

In this section we want to prove our business idea with financial statements, discuss our need for funds and how those funds will be repaid.<sup>65</sup>

*“Money never starts an idea; it is the idea that starts the money.”*

- William J. Cameron<sup>66</sup>

If we start a new business we should have the track record of an existing business to compare with our projections, because of the investors. If we pull together *Income Statement, Balance Sheet* and *Cash Flow Statement* we will be able to prepare *Income Projections, Break-Even Analysis* and *Use of Funds*. Any numbers we put into our business plan should be backed up by research. This is section of the plan written to attract investment and if we are preparing a plan for this purpose we need to know how much to ask for and what we are willing to give in return (interest, ownership, etc.). It is important to be sure we know every single cost influencing our business.<sup>67</sup>

#### *Use of Funds*

Starting up a new business involves a lot of one-time costs. It is necessary to prepare a funding plan (plan how we will gain adequate money to fund our business). This plan should include number of funding rounds, when will each round begin and how long it will last, how much money we are asking for each round and what the funds will be used for. There are several types of funding – Non-equity Funding, Banks, Own Funds, Credit Unions, Loan and Finance Companies, Equity Funding, etc.<sup>68</sup>

#### *Income Statement*

It is good to start with information in the form of charts and graphs. They are quick and easy to understand. Income Statement should be created for a minimum two years by month (it depends on the Break-Even point). It should reflect a period equal to our accounting year. First few years may be blank. We should show our start-up costs and it should reflect how we would really start and operate.<sup>69</sup>

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<sup>65</sup> Ibid, 53.

<sup>66</sup> Garrett Sutton, *Writing winning business plans: how to prepare a business plan that investors will want to read and invest in* (Minden: BZK Press, 2012), 121.

<sup>67</sup> Ibid, 123-128.

<sup>68</sup> Ibid, 128-131.

<sup>69</sup> Chris Gattis, *Business plan template* (Huntsville: Blue Point Publishers, 2010), 56-59.

### ***Cash Flow Statement***

It is a balance between total cash paid out and total cash available. It only includes real money (no amortization or depreciation). We should be able to project reasonable costs and sales figures thanks to business, market and industry research we have done.<sup>70</sup>

### ***Balance Sheet***

It is a balance of our company's finances (assets, liabilities and net worth). *Assets* are divided into four categories (Current, Long-term, Fixed, Other), *Liabilities* into two (Current and Long-term) and *Net worth* is given according to the legal structure of the business.<sup>71</sup>

### ***Income Projections***

Income projections are expectations of sales based on our research and planning which includes estimated amount of money. It is important to keep it real and not to exaggerate.<sup>72</sup>

### ***Break-Even Analysis***

In this section we discuss how many products/services are needed to be sold to cover company's costs. In other words, we need to find the answer on question how many production units are required to achieve a break-even profitability.<sup>73</sup>

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<sup>70</sup> Garrett Sutton, *Writing winning business plans: how to prepare a business plan that investors will want to read and invest in* (Minden: BZK Press, 2012), 148-152.

<sup>71</sup> Ibid, 152-154.

<sup>72</sup> Chris Gattis, *Business plan template* (Huntsville: Blue Point Publishers, 2010), 54-55.

<sup>73</sup> Ibid, 59-60.



## 4 BUSINESS MODEL CANVAS

It is a strategic management and entrepreneurial tool describing the rationale of how an organization creates, delivers, and captures value. It can be described through nine building blocks (below) showing intentions of a company to make money and covering the four main areas of a business: customers, offer, infrastructure and financial viability.<sup>74</sup>

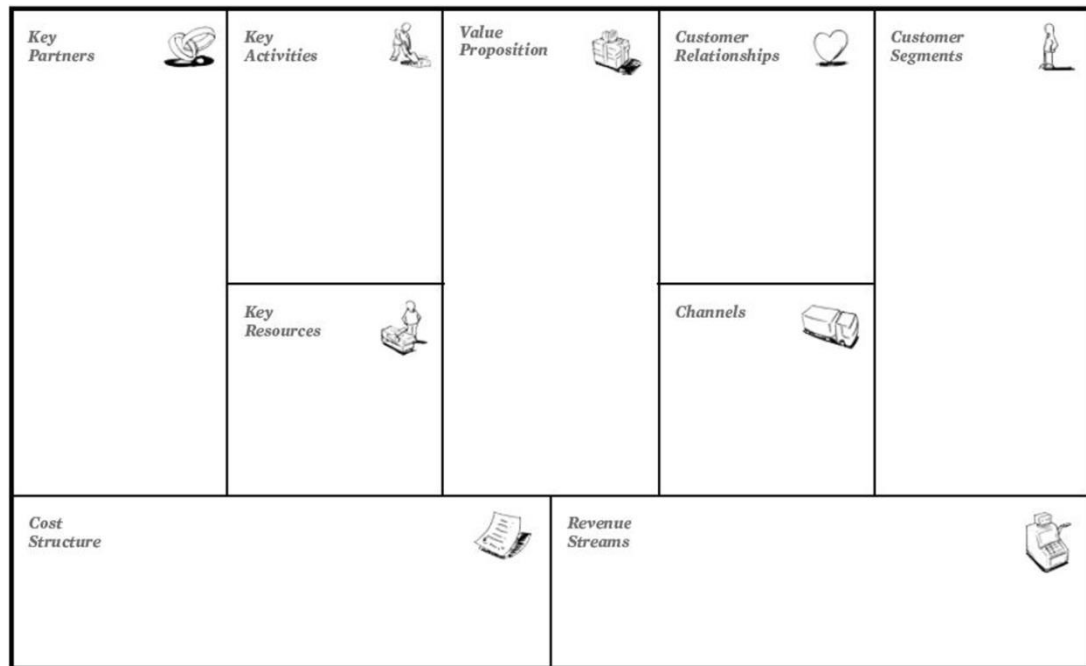


Figure 2 Business Model Canvas, (www.practicetrumpstheory.com)

### 4.1 The 9 Building Blocks

#### 4.1.1 Customer Segments

The heart of any business model is comprised of customers. If customers have common needs, common behavior or any other common attributes, a company may group them into distinct segments. These segments could be separated, e.g. if customer's needs require and justify a distinct offer, different type of relationship, etc. Customer Segments give us an answer on question: Who are our most important customers? A conscious decision about which segments to serve and which to ignore must be made then.<sup>75</sup>

<sup>74</sup> Alexander Osterwalder, *Business model generation: a handbook for visionaries, game changers, and challengers* (Hoboken: Jon Wiley & Sons, 2010), 14-15.

<sup>75</sup> *Ibid*, 20-21.

#### 4.1.2 Value Proposition

Value propositions describe the bundle of products and services that create value for a specific Customer Segment. In other words: why customers turn to one company over another. Main questions here are what value do we deliver to the customer, which one of our customer's problems are we helping to solve or which of customer's needs are we satisfying? Value Propositions may be innovative or similar to existing (but offering some extra features), quantitative (e.g. price, speed of service) or qualitative (e.g. design, customer experience).<sup>76</sup>

#### 4.1.3 Channels

Channels give us an idea how company reaches and communicates with Customer Segments to deliver a Value Proposition. It is an interface with customers made from communication, distribution and sales. It is crucial to find the right mix of Channels to satisfy how customers want to be reached. There are three ways how to do that: through its own Channels, through partner Channels, or through a mix of both. The best way is to find the balance between the different types of Channels to maximize revenues.<sup>77</sup>

#### 4.1.4 Customer Relationships

A company should clarify the type of relationship it wants to establish with each Customer Segment. They can range from personal to automated, and its motivation could be: customer acquisition, customer retention or boosting sales (upselling). We need to find the type of relationship what does each of our Customer Segments expect us to establish and maintain with them and how costly are they.<sup>78</sup>

#### 4.1.5 Revenue Streams

It is the cash generated by a company from each Customer Segment (costs must be subtracted from revenues to create earnings). What value are our customers really willing to pay? For what and how are they currently paying? A business model can involve two different types of Revenue Streams: 1) Transaction revenues resulting from one-time

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<sup>76</sup> Alexander Osterwalder, *Business model generation: a handbook for visionaries, game changers, and challengers* (Hoboken: Jon Wiley & Sons, 2010), 22-23.

