

A Business Plan for an Upholstery Company

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ABSTRAKT

Tato bakalářská práce se zaměřuje na tvorbu podnikatelského plánu, který se bude soustředit na transformaci existující malé čalounické dílny na formalizovanou společnost s obchodním názvem "Bomba Fáro". Práce je rozdělena na teoretickou a praktickou část. Teoretická část specifikuje základní termíny spojené s podnikáním, jako jsou podnik, podnikatel a podnikání, a podrobně popisuje různé právní formy podnikání v České republice. Také se zde zkoumá a vysvětluje struktura podnikatelského plánu. Praktická část vychází z teoretických poznatků a zabývá se sestavením podnikatelského plánu. Následně byl vypracován marketingový a finanční plán.

Klíčová slova: čalounictví, podnikání, marketing, řemeslo, zakázková výroba

ABSTRACT

This bachelor's thesis focuses on developing a business plan aimed at transforming an existing small upholstery workshop into a formalized company under the trade name "Bomba Fáro". The work is divided into theoretical and practical sections. The theoretical part defines basic terms related to entrepreneurship, such as business, entrepreneur, and entrepreneurship, and thoroughly describes the various legal forms of business in the Czech Republic. It also examines and explains the structure of a business plan. The practical part builds on these theoretical insights and involves the creation of a business plan. A marketing and financial plan was subsequently developed.

Keywords: upholstery, entrepreneurship, marketing, craftsmanship, customization

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

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INTRODUCTION

In today's fast-changing business world, starting a business and creating a solid business plan has never been more important. The way we do business is constantly evolving, thanks to new technologies, changing customer preferences, and the rise of new market opportunities. Furthermore, as technology continues to shape the world, there is an increasing appreciation for businesses that specialize in handmade goods and services. This shift is creating a special place for the blend of classic craftsmanship with modern innovation.

The author of this thesis has decided to create a business plan for a small upholstery workshop and expand its operations after meeting remarkable individual whose life's work has been the craft of upholstery. With skilled hands, she has transformed countless pieces of furniture and occasionally car seats, mostly for friends. Now, as she steps into her later years and contends with health challenges, her passion for upholstery has not faded. She shared her dream of leaving behind something meaningful, wanting to share her deep knowledge and skills. Moved by her story and commitment, the author decided to help her create a legacy. The upholsterer sees herself as the guiding spirit of this new venture, while the author will take the lead in running it.

The thesis is structured into two main sections: theoretical and analytical. The theoretical portion begins by clarifying crucial terminology related to entrepreneurship and the business environment, focusing particularly on the various legal business structures available in the Czech Republic. This section also extensively outlines the structure and essential components of a business plan, explaining the purpose and function of each part in detail.

Building on this foundation, the analytical section serves as an extension of the theoretical insights. It applies the defined concepts and methodologies to develop a functional and realistic business strategy for executing the author's vision. This plan encompasses extensive details about the company, its offerings, an analysis of the market, insights into competitive dynamics, strategies for marketing, components of the marketing mix, financial projections, calculations of investment returns, and an assessment of potential risks.

The objective of this thesis is to communicate the company's strategic goals, operational structure, and financial expectations and to evaluate potential profitability of the presented business plan.

I. THEORY

1 BUSINESS

Fundamentally, business is about fixing problems for people and making money from it. This discipline deals with spotting things that could be better or easier for individuals and subsequently finding ways to make that happen. The best businesses usually start when someone sees a gap or a way to improve something, and then jumps in to fill it. It's all about being on the lookout for chances, whether that means inventing something new, doing something better than before or to revive and preserve old craftsmanship. Ultimately, it is the combination of helping people and being smart about it that really makes a business succeed.

1.1 Entrepreneurship

To define entrepreneurship, it is essential to explore the characterization of entrepreneur, as it gives rise to the concept of entrepreneurship. As stated by the Civil Code (Act No. 89/2012 Coll.), an entrepreneur is: “A person who conducts business activity independently, in his or her name, under his or her responsibility in order to make a profit under the conditions determined by this act.”

