

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

Vít Vozák

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## **ABSTRAKT**

Cílem této bakalářské práce je sestavení podnikatelského plánu pro společnost Dodej.mi, která zprostředkovává dopravu specifického zboží mezi svými zákazníky. Práce je rozdělena na teoretickou a praktickou část. V teoretické části jsou vymezeny základní pojmy spojené s podnikáním např.: podnik, podnikatel, členění podnikatelských subjektů, dále je popsáno, jakou by měl mít podnikatelský plán strukturu. Druhá část práce aplikuje poznatky z teoretické části do praxe na již zmíněný podnikatelský plán. Praktická část je zaměřena na daný podnik a realizaci podnikatelského plánu, je zde provedena mimo jiné analýza trhu a vyhodnocení rizik vypracovaného plánu.

Klíčová slova: podnikání, podnikatel, analýza trhu, doprava, podnikatelský plán.

## **ABSTRACT**

This Bachelor's Thesis aims to create a business plan for the company Dodej.mi, which mediates the delivery of specific items between its customers. The paper is divided into the theoretical and practical parts. In theoretical are defined basic terms connected with entrepreneurship, for ex.: enterprise, entrepreneur, classification of business entities, and following what structure should the Business plan have. The second part of the paper applies the knowledge from the theoretical part into practice and to the already mentioned Business Plan. The practical part is focused on implementing the proposed business plan, besides others carried out the market analysis and evaluation of risks of the forged plan.

Keywords: entrepreneurship, entrepreneur, market analysis, delivery, business plan

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

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## INTRODUCTION

Becoming an entrepreneur has become much more popular in recent years. Due to the pandemic, the overall market took a big hit because many companies closed down; therefore, the need for certain goods and services became more scarce, and now the market offers specific gaps that need to be filled. New start-ups mean more business opportunities, bringing more jobs and creating income that will be taxable and help the cycle of the economy. The idea of becoming an entrepreneur is a desire and significant risk for the author and anybody considering becoming one. Nothing can be left to a possibility, and some businesses will result in a total failure and may become something great.

While being a student at a university certainly has advantages like more free time, a different sense of responsibility and more. Nevertheless, there are also disadvantages like paying rent, buying books, eating correctly, commuting, and the need to have some income that will cover these necessary expenses. While the author of this paper was studying at Tomáš Baťa University, an idea came to his mind. The author was thinking of how he could make money while attending university but without the limitations of having a part-time job as he was commuting every day from Olomouc to Zlín and back. Thus, the option of having a part-time job was not available. This problem occurs in the lives of many students who commute and ordinary people who travel long distances on business trips, holidays, or simply visiting a family member. A sudden idea came to his mind that as transport companies are delivering parcels from e-shops to end customers. Why could not he make a similar kind of delivery in a reasonable time frame and affordable by the end customer while commuting and therefore not being limited by supervision of the delivery company and without the use of his car?

Therefore, the author of this bachelor thesis decided to create a business plan for a company that combines two popular companies called Uber and Zásilkovna into a hybrid of both. The company would provide its services through a mobile device application developed according to the criteria and the requirements like insurance of the items, tracking the package, technical support, identity verification, and payment mediation between the customers.

The aim of this Bachelor's Thesis is to create a business plan for a new company and evaluating the company's profitability. Dodej.mi is mediating a delivery of specific items between its customers. The thesis is divided into two parts, theoretical and practical. The theoretical part contains precise terms description, explanation of the form of business in the

Czech Republic and their creation. It also lists the market analyses that will be used to evaluate the environment surrounding the company itself. The second part is practical and puts the theory from the theoretical part into practice. First, the author conducted the market analyses listed in the theoretical part. Then the author introduces the company itself, the product and services it provides, the pricing plan, and the financial plan. The financial plan consists of three profitability predictions (optimistic, realistic and pessimistic). At the end of the thesis, the author evaluates the risks and possible solutions of the proposed plan.

## **I. THEORY**

## 1 ENTREPRENEURSHIP

There are several definitions of what entrepreneurship is. Many books and writers define this unspecific term differently. Therefore, finding the most applicable and specific definition is rather complicated. Šafrová Dražilová (2019, 13-14) mentions the definition written in the New Civil Code No. 89/2012 § 420. The definition from the code does not allow any other motivation for entrepreneurship than profit. Srpová (2020, 17) states that there are two main thought approaches with which we can approach entrepreneurship. We understand business in entrepreneurship – as something innovative, gaining profit, new and unique. This view is connected with market opportunities and the fast growth of new companies, start-ups and investors. Alternatively, an entrepreneur is anybody who owns and leads a company or makes a trade. Moreover, it is not essential that they are somehow innovative or is trying to grow.

In the Czech Republic, businesses are differentiated into two major parts. The first is the business of the natural person, and the second one is the business of a legal entity.

- **A Businessman** – a person that wants to become a natural person, has to acquire a trade license and fulfil all requirements under Act No. 455/1991.
- **Legal Entity** – In the case of a legal entity, there are several forms that the law divides into corporations, foundations, and institutes. Private companies can be divided into companies with limited liability, joint-stock companies, limited partnership, general partnership, and cooperative society (zakonyprolidi.cz, 2012).

### 1.1 Social Entrepreneurship

Srpová (2020, 21) states that even though entrepreneurship is perceived as a way to gain wealth, it is not the only reason someone starts doing business. Entrepreneurs can change society through their activities. Part of founders perceives it as a means to influence other people's lives positively. Social entrepreneurship is an excellent style of living a whole and satisfying life. Meaningful work is a crucial factor in life satisfaction. Social Entrepreneurship is a way to contribute toward positive change and, at the same time, financially secure the entrepreneur and their family.

According to Šafrová Dražilová (2019, 15), Social Entrepreneurship means solving existing social problems in an economically stable way and generating profit returning to the business. Nevertheless, it is not volunteering or charity. Employees and entrepreneurs receive for their effort approximately the same reward that they would receive from a

business project purely focused on profit. In addition, they get the feeling that what they are doing has a deeper meaning. These businesses are trying to be eco-friendly. They care about the origin of the raw materials and do not cooperate with suppliers that use child labour or similar techniques.

## 1.2 Entrepreneur

Srpová and Řehoř (2010, 30) stated that when the word entrepreneur is said, we have to specify which language we speak if we are expressing ourselves in legal language or the language of an economist.

From the historical point of view, the term entrepreneur is used especially in the French language already in the Middle Ages, meaning mediator, intermediary or person responsible for large projects. Later on, the entity of an entrepreneur was understood as a person bearing the responsibility of the project, the planning person, the person that supervises, organises and owns the project. In 1934 the term innovator, a person that develops untested techniques, was added to the meaning.

In business science, an entrepreneur is divided into primary and secondary. A primary entrepreneur is always a natural person who owns the enterprise. The owner uses the enterprise as a tool of entrepreneurship. The secondary entrepreneur is when the owner only manages the enterprise. Therefore, it delegates the role of an entrepreneur to the enterprise, which is conducting business in the entrepreneur's interest.

According to the New Civil Code no. 89/2012 § 420 and § 421, "Anybody who independently does on his account and responsibility a gainful activity in a business or similar form intending to constantly do so in order of reaching a profit is to be regarded with connection with the activity as an entrepreneur."

An entrepreneur can be therefore considered a person that meets these conditions:

- A person registered in the business register,
- A person who does business based on a trade license;
- A person who operates under special rules other than trade authorisation;
- A person who runs the agricultural production and is registered in the register in accordance with special regulations.

### 1.3 Enterprise

At a point in their life, many people stand before deciding to establish their own business or not. For some of those, the answer is a definite "yes". It is "no" for others, and the rest is still hesitating. Entry into the business world brings ample opportunities and significant risks. When we are establishing a firm, we sacrifice salary, which we would gain in a paid job, and further, we invest our money and time into something we may perceive as lucrative at the time of choice but may become a failure in the long run. Entry into entrepreneurship requires motivation, spirit, and courage to take a leap (Srpová 2020, 26).

Enterprises come in many shapes and sizes. Some are global titans, while others are tiny start-ups that have yet to make a sale. A business is an enterprise that strives to earn a profit in everyday language. However, in the vernacular of strategic management, a business is a venture that has the following characteristics:

- Its activities focus on a single type of good or service, which may be defined narrowly or broadly.
- It operates for profit, usually in a competitive market or industry.
- It is managed by an executive who is empowered to make significant decisions and is held directly accountable for financial performance.
- It operates independently or is readily capable of it.

Vochozka and Mulač (2012, 35) state that an enterprise is any entity that carries out an economic activity, regardless of its legal form, is an essential element of the national economy and consists of:

- Tangible material components of the business (movable and immovable property).
- Personal business components (employees and employers).
- Intangible components of the business (trade name, patents, licences, trademarks, know-how and others).