<sup>77</sup> Ibid, 26-27.

<sup>78</sup> Ibid, 28-29.

customer payments or 2) Recurring revenues resulting from ongoing payments to either deliver a Value Propositions to customers or provide post-purchase customer support.<sup>79</sup>

#### 4.1.6 Key Resources

The most important assets required to make a business model work are the Key Resources that allow an enterprise to create and offer a Value Proposition, reach markets, maintain relationships with Customer Segments and earn revenues. They can be physical, financial, intellectual or human.<sup>80</sup>

#### 4.1.7 Key Activities

To make a business model work every company must to do the most important things (action). They create and offer a Value Proposition, reach markets, maintain relationships with Customer Segments, like Key Resources, and differ depending on business model type. Key Activities can be categorized as: Production (designing, making, delivering), Problem solving (new solutions, consultancy, services) and Platform/ Network (networks, web sites, software, etc.).<sup>81</sup>

#### 4.1.8 Key Partnerships

Who are our Key Partners, our key suppliers? Which Key Resources are acquired from partners and which Key Activities do partners perform? It is the network of suppliers and partners that make the business model work. Companies create alliances to optimize the business model or reduce risk. Motivations for creation partnerships could be: Optimization and economy of scale, Reduction of risk and uncertainty or Acquisition of particular resources and activities.<sup>82</sup>

#### 4.1.9 Cost Structure

This Building Block describes us all the important costs incurred to operate a business model, creating and delivering value, maintaining Customer Relationships and generating revenue all incur costs.<sup>83</sup>

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<sup>79</sup> Alexander Osterwalder, *Business model generation: a handbook for visionaries, game changers, and challengers* (Hoboken: Jon Wiley & Sons, 2010), 30-31.

<sup>80</sup> Ibid, 34-35.

<sup>81</sup> Ibid, 36-37.

<sup>82</sup> Ibid, 38-39.

<sup>83</sup> Ibid, 40-41.

## 4.2 From The Business Model Canvas to Lean Canvas

The Business Model Canvas, as a strategic and entrepreneurial tool, was adapted by Ash Maurya<sup>84</sup> and Lean Canvas comes into existence. “*Lean Canvas is a business model hypotheses testing and validation tool.*” It simplifies how we document business models, measure progress and communicate learning.<sup>85</sup>

If we compare Lean Canvas to other formats for documenting business models, such as Worksheets or business plans (which take a long time to create and, as was mentioned earlier, are not even read thoroughly), the 1-page canvas format is much better, because it is:

- **Fast** – business model on a canvas can be outlined in one afternoon unlike 60-page business plan which take several weeks or months to create;
- **Concise** – we are forced to pick our words carefully and to the point by the canvas;
- **Portable** – because a single page business model is much easier to share; it could be read by more people and more frequently updated.<sup>86</sup>

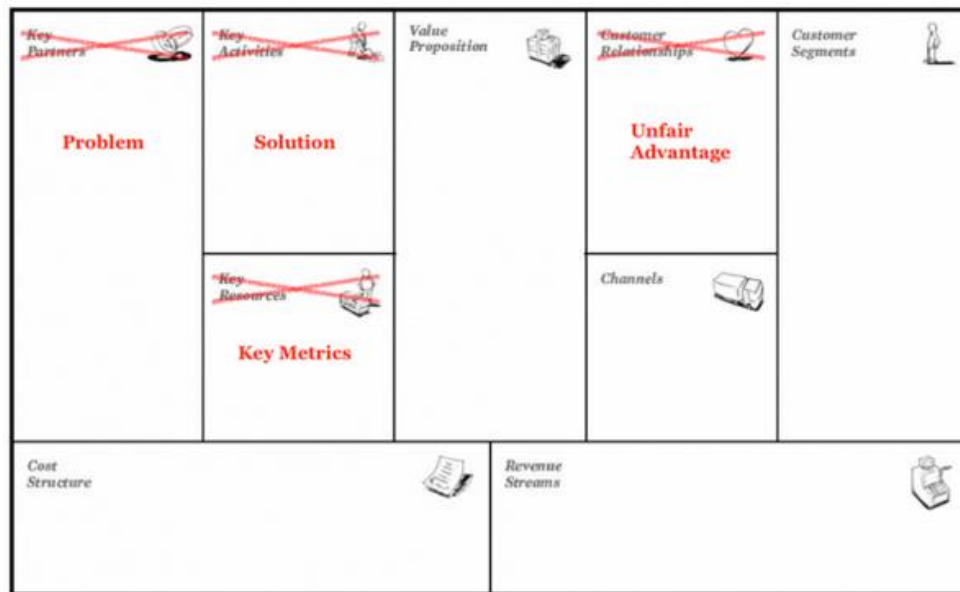


Figure 3 From the Business Model Canvas to Lean Canvas, (www.practicetrumpstheory.com)

<sup>84</sup> The author of *Running Lean: Iterate from Plan A to a Plan That Works* (2012), and creator of *Lean Canvas* (patterned on the Osterwalder’s Business Model Canvas).

<sup>85</sup> Ash Maurya, *Running Lean: Iterate from Plan A to a Plan That Works* (Sebastopol: O’Reilly, 2012), 12.

<sup>86</sup> *Ibid*, 18.

### 4.3 Why Lean Canvas?

When Maurya first exposed to the Business Model Canvas through Osterwalder's book "*Business Model Generation*", he found it beautifully illustrated, but dismissed the canvas approach as too simple. He was more interested in learning how companies like Apple or Skype become so successful (examples in the book), more than illustrated the business model after they were successful. His main objective with Lean Canvas was making it as actionable as possible while staying entrepreneur-focused.<sup>87</sup>

Lean Canvas can be described as a blueprint that guides the entrepreneurs from ideation to building a successful startup. Maurya's approach was to make the canvas actionable while capturing what was most uncertain, in other words, what was most risky.<sup>88</sup>

As we can see on the figure (previous page), Maurya changed four of nine building blocks from the Business Model Canvas:

- **Key Partners** → **Problem** - Wasting of time, money and effort building the wrong product is the reason why most startups fail. We need to find out, if we have a problem worth solving, and a product customer will be willing to buy.
- **Key Activities** → **Solution** – Once we understand the problem, we can define a possible solution. Because the solution is what entrepreneurs are most passionate about and fall in love with the first one that comes on their mind, Maurya keep the "Solution" box small on purpose.
- **Key Resources** → **Key Metrics** – "*A startup can only focus on only one metric. So you have to decide what that is and ignore everything else.*" – Noah Kagan. In an attempt to bring order to the chaos of uncertainty, startups often drown in a sea of numbers, because failure to identify the right key metric can be catastrophic and lead to wasteful activities like premature optimization and while chasing the wrong goal, running out of resources.