In order to understand what this legislative definition expresses it is essential to provide clarification on following:

- **Systematic activity** – implies that the activity should be carried out repeatedly and regularly, not sporadically.
- **Independently** – denotes that if an entrepreneur is an individual, they act independently while on the contrary a legal entity acts through its statutory body.
- **In his or her name** - means that an individual entrepreneur acts under their name and surname, whereas a legal entity acts under its business name.
- **Under his or her responsibility** – indicates that the entrepreneur (whether individual or legal entity) bears full responsibility and risk for the outcomes of their business activities.
- **To make a profit** – refers to the intention of the activity to achieve profit, although achieving profit is not necessarily the result. (Srpová and Řehoř, 2010).

Entrepreneurship is not solely about meeting legislative requirements, but also encompasses a wide range of activities from personal productivity through pricing, marketing, negotiating contracts, to financial planning and self-regulation. The entrepreneur must also bring expertise to their field, meaning the competence and knowledge. (Vlach, 2017).

1.2 Entrepreneur

As outlined in the Czech Civil Code, which prescribes the criteria for identifying an entrepreneur, the legal definition of an entrepreneur is clarified as follows: “A person who independently carries out, on his or her own account and responsibility, a gainful activity in a trade license or similar manner with the intention of doing so consistently for profit.” (Act No. 89/2012 Coll. Civil Code (§420))

Additionally, entrepreneur, as expressed by Brian Tracy, has to be capable of spotting a chance to benefit others by supplying a product or service they require and desire. The entrepreneur excels by presenting these offerings at a price point below what customers are prepared to pay. (Tracy and Strutzel, 2019).

1.2.1 Entrepreneur necessities

Proactive attitude is one of the core entrepreneur necessities. This trait signifies a person's natural or nurtured inclination to engage in business activities. Individuals who possess and develop this trait have what it takes to embark on an entrepreneurial journey. While this attribute can be somewhat natural, it is a comprehensive characteristic that can be expanded and dissected for a deeper understanding.

An entrepreneur's journey is shaped by a blend of inherent potential and cultivated personal characteristics. This mix includes a deep-seated proficiency and an array of skills, paired with the essential business awareness that guides their strategic thinking. These competencies are a combination of enduring natural talents, such as the innate ability to understand complex problems and to connect with others, along with acquired knowledge that forms a base for decision-making. The learned skills are sharpened through hands-on experience, reflecting the dynamic process of applying what is known to navigate the variation of business challenges.

Furthermore, an entrepreneur's identity is heavily influenced by a spectrum of personal traits. These extend from the foundational elements of their personality to the unique qualities that distinguish their approach to business, altogether playing a pivotal role in their pathway to success (Srpová, 2010).

Moreover, what Šafrová Drážilová (2019) states is that success in business is a multifaceted achievement, dependent not only on personal qualities but also on resources, luck, and external factors. Building a prosperous enterprise requires time and traits like patience, perseverance, determination, and decision-making are one of the most critical ones for successful entrepreneurs (Šafrová Drážilová, 2019).

1.3 Enterprise

In a market economy, enterprises constitute vital economic units whose operations significantly contribute to the bulk of the gross domestic product (GDP). They act as primary providers of goods and services within the marketplace. By employing various factors of production, enterprises enhance their intrinsic value through a process known as value addition. This vigorous activity leads to the generation of distinct goods and services, fulfilling the demands of other economic participants (Kozubíková, 2017).

At its simplest, a business is seen as an agent where the conversion of inputs to outputs occurs. In a broader sense, a business is characterized as a unit that possesses economic and legal autonomy and is created with the objective of engaging in commercial activities. The concept of economic autonomy, reflecting the liberty of commerce, is linked to the proprietors' accountability for the outcomes of the business ventures. The ability to establish legal relationships with other entities in the marketplace, forming agreements that generate both privileges and responsibilities, is part of being legally autonomous. (Srповá, 2010).

1.4 Elements of a successful business

In the sphere of successful business practices, there are key components that can significantly enhance the appeal and functionality of a company's offerings.

Introducing a novel product, service, or technology can break new ground in the market. Improving what's already available by adding features, reducing costs, or boosting performance and ease of use can also carve out a competitive edge.

Tapping into markets that have not been fully served, whether through unmet demands or overlooked segments, presents fresh opportunities.

