

A Business Plan for a New Cosmetics Company

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ABSTRAKT

Tato bakalářská práce se zaměřuje na zpracování konkrétního podnikatelského záměru. Teoretická část se zabývá pojmy, jako jsou podnikání a podnikatel, dále zde lze najít potřebnou terminologii a zásady pro vypracování podnikatelského plánu. V analytické části se poté pracuje s těmito zásadami pro vytvoření reálného plánu pro vytvoření nové kosmetické firmy. Velkou část této bakalářské práce představuje průzkum trhu, který byl proveden formou dotazníku a analýzy konkurence. Cílem této práce je formulovat podnikatelský plán pro založení přírodní kosmetické firmy a dokázat, zda je tento podnikatelský plán realizovatelný.

Klíčová slova: podnikatelský plán, podnikání, podnik, průzkum trhu, přírodní kosmetika

ABSTRACT

This bachelor thesis focuses on the creation of a specific business plan. The theoretical part deals with the notions of entrepreneurship and entrepreneur, moreover the required terminology and principles of writing a business plan can be found there. In the analytical part these principles are used to create an actual business plan for a new cosmetics company. The main part of this bachelor thesis represents the market analysis, which was conducted using a questionnaire, and a competition analysis. The aim of this bachelor thesis is to form a business plan for a new natural cosmetics company and determine whether the establishment of this company is feasible.

Keywords: business plan, entrepreneurship, business, market analysis, natural cosmetics

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The future belongs to those who believe in the beauty of their dreams.

Eleanor Roosevelt

CONTENTS

INTRODUCTION	9
I THEORY	10
1 ENTREPRENEURSHIP	11
1.1 ENTREPRENEUR	12
1.2 BUSINESS	13
1.3 TYPES OF BUSINESSES IN THE CZECH REPUBLIC	13
1.3.1 Natural Person	14
1.3.2 Partnership	14
1.3.3 Capital Companies	15
1.3.4 Other Forms of Business Entities	16
2 BUSINESS PLAN	17
2.1 THE ROLE OF A BUSINESS PLAN	17
2.1.1 Internal Role	17
2.1.2 External Role	18
2.2 PRINCIPLES OF BUSINESS PLAN	18
3 STRUCTURE OF A BUSINESS PLAN	20
3.1 TITLE PAGE	20
3.2 EXECUTIVE SUMMARY	20
3.3 GENERAL COMPANY DESCRIPTION	21
3.4 DESCRIPTION OF THE PRODUCTS OR SERVICES	21
3.5 MARKET ANALYSIS	22
3.5.1 Target customers	22
3.5.2 The competition	23
3.5.3 Future trends statement	23
3.5.4 SWOT analysis	23
3.6 MARKETING PLAN	23
3.6.1 Marketing Mix	24
3.7 OPERATIONAL PLAN	25
3.8 FINANCIAL PLAN	25
3.9 RISK FACTORS	26
3.10 APPENDIX	26
4 SUMMARY OF THEORETICAL PART	27
II ANALYSIS	28
5 BUSINESS PLAN	29
5.1 THE TITLE PAGE	29
6 EXECUTIVE SUMMARY	30
7 GENERAL COMPANY DESCRIPTION	31

7.1	OBJECTIVES OF THE COMPANY	31
7.2	LEGAL FORM AND REGULATIONS.....	31
7.3	LOCATION	32
7.4	OPENING HOURS	32
7.5	MANAGEMENT AND PERSONNEL.....	32
8	DESCRIPTION OF THE PRODUCT.....	33
8.1	MAIN PRODUCTS.....	33
8.1.1	Harmonizing serum.....	33
8.1.2	Nourishing body cream.....	34
8.1.3	Flower water mist	34
8.1.4	Lip nectar.....	34
8.1.5	Bath soak.....	34
8.2	SUPPLEMENTARY PRODUCTS.....	35
9	MARKET ANALYSIS	36
9.1	QUESTIONNAIRE.....	36
9.1.1	Market	36
9.1.2	Target customer	37
9.1.3	Pricing	39
9.2	COMPETITION ANALYSIS	39
9.3	FUTURE TRENDS STATEMENT	40
9.4	SWOT ANALYSIS	40
10	MARKETING PLAN.....	42
10.1	PRODUCT	42
10.2	PRICE.....	42
10.3	PLACE.....	43
10.4	PROMOTION.....	44
11	OPERATIONAL PLAN.....	46
11.1	SUPPLIERS.....	46
11.2	EQUIPMENT OF THE SHOP	46
11.3	MANAGEMENT AND PERSONNEL.....	46
12	FINANCIAL PLAN.....	47
12.1	COSTS	47
12.2	REVENUES.....	48
12.3	INCOME STATEMENT	49
13	RISK ANALYSIS.....	50
	CONCLUSION.....	51
	BIBLIOGRAPHY	52
	BIBLIOGRAPHY	53
	LIST OF ABBREVIATIONS	54
	LIST OF CHARTS.....	55
	LIST OF TABLES	56
	APPENDICES	57

INTRODUCTION

The goal of this bachelor thesis is to form a business plan for a new natural cosmetics company and determine whether the establishment of this company is feasible. Business plan is an essential document in a company and even though this exact plan is not going to be used to obtain investors, it serves as an evaluation of the entrepreneurial idea.

The reason why I decided to choose this topic is because as a long time user of natural cosmetics, I was not satisfied with the supply of natural cosmetic products on the market and I saw an opportunity to create a new company, which would suit my needs and probably the needs of many other customers. Cosmetics have been in women's lives since the times of Cleopatra or the Ancient Greece, but since then it has changed a lot. My vision is to go back to the roots and create a natural cosmetics company, which is good for the customer as well as for the environment.

The bachelor thesis is divided into a theory and an analysis. The theoretical part focuses on describing what the entrepreneurship is and the definition of an entrepreneur. It also discusses types of business in the Czech Republic. The main part is, however, formed by the business plan, its principles and its structure. The contents of the business plan are discussed in details and this theory is then used to create an actual business plan for Bohème Eco-Beauty in the analytical part. The business plan contains beside other things a market analysis with a questionnaire, a marketing strategy and a financial plan. The goal is to determine whether the company would be successful and whether the opportunity is worth exploring.

I. THEORY

1 ENTREPRENEURSHIP

21st century is the time of entrepreneurs as role models. The stories of successful businessmen are being written and numerous biographies are being published. People feel motivated by the stories of famous entrepreneurs like Bill Gates, the creator of Microsoft, or Steve Jobs, the founder of Apple Inc., and many others. However, Nielsen suggests that entrepreneurship is rather a “complex phenomenon that occurs in many different contexts, and varies in terms of its scope, process and output.” (Nielsen 2012, 3)

Many types of definitions exist regarding entrepreneurship. The reason for that is entrepreneurship can be practiced in various different disciplines like sociology, psychology or economics, etc. As Baron suggests, entrepreneurship requires the emergence of ideas, which are then evaluated and transformed into a new reality. This activity is usually carried out by a person or a group of people (2014, 4). Consequently, those interested in doing business should think twice before they start and really evaluate their idea. Entrepreneurship can have series of good and bad consequences, and it is dependent on whether the business idea goes as planned or not (Veber and Srpová 2012, 46). However, Nielsen points out that entrepreneurship has overall a positive effect on the individual, organizations and also the society (2012, 4). Some of these effects are described in the following paragraphs.

Entrepreneurship keeps a healthy competition in the economy through continually bringing new ideas alive, introducing new products and services, and implementing new processes into the market (Nielsen 2012, 6). With entrepreneurship markets evolve. Synek and Kislingerová describe the main features of entrepreneurship as follows (2010, 3):

- An activity of which the main goal is a capital appreciation and thus, in the majority of cases, to generate profit.
- To reach profit, one needs to satisfy customers' needs.
- While satisfying needs through his or her products or services, an entrepreneur faces various risks, which he or she must minimize.
- To start a business an entrepreneur must provide a capital; the size of this capital depends of the object of his or her entrepreneurial activity and its extent.

The capital appreciation and generation of profit does not only mean to earn as much money as possible, but rather to increase the value of one's business. There are multiple ways to do that, for example to increase business's market share. However, as important as the capital appreciation is the social function of a business. Entrepreneurship represents a

service to the customer and all the other stakeholders. Therefore, the main goal is to generate profit as a result of satisfaction of the demand, and to satisfy the demand through serving the customer. (Synek and Kislingerová 2010, 4)

The value of entrepreneurship for society is indisputable; entrepreneurs generate and exploit new opportunities that might result in the creation of entirely new organizations. Another outcome could be intrapreneurship - an entrepreneurial activity within already existing organizations, because even established companies should strive to evolve and innovate in order to prosper (Nielsen 2012, 11). Lastly, most individuals could benefit from entrepreneurial approach in their lives. Life is created by series of choices, which lead to a different outcome and therefore, if taken the initiative, one can create his or her own future.

To summarize it all, entrepreneurship is a great phenomenon influencing the individual, society and organizations. Entrepreneurship stands for bringing ideas and dreams alive through organizing and planning and taking advantage of opportunities. It is done in order to generate profit and increase the value of the company, but not only that; entrepreneurship should answer customer's needs and wants.