The main functions of the enterprise are:

- Manufacturing – manufacturing, production of a particular product or service
- Supply – meeting specific market needs
- Scientific technical – endeavour to use new scientific knowledge, new technologies
- Economic – consists in making profits through meeting foreign needs and creating prerequisites for further development



- Social – which means that employees' income depends on the functioning of the enterprise
- Political – strengthens or weakens political decisions
- Educational and cultural
- Security – where the area of occupational safety, property protection, environment

According to Vochozka and Mulač (2012, 36-37), Enterprises are characterised by:

- Legal autonomy
- Facilities
- Autonomy in decision-making by:
  - The subject and scope of the business
  - The legal form of business,
- Enterprise location
- Internal organisation
- Economic autonomy is manifested in:
  - Business on own account and risk;
  - The use of foreign capital;
  - Use of profit

## 2 TYPES OF BUSINESS

There are two types of business according to legal form. The first one is the business of a natural person, and the second one is the business of a legal entity. The business of a natural person is owned and managed by an individual. The business of a natural person is the simplest and least expensive form of ownership and relatively fast. The business of a legal entity is generally considered more administratively demanding, and in some cases, registered capital must be put into the company at the beginning. The legal entity also must be registered in the Business register.

### 2.1 Enterprise classification

Businesses can be broken down according to different criteria to fully understand the business's nature. The criteria can be: in terms of remit, ownership, according to performance, size (number of employees or turnover), activity classification and legal form (Vochozka and Mulač 2012, 37-38).

- In terms of remit
- In terms of ownership
  - Private – the property is in the ownership of one private person.
  - Partnership – the property is created by deposit from a partnership consisting of several people who conduct business under a common name.
- According to performance
  - Producing goods
  - Providing services
- According to size
  - Micro – enterprises – have fewer than ten employees and an annual turnover of under 2 million €
  - Small businesses – have fewer than 50 employees and an annual turnover of under 10 million €
  - Medium-sized enterprises – have less than 250 employees and an annual turnover of under 50 million €
  - Large companies – have more than 250 employees and annual turnovers are over 50 million €
- According to the activity classification

- In the Czech Republic, the classification CZ-NACE is used to divide the activities of the national economy into 99 areas and then further specify into sub-areas.
  - For example, 49 land and pipeline transport, 49.1 intercity rail transport, 49.10 intercity rail transport, 49.3 other land passenger transport, 49.31 Urban and suburban land passenger transport, 49.39 Other land passenger transport, 49.39.3 Occasional land passenger transport, 63 Information activities, 63.1 data processing and hosting activities; web portals activities, 63.11 data processing and hosting activities, 52 Warehousing and support activities for transportation, 52.2 Supporting and auxiliary transport activities, 52.21 Land transport activities, 52.24 Cargo handling.
- According to the legal form
  - Business of a natural person
  - Business of a legal entity

### **2.1.1 Business of a natural person**

In connection with the business of natural persons, we will meet with the concept of a self-employed person (OSVČ). This is the term used in the Czech income tax laws, in the laws on social security and health insurance for a natural person who has income from a business or other self-employed activity. Typical OSVČ are, for example, a tradesman, independent farmers, self-employed artists, judicial experts, and more. The definition of trade according to the Trade Licensing Act: "A trade is a systematic activity carried out independently, in their own name, at their own risk, for the purpose of making a profit and under the conditions set out in this Act." (Srpková 2020, 165).

Business continuity does not mean that it must be a continuous and permanent activity. For example, it may be a seasonal activity with certain breaks (for example, we go abroad for an internship for two months, then we continue in business). It cannot be a rare activity, performed only exceptionally and occasionally. Assumption of consistency expresses the requirement of repetition of individual negotiations, which must be repetitive and intentional, not resulting from exceptional, accidental and unforeseen circumstances.

An activity carried out independently by an entrepreneur in their own name must be understood as an activity decided exclusively by the entrepreneur himself. While performing this activity, he is not under anyone else's influence and is not in any subordinate

relationship. Undoubtedly, it is only a matter of relative independence. In many business professions, a specific dependence on the customer's instructions is evident (intermediaries, sales representatives, lawyers, and others, must follow their clients' instructions). On the contrary, when someone else provides him/her with the means and tools for the given activity and determines where and when the activity needs to be performed. It is not an independent activity but a dependent activity and therefore is not considered a business but a particular type of employment.

By their responsibility, we mean that the entrepreneur bears full responsibility for fulfilling their obligations and legal regulations. Entrepreneurs strive to make a profit, which means property benefit, which is the intention of entrepreneurship and the motive of an entrepreneur. Here, however, the intention to make a profit is sufficient, which means that even in a business loss and if other conditions are met, we are talking about business (Srpová 2020, 166-167).

The conditions for running a trade are regulated by Act No. 455/1991 Coll., On Trade Licensing:

- **General conditions:**
  - reaching the minimum age of 18
  - legal capacity – proven with an identity card
  - impeccability – proven with an extract from the criminal record
- **Special conditions:**
  - professional and other qualifications – proven with the proof of proper completion of the relevant education, or proof of appropriate experience in the field in which we want to do business
  - relative to craft, bonded and licensed trades

### 2.1.2 Business of a Legal Entity

Unlike the business of a natural person. The business of a legal entity is created on the day of entry into the Commercial Register. To establish a business, a conclusion of Memorandum of Association (approval of Articles of Association) in case of multiple founders, in case of a single founder, the Founders Deed must be done in the prescribed form. The application for entry in the Commercial Register is submitted to the relevant register court within 90 days from the company's establishment or from the delivery of the license to trade or other business.

A legal entity is every subject with rights and responsibilities and is not a natural person. Therefore, as a legal entity is considered:

- Cooperative society of natural or legal persons,
- Special-purpose property associations,
- Local government units,
- Other entities provided for by law

According to Vochozka and Mulač (2012, 40), a legal entity can have the form of:

- Business company
  - Joint-stock company
  - Limited liability company
  - General partnership
  - Limited partnership
- State-owned company
- Cooperative society of natural or legal persons
  - Cooperative society
  - Housing association
  - Interest association of legal entities
- Non – governmental non-profit organisations
  - Civic Association
  - Foundations and endowment funds
  - Church or religious society
- Public legal entities
  - State
  - State fund
  - Funding organisation

## **2.2 Joint-stock company (a.s)**

Establishing a business in the form of a joint-stock company is relatively rare because the minimum registered capital is two million CZK or eighty thousand €. Nevertheless, it is considered one of the primary legal forms. To establish a Joint-stock company, one legal entity or a natural person is needed (founder, based on the Founder's Deed). If there is more than one founder (Legal Entities and/or Natural Persons), the founders enter into a Memorandum of Association. The minimum registered capital of the company is divided into separate shares, and their owners have the option to partake in the profit of the company

and partly even in its management. The company guarantees their obligations with all of its property, and the shareholders do not guarantee the commitments of the company- The only thing a shareholder risks is the loss of value of the shares.

The general meeting is the supreme body, consisting of all shareholders, who elect the board of directors. The board of directors is the statutory body of the company, which leads the company and decides about the everyday operations of the company (Šafrová Dražilová 2019, 197; Vochozka and Mulač 2012, 42).

### **2.3 Limited Liability company (s. r. o.)**

Srpová (2020, 176) says limited liability company is the most widespread and most popular form of business in the Czech Republic. All rights and obligations are defined by the Civil Code (občanský zákoník) and the Commercial Corporations Act. (zákon o obchodních korporacích). The main advantage of this legal form is that the partners do not guarantee the liabilities with all their assets but only up to the number of outstanding deposits. However, the company itself guarantees all obligations with all of its assets. If a Natural Person (OSVČ) does not fulfil their obligations, then their private property could be seized, which is not a threat in the case limited liability company. However, members of the company's executive bodies (executives) cannot be released from the guarantees if proven that they violated the law during the company's management and are responsible for the company's bankruptcy. For establishing a limited liability company, the following is needed:

- Compiling a Memorandum of Association or a Founder's Deed
- Composition of the specified share capital the with the deposit manager
- Acquiring a trade license or other authorisation to perform business activities.
- Entry in the Commercial Register

Šafrová Dražilová (2019, 195) states that the minimum capital of a limited liability company according to the Commercial Corporations Act is one CZK. However, in reality, the bare minimum is a couple of thousand CZK to cover the expenses needed for the company's establishment. The supreme body of a limited liability company is the General Meeting, which consists of all company partners. It decides about essential questions like a change of rudimentary capital, a vote of executives, profit distribution and similar. Everyday operations are managed by the executives listed in the Commercial Register. In more prominent corporations, or if some partners are not directly involved in the corporation's management, a Supervisory Board can be elected that supervises the executives. The limited liability company is relatively simple to create and a famous company form. A trend called

Ready-made company was introduced. That is an already established company registered in the Commercial Registry, which has paid off the rudimentary capital but does not deal with anything. It is just for sale.

## **2.4 General Partnership (v.o.s)**

A general partnership is the simplest form of a trading company, in which all partners guarantee all their property together and indistinguishably for the company's obligations. At least two partners must establish the company; these can be natural persons or legal entities. The partners are not required to deposit any capital when a company is established. Every partner has the right to act for the company. The acting of individual partners can be managed in the social contract, and the company's profit is equally divided between the partners (Vochozka and Mulač, 2012,44).