Innovating in the way products or services are delivered, perhaps by reducing costs or expanding reach, can refresh a business's appeal.

Moreover, consolidating operations to provide a wider array of offerings in a single venue can create a more efficient and customer-friendly experience (Abrams, 2019).

2 TYPES OF BUSINESS

For a successful business launch, it is essential to select an appropriate legal form of enterprise. Although this chosen business structure can be transformed into another in the future, this step represents a significant decision for the business (Srpová, 2010).

People may run their business by themselves, where they take responsibility for their business, including potential risks, as the sole person, or they may run their business together with other individuals, which is the case of setting up a company (Klínský, 2016). Regarding legal structures, businesses are classified as either individual proprietors or corporate entities.

If an individual or a legal entity intends to conduct business, they must first acquire a trade license and then register with the trade licensing office. The trade register provides a list of all businesses within a specific area, maintained by the local or regional trade licensing authority. Therefore, anyone can search this register to find and verify information about a particular business operator (Klínský, 2016).

Staňková (2007) emphasizes that choosing the legal form of a business is a crucial step in starting one's own enterprise. Although important, this decision can also be the first mistake that new entrepreneurs make. When selecting a legal structure, it is vital to consider the purpose of the business and whether a specific type of business entity is suitable. Staňková also notes that the legal form of a business can be changed over time; however, this decision should be considered carefully as it can be costly and organizationally demanding. She also discusses the factors that should be emphasized during the decision-making process about the legal form of the business:

- **Starting capital** – varies and its future accrual hinges on the entrepreneur's skill set. There's a spectrum of strategies to raise this capital, each reflecting a different fit for various business models.
- **Tax implications** – are pivotal, with a discernible shift towards diminishing corporate tax rates as opposed to individual taxes. This shift isn't confined to transitional economies but is observable across nations, including the Slovak Republic, Estonia, Czech Republic, and broader EU and global contexts.
- **Decision-making autonomy** – is traded off in a partnership setup. Entrepreneurs must balance their personal autonomy against the benefits of collaboration.
- **Initial setup costs** – warrant attention. Simpler business structures may evade hefty legal fees, but more intricate entities will incur considerable legal costs.

- **Management prowess** – is non-negotiable, especially with financial operations. Overlooking this has led to entrepreneurial failures, as seen in the Czech business landscape.
- **Long-term vision for the business's legacy** – is crucial. Choices made today may impact the ease of future transitions, be it keeping the business in the family or selling it.

2.1 Business of a natural person

As previously mentioned, it is generally possible to distinguish between two different types of business entities.

One of them is sole proprietorship. Sole ownership by one individual is the predominant form of business and also one of the oldest ways to conduct business here. This type of business is popular for several reasons, whether it is the smoother process of establishment from the beginning, or the overall lower cost. It is also necessary to consider the decision-making authority, which in the case of individual businesses is fully left to the founder. After paying taxes and costs associated with the business, the founder is allowed to keep all the profit, which often represents a substantially higher amount than the solid salaries of today's economy. If we were to go all the way to the demise of the business, another positive factor in this type of business is the easier termination or suspension of business activities (Staňková, 2007).

A person is born as a natural person. In other words, a natural person is a citizen who possesses legal personality – acquiring rights and obligations. If such an individual wishes to engage in business activities, they operate under their own first and last name. For a natural person to undertake business, they may obtain a trade license and subsequently be registered in the trade register, thus, if a natural person secures a trade license, they remain a natural person and, in addition, become a self-employed individual (Klínský, 2016).

However, entrepreneurship can extend beyond holding a trading license, encompassing activities such as independent professions like athletes and artists, authorial work with potential health insurance considerations, agricultural ventures requiring specific registration, and regulated professions like tax consultants and lawyers that necessitate specialized examinations. Such entrepreneurs are registered with the Bar Association (VZP, 2024).

To get a license a natural person has to figure out the main focus of his or her business and choose a category of the business activities.

According to Srpová (2010), self-employed individuals in the Czech Republic are categorized into several types of business activities:

Notifiable trades

These are businesses that are established based on a declaration.