1.1 Entrepreneur

The heart of a business is the entrepreneur. He or she is perceived as the driving force of innovation and an individual, who is able to create and exploit opportunities (Synek and Kislingerová 2010, 30). According to Sutton, "great entrepreneurs balance their business mission with their spiritual mission, because both are essential and linked to one another". (2010, 30) An entrepreneur with a strong sense of purpose would find the drive to continue and not give up in tough situations more easily (Sutton 2012, 30). As stated by Baron, entrepreneurs also seek to create something meaningful that outlives them, in other words to leave something behind (2014, 13).

Another important trait is the motivation to use the business, human and technical potential to the fullest (Synek and Kislingerová 2010, 4). This does not only apply in relation with others, but also to entrepreneurs themselves. Another of their traits can be described as the desire for self-realization (Baron 2014, 15). Moreover, Seth Godin finds that the entrepreneur should be curious and constantly question the given rules in order to come up with something new and innovative. According to him, one of the most important traits of the entrepreneur would be having a spirit of initiative (Godin 2012, 36-50).

Nonetheless, it may be impossible to say what exactly makes an entrepreneur, because the variables change with each and one of them. There has been an on-going discussion whether an entrepreneur is born or made with no definite answer.

Entrepreneur is born theory:

This perspective focuses on the entrepreneur's character qualities. He or she is perceived as great individual born with set of personality traits that differentiate him or her from others (Nielsen 2012, 26). Some common attributes can truly be found among entrepreneurs, such as the need for autonomy, willingness to take risks, desire for achievement, and a faith in their own abilities (Nielsen 2012, 28). Unfortunately this theory does not take in consideration any external factors.

Entrepreneur is made theory:

On the other hand, the theory of an entrepreneur who is made, is deriving from a fact that one's personality is shaped by the environment. It focuses rather on the interaction of a person with his or her surrounding than on personality traits (Nielsen 2012, 31). Whether or not a person becomes an entrepreneur depends on many factors, like the age, gender, education, upbringing, previous experience etc. (Nielsen 2012, 29). This theory does not disclaim the appearance of common traits among entrepreneurs, but stresses the importance of a life journey and that person is not born an entrepreneur but made one. Therefore, every person has the potential to become an entrepreneur (Nielsen 2012, 37).

1.2 Business

A business is what enables the entrepreneur to perform the entrepreneurial activity (Synek and Kislingerová 2010, 5). It is an economically independent entity – entrepreneurs are given freedom, but are held responsible for the outcome of their entrepreneurial activity, and legally independent entity – possessing the option to create legal relations with other entities on the market and to conclude a contract with them. From a legal perspective, a business is the set of tangible and intangible assets. These assets can be things, rights or other valuable items, which are owned by the entrepreneur and are acquired with the intention to run a business. (Srpová and Řehoř 2010, 35)

1.3 Types of Businesses in the Czech Republic

Choosing the right type of business is an important decision an entrepreneur must make that can have great legal, economic and tax consequences. No type of business is better than the other, but the entrepreneur must carefully evaluate his or her business' situation

and choose the most suitable type. However, this situation could change through out the time, and so can the type of business, if it no longer serves in business' best interest. (Wupperfeld 2003, 39)

En entrepreneur can generally do business as a natural person or as a legal entity. The Trade Licensing Act or another specific permit regulates every business activity in The Czech Republic (Mzv.cz, 2015).

1.3.1 Natural Person

This type of business is done by a single person and its duration is limited by his or her lifetime. On one hand, there are lower regulations from the state and invested capital does not need to be very high. On the other hand the entrepreneur has unlimited liability and in some cases, he or she needs to meet certain qualifications. The most typical kind of natural person is a **sole trader**. (Synek and Kislingerová 2010, 76) This type of activity needs to be done independently, under entrepreneur's own name with unlimited liability and for the purpose of making a profit (Synek and Kislingerová 2010, 76). Srpová and Řehoř list the criteria a soletrader must meet in order to do business. According to these criteria he or she has to (2010, 67):

1. be at least 18 years old,
2. possess legal capacity,
3. have a clean record,
4. in certain cases, additional qualifications can be required

This form of business is quite frequent and most suitable for smaller businesses (Wupperfeld 2003, 41).

1.3.2 Partnership

The name itself reveals that the business is owned by two and more individuals, who share the profits but also the liabilities. In some respects it is similar to a sole trader, but differs in capital possibilities and does not require any special qualifications (Synek and Kislingerová 2010, 77).

General partnership

General partnership, in Czech “veřejná obchodní společnost”, is formed by at least two entrepreneurs, who do business under one common name and together they behave as a legal entity. All partners are managing the business together and bear unlimited liability for the obligations of their business. (Synek and Kislingerová 2010, 78)

Limited partnership

Limited partnership, in Czech “komanditní společnost” is a legal entity consisting of at least two partners. “One or more partners are liable for the obligations ... up to the amount of the unpaid parts of their contributions as registered in the Commercial Register (limited partners), and one or more partners are liable for the obligations ... with all their property (general partners).” (Mzv.cz, 2017) General partners are in charge of managing the business and limited partners act only as a supervisory organ (Wupperfeld 2003, 45).

1.3.3 Capital Companies

These companies are generally harder to establish regarding the amount of administration they require and are also more complex regarding the operation of a business. Moreover capital companies as legal entities are liable to tax (Wupperfeld 2003, 48).

The limited liability company

This is one the most common form of business in The Czech Republic. It acts as a legal entity and its registered capital consists of contributions paid by its shareholders. The company can be founded either by a natural person or a legal person; the maximum number of shareholders is fifty. It is the company, not these shareholders, that is liable for its obligations with all its property. Shareholders are liable only up to the amount of the capital contributions they invested. They regularly meet for shareholders’ meeting and vote who is going to be the executive director and if need to be, the supervisory board. It is mandatory for a limited liable company to keep a double-entry accounting. (Synek and Kislíngrová 2010, 78)

Joint-stock companies.

Joint-stock company, in Czech “akciová společnost” is a legal entity with a capital divided into a number of shares (with a nominal value) that are owned by shareholders. These shareholders do not have any liability whatsoever over the obligations of the company. They meet at least once a year in a shareholder’s meeting and vote the board of directors, which manages the company, and a supervisory board. (Mzv.cz, 2017) If a company decides to form a public offering of shares, the amount of registered capital must be at least twenty million Czech crowns. Without a public offering or shares, required capital is two million Czech crowns. The company’s profit is liable to tax, as are the dividends disbursed to shareholders. (Srpková and Řehoř 2010, 79-81)

1.3.4 Other Forms of Business Entities

Other forms of business exist in The Czech Republic; however, these businesses are not founded that frequently as for example a limited liable company. Among those can be enlisted for example a **cooperative** – an organization, which is not founded in order to generate profit, but rather to satisfy the social and economical needs of its shareholders (Srpková and Řehoř 2010, 81).

Another form of business is a **societas europea** and a **European economic interest grouping**, which both emerged after joining the EU and are subject to European regulations. Lastly, **non-profit organisations** and **public corporations** must be also mentioned. The later are corporations founded by state, in order to provide some important services, e.g. the Czech railways. (Synek and Kislingerová 2010, 82)

2 BUSINESS PLAN

Writing a business plan is not a matter of if, but when. It represents a powerful tool in achieving success. Mckeever describes the business plan as follows: “A business plan is a written statement that describes and analyzes your business and gives detailed projections about its future”. (2012, 6) It basically serves as a company’s resume. And for that reason it is in the entrepreneur’s best interest to write a plan of a good quality.

The document not only serves as a representation when dealing with third parties but also as a management tool. A business plan is a written document used to manage a firm and to plan its future development. It is the planning process that is important, as the document can be also seen as entrepreneur’s tool to exploit opportunities, therefore the thought process behind writing a business plan is essential. (Nielsen 2012, 15)

According to Udo Wupperfeld, in order to gain success in the future, safe foundations need to be laid in the beginning (2003, 11). And for an entrepreneur a good business plan can serve as a sort of foundation stone. It provides all the necessary information about the company; for example, its strategy, market situation, targeted customer and competition, future steps to development, and a financial plan (Wupperfeld 2003, 12). In short, it provides guidance. A business plan is hence one of the most important documents in the company. And as such, it has a huge impact on entrepreneur’s future success.

2.1 The Role of a Business Plan

A business plan should not be just a useless piece of paper. On the contrary, it is a document that plays a great role in turning an idea into a reality (Wupperfeld 2003, 13). It helps the entrepreneur to allocate resources well, manage unexpected complications, and make good choices along the way. Nielsen actually distinguishes two main purposes of writing a business plan, stating: “the business plan may have an important role in the planning of the entrepreneurial process, both internally in relation to the entrepreneur himself and externally in relation to third parties such as investors”. (Nielsen 2012, 155)

2.1.1 Internal Role

Writing a business plan helps entrepreneurs to further elaborate on their ideas. It also makes them think about the strategy and future goals in advance (Wupperfeld 2003, 13). According to Nielsen, writing the business plan is better as opposed to a thought process only, because it ensures critical thinking (2012, 162). Entrepreneurs gain clarity in the supply of products, the market they are operating on, and become aware of all the

stakeholders involved. Moreover, the written document can be used in internal communication in the company and might serve for management purposes (Nielsen 2012, 162).