The advantages of the general partnership are that the profits are taxed only by the income tax of a natural person, which is in the Czech Republic only 15%, therefore lower than corporate tax and that more partners can meet more qualification requirements (craft trades). The essential disadvantage of this company form is the joint liability, especially when the financial situation of the individual partners is unclear or significantly different. The need for openness and trust between the partners is crucial. Thus it is more difficult to find fitting partners than in other forms of a company (Šafrová Dražilová 2019, 194).

## **2.5 Limited partnership (k.s)**

A limited partnership is a hybrid between trading and capital companies. The company must be established by at least two Natural Persons or Legal Entities, which are not of equal status. Limited partners (komanditisté) guarantee the company's liabilities only up to their unpaid deposits, while General partners (komplemetáři) guarantee all their property and do not deposit any capital. Just General partners are the statutory authority of the company, a Limited partner can also be, but it must be listed explicitly in the social contract. The profit is divided according to the social contract or fifty-fifty between the company itself or General partners, which are taxed only by the income tax. It is the reward for the higher risk connected with guaranteeing with all their property. Part of the profit which the company receives is first taxed by the income tax of the Legal entity and only then is split between Limited partners according to their share (Šafrová Dražilová 2019, 195).

## **2.6 Cooperative society**

A cooperative society's purpose is to meet with people with shared interests and willing to support each other. Therefore, a cooperative society is not exclusively a trading company but can serve other purposes. While adding a new partner in other companies has to be added to the social contract, it is unnecessary for a cooperative society. It is an open organisation, which must have at least three members, and membership is connected with a completed deposit obligation. The company guarantees with all of its property, but in some instances, members of the society can be summoned to pay for an incurred loss. The supreme body is the Member Meeting, which elects the Board of Directors responsible for the management and decision-making about the activity of the society. The Commercial Corporations act defines four types of cooperative society: residential, social, saving and credit, and manufacturing.



### **3 BUSINESS PLAN**

In order to establish a successful business, something innovative and new must be introduced. However, to come up with something so complex is most of the time so hard that many people instead choose to quit, even before starting. The key to this problem is constructing a business plan that covers the company's description, why one thinks it needs to be established, what, how, and for whom it is intended. This chapter will answer questions like: why is a business plan created, how much information should one include to attract possible investors, the goals, company description, target market, description of the market opportunity, market analysis, financial plan of a business, and the needed analyses.

#### **3.1 Why is a business plan created?**

The saying "Look before you leap" is excellent advice that captures the essence of planning. Every business ends up competing somewhere with something. Many start-ups and established enterprises disappear because of the tiny amount of thought process invested into the many factors and forces that influence the company's vitality. This fact eventually results in success or failure. The business graveyard is covered with enterprises that fell victim to these ill-conceived choices. That is why institutions and individuals capable of providing capital generally insist on seeing the business plan before investing their money and approving funding. A business plan entails envisioning a course of action, mapping it out, and justifying it with credible data, perceptive analyses, plausible assumptions, and cogent logic.

Planning often focuses on the key issues and the forum it provides for deliberation and debate, potentially revealing the misconceptions before they become costly. Effective ways like orchestrating effort throughout the organisation, keeping minds focused on the long run, deter short-sighted actions, and improving control by setting performance standards that indicate when corrective actions are needed (Valentin 2015,6).

#### **3.2 How much information is needed?**

Abrams (2019, 19) states that it is relatively easy to find much information online. Nevertheless, too much information can be overwhelming. It might also feel frustrating because some essential data are unavailable. Therefore, the difficult challenge is determining which information is essential and how much information should be included, especially if a company is looking for funding. There is no need to do exhausting research, and sometimes it is impossible. The key is to look for information that will answer the most critical questions

about the business while gathering enough thorough information. So the reader of the business plan has enough confidence that the answers are accurate and reliable sources. The first recommended steps are to ask general questions such as:

- What companies are already providing such services?
- What are the key technological issues necessary to conduct such business?
- What indications are there that consumers would be willing to get involved in such business?
- What laws or regulations would affect the liability to offer such services?

### 3.3 Goals of a Business plan

Business plans often serve various purposes, and we provide them to different people. According to whom is, the business plan for the content may differ. Plan, which we write for ourselves, need not deal with our motivation and the product's description but should be focused on setting the goals and especially on uncovering all possible and impossible barriers, risks, and obstacles that we can anticipate. The centre of gravity of this plan is applying the product to the target market and specific strategy and how will the company acquire customers.

The sole fact that we write a business plan designated for investors or banks means that the person who will read through it does not know us, nor our project or product we are offering or want to offer. That is why a more considerable portion of the plan should be dedicated to a description of the product and company, our experience and achievements, and the situation on the market. Because the motivation of investors is the return of investment, and the bank wants to have an assurance that we will be able to repay the loan.

In the case of competition, grants or business incubators, the business plan needs to first and foremost answer if there is actual demand and if the product solves a specific problem genuinely. The essentials are originality, uniqueness and often the social context (Šafrová Dražilová 2019, 60-61).

The investor from whom we ask for funding will most likely have business plans for other potential companies which also ask for funding. To succeed in this situation, we should respect the established principles of a business plan. Because of this, Srpová (2020,209-210) recommends:

- **Intelligibility** – Expressing distinctly while writing a business plan and not presenting too many thoughts in one sentence, choosing adjectives carefully and not wasting them. If needed, prove the point with a table.

- **Logic** – Thoughts and facts listed in the business plan must follow each other and be supported by facts and sources from which we drew. The claims must not contradict each other.
- **Brevity** – The plan's information and conclusions are to be introduced briefly. However, by no means at the expense of underlying facts. In favour of this principle, we return to the text after some time and reread it to make adjustments.
- **Truthfulness and reality** – The truthfulness and reality of the predicted development should be evident. While constructing a business plan, we should work with available price lists of suppliers and offers from real estate agencies or leasing companies.
- **Respecting risks** – A business plan is about the future. Predicting future development is very difficult in general. Respecting risks and identifying them or, in some cases offering variations of solutions in critical moments increases the credibility of the business plan.

### 3.4 Company Description

The description of a company may appear to be easy for somebody who has already been in a business environment. It may be challenging for people who have not yet been involved in this area, especially if starting a new company. It may even take a while to come up with something so simple as a business name, let alone the company's products or services. Even these fundamental issues need much thought and planning to develop a legal form of the company, business name, or even a philosophy or mission. Companies or corporations use more than one name while conducting business in many cases. These names can be associated with a company, ranging from a brand name, author's name, and the legal corporate or company name. When choosing a name for the company, always consider the company's future development to have some flexibility for future growth, change of focus, or even in the event of selling the company (Abrams 2019, 70).

It is also important to include its headquarters, principal place of business, and any branch location. If the company does not have any yet, it is good to indicate the intended area's whereabouts and describe its geographical properties.

Including the name of the chairperson of the board of directors, president (CEO) or other important members of the company is needed. Other members that may attract potential investors may also be mentioned.

We can also explain in what lies our business opportunity. It may be a market gap, discovery of a new technical process or other. It is needed to persuade the reader that now is the best moment to realise our idea and that we have the best prerequisites to do so. Mentioning who our customer is, what problem of the customer it solves, what are the already available solutions to the problem, and what new solutions our product or service will need (Abrams 2019, 76). In short:

- Brief description of the product or service
- Utility of the product for customer
- The competitive advantage of the product or service

In the product's description, the product's appearance and properties are mentioned. It is good to mention if the product is brand new or already offered on the market. Important information to include is if there are any supplemental services included in the offer. These services include installation, customer service support or consulting services. If we are offering a service, we must mention what it consists of and how it works. We must clarify how will this service be provided and what devices or equipment is needed. Capital providers tend to prefer companies that have already implemented their first products on the market and proved themselves with a promising development of other, new services that are, at best, already in the prototype phase.

A business plan is successful only when a product or service brings utility to the customer. Therefore, we must emphasise what benefit the customer receives and why should the customer choose us prior to the competition. This choice is based on the assumption that we know who our customers are, which means knowing what market we aim for and its growth potential.

Our product or service has to have a competitive advantage. It must be better than what the competition is offering. Especially when there is tough competition, being as good as other companies is not enough. To be better than the competition is a necessity, and to achieve that, proving that we came up with better solutions for the customer, more interesting concepts, more advanced service and that we are better at solving the problems of customer (Srpová 2020, 213).

### **3.5 Industry analysis, trends, health**

The purpose of this section in a business plan is to find out how big the target market is. If there is a sufficient amount of potential customers interested in the product or service, the company will provide and can generate satisfactory revenue. This section also aims to

describe the potential or ideal customer, which will be used in deciding how to reach the target market when conducting an outreach. It is best to ask questions like what age group are our customers? Do they share common characteristics like income level, type of work, hobbies, ethnicity, and gender? (Shelton 2017, 56).

Realising a business plan can be done only when there is a market which will have an interest in our products or services. The introduction of new products or services on the market is closely connected with the fact that the market is big enough and has significant growth potential. The successful market analysis includes the size of the market, field rate-of-return and the barriers to entering the market.