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<sup>87</sup> Ash Maurya, "Why Lean Canvas vs Business Model Canvas, *Practice Trumps Theory*, accessed April, 06, 2015 (<http://practicetrumpstheory.com/why-lean-canvas/>)

<sup>88</sup> Ibid

- **Customer Relationship** → **Unfair Advantage** – In other words, competitive advantage, is something that cannot be easily copied or bought. This box should encourage us to work towards finding/ building our unfair advantage.<sup>89</sup>

#### 4.4 Business Model Design Process

Every business model design project is unique and every organization starts from a different point and has its own context and objective. This project has five phases:

- **Mobilize** – it is a preparation for a successful business model design project. We are focusing on setting of the stage. We need to assemble all the elements for successful business model design, describe the motivation behind the project, and establish a common language.
- **Understand** – in this phase we do a research, analyze elements needed for the business model design effort and collect information (potential customers, interview experts, identify needs and problems).
- **Design** – we should generate and test viable business model options and then select the best, transform the information from the understand phase into business model prototypes that can be explored and tested.
- **Implement** – with the focus on execution we implement the selected business model design.
- **Manage** – in this phase we should set up the management structures to continuously monitor, evaluate and adapt or transform our business model. We must focus on evolution and response to market reactions.<sup>90</sup>

#### 4.5 Lean Canvas Design Process

As was mentioned above, in contrary business plans took several weeks or months to create business model (Lean Canvas in this case), should be sketched in several minutes or hours. It is okay to say “I don’t know” rather than trying to research or debate the right answer because some elements like *Unfair Advantage* take time to figure out. We should think in present, because business plans try too hard to predict the future and we should

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<sup>89</sup> Ash Maurya, “Why Lean Canvas vs Business Model Canvas, *Practice Trumps Theory*, accessed April, 06, 2015 (<http://practicetrumpstheory.com/why-lean-canvas/>)

<sup>90</sup> Alexander Osterwalder, *Business model generation: a handbook for visionaries, game changers, and challengers* (Hoboken: Jon Wiley & Sons, 2010), 244-249.

start with the *Customer Segment* (customer-centric approach). In the chart below we can see method of canvas process by Ash Maurya.<sup>91</sup>

<p><b>Problem</b></p> <p>Top 3 problems</p> <p style="text-align: center; font-size: 2em;"><b>1</b></p>	<p><b>Solution</b></p> <p>Top 3 features</p> <p style="text-align: center; font-size: 2em;"><b>3</b></p> <hr/> <p><b>Key Metrics</b></p> <p>Key activities you measure</p> <p style="text-align: center; font-size: 2em;"><b>6</b></p>	<p><b>Unique Value Proposition</b></p> <p>Single, clear, compelling message that states why you are different and worth buying</p> <p style="text-align: center; font-size: 2em;"><b>2</b></p>	<p><b>Unfair Advantage</b></p> <p>Can't be easily copied or bought</p> <p style="text-align: center; font-size: 2em;"><b>7</b></p> <hr/> <p><b>Channels</b></p> <p>Path to customers</p> <p style="text-align: center; font-size: 2em;"><b>4</b></p>	<p><b>Customer Segments</b></p> <p>Target customers</p> <p style="text-align: center; font-size: 2em;"><b>1</b></p>
<p><b>Cost Structure</b></p> <p>Customer Acquisition Costs Distribution Costs Hosting People, etc.</p> <p style="text-align: center; font-size: 2em;"><b>5</b></p>		<p><b>Revenue Streams</b></p> <p>Revenue Model Life Time Value Revenue Gross Margin</p> <p style="text-align: center; font-size: 2em;"><b>5</b></p>		

Figure 4 Lean Canvas Design Process, (www.practicetrumpstheory.com)

Because “Problem-Customer” pair usually drives the rest of the canvas we should start with the list of top 3 (1-3) problems (for every customer type we are working with), that need to be solved. Unique Value Proposition (UVP) is one of the most important boxes on the canvas and also the hardest to get right because we have to distill the essence of our product in a few words. And it needs to be different. We should pick our “key” words carefully and own them (e.g. Performance = BMW, Design = Audi and Prestige = Mercedes). Next we should be ready to start documenting the minimum feature set needed to solve our top 1-3 problems. Then it is very important to start finding, building and testing a significant path to our customers from day one by Channels (e.g. by using Content Marketing). We should continue with Cost Structure and Revenue Streams, and if we intend to charge for our product, it is better to be upfront about it. It starts to generate cash flow and lets us start tackling one of the riskier parts of our business model early. Even though startups are chaotic, we should document the 1 or 2 key activities we will use.

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<sup>91</sup> Ash Maurya, *Running Lean: Iterate from Plan A to a Plan That Works* (Sebastopol: O’Reilly, 2012), 41.

Finally, the Unfair Advantage is usually the hardest section to fill, therefore, we should write it last. As was mentioned above, we may initially have to leave this box blank.<sup>92</sup>

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<sup>92</sup> Ash Maurya, *Running Lean: Iterate from Plan A to a Plan That Works* (Sebastopol: O'Reilly, 2012), 43-73.



## **II. ANALYSIS**

## 5 LEAN CANVAS

In the practical part, the author focuses on the business plan creation and establishment of new hand car wash and detailing service enterprise, by using the Lean Canvas business model and knowledge from theoretical part.

### 5.1 Problem

As was mentioned in the theoretical part, the very first thing we must take into account is to specify the main “Problem” we want to solve. The main issues motivating the author to set up a company are:

- Unattractive scratches on the vehicle paintwork caused by unprofessional washing processes, maintenance and inadequate protection, resulting in unsightly overall appearance of the vehicle and decreasing its value,
- Large amount of new cars roll of the production line without any protection coat (wax, sealant, etc.) protecting paintwork against UV rays and weather conditions,
- Lack of time (or information, or place) of car owners to properly maintain their cars (exterior, interior, wheels, engine bay, etc.) to keep them from visual aging
- Carwashes using low-quality products and chemicals unfriendly to the environment and paintwork as such.

It can be clearly concluded from these problems that the author decided to establish a business in the field of car wash service with providing additional (in this case detailing<sup>93</sup>) services. To get rid of or to avoid unsightly scratches on paintwork is possible in two ways – the first one is detailing (polishing - mechanical paintwork correction) and second, which is to prevent their occurrence by application of protective layer or coat (e.g. wax, sealant, ceramic protection, nanotechnology, etc.) and following the right instructions for cleaning and car maintenance. Unfortunately, new cars already leave the factories with no protection and dealerships with those scratches (after they are quickly washed before they are sold to new owners). Another issue is that some carwashes are not fairly using eco-friendly products and chemicals, whereas there are a lot of environmentally degradable products that require no wastewater treatment plants these days.

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<sup>93</sup> Detailing – not only paintwork polish process, but completely cleaned (interior or engine bay), hand washed (exterior and wheels) or renovated (paintwork, dimmed headlights, etc.). Emphasis is placed on every detail – therefore it is called detailing.

## 5.2 Customer Segments

Together with identifying issues company wants to solve, it is important to define its “Customer Segments”, in other words, its target customers which will be willing to pay for the service. In connection with the aforementioned problems, there is a list of potential customer segments:

- Sports and luxury car owners
- Classical and vintage car owners
- New car owners
- New and used cars dealerships, exotic car rentals
- Automobile clubs
- Detailing enthusiasts
- Company car owners/ operators

It is possible to provide professional car care to any vehicle and every vehicle can be properly detailed. For example, there are lots of car owners with no clue about such procedure as detailing, but they would like to or are taking care about their vehicle in more preferable way. We need to find these customers/car owners who would like to try our service or would like to learn more about detailing.

## 5.3 Unique Value Proposition

It is also important to think about company’s “Unique Value Proposition” which is offered to customers and gets them to use our services instead of competitions’. UVPs offered by company are:

- Extension of “new-car” look and overall nice appearance of the car (deep shine)
- Paintwork protection against UV rays, weather conditions and further maintenance
- Increase of car’s value (e.g. before selling)
- Intellectual property (know how, necessary knowledge for detailing process on customers own, educational platform – more in “Unfair Advantage”, etc.)
- Eco-friendly products and environmentally degradable chemicals

UVP of the company is basically the quality of performed work. The company’s philosophy is not to wash as many cars as possible in one hour, but to wash car properly by the best possible way to achieve the best results.

## 5.4 Solution

Solution to the aforementioned problems can be:

- Effective and professional car care and paintwork correction (full-detail service)
- Training and consultancy (information, required know how for detailing procedure)
- All of above using eco-friendly and high quality products and chemicals

By providing professional car care, hand car wash and correction service is the company able to remove scratches, repair (polish) and protect (conserve) car paintwork. For detailing enthusiasts and car owners who would like to maintain and wash cars themselves can be provided training and consultancy in the field by the company. We are able to advise what products to use on specific type of paintworks. We are also able to arrange the purchase and distribution of car cosmetic and provide training on their application and correct use.