- Craft trade

The primary condition for establishing and running this type of trade is to have some form of certification demonstrating expertise in the relevant area, such as a diploma from completing education in the field or a minimum of six years of practical experience in the industry. For example – butchery, masonry and hospitality are considered as craft trades.

- Professional trade

The essential requirement to operate in this trade is to show expertise, as defined by the Trade Licensing Act. Examples of these trades include accounting, operating a driving school, or massage therapy.

- Unqualified trade

No demonstration of professional expertise or any documents to prove proficiency are required. These trades are operated based on an administrative decision. Entrepreneurs determine the scope of these trades from a list of 80 activities and choose which one they want to engage in. Among these trades, we can include accommodation services, photographic services, and the brokerage of trade and services.

Permitted trades

These business activities are set up and managed according to decisions made by administrative bodies and are validated with records from the trade register. To engage in these professions, individuals must demonstrate the required professional competencies and obtain both a concession and favourable assessments from the relevant government agencies. Examples of such trades include running a travel agency, offering taxi services, or operating funeral services.

Each of these trades has specific conditions for its practice. However, entrepreneurs must also meet the requirements for obtaining a trade license, as stipulated by the Trade Licensing Act. Srpová (2010) emphasizes that these conditions are divided into general conditions and special conditions. General requirements mandate that individuals must be a

minimum of 18 years old, legally competent, and have no criminal history. Special conditions pertain to professional and other qualifications required by the specific trade.

2.2 Business of a legal entity

Business conducted in partnership with two or more individuals is considered a form of partnership, a collaboration involving a specific number of people aiming to generate profit. When individuals decide to enter into a partnership, they must recognize that they will share ownership of the company's assets, liabilities, and profits based on previously approved statutes (Staňková, 2007).

Every initiation of a partnership business should be formalized through a written document – a contract stipulating the terms for the business operations. Although this foundational document may serve as a form of security, regarded by the founders as a guide outlining the future appearance of the business, in reality, many disputes arise among company partners, often leading to legal battles that none anticipated with their partner. The relationship with a potential partner carries risks that must be carefully considered and analysed beforehand (Staňková, 2007).

However, the various forms of partnership, as recognized by law, also offer numerous benefits for entrepreneurs if the business is formally well-conducted. Each partner can bring a personal touch, contribute their individuality, and if the unique qualities of the partners are combined effectively, it can lead to a productive synergy. This business form also tends to inspire greater trust across the company and makes it easier to obtain capital for development activities. (Staňková, 2007).

Within the Czech legal framework, from the perspective of the company as a legal entity, various forms of business corporations exist. These are categorized into commercial companies and cooperatives, as outlined in section 1 of the Czech Business Corporations Act. This classification serves to distinguish different organizational structures available for business incorporation under Czech law (ASPI, 2012).

Section 2 of the Czech Business Corporations Act defines, that "The types of companies in the Czech legal system include public trading companies and limited partnerships (referred to as 'personal companies'), limited liability companies and joint-stock companies (referred to as 'capital companies'), as well as European companies and European economic interest groupings." (ASPI, 2012).

Srpová (2010) helps to better understand this definition and mentions that in the context of the Czech legal environment, business structures are organized into distinct

categories. Personal companies are typically predicated on the personal involvement of the entrepreneur, often featuring unlimited liability for obligations incurred by the business. They include general commercial partnership company (referred to as "veřejná obchodní společnost" or "v.o.s.," in Czech) and limited partnership company (known as "komanditní společnost" or "k.s." in Czech). Moving to capital companies, the partners, also called shareholders, are only required to contribute to the capital of the entity, with their liability for the company's obligations being limited or non-existent.

Types of capital companies comprise limited liability companies, (abbreviated as "společnost s ručením omezeným" or "s.r.o.," in Czech) and joint-stock companies (designated as "akciová společnost" or "a.s." in Czech).

Lastly, the framework recognizes the form of cooperatives, a less common legal form for entrepreneurial activity. Each structure offers different advantages and levels of responsibility, tailored to the nature and scale of the intended business activity.