Some barriers of entry last very long, specifically in newer industries. Patents do not offer nearly enough protection as is generally assumed (Abrams 2019, 134). Common barriers are:

- Patents – a certain measure of protection for new products or processes
- High start-up costs – helping to prevent small competitors from entering the field
- Substantial expertise – competitors do not have the necessary manufacturing and engineering knowledge to compete
- Market saturation – reducing the possibility of competitors gaining enough space to establish themselves

We have to specify the overall market and which segment of the market we aim for (Srpková 2020, 214). In this section, we include the groups of customers which:

- Have considerable utility from our product or service
- Have easy access to the product or service
- Are willing to pay for the product or service

Trends are global factors that influence a whole scale of market segments and operations. Trends cannot be influenced, and even large enterprises have problems when trying to change them because when doing so, a series of unforeseen and even dramatic repercussions may occur. When dealing with trends, we must first identify the trend. Then we can prepare for them and, if possible, use them to our advantage (Šafrová Drašilová (2019, 67).

Trends can be, for example:

- Digitalisation and automation of production
- Global climate changes
- Population decline

- Migration
- Pandemics

### 3.6 Competition

Shelton (2017, 58) says: “Every business has competition.”. Many business plan creators falsely assume that there is no competition in the market segment they aim for. The opposite is usually the truth. Almost every company on the market has competition against which it has to establish itself. When doing a competitive analysis, we have to include the strengths and weaknesses of our competition. First of all, we have to mention who offers comparable products or services or try to predict who will do so in the future. We evaluate our main competitors in terms of turnover, growth, market share, products, services, customers, pricing, and accessibility. This evaluation must not be done from our subjective point of view but from the customer's perspective (Srpová 2020, 216).

When doing a competitive analysis from the customer's point of view, we should consider these factors (Abrams 2019, 128):

- Product/Service features – Specific attributes of the product or service itself, essential features and benefits
- Indirect/Peripheral costs – Costs other than the actual price, installation or additional needed equipment
- Quality – Inherent value of the product or service at the time it is produced
- Durability/Maintenance – Quality of the product or service over time, sustainability, renewability or the service/ maintenance cost
- Image/Style/Perceived value – Added values derived from design, attractive packaging or presentation, brand value
- Customer relationships – Customer base and loyal costumers
- Social consciousness – Image of the company, product/service relative to issues such as environment, civic involvement and other

Abrams (2019, 124) states that the worst statement in a business plan you can make is “we have no competition.”. A skilled investor will immediately throw away a plan with such a statement because it appears that either we have failed to thoroughly examine the realities of our business or there is no market for our project. In order to avoid these results, evaluating our competition truthfully is a must, and it will provide us with crucial information on how to best distinguish our company in customer's eyes, point out the opportunities of the market and give the investor a reassuring sense of our company's strengths.

### **3.7 Marketing strategy**

The further we define our target market, the better we are to adjust or modify our products or services according to the customer's criteria and then increase our chances of achieving our set goals. We can succeed with our product or service only then when we successfully satisfy customers' specific needs. When defining potential customers, it is needed to split them into groups or segments. The market can be segmented, for example, according to customer needs of pricing, quality, region or customer buying motives. From these segments, we choose those that are most attractive for our project. These segments then create the searched target market. After selecting the target market, we stand before a choice of what position we are going to assume (Srpová 2020, 216).

#### **3.7.1 Segmentation**

The purpose of segmentation is to order the mixed and confusing market with many potential customers. The aim is to divide the market into smaller groups, which we can identify, recognise, describe and then offer our product or service. The process of segmentation should be started by recognising the needs of our customers, excluding those whose problems we cannot objectively solve (Šafrová Dražilová 2019, 99). For further specifying of the segments, there are segmentation criteria:

- Demographical – gender, age, health, number of children
- Ethnographic – religion, ethnicity, nationality, origin
- Geographic – state, region, village, environment, geography
- Psychographic – social class, lifestyle, priorities
- Socio-economic – income, profession, education, property
- Behavioural – motivation, experience with the product, brand loyalty,

#### **3.7.2 Targeting**

After a successful market segmentation, the phase of targeting is the next step. Targeting is choosing a specific segment and focusing our efforts on this segment. The first step of targeting is to look at separate segments in terms of size, potential, profitability, risk and economies of scale. The evaluation result should be a list of segments sorted by attractiveness and from those choosing which are most suitable for the company. The goal of marketing is to recognise how we are going to approach customers and how we will work with their needs and our products. If we choose an option, we should know what advantages it provides and what drawbacks we should consider. After choosing a segment or segments

of the market, the next step of positioning comes, and with it, the question of where is our place among the competition (Šafrová Dražilová 2019, 102-107).

### **3.7.3 Positioning**

The aim of the positioning is to convey the values with which we want the customers to connect with our products. Choosing the characteristic that will differ us from the competition and simultaneously make it attractive for the customer to make a purchase. In order to choose this right, unique and, at the same time, attractive properties will be presented to the customer. First, we have to identify the expectations of the customer and the unique, exciting and unmatched properties of the product, which leads to the competition not offering the same product or at least a similar quality. Properties that match the overall expectations of the product category and are taken for granted are called unity points. Those properties that differ our product from those of the competition are called diversity points (Šafrová Dražilová 2019, 107).

## **3.8 Operations**

In the section on operations, we have to explain the day-to-day functions of our company. It is essentially translating the theory into practice. This section includes keeping track of inventory, what equipment is needed and the maintenance connected with its usage. At any point in time, examining the basic operations of a business is welcomed. We are examining each step and evaluating the possibilities of improvement to cut the cost of operations or develop new ways of production altogether. While writing the business plan, we should briefly introduce what processes it aims to perform, where we plan to do them and what technology we plan to use. It is unnecessary to go into such detail because it may end up counterproductive, especially when seeking funding from investors (Abrams 2019, 196-197).

In connection with operations is a method of buying a service from individuals or organisations that are not part of our company. This method is called outsourcing and is nowadays to outsource almost anything a business needs. Some processes are more fitting than others, for instance, accounting. When establishing a company, we should employ only the number of people we can use and afford to pay for. Outsourcing is typically used when a business needs to perform a specific task suddenly, irregularly or for more extended periods when there are professionals willing to do this task for a price. Especially when establishing a business, it is more secure than employing unknown people. While we can at any point



cancel the ordered service, ending an employment contract can be difficult. Outsourcing should be used when it is available on the market when it is cheaper than if we did it ourselves, when the amount of effort or investment in performing the task is too tremendous or when performing this task outside our business does not endanger the functions of our business (Šafrová Dražilová 2019,164).

### 3.9 Management

When talking about management, we often come across the saying, "People are the heart of every business." and it is undoubtedly true. Based on the experience and qualification of employees, success is determined. Usually, the most critical person in a business is the founder or founders, especially in the case of a start-up project. Founders, in this case, serve as the top managers and manage day-to-day control over the actions and processes done in a company (Abrams 2019, 236-240).

To realise a business plan successfully is very difficult on your own. Creating a skilled team of individuals who are willing to work with the founder and have the right mindset to achieve the goals that a business plans to aim for. Founders tend to have the wrong idea when looking for team members. The idea of "I am looking for somebody who will work for me." is wrong, and most people will not overcome this assumption. However, the right idea is "I am looking for somebody who will work with me" because there is no better co-worker than one who has the same enthusiasm for the project. Starting businesses should work as a team. Therefore even a choice of co-workers should work with the team dynamic. The team has a common goal, each member is loyal and supportive when dealing with problems, cheers for each other and can provide critical feedback to other members (Šafrová Dražilová 2019, 168-169).

### 3.10 Financials

The financial section includes the three most critical financial forms there are. Those are the income statement, cash flow and balance sheet. There are also other forms such as sources and use of funds, break-even analysis and start-up costs. This section will say how the business is going to be funded. In the case of a start-up, there is no history of sales, so we try to predict what numbers can we expect to appear when the company has been established (Abrams 2019, 290-332).

For entrepreneurship in the stage of business planning, it is necessary to present the three primary forms at least in a predictive manner, which will sum up the vital information about the company's assets, needed resources, planned costs, profits and cash flow (Šafrová Dražilová 2019, 225).

### 3.10.1 Income statement

Serves for a record of costs and profits and shows a business result during a specific time frame, which it analyses and splits into subunits. Its primary purpose is to evaluate the profitability of the business operations (Šafrová Dražilová 2019, 227).

### 3.10.2 Cash flow

Deals with the fundamental problems of accounting and entrepreneurship. In contrast, the costs and profits are created at the time of the recordable accounting operation, such as issuing an invoice – creating a profit, income and expenses in connection with money transfers, for example, payment for the said invoice. This form records the actual flow of the money in a company regardless of when the cash operation is made. From a distant point of view, cash flow takes into account the initial state of assets to which it adds income and deducts the disbursements, which results in the final state of assets (Šafrová Dražilová 2019, 228). Cash flow is often divided into three categories:

- Operating cash flow – connected with day-to-day operations of the business
- Investment cash flow – connected with the purchase and sale of long-term assets
- Cash flow from financing – connected with long-term liabilities such as loans or debentures and their payment

### 3.10.3 Balance sheet

The balance sheet records all the company's assets and sources, which we use to acquire them (liabilities). It considers all of the company's assets and liabilities, which have to be in balance. The balance sheet is used to figure out the company's net worth. This net worth is then either distributed to the company's owners as equity or as retained earnings for the company to use.