## 5.5 Channels

To get the service to customers, or to attract customers to the company, we have to choose the correct distribution channels. In the 21<sup>st</sup> century when most people get the content through modern communication technologies and social networks, we decided on these channels:

- Own website
- Social networks (Facebook, Instagram, YouTube, Twitter, etc.)
- Car and Motor Show presentations
- Personal contact and cooperation with car dealerships, automobile clubs, etc.
- Google Advertising and banners on the e-shops (with auto cosmetics, detailing products) and automobile clubs forums

## 5.6 Cost Structure

It is also important to realize and be aware of all significant costs.

- Rent, water and power
- Employees salary
- Purchase costs (chemicals, products, distribution)
- Working website costs and advertising (e-shops, automobile clubs forums, etc.)
- Accounting, Insurance and security expenses

- Equipment purchase (high pressure washer, heavy duty snow foam lance kit, vacuum cleaner, carpet shampooing/ cleaner, microfiber towels, etc.)
- Mobile detailing unit (van – mobile/ movable car wash) expenses

The largest cost items will undoubtedly be monthly rent payments, energy costs (water, power), because carwash consumes high amount of water and electric energy to power high-performance lightning for excellent visibility during washing and detailing processes, and employee salary. To obtain certificate, fundamental employee training (polishing, protection application, etc.) will be paid from funding.

## 5.7 Revenue Streams

If we put together a list of the major items for which we have to pay, we should also put together a list of activities to get that money back and keep the business profitable. The main activities will be:

- Margin from providing the car washing service
- Chemical and product sales commission
- Detailing equipment rental
- Café's partial profit

The main company's income, for sure, will be margin from car washing and detailing service. It should cover workforce, variable and fixed costs. The company would like to cooperate with café as a place where customers can wait, and because it is a great opportunity to hold, at least, the unofficial “*Cars&Coffee*”<sup>94</sup> event. There are many automobile club meetings in Czech Republic, which take place on large shopping centre parking lots, and it would be thematic (and customer attracting) to hold such a meeting. Small income for covering the costs will also be a detailing equipment rental service. There is an opportunity to apply for a construction and reconstruction grant.

## 5.8 Key Metrics

In the first year of business (1 year after opening) were determined these key metrics:

- Satisfied and motivated employee(s)
- Contract with, at least, two dealership for wash / detail service

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<sup>94</sup> Cars&Coffee (official) is a car meeting (North America and Europe), imitated all over the world, where all car enthusiasts with a special car are welcome. More info at: [www.online.carsandcoffee.info/](http://www.online.carsandcoffee.info/)

- Find a partner for café cooperation
- Regular clients and at least 3 cars a day in average

One of the main goals of the company, and not exactly an easy task, will be to find competent, polite (for communication with customers especially) employees with enthusiasm for the business. As was mentioned above, many cars roll off the production line and leave dealerships without any protection, and already with damaged paintwork (scratches). Depending on the first year of business, launching a mobile detail service will be considered. One of company's key metrics is to find a stable and reputable café to cooperate with and have regular clients and at least 3 cars a day.

## 5.9 Unfair Advantage

The best for last is needed to be stated to complete Lean Canvas model – company's Unfair Advantage. What makes the company better than competition?

- Enthusiasm, motivation and inner knowledge
- Using premium products (Swissvax, AutoGlym, Meguiar's, Chemical Guys, etc.)
- Maintenance consultancy (and training program)
- Café (*Cars&Coffee* events)
- Mobile "detailing" unit (van)

In fact, the main unfair advantage of the company is its founder's enthusiasm and motivation to provide the best car care in the region. Thanks to the Henry Ford's statement, that quality means doing things right when no one is looking, we believe, that company's motto: "Because good is not enough" is sufficient motive. Providing service in better than good quality means, using premium product and chemicals. There is no other car wash providing maintenance consultancy, in the Ostrava region because they want customers to come to them.

<b><i>Problem</i></b>	<b><i>Solution</i></b>	<b><i>Unique Value Proposition</i></b>	<b><i>Unfair Advantage</i></b>	<b><i>Customer Segments</i></b>
Scratches on paintwork	Paint correction and protection	Increase of car's value and extension of new car appearance	Enthusiasm, motivation and knowledge	Sport and luxury car owners
Unprotected new car paintworks	Training and consultancy	Paintwork protection against UV rays and weather conditions	Cars&Coffee, parking lot	Classical and vintage car owners
Lack of car owners' time and information	Using eco-friendly products	Environmentally degradable products	Mobile detailing unit (van)	New and used cars dealerships
Carwashes using low-quality products and chemicals	<b><i>Key Metrics</i></b> Satisfied employees  At least 2 dealerships contracts  1 mobile detailing unit (van)	High-quality car care  Replacement vehicle within detailing procedure	<b><i>Channels</i></b> Own website  Social networks (FB, IG, TW, YT)  Motor Shows presentation	Detailing enthusiasts  Automobile clubs
<b><i>Cost Structure</i></b>		<b><i>Revenue Streams</i></b>		
Rent, water and power (fixed costs) Insurance and security Employees salary  Mobile detailing unit (van)  Purchase costs (variable costs)		Service margin  Products and chemicals sales commission  Equipment rental  Café rent or partial profit		

Table 1 ProDetail, s.r.o. Lean Canvas (thesis author)

## 6 BUSINESS PLAN

### 6.1 Cover Sheet



Figure 5 Company Logo (thesis author)

**Company name:** ProDetail – Automyčka a Detailingové Studio, s.r.o.  
**Place of business:** Poděbradova X, Ostrava – Moravská Ostrava, 702 00

**Owner:** Michal Srovnal  
**Web site:** [www.prodetail.net](http://www.prodetail.net)  
**Legal structure:** Plc. (s.r.o.)  
**Business:** Car wash and detail service



## 6.2 Executive Summary

“ProDetail - Automyčka a Detailingové Studio, s.r.o.” (From here ProDetail), is committed to provide top-class car wash and detail service for (not only) luxury and exotic car owners in the city, and the surroundings of Ostrava. Because there is not high-end car wash and detail service in the city, we decided to enter the market as the prominent car wash service in the region, with high quality services that exceed expectations. ProDetail will be aiming at customers’ satisfaction and interrelationship. It is a company with completely different attitude to the process of car washing and emphasis will be put on the result and quality of performed work.

Hand car wash service is becoming very popular all over the world these days. It is undoubtedly the gentlest and the most thorough method of car washing. Detailing as a part of thorough car washing and further maintenance provides painstaking protection against UV rays and aggressive weather conditions. Car paint can be protected using the newest and high-quality conserving products from 6 months up to 2 years. Before application of this protection, it is recommended to realize mechanical paint correction (paintwork polishing), to assure nice deep shine of the paint without any scratches on the surface.

ProDetail detailing studio will be owned by Michal Srovnal. It is a man with passion for all things car including washing, cleaning and car care. Together with carefully selected employees, we believe we can achieve favor and confidence of the customers. Our goal is to make company’s name a synonym of quality work and the way how to take care of dreams (luxury and exotic cars).

Total amount of finances necessary to establish ProDetail is 1 200 000, - CZK from which 200 000, - CZK will be owner’s equity. ProDetail is looking for an investor from which we seek an investment in amount of 1 000 000, - CZK. Money will be used for reconstruction of the premises and purchase of the basic equipment and facilities for the car wash service.

### **6.2.1 Mission Statement**

The mission of ProDetail is to provide the highest quality car wash service and other additional operations, connected with its further maintenance. We believe that every car deserves proper maintenance and in our point of view there are no special cars, there are only cars that need our special treatment. This special treatment prevents our customer's car from visual aging includes protection and preservation of its value.

### **6.3 The Business**

The ProDetail is currently in the preparation phase. Idea and motive to establish a business in the field of car wash and full-detail service was born approximately three years ago, in 2012. Being petrol head for life, car washing becomes founder's passion as he washes his car on his own and his way only. Over time, the founder started to get more and more of praise on his car and ability to wash it properly, and then he decided to start his own car wash business.

Another motive to establish the ProDetail was fact that over the years the founder was not provided with service with the right attitude and approach to car wash procedure and maintenance he lusted for. After three years of research in the field, the founder came across a variety of approaches and methods of doing this business and he decided to take the best from each. Because luxury and exotic cars in particular are considered art, they should be appropriately treated and washed. And because owners of such cars do not have time to provide them much care themselves (or it does not fit their credit), ProDetail decided to lend a hand and take this task for them.