2.1.2 External Role

Entrepreneurs produce a business plan to become more legitimate in the eyes of the stakeholders and to gain their understanding. Furthermore, a business plan as a written document becomes a necessity when dealing with third parties like banks, investors or suppliers. (Nielsen 2012, 155) Both Wupperfeld and Nielsen agree that the higher the need for a venture capital, the higher the importance of a detailed and realistic financial plan (Nielsen 2012, 161). A business plan is absolutely necessary for obtaining financial help from EU funds, bank loans or cash investments (Wupperfeld 2003, 13-14).

Another important role is the one of reflection. Business plan represents a useful tool in comparing the model to reality. It is important to know whether the firm's turnover lived up to the expectations or not, and in that case to track the cause or weak spots (Wupperfeld 2003, 13).

2.2 Principles of Business plan

Much advice exists on the contents of a business plan. Even though there are universal tips on what should a business plan contain, the ultimate advice given by Nielsen is that "the business plan must be adapted to the opportunity, the situation and the target audience of the plan." (2012, 165)

That said, Jiří Fotr proposes some principles, which a business plan should contain. According to him, a business plan should (1999, 208-209):

- Be brief and well structured
- Be understandable even for a layman
- Be future oriented
- Be as realistic as possible (not overly optimistic, nor pessimistic)
- Address risk factors
- Point out the strengths of a product or service
- Point out competitive advantages and the quality of the management team
- Provide a financial plan
- Be written professionally

Wupperfeld in his book adds that a business plan should also include an explanation of why the final product is desirable and will achieve success. The plan should provide an obvious selling advantage that is original and distinguishable from the competition (2012, 12).

3 STRUCTURE OF A BUSINESS PLAN

At present day, no specific regulation or law exists regarding the structure of a business plan (Srpková and Řehoř 2010, 60). Moreover, the structure is highly subjective as every business is different and as such the framework of its business plan should be adapted to its nature. However, writing a business plan is crucial for the entrepreneurial planning process and certain topics are usually covered to achieve the evaluation of the entrepreneurial idea. (Koráb, Režňáková, and Peterka 2007, 36)

Generally the structure of a business plan has more or less the following form:

- Title page
- Executive summary
- The company description (with the description of the product or service)
- Market analysis
- Plan of production (not always present)
- Marketing plan
- Operational plan
- Risk evaluation
- Financial plan
- Appendix (Koráb, Režňáková, and Peterka 2007, 36-38)

3.1 Title Page

The title page provides only brief information about the content of the business plan. It should list information such as the name and address of a company, the names of entrepreneurs and their phone numbers and e-mails, the description of the company and the nature of the business. It can also mention the way of financing. (Koráb, Režňáková, and Peterka 2007, 36)

3.2 Executive Summary

According to Abrams, an executive summary is the most important part of a business plan. It is important to pay an extra attention to this part, as it is the first thing a potential investor will read. This summary should be clear, straight to the point and it should appeal to its readers and persuade them to continue reading. A good executive summary should give a reason why the business is worth the investment. (Abrams 2010, 54-55) The summary is usually the last thing to write as it introduces and highlights the important points of your plan. It should contain the information about the chosen business concept,

about the product or service the company offers, and the total amount of money needed to begin the business (McKeever 2012, 159). Baron refers to the executive summary as a type of an elevator pitch – brief presentation and promotion of the main ideas to others; the only difference is that the original elevator pitch was intended to be made during an elevator ride and executive summary is written. However, the goal is the same – to persuade the receiver to want to know more. (Baron 2014, 126) Abrams adds that it should be written in a positive tone and be compelling, but always truthful (2010, 54).

3.3 General Company Description

The main objective of this section is to communicate the basic information about the company, for example: the legal form of a company, its location, management, the mission of the company, its achievements etc. (Abrams 2010, 68-75). And concerning a newly starting company it can require a lot of planning.

This part of the business plan should contain a detailed description of the company, so that investors can create a true image about the company. It should also define the company's strategy and provide a roadmap to the future goals (Koráb, Režňáková, and Peterka 2007, 36). McKeever also points out that successful businesses have one thing in common – they are useful for their customers (2012, 27). They take interest in customers' problems and try to solve them. A successful business should respond to the needs of customers by solving their problems and offering them a solution.

3.4 Description of the Products or Services

This section can be fairly subjective. On one hand, some products or service are highly innovative and therefore require longer descriptions, on the other hand a large variety of well-known products or services do not have to be discussed in full details (Abrams 2010, 74). But overall this is the part, where to excite the reader about the company's products or services. It is advised to start with the main activity (product or service) the company delivers and then it is usually good to continue with other activities. It is only logical to go from the most important element to the not so important ones. Moreover, it is better to avoid too many technical details, because the reader might not be an expert in the described field and it would be a mistake to bore or confuse him or her. (Koráb, Režňáková, and Peterka 2007, 61)

3.5 Market Analysis

When starting a business it is crucial to know the market and its particularities. Investors will invest only in a company operating on a market with a growth potential, therefore it is important to thoroughly analyze the market, its opportunities, target customers and the competition. (Wupperfeld 2003, 63)

Every business is a part of a bigger picture – the industry – and getting to know the industry will result in a better understanding of external factors affecting the individual business. Firstly, businesses can be generally divided among four sectors – service, manufacturing, retail and distribution – and each of these sectors has its own performance and trends (Abrams 2010, 86). The entrepreneur should know in which sector and industry he or she operates and realize what it entails.

Moreover, the whole market can be divided (according to certain criteria) into smaller segments, which will help the entrepreneur focus only on a particular part of the market and find the target customer. The entrepreneur should choose which segment of the market he or she will target hence the name the target market and target customers. He or she should define this target market and describe its characteristic features. (Wupperfeld 2003, 64) If this goes well, it is easier for the entrepreneur to match the target customers' needs and desires and thus reach success. The target market with target customers must be chosen carefully. This market segment should be big enough so that the business can make profit, and has a growth potential so that the business has a future (Koráb, Režňáková, and Peterka 2007, 62).

In order to succeed the entrepreneur should also analyze the two most important players on the market – customers and the competition.

3.5.1 Target customers

In order to provide a good service, an entrepreneur must truly know the business' customers. If the entrepreneur wants to satisfy the customers' needs, he/she must know how to answer questions such as (Wupperfeld 2003, 70):

Who actually is the target customer?

What are their needs and desires?

What are their buying patterns – what and how often they purchase?

What is their biggest buying impulse?

3.5.2 The competition

The goal is to define, who is the competition and their possible influence on the business. The main competitors are those, who sell to the same target customers and are very similar to the business, and also the biggest companies on the target market. The entrepreneur should think of the strengths and weaknesses of these competitors and somehow differentiate the business from the competition. (Wupperfeld 2003, 71-72)

3.5.3 Future trends statement

Last but not least, it is wise to think of all the trends, which will affect the business. It shows the reader, a possible investor, that the author of a business plan has thought about the future. (McKeever 2012, 34) The predictions may not be perfect, but at least they show a particular vision of where the business is heading.

3.5.4 SWOT analysis

SWOT is one of the most often produced analyses. It assesses the state of a company according to its strengths and weaknesses, and determines the opportunities and threats of its environment (Koráb, Režňáková, and Peterka 2007, 48). Strengths and weaknesses represent internal factors that the entrepreneur can influence and has power over them. On the other hand, threats and opportunities are external factors that the entrepreneur cannot influence, but can only adapt to them.

3.6 Marketing Plan

Marketing plan is often considered one of the most important parts of a business plan and a section, which investors pay extra attention to. It carries information about the price calculation of a product or service, its distribution and promotion. (Koráb, Režňáková, and Peterka 2007, 38) After the competition and customers are identified it is time to plan the strategy for the business to stand out (business.gov.au, 2017). And marketing plan is the document that helps the entrepreneur achieve that. It is a document that tells the entrepreneur what, how and when will be done and if executed properly, it also helps the entrepreneur identify potential problems and solve them efficiently (Blažková 2007, 17).

Marketing is much more than just advertising. It is the stance a company adopts on the market. Even more, marketing stands for the company's orientation on the customer. The products or services of the company are developed to satisfy the customers' needs. They need to be reasonably priced in order to succeed on the market and have an advertisement campaign focused on the benefits of the product or service that will persuade the customer

to buy it. Moreover the marketing manager should identify on which platforms to approach the customer. (Wupperfeld 2003, 75-77) Overall, the company needs to have a strong planning and strategic approach. Because planning the future goals will help form the marketing strategy and it also enables to the company to compose a plan of marketing mix.

3.6.1 Marketing Mix

Marketing mix identifies the individual steps that need to be taken to put the marketing plan tactics into action. It is also often called the 4 P's as it covers the topics of product, price, place, and promotion. (Business Victoria, 2017)

Product

Here should be answered what is the company going to offer. The product should possess some unique selling proposition, something that differs it from the competition, and the future development of the product or other spin-off products. Information about packaging and other details can be mentioned. (Business Victoria, 2017)

Price

A customer is willing to buy the company's product or service only if the price is smaller than the benefit gained from the product or service. This benefit is not only based on the objective properties of the product or service, but also on a subjective value it has for the customer that can be influenced by marketing. (Wupperfeld 2003, 84)

Pricing policy

Among the pricing policies can be categorized all decisions and activities done in regards to the product or service, for example pricing the product or service, the sales policy, supplier policy etc. (Wupperfeld 2003, 87) However the most important part of the pricing policy is pricing the product or service. The requirements for the price are as follows (Wupperfeld 2003, 87):

1. It needs to cover all costs and ensure profit
2. It needs to consider customers' economical situation (willingness to pay)
3. It needs to take in consideration the prices of competition

In the words of U. Wupperfeld the right price covers all costs and still generates profit, it is acceptable by the target customers and can compete with the competition (2003, 87).