Assets can be divided into two main groups:

- Current assets
  - Inventory – material, goods, finished products, unfinished products
  - Accounts receivable – unto employees, partners, purchasers
  - Cash – hard cash or cash in an account
- Fixed assets
  - Tangible – buildings, machines, vehicles
  - Intangible – software, patents, goodwill
  - Financial – stocks, bonds, shares in other companies

On the other hand, Liabilities are sources that we use to fund our business and divide them into equity and foreign capital. Equity can be deposited into business by partners, or it is made by various forms of profit (Šafrová Dražilová 2019, 225-226).

- Registered capital
- Funds of profit
- Profit/Loss in past years
- Profit/Loss of standard time period

For foreign capital, it is typical that sooner or later, we will have to return it to its original owners.

- Provisions
- Long-term liabilities
- Short-term liabilities

### 3.11 Risk analysis

Entrepreneurship involves many risks. Entrepreneurs think that including the listing of potential risks of their project may lead to scaring off the investors. However, the opposite is true. When including possible risks the project may encounter during a business comes again certain wisdom and a sense of realising what a founder may expect a deal with along the way. It tells investors that the author is taking into consideration the possible problems and that they are able to stay calm, evaluate the options available and adapt to the situation accordingly. It is not necessarily about the size of the risk but also about what kind of risk (Abrams 2019, 154-155).

The key types of risk are:

- **Market risk** – The market does not respond to the company's product or service. Either the market is not ready, or there is no real market need.
- **Competitive risk** – A risk that competition will dramatically change and new competitors will emerge or established competitors will flood the market with new products in response to its product.
- **Technology risk** – The risk that the technology chosen for the project will not work or will not work as the author has envisioned in the planning.
- **Execution risk** – When the management is not effective enough to adapt according to the company's growth or any other reason.

- **Capitalisation risk** – Underestimating the costs or overestimating income and eventually running out of money.
- **Global risk** – Encountering unanticipated situations that may disrupt or stop the company's ability to conduct business when doing business internationally.
- **Product risk** – A risk that may occur when the product or service is not working as intended or is not finished on time.

## **4 ANALYSIS USED IN BUSINESS PLAN**

The last part of the theory will go through the analysis that the author chose to use in analysing the business plan in the second part of the thesis. It will describe the SWOT analysis, which takes a look at the external as well as internal environment of the company. Next, it will introduce the PEST analysis and Porter's five forces analysis, which both analyse the external environment.

### **4.1 SWOT**

SWOT analysis is the primary tool for compiling the business strategy. The acronym SWOT consists of strengths, weaknesses, opportunities, and threats. The strengths field is classified as aspects that are in favour of the business plan, and generally, the more strengths, the better for the business. Strengths can be, for example, experienced management, qualified employees or better services in which the business is better than the competition. Weaknesses field can be, for example, lack of experience in marketing, pricing and more. The purpose of listing the weaknesses is to prevent potential investors from thinking that we missed something while planning. When mentioning a weakness, it is good to follow this information with something positive. This means that we have thought about the weak points of the plan and found a positive solution which leads to the elimination of the weakness.

The fields of threats and opportunities are focused on the external environment of the company. The opportunities field is used to list the attractive possibilities of the plan and mentions what might the business plan an advantage of some sort. It is essential to evaluate these opportunities in terms of the possibility of success and attractiveness for the company. Investors are scared of losing money, and that is why they evaluate every weak point of the business plan. It is better to list the threats that may occur on the market because the investors are likely to find out about them themselves. Threats such as an unstable market and intense competition are listed here (Muláč and Vochozka 2012, 350; Srpová, Svobodová, Skopal, and Orlík 2011, 174; Finch 2022, 154-156).

### **4.2 PEST**

It is essential to identify and evaluate any potential circumstances that can influence the result of business effort. There are many analyses that can evaluate the outside environment of the company. The analyses divide the factors into thematic groups and guide its users to fields that are needed to be explored. The most used one is the PEST analysis, which is the simplest and sufficient for most businesses. The acronym PEST consists of the initials of

Political, Economic, Social and Technological factors (Šafrová Dražilová 2019, 69-70; Muláč and Vochozka 2012, 344-345).

- Political – legal framework and its stability, the connection between the business and politics, tax and other regulations, conditions of public procurement, grants, restrictions and support of foreign trade
- Economical – the overall state of the economy, GDP, inflation and unemployment, average and minimum wage, interest rates, overall expenses of work
- Social – includes various demographical trends like ageing and decline of population, low birth-rate, education of population, values, priorities, lifestyle, religion and its effect on society
- Technological – overall technological trends, the state of energy, transport and communication infrastructure, the rate of using technology in practice

### 4.3 Porter's five forces

This analysis is built upon the premise that the competitive intensity in the market depends on the character of five primary groups of subjects and their interaction. Investors want to get a sense of how is pricing on the market going to develop and why. For assessing the competitiveness of an industry, Porter's five forces model is used. Porter identified the five forces as competitive rivalry, buyer power, the threat of new entrants, the threat of substitution, and supplier power (Šafrová Dražilová 2019, 76; Evans 2015, 69).

The competitive rivalry field consists of already established competitors in our target industry and the interactions between them. These can range from respecting each other or even cooperating to merciless rivalry and liquidation fights. The more hostile the competitive environment is, the bigger the risk when entering the market. The competitive environment depends on the number of competitors, market demand growth and external pressures (Šafrová Dražilová 2019, 77; Evans 2015, 71).

Usually, the easier it is to enter the market, the more challenging the competition. When doing an analysis of potential competitors that are not yet on the market but plan to enter, the analysis of entry barriers and temptations of the market is the best way to predict these intentions. The temptations are always the high profit of the already established businesses, fast growth rate or even the combination of these two (Šafrová Dražilová 2019, 78; Evans 2015, 71-72). Common barriers of entry are:

- The need for specific know-how or experience
- State regulations

- Strong competition
- The limited supply of specific technologies or qualified workers

The easier it is for a customer to find a substitute product or a service, the more challenging it is to influence a customer into buying a product or service the company offers or provides. Entrepreneurs often have a false assumption that there is no similar product or service that they are producing because they did not find anybody who offers the same. However, the critical information in evaluating the substitutes is to ask what problem a customer does the product or service solves. These solutions can have a different appearances, so knowing what product or service is a substitute depends on the formulation of a problem (Šafrová Dražilová 2019, 79; Evans 2015, 72).

Furthermore, last the buyers and supplier power is often nothing more than a reflection of a number of providers compared to a number of customers. The more choice of providers the customer has, the more challenging the competition will be. Buyer power is also influenced by switching costs. If it is easy to switch a supplier, the competition is more rigid and vice versa. The supplier power also depends on the number of possible suppliers. If there are few providers of the product or service, the more challenging the competition (Šafrová Dražilová 2019, 80-81; Evans 2015, 73).