### 6.3.1 Strengths and Weaknesses (SWOT Analysis)

Strengths	Weaknesses
Individual approach	Low financial resources
High-quality products and service	Higher price for the service
Enthusiasm, self-interest and clear vision	Low awareness of the service (detailing)
Training and consultancy	Lack of business ownership experience
Additional products sale	Dependence on weather
Loyalty program (discounts)	High good facilities costs
Opportunities	Threats
High-growth potential	Debt at the very beginning
Identification and addressing the right employees possibility	Competition (rivalry, inconvenience)
Many additional services	Preference of mechanical or cheaper hand car washes
A large number of potential customers	Refusal to cooperate on the part of dealerships
Extending possibility	Distrust in the service quality
Increasingly popular service	

Table 2 ProDetail, s.r.o. SWOT Analysis (thesis author)

As we can see in the SWOT analysis, there are more major weak points than the strong ones. But our weaknesses show our commitment to face those weaknesses and scale them down or even to eliminate them. The major hitch will be low financial resources, but the company's intention is to follow lean startup advice: think big, start small and scale fast. Another potential problem may be a lack of business ownership experience of the founder. Despite his low age the founder is full of enthusiasm and verve for the business, he is ready to face these problems as well as challenge himself. In fact, founder's enthusiasm, self-interest and clear vision for the business are the strengths uneasy to duplicate, because no two people are alike. Here in the Czech Republic people still prefer mechanical car washes and price is the main reason to decide where put a car for a wash. But based on founder's experience, we believe that this will change soon. Hand car wash service has a high-growth potential and detailing service as such becomes more and more popular.

### 6.3.2 Legal Structure

ProDetail is established by one natural person and the founder decided for Společnost s ručením omezeným, Czech equivalent for Public Limited Company (Plc.). It is the most widespread form of an enterprise in the Czech Republic. It is a convenient legal structure because of low personal liability and from January 1, 2014 the minimum capital required for establishing the Plc. is only 1 CZK (instead of former capital 200,000 CZK).

### 6.3.3 Business Description

According to International Carwash Association (ICA), the origin of the car wash business dates back to the first half of 20<sup>th</sup> century. The detailing service originated in 1970's, even though it was a downturn in car wash business because of the weak global economy (low car sales, high petrol price, etc.), the car wash service stay alive and polishing (paintwork correction) with wax protection come into world. It is a multi-billion dollar industry and there are about 22,000 car washes worldwide with more than 500,000 employees these days.

There are several types of car washes but they can be divided into 3 categories:

- Tunnel wash – cars are washed by automatic machine with wraparound brushes (the most preferred way of washing a car in the Czech Republic so far)
- Self-service wash – coin-operated washing box with high-pressure washer, cars are washed by owners
- Hand wash – the most gentle and thorough way of washing a car. Cars are washed by employees using high-pressure washer

ProDetail falls into the hand car wash category. Why wash the car by hand? This type of car washing is becoming very popular all over the world and it is undoubtedly the gentlest method of washing cars. There are different ways how to wash a car by hand, from washing at home with a garden hose, bucket and sponge to a professional hand wash process (known as a detailing nowadays), using a high-pressure washer, lot of products and following the right procedure instructions. Almost every new car has maintenance instructions in its service manual and the more complicated, better equipped and more expensive car it is, the more instructions how to maintain it, it has. This method of car washing cannot be replaced with any other technology today, though they are very advanced. The quality of hand washing is absolute and cannot be compared with any other way of washing a car.

### 6.3.4 Service Description

ProDetail will provide these services:

- Exterior washing
- Interior cleaning
- Car detailing
- Sale of detailing products
- Detailing consultancy and training

*Exterior* - During the hand washing process car is not only thoroughly cleaned, but also protected by a basic protection coat against weather conditions. There are many types of paintworks on cars all over the world. For example, German cars have hard and thick layer of paint against Japanese cars, whose paint layer is soft and thin and it is possible to leave a mark (scratch) with a nail. Special care is given to the wheels using specially designed brushes for cleaning and to tires, which are impregnated to remain beautiful black, shiny and new-looking.

*Washing* – It is important to properly get rid of dirt otherwise it can cause permanent damage to the paint. The selection of products and methods is also very important because we need to be able to gently lift the dirt from the surface without damaging the paintwork or damage the layer of sealant or wax protection. We use high quality washing gloves made from natural wool (fleece) and microfiber instead of a traditional foam sponge. Woolen gloves can absorb dirt during the washing process into fabric and gently lift dirt from the surface and take it away. Traditional foam sponge cannot absorb dirt in its structure. This fact results to foam sponge just moving collected dirt on the car's surface and creating scratches which eventually cause severe damage to the paintwork.

*Products* – Concerning the products, we are using effective shampoo that is uncompromising to the dirt but it must not be aggressive toward protective layer (sealant or wax) on the car at the same time. Most shampoos used in tunnel car washes or self-service boxes are very aggressive, so it is better to avoid them. If the car is washed regularly and protected by sealant or wax, there is no need to use aggressive shampoos. It is very easy to remove the dirt from regularly maintained vehicle. ProDetail is using pH-neutral shampoos containing quality natural oils that lubricate dirt and minimize the possibility of paintwork damage. It leaves a beautifully smooth surface thanks to which the drying of a car becomes

much easier. The gentlest method for drying maintained car with protective layers is by the combination of compressed air and microfiber drying towel.

**Interior** – Every vehicle will be carefully and thoroughly vacuumed and we will tune all the details with cosmetics designed for interiors so customer will be excited about our results.

**Polishing** – Paintwork care, with mechanical polishing process, is basically an intervention into the vehicle's paint and cannot be repeated indefinitely. Mechanical polishing is the process of machining surfaces with a very fine amount of material removal. The surface is after polishing process clean, smooth with a deep shine (To see the difference before and after, see enclosed supporting documents). The main purpose is to improve the appearance and enhance the quality of the paint finish on the vehicle. The actual polishing is very difficult intervention to paintwork in terms of technology. Great emphasis is placed on experience otherwise the paint could be irreparably damaged. It is necessary to use professional equipment (polisher, polishing pads, paste, clay bar, etc.). After completion of the entire polishing process, it is necessary to close the paintwork by sealant or wax, to surface stability and protection.

**Protection** – No matter how good the paint on the vehicle is, the total surface condition will get worse and worse over time. Gloss will fade and begin to expose various defects and surface contamination. Therefore it is appropriate to prevent surface damage. One of the solutions is to protect vehicle paint from the weather conditions and pollution by using protective film – wax. According to the origin of the product, it can be divided into two basic groups: synthetic and natural waxes.

Synthetic waxes are mostly products obtained by refining crude oil and they should not correctly even be called waxes. Appropriate name is from the English “sealant”. High quality sealants are able to offer a protection for up to 6 months. One of state of the art synthetic sealants is utilizing knowledge of nanotechnology – also called as “ceramic” protection because it uses as a main component silicon oxide.

The most famous natural wax used to protect the surface of the cars is carnauba wax. It is very hard in its natural form (harder than concrete) and is harvested from withered leaves of the palm *Copernicia prunifera*. Common waxes in our market contain 3-5% ratio of carnauba wax in the product, but we will offer range from world-famous manufacturer Swissvax, containing 30-76% of carnauba wax in the product.

**Sale of products** – To selected customers, whose car was completely cleaned and detailed at our company, or on customer request, we are prepared to sale the basic products

for maintenance of their vehicle (e.g. pH neutral bodywork shampoos, wheel cleaners, tire dressings, drying towels, washing gloves, clay bars, etc.).

*Consultancy and training* - For detailing enthusiasts we are willing to provide basic training at detailing process and machine polishing of the paintwork. Because the detailing process is very time-consuming and requires experience to avoid damaging the paint, it will be marginal service, provided to those with serious interest only.