In light of the provided details, it is feasible to delineate the structure of business corporations in the subsequent manner for improved clarity:

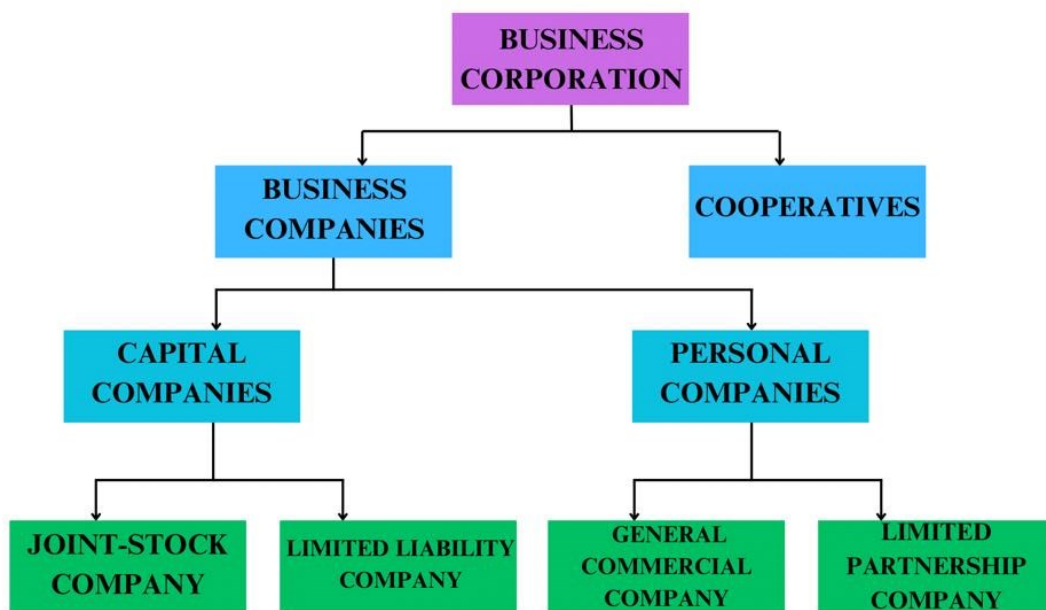


Figure 1: Structure of a Business Corporations

2.2.1 General commercial company

In such an entity, we find at least two individuals who conduct business under one roof and are jointly and severally liable with their personal assets for the company's liabilities (Staňková, 2007). For this type of company, the amount of initial capital contribution is not predetermined. The body with the greatest influence comprises all the partners collectively,

yet, in the event of significant decisions, each partner possesses a right to veto. The statutory body, in this case, consists again of the individual associates. An analysis of the profit distribution within this type of company reveals that profits are divided equally unless the partnership agreement specifies alternative profit-sharing arrangements (Klínský, 2016).

2.2.2 Limited partnership company

A limited partnership necessitates the involvement of at least two entities, which can be individuals or legal entities. In this arrangement, the participants hold differing levels of authority and responsibility. The liability of a limited partner is confined to the value of their contribution that has not yet been paid into the company's capital, as documented in the official registration. On the other hand, general partners bear full personal liability and are not required to make an initial capital contribution, though this can be altered according to the provisions stipulated within the partnership agreement (Klínský, 2016).

Within a limited partnership, the general partner serves as the legal representative. Distribution of profits is governed by the partnership agreement, or in its absence, split equally between the general partner and the company itself. Should the latter method be employed, the general partner is responsible for settling the personal income tax on their portion. The company's share of the profits is then subject to corporate taxation before being allocated to the limited partners in accordance with their investment stakes. Entrepreneurs often adopt this structure to supplement insufficient capital, allowing investors to contribute as limited partners while the entrepreneur retains full accountability (Šafrová Drášilová, 2019).

2.2.3 Limited liability company (LLC)

According to Klínský (2016), this type of company is the most widespread globally. This widespread adoption underscores its versatility and effectiveness in meeting the diverse needs of businesses worldwide.

The organizational framework of a Limited Liability Company (LLC) bypasses many of the standard administrative procedures typical of corporations, yet it still offers the personal liability protection and benefits associated with corporate entities (Shelton, 2017).