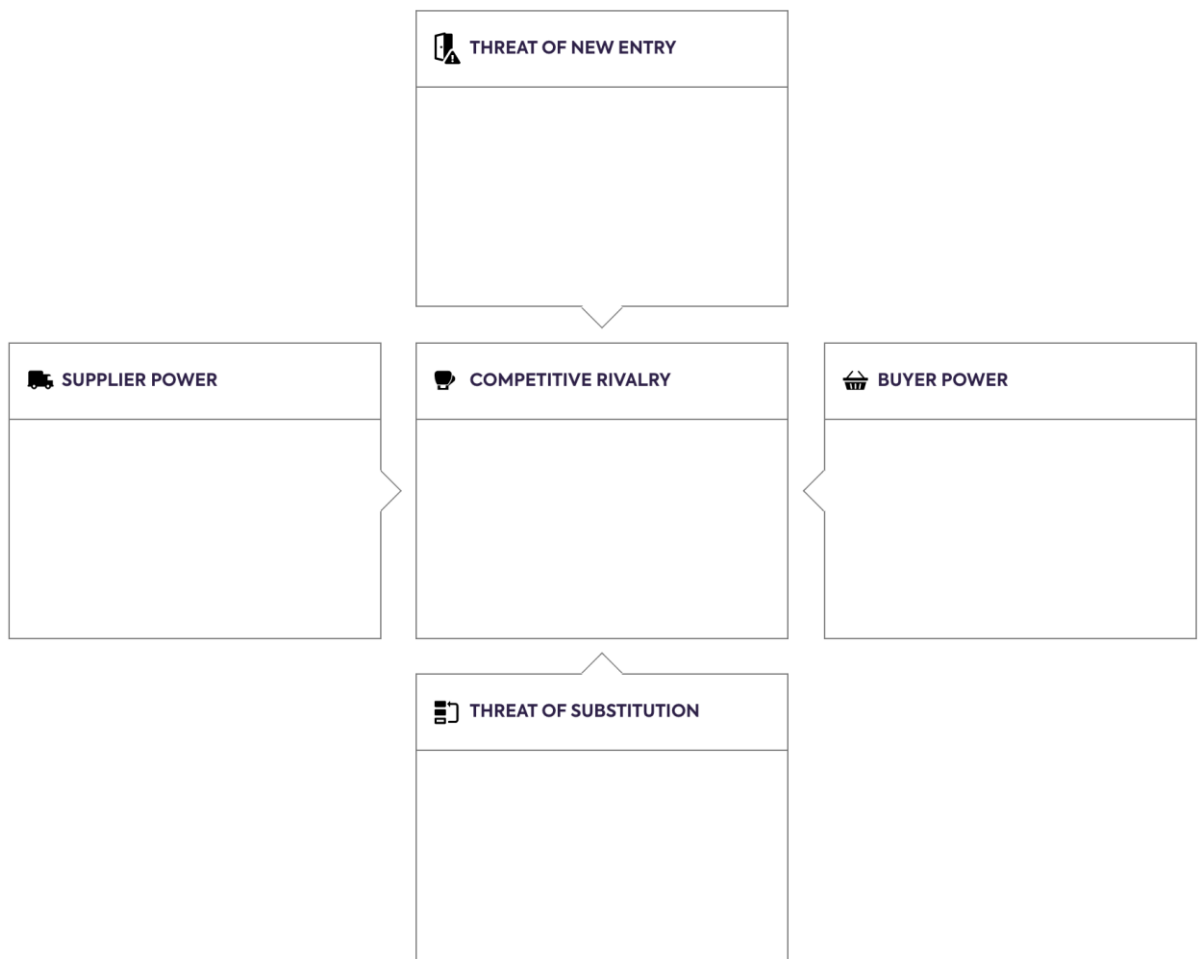


Figure 1: Porter analysis of competition (taken from getlucidity.com)



## **II. ANALYSIS**

## 5 MARKET ANALYSIS

The aim of this section is to use the analyses listed in the theory part of this thesis and, according to those, analyse the external and internal environment of the business. This section also aims to define the target market and if there is a potential demand for the offered product and service. The first subchapter of this section consists of the company introduction.

### 5.1 Company introduction

Name of the company:	Dodej.mi
Legal form:	Limited Liability Company
Address:	Riegrova 394/17, 779 00 Olomouc
Date of establishment:	1. 2. 2023
Website:	<a href="http://www.dodej.mi">www.dodej.mi</a>

The company Dodej.mi s. r. o. is focused on operating and administering the mobile device application called Dodej.mi. The goal of this application is to act as a mediator in the process of transporting consignments and parcels in a predefined timeframe according to the needs of the customers.

Unlike today's delivery companies that charge a large amount of money for the service of express delivery, this company focuses on the less traditional ways of delivering that are more affordable and can help the courier cover the expenses of commuting and earn some cash on the side. The ways being public transport such as trains, busses, trams, underground and other, or simply on foot, by bicycle or a car. The company's goal is to make the most of wherever a person is travelling to or plans to travel while covering the expenses of the journey and also making a profit from using our application.



Figure 2: Logo of the company (taken from tailorbrands.com)

## 5.2 PEST analysis

The pest analysis identifies and evaluates the factors of the external environment that the company needs to adapt to but usually is not able to change.

### 5.2.1 Political environment

As the company will be situated in the Czech Republic, it is essential to know all the necessary laws and regulations. The legal form chosen for the company is a limited liability company (s. r. o.). The legal form of the business is regulated by the Business Corporations Act 90/2012, where all the needed information is provided. As the company will be established by the author, he has to compose the Founder's Deed and a Notarial entry. Next, he deposits the registered capital to the company's bank account, which is from CZK 1 up. After that, we make sure that the company's name is original and that there are no similar or identical company names. If there are none, we can proceed to register our company in the Commercial Register, and this can be done by a notary or by the registry court.

By registering the business in the Commercial Register, the obligation of accounting and bookkeeping arise. The bookkeeping includes the financial statements, annual reports and proposals on how to distribute profits. Checking the data box regularly. The limited liability company is registered to pay the 19% tax from the acquired earnings.

When doing business, it is mandatory to pay for health and social insurance. The minimum social insurance in 2022 is CZK 2,841, and for health insurance, it is CZK 2,627 per month. The author also needs to pay for the social and health insurance of employees (24.8% for social insurance and 9% for health insurance). These amounts are derived from their gross salary. The minimum salary in the Czech Republic in the year 2022 is CZK 16,200 per month. Labour relations between the employer and the employees are regulated by the Labour Code No. 256/2006. The company manages the mobile application and provides the service through this application. All the payments are made online. Therefore there is no need for the Records of Sales.

### 5.2.2 Economic environment

In the past two years, there have been significant changes in economic factors due to the global pandemic of Covid-19 that influenced the external environment of the company. The factors are GDP, inflation, unemployment and the shift in wages.

The gross domestic product (HDP) is a standard measure of economic performance measuring the total value of goods and services in money created in a specific country during

a certain time period. According to the Czech Statistical Office (ČSÚ) the GDP in the last quarter of 2021 increased by 0.9% and by 3.6% in the year-on-year comparison, and the GDP increase for the whole year 2021 was 3.3%. The preliminary estimate of the increase in GDP is 0.7% in the quarter-on-quarter comparison, and in the year-on-year comparison, it increased by 4.6% (czso.cz).

Inflation is defined as a general increase in the prices of goods and services in an economy, measured by the consumer price index (CPI). Based on the data of ČSÚ, the average annual increase in CPI compared to the corresponding month of March in the year 2021 is 12.7% (czso.cz).

The general unemployment rate in the age group of 15-64 years old decreased by 0.8% in the fourth quarter of 2021 to 2.3% in the year-to-year comparison. In the fourth quarter of 2021, the average wage of an employee in the national economy in total was CZK 40,135. The median wage was CZK 34,360. At the same time, the average gross monthly nominal wage per full-time equivalent employee in the national economy increased by 4.0% (CZK 1,551) compared to the corresponding period of the previous year. The CPI increased by 6.1%, thus decreasing the wage by 2.0% in real terms (czso.cz).

For the company, it is necessary to closely watch the development of prices and changes in demand, which influence the company the most. Economic factors change over time and strongly influence the development of services in terms of demand and supply (czso.cz).

### **5.2.3 Social environment**

The social and demographic factors such as age, education, and lifestyle are the most important ones because the usage of mobile device applications is today used mainly by the young generations, which are more used to working with mobile devices with the introduction of touch screen phones and the technological leap in telecommunications and increase in numbers of e-shops. The younger generations (Millennials and the Gen Z) are more used to using mobile devices on an everyday basis. This evolution leads to a higher demand for flexibility connected with work. Therefore, this company aims for this flexibility.

### **5.2.4 Technological environment**

The innovations of technological factors have connected the usage of electronic communication, which has had a considerable impact on the company. The company relies heavily on the level of infrastructure. As the company will start in Olomouc, the connection to the infrastructure (railways and highways) is well-developed. It, therefore, is best suited

for the start of the company as the bus connections and train connections are frequent and can get people pretty much anywhere in the Czech Republic. The advantage of this development is that there are now more e-shops than ever before, and the numbers are still rising. As the number of e-shops is rising, so is the demand for delivery services.

### **5.3 Porter's five forces**

Before starting a new business, it is best to identify all the possible strengths and weaknesses of the competitors. We need to evaluate the products and services they have in portfolios to identify what the market is missing.

#### **5.3.1 Competitive rivalry**

Several delivery companies offer the service of 24-hour delivery. The established cost of this service is various, ranging from CZK 100 up to CZK 400. The competitors are DPDgroup, United Parcel Service and General Logistics Systems, which are international and more experienced in the industry the company is trying to establish. These competitors offer express delivery service with the pick up from a designated location and the delivery to the designated location.

The main competitor of the company is GLS or General Logistics Systems s. r. o. Czech Republic was established in March of 2005. The company offers express delivery service, including the pick-up option from the location designated by the customer and the delivery to the designated address. The packages up to the value of CZK 6,000 are insured at the CZK 140. The company also delivers packages to a parcel shop where a customer can pick up the package themselves, which costs CZK 115. However, the package's weight must be under 15kg, and the customer must box up the items into their own carton box (gls-group.com).

Another competitor offering similar express delivery is the company DPDgroup. Although offering pretty same service as GLS, the price for the service is slightly higher at CZK 152. The advantage of choosing this company is that the value of the package can be up to CZK 50,000, and the customer will not pay any extra money, which is considerably higher than the GLS insurance. The last competitor is United Parcel Service, which offers the service at the highest cost of CZK 164. The insurance of the package without paying extra is the same as in the case of GLS CZK 6,000, but the customer has to print their own address label.

### **5.3.2 Supplier power**

In the case of managing the mobile device application, not many suppliers are needed. The essential supplier is the company chosen to develop the mobile device app. The other suppliers that may have an impact on the business of the company are energy providers, public transport, internet providers and mobile operators such as O2, T-Mobile or Vodafone, that provide the internet connection through mobile data that are essential for the download and the operation of the mobile device application.

### **5.3.3 Buyer power**

There are many already established delivery companies with a long history of achievements. However, the company's goal is to make a profit while providing the option to cover the expenses connected with travelling. The company's emphasis is to offer the chance to cover the travelling expenses and earn some money on the side. The price of the service is, of course, a significant factor when deciding which company to choose, but offering the tracking of the exact position of the parcel and having the contact of the courier is a more convenient and personal approach to the service provided.