### **6.3.5 Intellectual Property Description**

Because hand car wash and detailing services have clear guidelines and instructions to follow, the founder's know how and experience can be considered as an intellectual property, as well as the approach to customers and consultations of the detailing process. The company's name will be enrolled into business register as "ProDetail - Automyčka a Detailingové Studio, s.r.o." Last but not least, founder's relationships and contacts with people in the field of car wash and detailing, will help during the employee recruitment.

### **6.3.6 Location**

ProDetail's proposed location is in the Ostrava city centre on the Poděbradova Street. There is an abandoned building which used to be a warehouse or garage, and disfigures its surrounding in the city centre. Therefore, we also think that surrounding areas' insight will benefit from the restoration and reconstruction of the building. There is an advantageous parking lot and pub in distance of 100m, which can be an excellent opportunity for cooperation in the spirit of the Cars&Coffee event. In the radius of 5 kilometers there are four companies with similar services which are considered as competition. They will be further analyzed in the Marketing / Competition section. There are also few automatic tunnel car washes, mostly being part of the gas station. Location looks very promising, because 350 m from the place there is a large shopping center Forum Nova Karolina and the whole area is frequently visited by target car owners.

### **6.3.7 Management and Personnel**

Michal Srovnal is the sole partner and manager of ProDetail. Because the car wash business is more or less seasonal business, the company decided to hire one full-time car wash and detail specialist, and during the summer months will hire an assistant on part-time job if necessary. All workers (full and part time job) will be thoroughly trained to perform the best service result and prevent the vehicle damage. Accounting and record keeping will be in charge of Mrs. H, a family member with more than 25 years of

experience in the field. Managing of website and social network pages will be in charge of Mr. K, long-time friend of the founder. Together with Michal Srovnal, Mr. K founded a successful automobile club and launched a page for car enthusiasts on the social network few years ago. We provisionally agreed that for the website and social network maintenance, because of a relationship, Mr. K will have a car wash service for free (basic exterior washing and interior cleaning – vacuuming).

### **6.3.8 Records**

As was mentioned above, record keeping and accounting will be in charge of Mrs. H, a family member with more than 25 years of experience. She will have access to records and information will be kept in electronic but also in written form. In the initial part of the business there will not be used any accounting software.

### **6.3.9 Insurance**

Insuring will be in charge of Mr. O, another long-time friend from school who is in the field of finance and insurance for a short time. Because of his professional connections and excellent working results, we are convinced for mutual cooperation. All ProDetail employees will be insured against causing property damage.

In case the car arrives with some damage on the paint or bodywork and customer tries to accuse us that we have caused the damage, we will prevent this situation by signing the handover protocol and also photo documentation of the state before and after (not only recordkeeping and insurance, but also useful for marketing).

### **6.3.10 Security**

Both, the working area inside of the car wash and the area around (parking lot and entrance) will be monitored by industrial camera recorders. Customers thanks to this may feel safer and can be assured their car is in good hands and nothing from the vehicle will be lost during the cleaning process.

### **6.3.11 Litigation**

At the moment, the ProDetail is not in any litigation. This state is partly due to effort to have bulletproof obeying of rules. This shields the company from “random” (read “sent by competition”) inspection, their conclusions and possible legal actions. In case it happens, we are ready to contact and cooperate with one of the leading law firms and solve



the inconvenience as quickly as possible. Even in this case it is because of a good founder's relationships.

## 6.4 The Marketing

The market itself is very difficult to define, but we decided to define it according to the type of car. There are luxury car owners using services of tunnel washes. Vice versa, there are ordinary car owners which require the best detail service and are willing to pay thousands for the car maintenance. ProDetail targets every car owner with this state of a mind, whether it is an ordinary car or exotic sports. Regarding the competition, there are four major companies in the radius of 5 kilometers from the proposed ProDetail's headquarters. These four companies were analyzed and based on the facts we can conclude what is the average demand for hand car washing service in the area.

### 6.4.1 Markets (Customers)

ProDetail market segmentation:

- Regular customers
- Special occasion and one-timers (wedding, celebration, car sale)
- "Unfaithful" customers
- "Always-clean-car" customers
- Customers with extra requests
- Contract customers (dealerships, fleets)
- Mobile detailing unit customers

**Regular customers** are going to car wash regularly, may it be weekly, monthly, or otherwise. Main reason of their visit is not how dirty their car is but to have clean car on regular basis. These customers are valued because they are main source of income and moreover their cars are easier to maintain clean. This also means there is less work and time needed to clean their car. All of above means more profit and/or potential discount for regular customers.

**Special occasion and One-timers** are types of customers we want to make our regular customers. But they may come only for special occasion e.g. wedding, celebration or even car sale. During these occasions they want their cars to impress which is good opportunity for our promotion. Other potential reason for one time visit might be when customer borrows someone's car and wants to return it perfectly clean.

**Unfaithful customers** another group we want to make regular. These cars might visit either tunnel car washes or any other competition. They could also wash their car themselves.

**Always-clean-car customers** are customers who want their car perfectly clean. This group of customers has high demands on quality service and can be considered as regular customers. They are nearly like detailing enthusiasts and to have a car clean and protected is their hobby. The demand for detail service is especially in the summer months, when there are plenty of car events and motor shows after a long winter break.

**Customers with extra requests** are those who need for example headlight restoration, “ceramic” coating, carbon fiber parts maintenance, leather conservation and other services that are not as frequently demanded or common as cleaning service itself.

**Customers with contract** might be new and used car dealerships, owners of company cars. These customers have one privilege over an others and that is they do not have to pay cash right after cleaning process (invoice due to the end of a month).

**Mobile detailing unit customers** are customers who are little too busy to visit our premises or simply do not want to leave the car unattended. These customers are great opportunity for additional product sales. When is their car washed or detailed, we can offer them shampoo for example, or drying towel.

Above described groups of customers might overlap but in the end we want all customers to come back on some kind of regular basis.

#### **6.4.2 Competition**

In the following tables we can see result of the competition analysis. (Author decided not to use real company names). All competitors offer the services of hand washing and interior cleaning. Three of them also offer detail services (paint correction, wax / sealant protection, etc.), but it is not their main focus. It is quite surprising how large price differences between these companies are in various washing and cleaning operations. We have tried to summarize pros and cons of the competition and compared it to ProDetail. The analysis was done on the basis of a complete (exterior + interior) washing process. The average hand car wash demand is 8-10 cars a day.

### Competition analysis

	Exterior, Interior, Engine	Detail Service	Working Hours	Mobile unit
<b>Car wash “A”</b>	•	•	Non-stop*	•
<b>Car wash “B”</b>	•	•	7:30 – 21:00	
<b>Carwash “C”</b>	•		8:00 – 18:00	
<b>Car wash “D”</b>	•	•	8:00 – 18:00	
<b>ProDetail, s.r.o.</b>	•	•	8:30 – 17:00	•

Table 3 Competition Analysis, (thesis author)

\* Nonstop working hours (the customer must call 2 hours in advance).

The car wash “A” has an advantage over other companies because of the tire service as additional service. Another advantage is nonstop working hours. This competitor has also a mobile car wash unit we want to run as well. Its disadvantages are higher price in value for money ratio and pricing by size of a car.

The car wash “B” offer 30% price off every fifth visit. Its big advantage is location, because this car wash is situated in underground parking lot under the shopping centre. It has a lot of washing programs to choose from and this might be quite confusing for an ordinary customer and it takes a long time to read it through.

The car wash “C” does not offer a detail service. It is purely a car wash and interior cleaning service offering company. They have attractive website and promising location.

The car wash “D” offers replacement vehicle during the wash process for a fee, it also has own tire service. In this case it is rather service station with additional car wash service.

### Pricing Policy Analysis

In the following chart we have analyzed the pricing policy of the complete car wash process (exterior + interior) and how much time it takes.