Place

This part deals with the ways how to, or where to sell the product or service. It covers not only the location, where the product can be a purchased, but also related distribution channels. The entrepreneur should think about the third parties involved, if he or she will

use a sales person to sell the product or sell through a wholesaler. (Synek and Kislingerová 2010, 218) Whether it will be a brick-and-mortar shop or an e-shop etc. The data gathered from the market research can be very useful in this section.

Promotion

The main goal is to inform customers about the product or service. “Promotion is about attracting the right people to use and reuse [the] business.” (Business Victoria, 2017) There are many ways to do that, using for example branding, public relations and advertising. All these combined can form a successful strategy of promotion.

3.7 Operational Plan

The operational plan is depending on whether the company is manufacturing goods, retailing or offering service. This plan’s content is quite broad; it should cover how its materials are being sourced, what facilities and equipment are being acquired, how the business is going to be run, and who is going to work in the company (Entrepreneur.com, 2015).

As Rhonda Abrams states, people involved in the business play an important part in determining company’s future success. Investors are usually interested in who is involved in the project, their skills, experience and expertise, because they mainly invest in the team (2010, 215-231).

3.8 Financial Plan

Financial plan is present in the business plan to ensure the overall plan makes sense from financial point of view. The entrepreneur should firstly think about the financing of his or her business and if it is going to be covered by his or her own savings, bank loan, venture capital or investment from a business angel. An accurate estimation should be given regarding the capital budget required to start the business and a simple balance sheet should be formed. (Červený et al. 2014, 153)

Balance sheet

The balance sheet provides the information about the total assets of a business and their funding. The assets are presented one side, they represent what the business owns, and on the other side there are liabilities – what the company owes. Both sides of the balance sheet must be equal. (Synek and Kislingerová 2010, 129)

Profit and loss forecast

McKeever argues that this is an essential part of a financial plan. It is an estimation of the amount of the sold products and also the future profits. It holds the information whether the business will survive and thrive. It uses the data from estimated sales, fixed and variable costs to develop a projection of profits or losses (McKeever 2012, 102-103).

Cash flow report

The entrepreneur needs to ensure that the business has enough money each and every moment. Even though the business can generate overall profit it does not have to have a positive cash flow. Synek and Kislingerová describe the cash flow is marking the difference between cash inflows and cash outflows in the company; it is also following the circulation of money in the company and its supply (2010, 250-252). There are two possible ways to calculate cash flow – direct and indirect. The indirect method is used more often and can be calculated as follows (Synek and Kislingerová 2010, 250-252):

$$\begin{aligned} & \text{Net profit} \\ & + \text{expenses which are not costs} \\ & - \text{revenues which are not profits} \\ & = \text{Cash flow} \end{aligned}$$

3.9 Risk factors

No business is done without a certain level of risk. However it is better to address and evaluate these risks in advance to avoid unpleasant surprises in the future. Risks can hide everywhere, in the production, in the management team, in the marketing strategy or in the competition. But no risk exists that cannot be dealt with. The important thing is to come up with a solution to these problems or offer an alternative to eliminate them. (Koráb, Režňáková, and Peterka 2007, 38)

3.10 Appendix

In this part the entrepreneur can provide his or her resume, received certificates, the products designs or for example the results of the market research. It is also the place where he or she can highlight the company's previous achievements, related newspaper articles or references. If the company has a history, it is appropriate to insert a cash flow from the previous year and other important documents. (Srpová and Řehoř 2010, 66)

4 SUMMARY OF THEORETICAL PART

The theoretical part of this thesis focuses on defining what the entrepreneurship is. Firstly, it lists various definitions of entrepreneurship and its meaning in relation with the society, organizations, and people in general. It also deals with the entrepreneur, his or her personality traits, and states the definitions of business and the types of businesses that exist in the Czech Republic. Secondly, the thesis describes what the business plan is and why this document is essential for the company. Then its function is demonstrated on the external and internal roles the business plan has. At the end of this part some general principals of writing the plan are given. Lastly, the thesis deals with the structure of the business plan and describes each chapter in details. The main section is devoted to the marketing plan and financial plan, which shows if the plan is feasible.

II. ANALYSIS

5 BUSINESS PLAN

This following part of the bachelor thesis is in a form of a specific business plan for a new cosmetics company. The business plan uses the information presented in the theoretical part.

5.1 The Title Page



Figure 1: Bohème Eco-Beauty Logo (own creation)

A business plan for Bohème Eco-Beauty

Name of the company:	Bohème Eco-Beauty
Slogan:	Good for you and the planet
Legal form:	Natural person – Unqualified trades
Residence of the company:	Náměstí Osloboditelů 5, Opava 74601
Date:	1 October 2017
Founded by:	Pavla Široká
Telephone number:	+420 777 760 126
Email:	pauline.siroka@gmail.com
Founder's address:	Strossmayerova 11, Opava 74601
Description of the company:	The purpose of this business is to manufacture and sell high quality natural cosmetics that is good for the customer as well as for the planet.
Financing:	The business is financed from the founder's savings and the initial amount invested is 80 000 CZK. This will cover the set up costs and one month of running the company.

6 EXECUTIVE SUMMARY

Company description

The idea behind Bohème Eco-Beauty is to introduce natural cosmetics to customers and make it more appealing to them. Customers should not sacrifice the design or performance of products to buy natural cosmetics. Bohème Eco-Beauty believes in good quality of its products while staying affordable, and that it all can be delivered with style. The company focuses mainly on customers in their twenties as they represent a new generation, which tends to be more eco-friendly and which cares deeply about the ingredients used in cosmetics.

Products description

Bohème is a niche company offering smaller portfolio of products, which are handmade in small batches to ensure the maximum potency of products. The range of products has been carefully chosen to form the ultimate daytime and nighttime routine for young women. The product line currently consists of skin elixirs, body butters, flower water mists, bath soaks and lip balms. In addition, some new formulations are already on the way.

Objectives of the company

The founder of the company is ready to work hard for what she thinks is important – to make a good name on the market by manufacturing products of top quality that stand out; interacting with customers and providing them with good service; and positively affecting the environment.

Financial plan

The company is financed from the founder's own resources and savings. The total cost required to establish a shop with laboratory and cover the running of the company for at least one month is 80 000 CZK. The financial plan contains a balance sheet, costs and revenues forecast, and an income statement. Detailed information can be found in the chapter 12. Financial plan.

7 GENERAL COMPANY DESCRIPTION

Bohème Eco-Beauty strives to provide its customers with high quality natural cosmetics, which is also eco-friendly. The name Bohème comes from French and translates as bohemian – referring to both the free spirited individual and to Bohemia in the Czech Republic. “Eco” in the name stands for environmentally friendly company that tries to have minimal impact on the environment, and also for ecologically sourced ingredients, which do not contain any colorants, parabens, mineral oils, sulphates or artificial perfume. “Beauty” in the name rather means a state of mind and the overall well-being.

7.1 Objectives of the company

- To manufacture natural cosmetics and keep a high standard of production
- To satisfy target customers through selling these goods
- To find a competitive advantage over its competitors on the market
- To form good relationships with customers and find its loyal customers
- To have a good reputation and pay its liabilities in time
- To generate profit and increase the business’s value
- To respect the environment

7.2 Legal form and regulations

The owner decided to do business as a natural person and create a trade, because it is the easiest way to start. Based on the Trade Licensing Act 455/1991 Coll. the most suitable trades are:

- Manufacturing of chemical substances, fibres and preparations and cosmetics
- Manufacture, trade and services unspecified in Annexes 1 – 3 in the Trade Licensing Act

Both trades are unqualified, meaning the entrepreneur does not need any specific certificate or qualification to start the business. Manufacturing of chemical substances, fibers and preparations and cosmetics allows the creator to produce handmade cosmetic products. In addition to this trade license the entrepreneur has to have the products tested by National Referential Centre for Cosmetics and has to register them in the European Cosmetics Products Notification Portal – CPNP.

Manufacture, trade and services unspecified in Annexes 1 – 3 in the Trade Licensing Act can be found under the subsection of retail/wholesale and allow the creator to sell

ingredients or finished cosmetic products. Before the start of production, the shop needs to be approved by the regional public health authority.

7.3 Location

The shop will be located in Opava. It is a middle-sized town in the Moravian-Silesian region with the population of approximately 60 000 people. This town was chosen for various reasons:

- Family of the owner already owns a property, where the company's storage, laboratory and shop could reside. This property is located in the centre, on one of the two main squares. This location will ensure an easy access and a lot of traffic inside the shop.
- Opava is big enough to ensure there will be buyers, but small enough not to represent a big competition.
- In the market analysis questionnaire the majority – 35,4% of all the respondents were from Moravian-Silesian region and at least 90% of them would welcome a new shop with natural cosmetics in Opava.