### **5.3.4 The threat of new entry**

As there are no significant barriers of entry to the target market the company is aiming for. The risk of new entrants is high due to the possibility of similar projects. Even now, the competitors are developing or improving their applications that may impact the business the author aims to establish. The plan is to establish a well-known brand with affordable pricing and a good reputation among customers. That can be achieved through customer feedback, customer support, and technical support. So, if a new company enters the market, the customer will stay loyal to the company and not consider other alternatives.

### **5.3.5 Threat of substitution**

Substitutes are the alternatives to the product the company offers and serve the same or similar function. These substitutes are usually hard to identify because they can even be from a different industry than the company itself. The substitutes of the company are mobile device applications developed by the companies Packeta, Uber, Wolt and Bolt. These applications may focus on other industries but with slight adjustments to the application. The company can quickly start offering services similar to the company.

## 6 BUSINESS PLAN

In this section the author will describe the organisational plan, pricing plan, the development of the mobile applications and the time it will require. Also the financial plan which consists of start-up costs, fixed costs and more.

### 6.1 Organisational plan

A single natural person will own the company. The company's legal form is going to be a limited liability company (s. r. o.), which is commonly used for small and medium-sized businesses. This form was chosen because there is no need for capital at the start (the minimum is CZK 1 deposited to the company's bank account), there is no minimum amount of deposit, and the founder has no personal liability for the company's obligations.

In the beginning, there will be no need for employees. However, according to the rising popularity and number of customers in the telecommunications industry, it will most likely look for employees in the future. The author plans to consider hiring employees for customer support after the first three months of establishing the business and making the applications available to the public. Based on this business's flexibility, the author plans the process of hiring people with good communication skills and basic know-how in working with mobile applications (troubleshooting). The technical support will be provided by the company that developed the mobile device application. The bookkeeping and finances will be the responsibility of the author.

### 6.2 SWOT analysis

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Accessibility for users</li> <li>• Free download</li> <li>• Excellent customer service</li> <li>• All-time tracking of the package</li> <li>• Direct delivery</li> </ul>	<ul style="list-style-type: none"> <li>• New company on the market, no reputation</li> <li>• Focused on the progressive target group</li> <li>• High start-up costs</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Company expansion, going international</li> <li>• Something new on the market</li> </ul>	<ul style="list-style-type: none"> <li>• New companies entering the market</li> <li>• Customer loyalty to competitors</li> </ul>

<ul style="list-style-type: none"> <li>• Change in customer buying behaviour</li> </ul>	<ul style="list-style-type: none"> <li>• A decline in demand after the pandemic</li> <li>• Significant competition</li> </ul>
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Table 1: SWOT analysis (own creation)

As a company managing and offering a mobile application accessible to everyone plus free of charge is one of the company's biggest strengths. The fact is also connected to the innovative approach as other companies have to form a contract of employment with couriers. In the company's case, anybody who registers through our application can deliver packages and consignments even if the lockdown restrictions are established again. As the young generations are now using mobile devices most, we are not worried that there will be any problem with using the app as it is simple to use. The application also provides the all-time tracking of the package so that the customer knows where the package is located and can estimate the courier's arrival.

The leading company's weakness is the high start-up costs. The company is focused mainly on the progressive target group (18-45 years old) and not on the older groups, which may limit the company's potential to gain a customer base. Another weakness is that, as the company is new and has no previous experience, it will be challenging to build a customer base from the ground up.

As for the company's opportunities, the most significant is that if there is big enough demand for our services, the possibility of expanding and going international is relatively simple. The application certainly is something new and may attract much attention. There is always a development in the customer buying behaviour, this company certainly has the potential to accommodate these shifts in the needs and demands of the customers. Threats to the company are the strong possibility of new companies entering the market, customer loyalty to our competitors, and the decrease in demand for deliveries as the pandemic is ending.

### 6.3 Pricing plan

The pricing of the service is based on the equation that consists of calculating the average price of gas per one kilometre (money spent for the journey), the air distance from the pick-up point to the designated location (distance of the journey), a wage for the courier (base wage) and the money the company charges for using the service (the price of the service).

The author researched a website ([ceskybenzin.cz](http://ceskybenzin.cz)) and found out that the users of this page have the average gas consumption per 100 km of cars made after the year 2010 is



between 6 and 7 litres, making CZK 2.5 per kilometre based on the price (CZK 38.3 per litre) to 27. 4. 2022. We would pay a base wage of CZK 50 to the courier per package. Then we split up the percentages for the delivery into six categories according to the air-line distance from the pick-up location to the delivery location. Using this formula, we would pay the courier 48 % of the money spent on gas per 100 km. That would make us pay from 1 km up to 25 km 16 %, from 25,1 km up to 50 km 32 %, from 50,1 km up to 100 km 48 %, from 100,1 km up to 200 km 64 %, from 200,1 km up to 300 km 80 % and from 300,1 km up to 450 km 96 % of the total gas used for the delivery by a courier and adding the commission of CZK 100 for us as the mediator of the order.

#### 6.4 Development of the Dodej.mi application

The company can choose between local agencies (most expensive and most reliable), outsource companies (reasonable cost and reliable results), freelancers (cheap and cheerful) and in-home development (expensive but transparent). For the development of the application, there will be needed a team of 4 developers for each version of the app (Android, iOS) plus a team of 2 developers for the admin panel of each application. The author chose to go with hiring freelancers, which is the most suitable option in terms of expenses and the time frame of development. The development of an iOS mobile application and Android mobile application will take approximately a little over nine months and two months of testing and bug-fixing until the application is ready to be released on the Google Play Store and App Store for devices using iOS. In order to manage the applications and provide customer and technical support to the company. There will also be an admin panel application which will provide the needed authorisation, user management, payments management, reviews management and other issues with features of the application.

#### Registration and profile features

Modules	Features	Approximate time of development for each application (hours)
Splash screen	logo + animation	3
Registration	<ul style="list-style-type: none"> <li>• email + password + phone number + payment details</li> <li>• Google/Facebook account details +</li> </ul>	25

	phone number + payment details	
Authorisation	<ul style="list-style-type: none"> <li>• email + password</li> <li>• Facebook account</li> <li>• Google account</li> <li>• forgot password</li> </ul>	23
<b>Total development time for Android or iOS</b>		<b>50 hours</b>

Table 2: Registration and profile features (adapted from cleveroad.com)

In the table below, can be seen the approximate working hour it takes to develop and input features like creating a profile, viewing the order info and accepting it, providing the contact of the courier, GPS location of the package, selecting a payment method and rating the couriers at the end of the service.

### Application development for couriers/users

Modules	Features	Approximate time of development for each application (hours)
Registration		90
Main Screen	<ul style="list-style-type: none"> <li>• go online/offline</li> <li>• accept order</li> <li>• order info</li> <li>• start/cancel/complete order</li> <li>• contact courier</li> </ul>	156
Profile Screen	<ul style="list-style-type: none"> <li>• documents</li> <li>• verification</li> <li>• profile</li> <li>• edit profile</li> <li>• reputation</li> </ul>	36
GPS location		11
Add payment method		44
Now flow	<ul style="list-style-type: none"> <li>• map</li> <li>• set pick-up location</li> <li>• select courier/payment</li> <li>• rate courier</li> </ul>	120
<b>Total development time for Android or iOS</b>		<b>457 hours</b>

Table 3: Application development for couriers/users (adapted from cleveroad.com)

The table below lists approximate work hours to develop the admin panel for the applications.

### Admin panel development

Feature	Approximate time of development
Authorisation	6
Admins management	40
Couriers management	35
Users management	35
Payments management	25
Reviews management	18
Issues management	32
<b>Total development time</b>	<b>191 hours</b>

Table 4: Admin pane development (adapted from cleveroad.com)

The approximate time of application development for one platform (Android or iOS) is 457 hours. That means that the minimum development time of the application for two platforms is about 914 hours, plus the development of the admin panel development for each application. Approximately 1,205 hours will be needed to develop two user applications and the admin panels for each application as we are expecting minor issues with the development and cannot predict the future circumstances of the hired freelancers (sickness, family matters, common errors). It is best to assume that approximately 1,300 hours of development will be needed.

## 6.5 Financial plan

The financial plan consists of all the previously listed planning costs that will occur in our entrepreneurship. This part also covers how much money is needed to start a new company, how it will be the business funded and the predictions of sales.

### 6.5.1 Start-up costs

The start-up costs of the company itself are relatively cheap, but the cost of the development of the mobile device applications is the most expensive thing that we have to account for. In the beginning, the author will open a bank account in Fio bank a.s. and deposit there CZK 1,800,000, mainly from the author's savings and a generous gift from his family. That will cover the development of the applications (CZK 1,500,000) as well as the trade fee for establishing notifiable trade (CZK 1,000), one-time fee (CZK 580) for buying a developer

account on Google play and yearly subscription fee (CZK 2,297) of developer account on App store, administrative fees for notarial deed, report of criminal record, bank confirmation of deposit obligations (approx. CZK 10,000). The staff's equipment (laptops, pens, notepads) will be needed (CZK 120,000). In the table below, we can also see Instagram advertising (CZK 8,000) as well as YouTube advertising (CZK 10,000) and Google ad display advertising (CZK 10,500) as a way of promoting the first month of doing business. As the company will rent an empty office, it will be needed to buy furniture such as tables and chairs (CZK 19,000).