<b>Complete Car Wash Process</b>			
	Working procedure	Price (VAT included)	Time
<b>Car wash "A"</b>	Pre-wash, hand wash, drying with buckskin towel, windows cleaning, vacuuming, dashboard cleaning	1500 - 1900,- CZK*	120 – 180 min
<b>Car wash "B"</b>	Snow foam pre-wash, hand wash, drying with microfiber towel, wheels cleaning and tires impregnation, vacuuming, dashboard cleaning and windows	850,- CZK*	90 – 120 min
<b>Carwash "C"</b>	Pre-wash, hand wash, drying with buckskin and cotton towels, wheels, vacuuming, dashboard cleaning, windows	900,- CZK	60 – 240 min
<b>Car wash "D"</b>	Pre-wash, hand wash, drying with buckskin towel, wheels, tires, windows, vacuuming, dashboard cleaning, leather seats impregnation	1800,- CZK*	120 – 180 min
<b>Average (A-D)</b>	-	1313,- CZK	140 min

Table 4 Pricing Policy Analysis, (thesis author)

\*Depends on the car size (SUV, Van, etc.)

ProDetail targets the quality-conscious customers who insist on the quality of performed work. Possible competitors in this field, especially in the detail service field, are detailing enthusiasts who perform this service as a hobby. ProDetail would like to focus on this kind of people and find potential employee(s) between them, because ProDetail wants to employ individuals who will work as a hobby.

### 6.4.3 Distribution and Sales

ProDetail is a car wash facility, therefore customers will come for service and there is little to none need for distribution channel. It is intended to start a mobile car wash unit (detailing unit), so there is a possibility of coming to customers. Also included in the mobile car wash unit will be limited range of car cosmetics for sale. It is important to ensure a stable supply of washing and detailing products, chemicals and any other necessary auto cosmetics supply. Sale of car care products and cosmetics is intended to be an additional income to raise public / potential customers' awareness of the company.

### 6.4.4 Marketing mix (4Ps)

#### Product

ProDetail provides high-end hand car wash and detail service. Product sales and detail educational and training platform.

#### Price

The price will not be adjusted according to competition prices. The price will be adjusted to the costs and quality of the service. ProDetail wants to differentiate by targeting customers willing to pay for quality, so low prices are not our priority, but high quality result is. There is a list and prices of ProDetail's wash and detail service programs.

- 1. Basic (850,- CZK)
- 2. Business (1 800,- CZK)
- 3. Exclusive interior (2 700,- CZK)
- 4. Exclusive exterior (4 500,- CZK)
- 5. Paint Correction (negotiable price, from 6 700,- CZK)
- 6. Protection (negotiable price, from 1 500,- CZK)
- 7. Protection + (negotiable price, from 12 000,- CZK)

(For what every program includes, please look at the end, The Supporting Documents).

#### Placement

The offered service will be provided in ProDetail's facilities, on the Poděbradova Street, Ostrava from Monday to Friday (8:30 – 17:00).

#### Promotion

Several methods (web site, social networks, detailing forum) will be used for promotion and regarding to company start will be distribution of leaflets, and for the first 50 customers there will be the possibility to use our paintwork condition consultancy with 30% off the price for program 5. Paint Correction.

#### 6.4.5 Market Trends

ProDetail keeps pace with the latest trends in the field of car washing. The company decided to use products of world-renowned brands such as AutoGlym, Chemical Guys, GTechniq and Swissvax. One of the latest trends is so-called ceramic protection based on silicon oxide with resistance to weather conditions and other influence for 2 years. One of the gentlest methods of car washing is by snow foam which covers a car surface by real thick coat and pulls out all the dirt from customer's vehicle.

The best way to dry the car is by compressed air (without touching the surface to prevent scratches) or by soft, microfiber waffle wave towels (able to absorb many times its weight). Regarding the paint correction, the best price-performance ratio gives us carnauba wax protection. Protecting the vehicle insures that customer's vehicle looks brand new and always has a beautiful shine.

Headlight restoration become very popular these days because the sun can completely deteriorate the headlights and makes them really foggy. ProDetail decided to offer the headlight restoration service to remove all the oxidation and faded plastic from the headlights and guarantee a clear gloss. It gives better visibility at night and it is going to make the car look much better. Exotic and luxury cars have bodywork parts made from carbon fiber and when these parts become faded or discolored, we will be prepared for a restoration, polishing and protection of carbon fiber.

#### 6.4.6 Strategy

ProDetail's marketing strategy is very simple. We will let speak the quality of work for us. Based on Nielsen's Trust in Advertising research for 2013, the three most powerful ways to convince customers are: Recommendations from people I know (84%), Branded websites (69%) and Consumer opinions posted online (68%). If people are satisfied, they will tell each other. Therefore we decided not to invest into radio advertising or large format printing. We are going to focus on the detailing forum, create a page (topic) about our company, where post our work and pictures from performed detailing to. In that case, there is big chance to get the credit for the work – "*consumer opinions posted online*". Because of research done in other city (company with very similar philosophy), we believe it is possible to start this way. In cooperation with car dealerships, we would like to persuade them to give new car owners our business cards with recommendations, where to wash and protect their new cars. To reach potential customers who do not use Internet we

want to distribute leaflets behind car windshields, plaster the number plate frame with a company name after asking the owner. It could be cheap but effective promotion.

## 6.5 The Financials

ProDetail is looking for an investor. We are seeking for 1 000 000, - CZK. It is necessary for reconstruction, change in use of real estate, purchase basic equipment and technology and for cover the first half year of business. Founder decided to input another 200 000, - CZK of his own finances in the form of family loan as owner's capital.

### 6.5.1 Balance Sheet

Starting balance sheet will be as follows:

<b>STARTING BALANCE SHEET</b>			
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Long-Term assets</b>		<b>Owner's Equity</b>	
Intangible Fixed Assets	45 000 CZK	Owner's Capital	200 000 CZK
Tangible Fixed Assets	940 000 CZK		
<b>Current assets</b>		<b>Long-Term Liabilities</b>	
Inventories	30 000 CZK		
Bank Account	185 000 CZK	Loan	1 000 000 CZK
<b>Total Assets</b>	<b>1 200 000 CZK</b>	<b>Total liabilities and equity</b>	<b>1 200 000 CZK</b>

Table 5: Starting Balance Sheet (thesis author)

### 6.5.2 Use of Funds

Total amount of money needed for start ProDetail car wash business and detail service was calculated on 1 200 000, - CZK. After consultation with the manager of very similar car wash (105m<sup>2</sup>, service, philosophy, equipment, rent, etc.) situated in different city, the amount of 800 000, - CZK will be used for reconstruction and change in use of real estate from garage to car wash. Demolition works, masonry works, electrical works, antiskid floor, etc. are included in this calculation. The amount of 140 000, - CZK will be used for technical equipment purchase (high pressure washer, vacuum cleaner, carpet cleaner, compressor, polishing machines – rotary and eccentric, hot water heater).

Inventories such as products, chemicals, buffing pads, drying towels, waxes will be purchased for 30 000, - CZK. Together with web design, accounting software will be purchased for 45 000, - CZK.

After all these financial operations there should be left 185 000, - CZK of bank account money. These finances will be used for one-time starting expenses, mostly marketing activity (Google advertisement, print of leaflets and distribution, company logo, etc.) and as a potential financial reserve.

### 6.5.3 Income Statement and Projections

Demand after the hand car wash and detail service of this character is according to research 2-3 cars per day in the first six months of business and 3-4 cars per day in the second six months of the business. For Income statement calculation we decided to use these averages: 3 cars /day in the first year of business, 5 cars /day in the second year of business and 8 cars /day in the third, fourth and fifth year of business. With the average demand of more than 5 cars per day will be necessary to employ second full-time employee. Price for this calculation will be purely average of the first two offering programs - 1.Basic and 2.Business, (i.e.  $850 + 1800 / 2 = 1325$ , - CZK per car), because these two programs are the two most preferred services and the main revenue streams of the business. There is 252 working days in a year. Variable costs are 70, - CZK per one washed car (chemicals, energy, water, drying towels, etc.). Monthly fixed costs are consisted of: Accountant (2 000, - CZK), Rent (15 000, - CZK), Full-time employee (35 616, - CZK), Depreciation / Amortization (10 567, - CZK) = 63 183, - CZK / \*98 799, - CZK with two full-time employees

It must be added the paid interest to the fixed costs 8 333, - CZK/month (100 000, - CZK /year).