Shelton (2017) also notes that a common motivation for entrepreneurs to opt for the LLC structure is to secure protection against liability for personal assets, however, he also emphasizes that for entrepreneurs to adequately protect their personal assets, merely establishing an LLC is insufficient. They must also operate distinctly as an LLC, ensuring

that their personal transactions are completely segregated from the LLC's activities, including using separate bank accounts and debit cards.

2.2.4 Join-stock company

Initiating a joint-stock company, known locally as 'a.s.', requires an initial financial commitment of either 2 million CZK or 80,000 EUR. The capital for joint-stock is segmented into shares, granting shareholders not only a portion of the company's profits but also a voice in its governance (Šafrová Drážilová, 2019).

The company is liable for its obligations with all of its assets, and the highest authority is the general assembly of all shareholders, who have voting rights proportional to their shareholding. The statutory body operates under two frameworks – the monistic and dualistic systems (Klínský, 2016).

3 BUSINESS PLAN

To fully understand if the business idea will work, there is a need to put together a business plan. It is a document written by an entrepreneur that covers everything important for the business, both what transpires internally and what occurs externally (Srpková, 2010).

The formulation of a business plan marks the first crucial step for anyone looking to enter the realm of entrepreneurship. It delineates a framework that transitions an idea into a functioning enterprise (Červený, 2014).

Shelton (2017) is pointing at the fact that that a business plan is often viewed as a formal document comprised of five essential components: "1) business goals, 2) the reasons why these goals are attainable, 3) a plan for reaching those goals, 4) data backing the uniqueness of the products and services to be sold, and 5) supporting information about the organization and team attempting to reach those goals."

3.1 Goals and benefits of a business plan

Business plan as a strategic blueprint is essential for mapping out the future trajectory of a business, providing a detailed guide for establishment and growth. Beyond serving as a guide, the business plan is pivotal when engaging with stakeholders such as financiers and investors, articulating the business's potential and securing external funding. It's not merely a document but a strategic asset that continues to guide the business's trajectory, allowing for continuous comparison between envisioned goals and actual outcomes, ensuring the business adapts and thrives in an ever-changing market environment (Shelton, 2017).

According to McKeever (2018), well-crafted business plan is crucial for attracting investment, as it is often a prerequisite for lenders and investors to even consider funding a business. It also plays a pivotal role in educating business owners about their finances, revealing the cash flow dynamics within their operations. This is a key reason why financial supporters require a glimpse of a business plan; it demonstrates the economic soundness of the enterprise. Moreover, a business plan enables the owner to evaluate the viability of their venture, guiding them on whether to move forward or reassess their idea. It also aids in preventive management, helping to solve potential problems before they grow, thereby streamlining the path towards long-term business objectives and increasing the overall chances of success.

Shelton (2017) points up several situations that require the act of writing a business plan. The classical event that occurs to a larger extent is starting a new company, then extending an existing company with new services or products for instance. The acquisition

of separate business can also trigger the need to write a business plan. Entrepreneurs may also write a business plan that would target potential buyers, offering them all important information about the company, allowing the reader to see in the company's future.

3.2 Chapters of a business plan

There are numerous ways to create a business plan. Each enterprise can choose an individual approach to developing its business plan, but there are certain components that should be included in every business plan, regardless of the potential audience. These essential elements ensure that the plan is comprehensive and effectively communicated (Koráb, 36). Thus, Koráb (2007) stresses that business plan should contain these chapters:

- Title page
- Executive summary
- Enterprise description
- Market analysis
- Marketing plan
- Personnel resources
- Financial plan
- Risk evaluation
- Appendices

3.2.1 Title page

This section provides an introductory overview of the business proposal. It frequently includes details such as the company's name and location, the names of the entrepreneurs, and contact information. Additionally, it outlines the business's description, the nature of its operations, and the methods of financing. These elements collectively establish the foundational context of the business plan, offering a clear snapshot of the organizational structure and its strategic intentions (Koráb, 2007).