### Start-up costs (in CZK)

Trade fee	1,000
Administrative fees	10,000
Fees for a developer account (App Store, Google Play)	580
App Store developer account (yearly)	2,300
Furniture	19,000
Equipment	120,000
Instagram advertising	8,000
YouTube advertising	10,000
Google ad display	10,500
Development of mobile device application + admin panel	1,500,000
<b>Total</b>	<b>CZK 1,681,380</b>

Table 5: Start-up costs (own creation)

### 6.5.2 Fixed costs

Fixed costs are the same every month while doing business. That is why they are called fixed. Fixed costs include rent, health and social insurance, mobile and internet fees, server rental, and a yearly subscription for a developer account on the App Store. The social and health insurance will be paid only by the author in the first three months of doing business. After this period, the author will consider hiring additional employees.

### Fixed costs (in CZK)

Rent	18,000
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Energy	10,000
Social insurance	2,841
Health insurance	2,627
Internet + phone	750
Server rental	2,045
<b>Total per month</b>	<b>CZK 35,776</b>
<b>Total per year</b>	<b>CZK 429,312</b>

Table 6: Fixed costs (own creation)

The required money to establish the business is CZK 1,717,156. That includes the start-up costs (CZK 1,681,380) plus the fixed costs for the first month, as seen in the table above (CZK 35,776). The deposit of 1,800,000 deposited to the company's bank account from the author's savings will cover all the necessary expenses and leave some money to spare. This money (CZK 82,844) may be used to buy additional equipment or unexpected cover costs.

### 6.5.3 Variable costs

Variable costs will always differ each year as the application is modified. The yearly maintenance of the server can be expected to be ranging approximately from 10% to 20% of the initial development cost. The cost of maintenance was included in the variable costs, because the variable costs change with the amount of orders. The costs will be graded according the amount of data processed, due to the capacity of the server. The maintenance includes notifications, tracking, content, bug-fixing, payment processing and server maintenance.

#### Variable costs

Prediction	Yearly maintenance
Optimistic	10% - CZK 150,000
Realistic	15% - CZK 225,000
Pessimistic	20% - CZK 300,000

Table 7: Variable costs (own creation)

## 6.6 Evaluation of profitability

Demand predictions are based on a discussion with qualified individuals and monthly reports from the competition (zasilkovna.cz). The gross margin shows the difference between the earnings and costs of provided services. The estimated number of customers calculates the gross margin per month. The estimated actual number of customers that will use our application and order our services is 900 per month. The optimistic prediction counts with 1,300 orders and the pessimistic with 500. The table below shows how high the gross margins will be, considering the optimistic, realistic and pessimistic views of the number of customers. Due to the limited scope of the of this paper and base on the high dynamic of changes on the market. Profitability of the business plan was calculated only for the first year.

### Gross margin (in CZK)

Item	Optimistic	Realistic	Pessimistic
Orders	1,300	900	500
Variable costs per month	12,500	18,750	25,000
Fixed costs per month	35,776	35,776	35,776
Revenues per month	130,000	90,000	50,000
Revenues per day	4,274	2,959	1,644
<b>Gross margin per month (revenues – variable costs)</b>	117,500	71,250	25,000
<b>Gross margin per year</b>	1,410,000	855,000	300,000

Table 8: Gross margin (own creation)

### 6.6.1 Optimistic estimate

The optimistic version counts with 1,300 customers that will use our application and order our services. This view is not likely to happen at the beginning of the entrepreneurship, as there is an intense competition and we are a new company. The results at the end of the year are promising, but the company is still at a loss. If the number of orders is no more than 1,300, the company will make a profit within six months.

### Profit/loss

	First month	Other months	First year
Gross margin	117,500	117,500	1,410,000
Fixed costs	35,776	35,776	429,312

Start-up budget	1,681,380	-	1,681,380
Total expenses	1,717,156	35,776	2,110,692
<b>Profit/loss</b>	<b>Loss 1,599,656</b>	<b>Profit 81,724</b>	<b>Loss 700,692</b>

Table 9: Optimistic view on sales (own creation)

### 6.6.2 Realistic estimate

This prediction is likely to happen, because as a new company, customers may want to try something new and give our services to prove ourselves. Having about 900 customers in the first month is realistic, and the profits are decent for a starting company, but it would take approximately three years to make a profit with the 900 orders per month.

#### Profit/loss

	First month	Other months	First year
Gross margin	71,250	71,250	855,000
Fixed costs	35,776	35,776	429,312
Start-up budget	1,681,380	-	1,681,380
Total expenses	1,717,156	35,776	2,110,692
<b>Profit/loss</b>	<b>Loss 1,645,906</b>	<b>Profit 35,474</b>	<b>Loss 1,255,692</b>

Table 10: Realistic view on sales (own creation)

### 6.6.3 Pessimistic estimate

This version show revenue there will be if only 500 orders are made. As can be seen in the table below, this version leads to a higher deficit and, therefore, in this case, is not viable to continue in the effort.

#### Profit/loss

	First month	Other months	First year
Gross margin	25,000	25,000	300,000
Fixed costs	35,776	35,776	429,312
Start-up budget	1,681,380	-	1,681,380
Total expenses	1,717,156	35,776	2,110,692
<b>Profit/loss</b>	<b>Loss 1,692,156</b>	<b>Loss 10,776</b>	<b>Loss 1,810,692</b>

Table 11: Pessimistic view on sales (own creation)

Based on the results from all the tables above, we can say that in a year time frame, the investment will not return as all the yearly financial results end up in Loss. Due to this fact, there is no need to calculate the Return of Investment (ROI) as it would have come out in

negative values. In the optimistic and realistic predictions of the number of orders, the investment would have eventually returned, but no sooner than one year after establishing the business. In the pessimistic prediction, the fixed costs even surpassed the monthly profit leading to the failure of the business.



## 7 RISK ANALYSIS

Risk and uncertainty are two factors that every company has to be prepared for as sooner or later, and they will occur. The risk that the market is not ready for our service and the fluctuations in demand for our services may occur. The fluctuations in demand mean low profitability.

In connection with this project, the high start-up costs are necessary, as most companies do. The main risk of this business plan is the return of investments as it strongly depends on the volume of demand. In case of low demand for the company's services, the company may broaden the customer target group to also aim for people older than 45.

The following risk is that the company strongly relies on the level of infrastructure (roads, railroads). As this risk is primarily an external one, the company may try to mitigate this risk by including road news or recommending a favourable route.

Another risk is the change in consumer buying behaviour due to the pandemic. As brick-and-mortar shops reopen, a part of the target group may return to the old habits: in-person shopping. On the other hand, many people realise that certain goods and services offered online suit them more than going out and looking for them. This risk may be accommodated by promoting the company's services and advertising them in the right places to impact the target group of customers and establish a good customer base.

Inflation is rising, which means the decrease in purchasing power in connection with the increasing prices of energy, food and other commodities. This risk can be fixed by adjusting the pricing of offered services as the company relies on the flexibility of young generations.

There is also a potential risk as the applications rely on the mobile data provided by the local operators. The increase in costs may lead to a decrease in the number of couriers available. That can be dealt with by offering an advantageous tariff that the company can make a deal with the operator.

After evaluating the predicted number of orders made in the first year, we can say that there is a chance for the company to be profitable and not fail. In the event of business failure, the Loss would be significant.

## CONCLUSION

The aim of this Bachelor's Thesis is to create a business plan for a new company and evaluating the company's profitability. Dodej.mi is mediating a delivery of specific items between its customers. The legal form for this company was chosen as a limited liability company. To create a business plan, the author first needed to write a theoretical part, which covers all the necessary topics connected with writing a business plan, such as entrepreneurship, forms of entrepreneurship, the structure of the business plan, and analysis that are made in a business plan. In the analysis part, the knowledge from the theoretical part was applied. First, the author introduced the company and stated its intentions of how the business will work and what service it will provide. He did all the necessary market analyses like PEST, The Porter and SWOT. Following this section, he described the organisational plan, pricing plan, estimated time of development of the applications, fixed and variable costs, and the evaluation of profitability with three versions of predictions. In the last part, he listed the risks the company may face.

Based on the numbers and listed results of the plan, we can say that the business success strongly depends on the number of orders made. Based on the prediction, there will be a stable amount of 900 orders per month in the first year. The company might make a profit, but the author's investment will not return in the first year. That means there is a strong chance that the company will survive, but the risks are so significant that we cannot safely assume that the company will do so. Due to the limited scope of the of this paper and base on the high dynamic of changes on the market. Profitability of the business plan was calculated only for the first year.

To summarize the listed results. We can say that the market analysis has confirmed the perspective of the proposed plan, and based on the results of individual analyses, the ability to gradually repay the initial investment can be assumed. However, due to high start-up costs, the return on this investment is medium to long-term.

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## **LIST OF ABBREVIATIONS**

OSVČ	Osoba samostatně vydělečně činná
CEO	Chief executive officer
GDP	Gross domestic product
iOS	Iphone operation system
GPS	Global positioning system

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