7.4 Opening hours

Bohème Eco-Beauty will have the same opening hours as most of the small boutiques in Opava. For more details see the table below:

Opening hours for Bohème Eco-Beauty	
Monday - Friday	9:00 – 12:00 13:00 – 18:00
Saturday	9:00 – 13:00
Sunday	Closed

Table 1: Opening hours (own creation)

7.5 Management and personnel

For the time being there is only one employee and that is the owner. As the budget will be rather tight in the beginning the owner has to manage most of the work on her own. Later on, if the business goes well the owner will hire a part-time worker, who will do the work of a shop assistant.

8 DESCRIPTION OF THE PRODUCT

Bohème Eco-Beauty will feature 5 different product lines, among those will be face serum, body cream, flowers water, lip balm and bath soak. Most of these lines additionally divide into more product items according to scent portfolio or ingredients. The Bohème company stresses the importance of high quality ingredients that are sourced naturally with respect to the environment in order to provide its customers with products of the best quality, as that is what Czech customers value the most (according to the data from questionnaire). The main idea behind the cosmetic company and its competitive advantage is the fusion of natural oils and butters with essential oils. Not only are they used as natural fragrance, essential oils are mainly the concentrated essence of a plant and have a positive impact on the human being. Consequently, each of these oils is carefully chosen in the Bohème product lines to harmonize the human body. Information about packaging can be found in chapter 10. Marketing plan.

8.1 Main products

The main products are all manufactured in the Czech Republic and are meant to create a complete facial and body routine. Each of these products is made of natural ingredients and do not contain any parabens, mineral oils, artificial fragrance or colorants. Bohème company would never test on animals under any circumstances. All of these products are in agreement with European laws regulating the cosmetic industry. Hopefully, the variety of products offered will grow with time. The possible products introduced in the future are eye serum, tinted moisturizer, sunscreen, soaps and candles.

8.1.1 Harmonizing serum

This serum follows the trend of using oils instead of lotions. Lotions contain water, which dries out the skin; on the other hand oils are very nourishing and act as a true food for the skin. This serum is composed of three nutrient-rich oils – grape seed oil, avocado oil and jojoba oil. Grape seed oil is packed with antioxidants, and keeps the texture of the serum light. Avocado oil great for aging skin that needs more hydration and jojoba is great universal oil that mimics the natural sebum the skin produces. The combination of those three oils and a vitamin E balances out the skin, helps with hydration and creates a subtle glow. This serum has an uplifting scent of sandalwood, rose and geranium essential oils. It comes in a 50ml amber glass bottle with a pump.

8.1.2 Nourishing body cream

The body cream is designed to leave the skin nourished and smooth. Avocado oil and coconut oil are both more on the heavier side providing some serious hydration to the skin. Cocoa is nourishing for the body and shea butter is naturally rich in vitamins A, E and F and offers a partial sun protection. These butters and oils are whipped together into a nourishing cream with rose hydrosol. Rose hydrosol makes the texture little lighter and has great beneficial properties for people with mature skin or skin that is out of balance. This body cream is infused with essential oils of rose and geranium. It comes in a 120 ml amber glass container.

8.1.3 Flower water mist

Flower waters or hydrosols, as they are properly called, are made by distillation of flowers or plants during the creation of essential oils. Hydrosol is basically water enriched with active ingredients of the plant. It can serve as a toner, astringent, make-up setting mist, refreshing mist or a subtle perfume. The range of Bohème flower waters include:

- **Tea tree mist** = combats oily and acne prone skin
- **Rose mist** = balances out and regenerate mature or dry skin
- **Lavender mist** = calms down itchy skin and heals irritations

They all come in a 100 ml amber glass bottle with a spray cap.

8.1.4 Lip nectar

Chamomile infused jojoba oil in this natural balm deeply hydrates and helps to heal chapped lips. Chamomile, jojoba oil and mango butter soothe the lips and lock in the moisture. The lip nectar is not suitable for vegans, because it contains beeswax. This lip treatment comes in two flavors:

- **Orange lip nectar** = scented by sweet orange essential oil, sweet and uplifting
- **Peppermint lip nectar** = scented by peppermint essential oil, has a slight cooling effect

These come in 5 ml black plastic pots.

8.1.5 Bath soak

Bohème's bath soaks are targeted towards everyone, who needs extra relaxation. They are made out of Himalayan pink salt, which is rich on minerals; powdered coconut milk that makes the skin smoother; dried herbs and essential oils, which add a nice scent.

- **Good night, sleep tight** = lavender bath soak that helps to calm down the mind and relax
- **Good vibes only** = rose petals and orange bath soak that helps to energise the body

The bath soak comes in a 200g paper bag.

8.2 Supplementary products

This range will consist of products, which are not made in house, but purchased from other eco-beauty retailers. As Bohème wants to develop into a lifestyle company, this range will not only be about cosmetics, but also about the whole well-being. Bohème Eco-Beauty wants to feature various herbal teas; food supplements such as aloe vera leaf juice, matcha tea, or antioxidant acai berry. In addition to this, the company will stock on various brushes and konjac sponges and luxurious naturally scented soy wax candles.

9 MARKET ANALYSIS

This market analysis for Bohème Eco-Beauty consists of a questionnaire and an analysis of competition. The owner decided to create the questionnaire in order to determine, whether people are interest in natural cosmetics; who are the target customers, what is their behavior; and to find out how to set the pricing policy. Afterwards the owner followed with the analysis of competition, which will also serve for setting the pricing policy and for finding the competitive advantage on the market.

9.1 Questionnaire

The questionnaire was draw up in Google Docs and sent via the Internet. This method was chosen to obtain a high number of respondents and because generally people do not feel as pressured to answer question online. The only questions used were closed questions to ensure the data can be evaluated properly. The total number or respondents was 281.

9.1.1 Market

The first goal of the questionnaire was to determine whether there is space on the market for natural cosmetics. The outcome was strongly positive – 92% people claim that they are willing to buy natural cosmetics, if it suits their skin. People who were not willing to buy it (8%) either had a favorite cosmetic brand or they did not find natural cosmetics appealing.



Chart 1: Willingness to buy Bohème Eco-Beauty products (own creation)

Another goal was to determine what type of shop to establish. The founder first wanted to do an e-shop, but considering the results from the questionnaire she decided to choose a brick and mortar shop, as it dominated in the questionnaire. Only 10% of the

respondents buy their cosmetic products via e-shop, so manufacturing and selling natural cosmetics is a feasible plan, however, only if sold in brick and mortar shops.

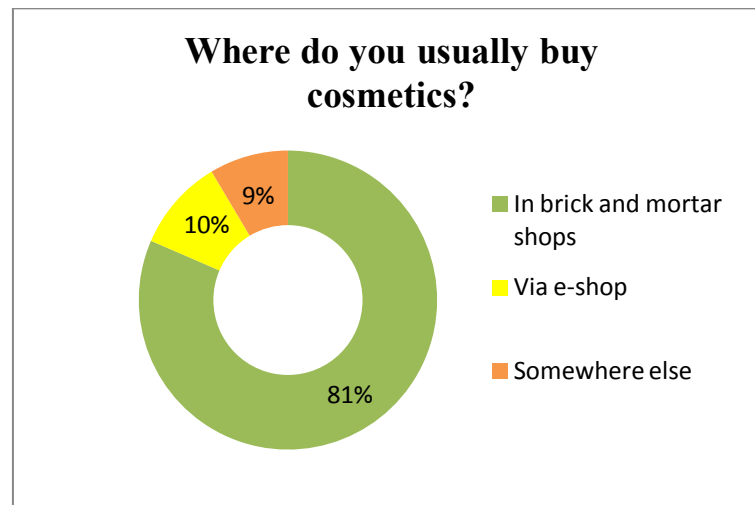


Chart 2: Where customers buy their products (own creation)

Additionally the questionnaire contained a question about the region of a respondent. This was to settle the shipping costs, but it also showed the founder where the biggest demand for natural cosmetics is. The biggest part was taken by Moravian-Silesian region (35,4%), the second was South Moravian region (32,5%), and on the third place came Zlín region (15,7%).

9.1.2 Target customer

Another big part of the questionnaire was focused on the target customers. The goal was to find out their buying behavior. Firstly, the owner already work with a premise that the target customers will be between 20 and 30 years old, as this age group is usually looking for new products to try and do not have strong favorites just yet. To prove that hypotheses the questionnaire contained a question about the respondents age. The majority of respondents (85,1%) were indeed in the age between 21 and 30, so this age group is considered the target customers of Bohème Eco-Beauty. However, in brick and mortar shops important assets are also passers-by, who decide to visit the shop unintentionally, therefore the responses of all age groups were regarded as valuable.

Secondly the owner wanted to know which products are the most popular among people. This information will help with choosing the right variety of products offered and determining the future development of the cosmetic line. Even though in the present the Bohème line offers mainly skincare and body care, the owner regards this information as a tip in which direction the company should be heading. Bohème Eco-Beauty will surely introduce more decorative cosmetics in the future, but launching new products also

depends on finding the right formulations of products and meeting regulations about cosmetics given by the EU. These regulations tend to be stricter with make-up and especially with eye make-up.



Chart 3: Popularity of products (own creation)

To have an image about the return rate of a customer, there was a question about the frequency of cosmetic purchases. The majority of respondents buy their cosmetic products at least once a month 61%. It is possible that if the customers of Bohème Eco-Beauty were satisfied, 61% of them could return the next month.