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3-5</b>
Cars/Day	3	5	8
Cars/Year	756	1260	2016
Variable Costs/Year	52 920,-	88 200,-	141 120,-
Fixed Costs/Month	71 516,-	71 516,-	107 132,-*
Fixed Costs/Year	858 192,-	858 192,-	1 285 584,-*
<b>Sales</b>	<b>1 001 700,-</b>	<b>1 669 500,-</b>	<b>2 671 200,-</b>

Table 6 Sales (thesis author)



Following tables indicate estimated, crisis and optimistic Income Statement and Projections. (The value of taxes is not entirely approximate as for this profit have been applied managerial depreciations instead of taxes ones.)

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3-5</b>
Sales	1 001 700,-	1 669 500,-	2 671 200,-
Variable Costs	52 920,-	88 200,-	141 120,-
Costs Contribution	948 780,-	1 581 300,-	2 530 080,-
Fixed Costs	858 192,-	858 192,-	1 285 588,-*
<b>P&amp;L before tax</b>	<b>90 588,-</b>	<b>723 108,-</b>	<b>1 344 490,-</b>
TAX (19%)	17 212,-	137 391,-	255 453,-
<b>P&amp;L after tax</b>	<b>73 376,-</b>	<b>585 717,-</b>	<b>1 089 039,-</b>

Table 7 Estimated Income Projection (thesis author)

Due to the loss in the first year of business, the second year income statement was deducted from the tax base. For simplification, the tax loss is not considered in the third year of business. (Table 8)

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3-5</b>
Sales	500 850,-	1 001 700,-	1 502 550,-
Variable Costs	26 460,-	52 920,-	79 380,-
Costs Contribution	474 390,-	948 780,-	1 423 170,-
Fixed Costs	858 196,-	858 196,-	858 196,-
<b>P&amp;L before tax</b>	<b>- 383 806,-</b>	<b>90 584,-</b>	<b>564 974,-</b>
TAX (19%)	0	0	107 345,-
<b>P&amp;L after tax</b>	<b>- 383 806,-</b>	<b>90 584,-</b>	<b>457 629,-</b>

Table 8 Crisis Income Projection (thesis author)

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3-5</b>
Sales	1 168 650,-	2 003 400,-	2 838 150,-
Variable Costs	61 740,-	105 840,-	149 940,-
Costs Contribution	1 106 910,-	1 897 560,-	2 688 210,-
Fixed Costs	858 196,-	1 285 588,-*	1 285 588,-*
<b>P&amp;L before tax</b>	<b>248 714,-</b>	<b>638 972,-</b>	<b>1 429 622,-</b>
TAX (19%)	47 256,-	121 405,-	271 628,-
<b>P&amp;L after tax</b>	<b>201 458,-</b>	<b>517 567,-</b>	<b>1 157 994,-</b>

Table 9 Optimistic Income Projection (thesis author)

#### 6.5.4 Cash Flow Statement

As we can see (Table 13), in the first year of business Cash Flow was affected by investing activity into real estate. In the following years, due to the increase in sales Cash Flow showed a positive development.

	Year 1	Year 2	Year 3-5
Profit / Loss	190 588,-	723 108,-	1 344 490,-
Depreciations	129 000,-	129 000,-	129 000,-
Inventories	30 000,-	0,-	0,-
Receivables	0,-	0,-	0,-
Liabilities	0,-	0,-	0,-
Interest Payments	100 000,-	100 000,-	100 000,-
Tax	17 212,-	137 391,-	255 453,-
<b>Cash Flow from Operations</b>	<b>172 376,-</b>	<b>614 717,-</b>	<b>1 118 037,-</b>
Capital goods expenditure (improvement and repair)	985 000,-	0,-	0,-
<b>Cash Flow from Investments</b>	<b>985 000,-</b>	<b>0,-</b>	<b>0,-</b>
Changes in Equity	200 000,-	0,-	0,-
Changes in Long-Term Liabilities	1 000 000,-	0,-	0,-
<b>Cash Flow from Financing</b>	<b>1 200 000,-</b>	<b>0,-</b>	<b>0,-</b>
<b>Net Cash Flow</b>	<b>+ 387 376,-</b>	<b>+ 614 717,-</b>	<b>+ 1 118 037,-</b>

Table 10 Cash Flow Statement (thesis author)

#### 6.5.5 Break-Even Analysis

For calculating the Break-Even Point was used the following formula:  $Q = FC / (P-V)$   
 where: FC – Fixed Costs (year)

P – Price (service)

V – Variable Costs on one unit (car)

$$Q = 858\,192 / (1325 - 70)$$

$$Q = 858\,192 / 1255$$

$$Q = 684 \text{ (cars)}$$

The company achieved the breakeven point when the 684<sup>th</sup> car is washed. It means there is a possibility to achieve the breakeven point already in the first year of business and as was mention in the market analysis, it is a business with high-grow potential.

## 6.6 The Supporting Documents

### Paint correction



Figure 6 Paintwork after / before polishing (www.exclusivecarcare.co.uk)

### Washing Programs Description

1. BASIC – 850,-, 90min  
(Active foam exterior wash, drying with microfiber waffle wave towel, vacuuming, windows polishing)
2. BUSINESS – 1800,-, 2-3h  
(Active foam exterior wash, liquid wax protection, drying with microfiber waffle wave towel, tire impregnation, vacuuming, dash board cleaning, windows polishing)
3. ECXLUSIVE INTERIOR – 2700,-, 5h  
(2.BUSINESS + interior cleaning with carpet cleaner, leather conservation, interior perfume)
4. EXCLUSIVE EXTERIOR – 4500,-, up to 8h  
(2.BUSINESS + partial paint correction with mechanical polisher, interior perfume)
5. PAINT CORRECTION – from 6700,- 5-12h  
(2.BUSINESS + paint correction with mechanical polisher, interior perfume)
6. PROTECTION – 5.PAINT CORRECTION + 1500(wax / sealant application)
7. PROTECTION+ - from 12000, - (5.PAINT CORRECTION + ceramic protection).

## CONCLUSION

The aim of this bachelor thesis was to create a business plan and to ascertain whether it is feasible or not.

The first part of the theory explained all the terms connected with entrepreneurship and defined the business legal structures in the Czech Republic. The following subchapters concentrated on a business plan and its structure. The thesis also introduced a method called Lean Canvas which helps to create a business model significantly faster and easier in comparison to other methods commonly used when starting business.

Author began with a characteristic of the entire enterprise. The following findings contain more detailed description of the service, target market and the analysis of possible competition, concentrating on what services they provide and what is their pricing policy. Author's findings showed that Ostrava city does not have a carwash offering full detail services, which signalizes a gap in the market which could be filled. Therefore author created a business plan fulfilling described shortage concerning Ostrava market. The results of break-even analysis show a promising development which is visible within the first year of business. Certain businesses do not reach the breakeven point even after five years of doing business. Furthermore the analysis depicts estimated, crisis and optimistic income statement within the first five years.

The thesis should serve as a concrete business plan and provide a potential guidance for beginning entrepreneurs.

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**LIST OF TABLES**

Table 1 ProDetail, s.r.o. Lean Canvas (thesis author) .....	46
Table 2 ProDetail, s.r.o. SWOT Analysis (thesis author).....	50
Table 3 Competition Analysis, (thesis author) .....	58
Table 4 Pricing Policy Analysis, (thesis author).....	59
Table 5: Starting Balance Sheet (thesis author).....	62
Table 6 Sales (thesis author).....	63
Table 7 Estimated Income Projection (thesis author).....	64
Table 8 Crisis Income Projection (thesis author).....	64
Table 9 Optimistic Income Projection (thesis author) .....	64
Table 10 Cash Flow Statement (thesis author) .....	65

**LIST OF FIGURES**

Figure 1: Product/Service Life Cycle .....	19
Figure 2 Business Model Canvas.....	32
Figure 3 From the Business Model Canvas to Lean Canvas .....	35
Figure 4 Lean Canvas Design Process.....	38
Figure 5 Company Logo (thesis author) .....	47
Figure 6 Paintwork after / before polishing .....	66