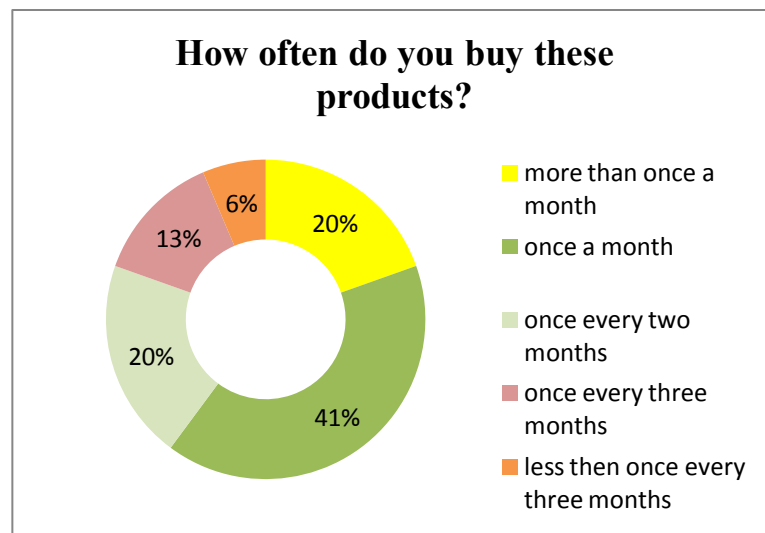


Chart 4: Frequency of purchases (own creation)

Lastly, the questionnaire showed what motivates Czech customers to purchase cosmetics. Respondents were to choose between nice packaging, price, quality, and ingredients. As it turned out, quality is the most important aspect for Czech customer and 53% people voted for this option. The second important is price of a product. As an

outcome the company will concentrate the most on a high quality of its products and on offering a good value for customers' money.

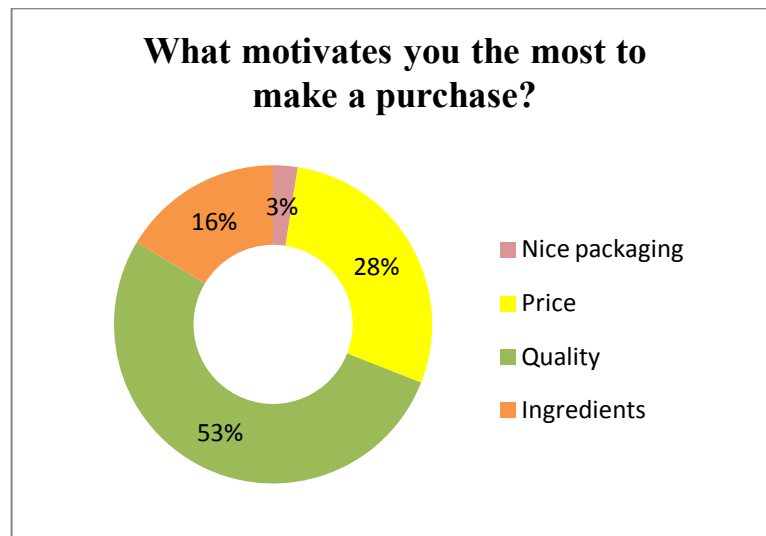


Chart 5: Purchase motivators (own creation)

9.1.3 Pricing

In order to set an accurate pricing policy it is vital to know how much money customers are willing to spend on a product. The entire pricing policy is described in details in the chapter 10. Marketing plan. The following table shows results from the questionnaire regarding the maximum price customers are willing to pay for a certain product.

Products	Maximum price according to customers
Body cream/body oil	151 – 200 CZK
Face serum/face cream	201 – 300 CZK
Flower water/toner	100 – 150 CZK
Bath soak/bath salt	51 – 100 CZK
Lip balm	51 – 100 CZK

Table 2: Price of products according to customers (own creation)

9.2 Competition analysis

Among the main competitors of Bohème Eco-Beauty are Manufaktura, Yves Rocher and Alterra, which is a brand carried by Rossmann drugstore. All of these companies are located in Opava, within fifteen minute walking distance from the shop.

Manufaktura is surely the biggest competitor of Bohème Eco-Beauty. It is a well-established Czech company with a wide range of products. Their line features skincare, body care, hair care and perfumes, but also home decorations. Among its strengths could

be considered the range of products for men, which is quite uncommon and also the proposed value for money. On the other hand they use beeswax and lanolin, which means they are not vegan friendly and they seem to have too broad portfolio of products. Manufaktura also seems to target different customers – mothers and customer generally older than thirty.

Yves Rocher is a French company with a long tradition. They also offer a wide range of cosmetic products, perfumes and make-up. The strength of this company is its make-up line, which is quite unique for Czech market with natural cosmetics, and the customers' perception of this brand as luxurious. The disadvantages are higher prices of skincare and perfumes; and even though Yves Rocher is marketed as natural cosmetics it does contain parabens, dimethicones or artificial fragrance, therefore it is not completely natural.

Alterra is a German brand carried by a chain of drugstore Rossmann. Its strength is the market share Rossmann has in the Czech Republic and the amount of customers, which visit this drugstore every day. The downside of this is the amount of products offered in the shop and the possibility of being overlooked.

9.3 Future trends statement

In recent years, many new natural cosmetic companies have been emerging and the overall trend on the market has been moving towards more natural cosmetics. Moreover, big drugstore chains like DM drogerie markt s.r.o. or Rossmann have been integrating natural cosmetics into their product portfolio. Not only is it a trend in the beauty industry, but also in the food industry. People started to care more about the ingredients they consume and put on their bodies, and how it affects the environment. Therefore it is probable that this trend will only grow in the future.

9.4 SWOT analysis

In order to reflect on Bohème's position on the market a brief SWOT analysis of internal and external factors is given below.

Strengths

- Environmental awareness of the brand
- Quality and potency of products
- Vegetarian and vegan friendly products, not tested on animals
- Affordable price range
- Convenient location in the centre of Opava

- Designer handmade products from the Czech Republic

Weaknesses

- Smaller variety of products
- Only one employee
- Lower awareness of natural cosmetics
- No previous experience with entrepreneurship

Opportunities

- Growing trend towards more eco-friendly and natural products
- Participating in events like Prague Sustainable Fashion Day or Dyzajnmarket
- Attracting an investor or a business angel
- Creating an e-shop
- Organising workshops for customers

Threats

- Growing competition on the market
- New regulations from the EU and the Czech Republic
- Increasing of costs and taxes

Among the company's strengths could be categorized its environmental awareness and eco-friendliness. All ingredients are natural and its packaging is made out of recyclable glass. Moreover, Bohème offers a special recycling program. All products are high quality and vegetarian and vegan friendly (except lip balm). Bohème products have minimalistic design, good ingredients and affordable prices. The shop is located in the center of Opava, which is a convenient location.

On the other hand the variety of products is not so big at the moment and people are still not buying as much natural cosmetics as convention cosmetics. Furthermore, the only employee is the owner and in the case of illness it could represent problems. It's also the owner's first experience with entrepreneurship.

The opportunities are investors or business angles, who would help the company financially; events like Prague Sustainable Fashion Day for alternative companies; and overall the growing trend of healthy and natural lifestyle. The company could also create an e-shop to gain more customers and organize workshops about handmade cosmetics.

However, it is possible that the competition on the market will grow, which represents a threat. If there were more regulations from the state or the EU it would negatively influence the business. The same applies to increase of costs or taxes.

10 MARKETING PLAN

The overall marketing strategy of Bohème Eco-Beauty is to attract young customers between the age of 20-30, who do not have their favorite products so strongly rooted yet. The company wants to appeal to customers by its minimalistic style, the use of essential oils, the quality of products that are also handmade in the Czech Republic, and by being eco-friendly and offering a special recycling program.

10.1 Product

Bohème Eco-Beauty offers a smaller range of product, however these products are carefully curated and offer a high quality standard. All the products are vegetarian and vegan friendly except the lip balm, which contains beeswax. Nevertheless the beeswax is sourced from a local beekeeper and is ethically harvested. Neither bees nor other animals were harmed in the creation of these products. Detailed description of products is in chapter 8.

Packaging of products

The whole range of product will have the same company design, which is amber glass bottles and containers with black accessories. Labels have marble background and simple black writing on them. Overall the design of Bohème products should come across as minimalistic and effortless. To keep natural ingredients and especially essential oils the most potent, it is important to keep them in a darkened glass, as it does not let as much light in as translucent glass and prolongs the shelf life of the products. Moreover, using glass packaging is better for the environment, because glass can be recycled. The company also has its own recycling program. If customers return five bottles or containers of Bohème products back to the shop, they will receive a special gift and the received material can be reused.

10.2 Price

The price depends on various factors. Firstly, it needs to cover the total cost of production – variable, fixed costs, and ensure a certain profit. Secondly, the price needs to fit within a price range acceptable by customers (the data was gathered from the questionnaire). Lastly, the founder needs to take in consideration the prices of competition. Each of these conditions is analyzed in the following table. The margin of products differs, but in cosmetic industry margins are usually quite high. The chosen representative for competition is Manufaktura.

Product	Margin	Price	P - Customers	P - Competition
Body cream	128,42%	199 CZK	151 – 200 CZK	189 CZK
Face serum	220,91%	299 CZK	201 – 300 CZK	329 CZK
Flower water	83,79%	149 CZK	100 – 150 CZK	189 CZK
Bath soak	43,54%	99 CZK	51 – 100 CZK	139 CZK
Lip balm	57,35%	99 CZK	51 – 100 CZK	99 CZK

Table 3: Price comparison (own creation)

The costs are calculated according to the expected number of sold goods. The marketability of products is based on competition's marketability. The total number of manufactured goods is 610 a month and it consists of 150x body butter, 130x face serum, 130x flower water, 100x lip balm, and 100x bath soak. Fixed costs are divided by 610 pieces and variable costs are calculated from required ingredients to make a certain product. Value added tax is 21%.

Product	Variable costs	Fixed costs	VAT 21%	Price + VAT
Body cream	40 CZK	32 CZK	34,54 CZK	199 CZK
Face serum	45 CZK	32 CZK	51,89 CZK	299 CZK
Flower water	35 CZK	32 CZK	25,86 CZK	149 CZK
Bath soak	25 CZK	32 CZK	17,18 CZK	99 CZK
Lip balm	20 CZK	32 CZK	17,18 CZK	99 CZK

Table 4: Price calculation (own creation)

10.3 Place

The store will be located in Opava, Moravian-Silesian region. Opava has a population of approximately 60 000. The precise location is Náměstí Osloboditelů 5, which is on one of the two main squares in the center of Opava. It is an ideal town as there is not any big competition; and a perfect location, because a lot of people have to pass by the shop to get to work. For more information about the location read the chapter 7. Description of the company.

10.4 Promotion

It is vital to create high brand awareness in the early months. It is not enough to have good products; the customers also need to know about them. That is why Bohème Eco-Beauty wants to invest a substantial part of its resources into promotion. The company wants to approach the customers via this promotion strategy:

Event marketing

Beauty industry represents a great opportunity for event marketing. Specialized markets and fairs are a great platform for promoting a company and selling handmade products. Opava holds specialized markets twice a year – for Christmas and Easter. Moreover, every Friday and Saturday there are farmer's markets, where local manufacturers and farmers sell their products. Another opportunity lies in Prague events; since it is the capital, there are many more events to visit. The company wants to participate for example in Sustainable Fashion Day or Dyzajnmarket. It is also possible to organize occasional workshops in the shop, where customers could try to make their own cosmetics.

Facebook advertisement

Even though the company does not want to create an e-shop in the first year of its life, it is necessary to create at least a Facebook page of Bohème Eco-Beauty. Via this page the company can interact with customers, promote the products, and inform about the latest news regarding the shop. The advantage of Facebook advertisement is that it can be focused on a certain location (e.g. Opava) and it works with algorithms to provide the best results.

PR articles

Bloggers are nowadays considered as important influencers with thousands of readers. Bohème Eco-Beauty will send some of the Czech bloggers, who reside in Moravian-Silesian region, trial sizes of its products to test and review. Positive reviews would make the company more desirable. This approach speaks mostly to younger customers, who follow these lifestyle blogs and latest trends.

Banners

To transform the reconstruction into something exciting, a banner of Bohème Eco-Beauty will be used to hide all the reconstruction rubble. This banner will attract the attention of passers-by and promote the opening of the shop, because it will contain a catchword about Bohème coming to Opava. Using banners in a clever way can create mystery and excitement about the brand.

Word of mouth marketing

As the customer care is one of the main priorities of the company, a substantial part of promotion will be provided by customers themselves. A good word goes a long way. When a customer is happy with the products, it is the best advertisement. And most importantly, a satisfied customer will return.

11 OPERATIONAL PLAN

Bohème Eco-Beauty is both a manufacturer and a retailer. The family of the founder owns the property, where the shop resides, therefore there is no need for a lease contract. The owner only needs to pay for utility.

11.1 Suppliers

Suppliers need to be chosen carefully as the production depends on them. They have to supply products of good quality and deliver them on time. For supplying raw materials and packaging, Bohème has a good experience with Ekokoza. It is an online seller with a wide range of products, who offers a good value for money. Another good supplier is Oranjito, and Tvořivý-svět, from which Bohème sources packaging for lip balms and bath soaks, however, the shipping costs are rather high. In the case that Ekokoza fails to supply some ingredients, Tvořivý-svět can take over, as it has almost the same material supplies. The only non-vegan ingredient – beeswax – is provided by a local beekeeper and all hydrosols are purchased from Aroma ateliér, Czech sustainable manufacturer of essential oils and hydrosols.

11.2 Equipment of the shop

First step would be to renovate the property. The whole area is divided into three rooms – a shop, storage plus laboratory, and a sanitary facility. The facility can stay as it is, the storage and laboratory needs only basic equipment, but the shop requires a makeover. The room needs to be painted and redecorated with new furniture. The owner will do this little renovation by herself. The graphic design of the shop is showed in the appendices.

11.3 Management and personnel

As for now, the company has only one employee and that is the founder Pavla Šíroká. She studied English for Business Administration at Tomas Bata University in Zlín, where she acquired knowledge in economics and English. She had an internship at a start-up company in Zlín to gain an insight into entrepreneurship. More details can be found in the curriculum vitae of the founder in the appendices.

12 FINANCIAL PLAN

The opening balance sheet consists of financial contribution of the founder. The amount of money invested is 80 000 CZK. This should cover the set-up costs and total costs for one month of running the business plus some financial cushion. Bohème Eco-Beauty does not have any bank loans or other liabilities.

Assets		Liabilities	
Current assets	80 000	Liabilities	0
Cash	59 100		
Material	20 900		
Long-term assets	0	Equity	80 000
		Registered capital	80 000
Total assets	80 000	Total liabilities	80 000

Table 5: Balance sheet (own creation)

12.1 Costs

The company's costs are divided into set up costs, which consist of only one-time payments connected mostly to the establishment of the shop and total costs, which are variable and fixed costs. The set up costs represent quite a substantial amount of money in the budget, however these cost need to be paid in order to run the company and sell products. The detailed list of items is portrayed in the table below.

Set up costs	CZK
Trade license	1 000
Reconstruction	15 000
Furniture	7 000
EET program and printer	3 900
Equipment	8 378
Fridge	5 299
Kitchen robot	1 599
Thermotester	480
Utensils	1 000
Total	35 278

Table 6: Set up costs (own creation)

Fixed costs represent costs, which remain the same every month. Typical representatives are rent and utilities, however, the founder's family owns the property, where the shop resides and therefore rent does not appear in the company's fixed costs. On the other hand, promotion is categorized as a fixed cost, because the founder set aside the limit of 7 000 CZK a month which she puts into different forms of promotion. Variable costs are comprised of raw materials needed to manufacture 150 pieces of body butter, 130 pieces of flower water and face serum each; and 100 pieces of lip balm and bath soak each.

Total costs in CZK	Monthly	Annually
Fixed costs	19 466	233 592
Utilities	6 000	72 000
Promotion	7 000	84 000
WiFi + phone bill	499	5 988
Social insurance	2 061	24 732
Health insurance	1 906	22 872
Other costs	2 000	24 000
Variable costs	20 900	250 800
Raw materials	20 900	250 800
Total	40 366	484 392

Table 7: Total costs (own creation)

Health insurance and social insurance for entrepreneurs is paid in a form of a deposit. Normally it is calculated from the previous year's turnover, but in the first year it is calculated from a minimal base dependent on the average salary in the Czech Republic. The base for calculating social insurance is one fourth of the average salary (28 232 CZK for 2017) and the social insurance deposit is 29,2% of this base, which amounts to 2 061 CZK a month; whereas, health insurance is calculated as 13,5% of one-half of the average salary, which equals to 1 906 CZK a month.

12.2 Revenues

The number of women from 20 to 29 years old living in Opava is 3 895. The questionnaire revealed that 92% of women are willing to buy natural cosmetics and 61% of them buy their cosmetic products at least once every month, which amounts to 2 186 possible customers a month. If 20% (437) of them turn into actual customers and one customer has

average spending of 246,89 CZK the revenue is 107 890 CZK. The revenue works with the expected marketability of products.

	Monthly	Yearly
Revenues from sold goods	107 890 CZK	1 294 680 CZK

Table 8: Revenues from sold goods (own creation)

12.3 Income statement

From the income statement is visible that the company is profitable. The net income is 41 479 CZK a month, which is enough to cover variable costs for the next month (20 900 CZK) and a monthly wage of the founder.

Income Statement	Monthly	Yearly
Net revenue	107 890	1 294 680
Cost of goods sold	20 900	250 800
VAT from goods sold	18 725	224 700
Gross income	68 265	819 180
Operating expenses	19 466	233 592
Operating income	48 799	585 588
Interest	0	0
Earnings before taxes (EBT)	48 799	585 588
Income taxes	7 320	87 840
Earnings after taxes (EAT)	41 479	497 748
Net income	41 479	497 748

Table 9: Income statement (own creation)

13 RISK ANALYSIS

Every entrepreneurial activity comes with certain risk. It is essential to analyze possible risks to know how to prevent them or deal with them.

Lack of customers

The sales and profit are just estimated, therefore the owner cannot tell with certainty that the shop will be profitable. The lack of customers is a risk that every business must be aware of. Bohème tries to avoid it by investing substantial money from the budget into promotion. It is important to attract the attention of possible customers and lure them into the shop.

Regulations from the EU or the Czech Republic

Cosmetics industry is not an easy business to be in regarding the regulations given by the state or the EU. Recently the parliament passed a law about the electronic register of sales – EET, which can be fatal for little business. The owner already works with EET in the financial plan, but if another law similar to this should be passed or if this law should be changed, it could have bad influence on the business. Another risk regarding the regulations given by state would be increase of the value added tax. For these types of risks, Bohème wants to create a financial cushion from the profit.

New competition

It is possible that the competition on the market will grow. Natural cosmetics answer to nowadays trend and lot of people have manufacturing of cosmetics as their hobby. If this situation arises, Bohème Eco-Beauty believes that its position on the market prevails strong. In the case of some difficulties the company would have to change the marketing strategy and offer customers a loyalty program.

Injuries or illness of the owner

The owner is the only worker in the company and as such she needs to cover all activities done in the company. If she falls sick or has an injury it could affect the running of the shop. Should this happen, the owner relies on her relatives and friends to help her.

Rising prices of raw materials

The prices are rising regularly thanks to inflation. That is a fact. But if the suppliers were to raise the prices intentionally and in a large measure, the shop would need to find another suppliers. There are lots of wholesalers on the market, which means that it is not a great problem to find a new supplier.

CONCLUSION

This bachelor thesis focuses on the formulation of a specific business plan for a new cosmetics company. The idea behind this business plan is to establish a shop with natural cosmetics, which offers high quality products for affordable prices and does not harm the environment. The company is oriented towards young customers, who care about the quality of natural products as well as their design, and principles the company stands for.

Firstly, the theoretical part deals with the concept of entrepreneurship and its meaning for the society, organizations, and people in general. Then the entrepreneur and his or her personality is discussed. The theory also describes what a business is and what types of business exist in the Czech Republic. Secondly, the thesis focuses on the business plan and all its requirements. The biggest part is devoted to the structure of the business plan, but its role and principles are mentioned too.

Lastly, the analytical part contains an actual business plan for Bohème Eco-Beauty. The business plan is conducted according to the principles mentioned in the theory and with the information gained by a literary research. This part presents an actual strategy for introducing Bohème Eco-Beauty on the market. The main part of the business plan consists of the market analysis with a questionnaire and competition analysis. The questionnaire confirmed that there is place for natural cosmetics on the market and helped to create better marketing strategy. Bohème Eco-Beauty attracts its possible customers by offering handmade natural cosmetic products, which are very high quality while staying affordable. Moreover, the company is unique for its fusion of natural oils and butters with essential oils. No animals are hurt in the process of creating the products and thus all products are vegetarian friendly and almost all are vegan. The feasibility of the business plan is proved in the chapter containing financial plan, which shows costs and revenues forecast, and the income statement. Overall the company is operating with a profit; therefore its creation is possible.

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LIST OF ABBREVIATIONS

CV	curriculum vitae
CZK	Czech crowns
EAT	earnings after taxes
EBT	earnings before taxes
EU	European Union
P	price
VAT	value added tax

LIST OF CHARTS

<i>Chart 1: Willingness to buy Bohème Eco-Beauty products (own creation)</i>	36
<i>Chart 2: Where customers buy their products (own creation)</i>	37
<i>Chart 3: Popularity of products (own creation)</i>	38
<i>Chart 4: Frequency of purchases (own creation)</i>	38
<i>Chart 5: Purchase motivators (own creation)</i>	39

LIST OF TABLES

<i>Table 1: Opening hours (own creation)</i>	32
<i>Table 2: Price of products according to customers (own creation)</i>	39
<i>Table 3: Price comparison (own creation)</i>	43
<i>Table 4: Price calculation (own creation)</i>	43
<i>Table 5: Balance sheet (own creation)</i>	47
<i>Table 6: Set up costs (own creation)</i>	47
<i>Table 7: Total costs (own creation)</i>	48
<i>Table 8: Revenues from sold goods (own creation)</i>	49
<i>Table 9: Income statement (own creation)</i>	49

APPENDICES

- P I CV of the founder
- P II Logo and the product portfolio
- P III Graphic design of the shop
- P IV Questionnaire

APPENDIX P I: CV OF THE FOUNDER

PAVLA ŠIROKÁ

Pavla Široká

Strossmayerova 11, Opava 746 01

Phone: +420 777 760 126

Email: pauline.siroka@gmail.com

Third year student of English for Business Administration at UTB in Zlín with big dreams, eager to fulfill them, passionate about nature, art and traveling; always on the lookout for new business opportunities.

EDUCATION:

2014 – present **Tomas Bata University in Zlín, Czech Republic**
- Field of study: English for Business Administration
- English major with business orientation

2015 – 2016 **Université de Liège, Belgium**
- Field of study: English language and literature

2010 – 2014 **Mendel's Grammar school, Opava**

WORK EXPERIENCE:

2016 – present **Pelican, language school**
- Acted as an English teacher
- Managed courses for companies and group conversations

2015 – 2017 **Fundchaser USA Inc., Zlín, Czech Republic**
- Provided advisory services for crowdfunding
- Found many new creative and innovative projects
- Communicated with potential clients

2012 – 2014

TenSing

- Team leader in a teenage art oriented organization
- Responsible for a group of 20 minors
- Successfully organized beneficial concerts

2013

Mendel's Grammar School Annual Ball

- In charge of sponsorship and advertisement
- Operated with a budget of 20 000 euros

LANGUAGES:

Fluent in Czech (native) and English, intermediate in French.

SKILLS:

Excellent communication skills

Microsoft Office user

Cambridge First Certificate of English, C1

DELF A2 certificate in French

Driving license level B

APPENDIX P II: LOGO AND THE PRODUCT PORTFOLIO



APPENDIX P III: GRAPHIC DESIGN OF THE SHOP



APPENDIX P IV: QUESTIONNAIRE

Dobrý den,

věnujte prosím několik minut svého času vyplnění následujícího dotazníku. Tento dotazník byl vytvořen za účelem průzkumu trhu pro bakalářskou práci. Vaše odpovědi jsou důvěrné a slouží pouze pro potřeby průzkumu. Děkuji za Váš čas a spolupráci.

1. Kde nejčastěji nakupujete kosmetiku?

- a) v kamenném obchodě
- b) na e-shopu
- c) jinde

2. Co si nejčastěji kupujete?

- a) vlasovou kosmetiku
- b) tělovou kosmetiku
- c) pleťovou kosmetiku
- d) dekorativní kosmetiku

3. Jak často tyto přípravky kupujete?

- a) více než 1x měsíčně
- b) 1x měsíčně
- c) 1x za dva měsíce
- d) 1x za tři měsíce
- e) méně než 1x za tři měsíce

4. Co vás nejvíce motivuje k výběru daného produktu?

- a) pěkný obal
- b) cena
- c) kvalita
- d) ingredience

5. Byla byste ochotná koupit si novou českou kosmetiku vyrobenou z přírodních ingrediencí, kdyby vás zaujala a vyhovovala typu vaší pokožky?

- a) ano
- b) ne

6. Jestli ne, proč?

- a) mám svou oblíbenou značku kosmetiky
- b) přírodní kosmetika mě neoslovuje
- c) používám kosmetiku z lékárny (na předpis)

7. Jaká je maximální částka, kterou jste ochotná zaplatit za tělové mléko/tělový olej? (250gramové balení)
- a) 100 – 150 Kč
 - b) 151 – 200 Kč
 - c) 201 – 300 Kč
 - d) 301 a více
8. Jaká je maximální částka, kterou jste ochotná zaplatit za pleťové sérum/pleťový krém? (50gramové balení)
- a) 100 – 200 Kč
 - b) 201 – 300 Kč
 - c) 301 – 400 Kč
 - d) 401 a více
9. Jaká je maximální částka, kterou jste ochotná zaplatit za masku na obličej? (250gramové balení)
- a) 100 – 150 Kč
 - b) 151 – 200 Kč
 - c) 201 – 300 Kč
 - d) 301 a více
10. Jaká je maximální částka, kterou jste ochotná zaplatit za květovou vodu/toner? (150ml)
- a) 100 – 150 Kč
 - b) 151 – 200 Kč
 - c) 201 – 300 Kč
 - d) 301 a více
11. Jaká je maximální částka, kterou jste ochotná zaplatit za bylinnou sůl do koupele?
- a) 20 – 50 Kč
 - b) 50 – 100 Kč
 - c) 100 – 200 Kč
12. Jaká je maximální částka, kterou jste ochotná zaplatit za balzám na rty?
- a) 20 – 50 Kč
 - b) 50 – 100 Kč
 - c) 100 – 200 Kč
13. Jaký je váš věk?
- a) méně než 20 let
 - b) 21 – 30 let
 - c) 31 – 40 let
 - d) 41 – 50 let
 - e) 51 a více let

Z jakého jste kraje?

- a) Hlavní město Praha
- b) Jihočeský kraj
- c) Jihomoravský kraj
- d) Karlovarský kraj
- e) Královéhradecký kraj
- f) Liberecký kraj
- g) Moravskoslezský kraj
- h) Olomoucký kraj
- i) Pardubický kraj
- j) Plzeňský kraj
- k) Středočeský kraj
- l) Ústecký kraj
- m) Kraj Vysočina
- n) Zlínský kraj