3.2.2 Executive summary

The executive summary is regarded as the most critical component of a business plan. It serves as a compelling introduction to the plan, effectively functioning as a persuasion tool that presents key aspects of the business upfront. Although positioned at the beginning of the document, it is advisable to compose the executive summary after the rest of the plan has been developed. This sequence ensures that the summary accurately encapsulates the

outcomes and insights derived from the detailed planning process. By reflecting the comprehensive strategy and expected results, the executive summary provides a concise yet thorough preview, enabling readers to quickly understand the main objectives and strategies of the business. This strategic placement and composition underscore its importance in setting the tone and direction for the entire document (Abrams, 2019).

Another individuals, may adopt completely different method and, rather than composing an executive summary, would write only two-sentence overview that describes what the entrepreneur does and the amount of funding required (Blackwell, 2017).

3.2.3 Enterprise description

This section of the business plan provides a detailed description of the company. It is crucial for readers to gain a clear understanding of the size and performance of the business. The business description should consist solely of verifiable facts about its founding, various achievements, and the definition of the company's strategy. This portion of the document should include a description of the products or services provided, the business's geographical presence and scale, its organizational chart, the technological resources available, and the entrepreneur's qualifications (Koráb, 2007).

On the contrary, Blackwell (2017) adopts a very direct method in this context, provides no framework, and simply instructs that this part should refer to any significant events that have impacted the business.

3.2.4 Market analysis

To ensure strategic alignment with market demands, businesses are required to conduct thorough market analysis. This involves understanding consumer preferences and behaviours in specific sectors, pinpointing the appeal of particular products or services. Additionally, insights into decision-making processes among consumers, influenced by various stakeholders, are essential. This comprehensive approach should extend to analysing competitive positions, as well as examining the nature of relationships with distributors and suppliers. Recognizing these elements is fundamental to understanding the microenvironment of a business. To effectively navigate the macroenvironment, strategic tools such as PEST analysis could be implied (Karlíček, 2018).

3.2.5 Marketing plan

Marketing planning encapsulates a comprehensive overview of a brand's promotional strategies within a designated timeframe. Establishing effective marketing objectives often involves employing various strategic tools, including situational analysis. An effective marketing strategy should extend beyond just analytical frameworks to also articulate the unique value proposition delivered to consumers. It should systematically detail the marketing goals, identify the primary target demographic, and delineate the product's market positioning. Additionally, it should specify the product details, pricing strategy, promotional tactics, and distribution channels to ensure a coherent and targeted marketing approach (Karlíček, 2018).

Thus, the essence of the marketing plan involves a deep understanding of the target demographic—encompassing their lifestyles, behaviours, and preferences, and assessing how these elements can facilitate the company's penetration and success in the market. With this knowledge, the company can tailor its pricing strategies and promotional tactics effectively to meet the specific needs and expectations of its customers (Šafrová Drážilová, 2019).

To attract customers and deliver value, a company requires a marketing mix. This consists of various tactical marketing tools that a company uses to elicit the desired response from its target audience (Kotler 2021).

According to Kotler (2021), the marketing strategy framework consists of four pivotal elements, commonly known as the 4Ps:

- **Product:** Refers to the complete set of products and services that the company offers to its target demographic.
- **Price:** Concerns the amount that consumers are required to pay, adjusted to align with current economic conditions and the product's perceived value.
- **Place:** Involves the distribution strategy, including where the product is sold, the logistics of delivery, and the management of the supply chain.
- **Promotion:** Encompasses the strategies used to communicate the product's advantages and motivate the target audience to make purchases.

This framework is essential for tailoring marketing efforts that effectively reach and engage the intended consumer base.

3.2.6 Personnel resources

The personnel plan should detail the quantity and qualifications of staff required to execute our strategy effectively. It necessitates a structured outline of activities and tasks that need to be undertaken. Following this groundwork, it becomes possible to assign specific responsibilities and establish oversight mechanisms. This method facilitates the development of job descriptions, enabling the organization to specify the necessary educational background, attributes, and experiences for each role, as well as to ascertain the cost associated with their employment (Šafrová Dráčilová, 2019).

3.2.7 Financial plan

The primary objective of the financial plan is to ensure that the business plan is geared towards generating profit, securing the necessary resources for implementation, and demonstrating the financial sustainability of the business over time. Initially, it is essential to determine how the business startup will be financed and the amount of capital required to ensure the business is self-sufficient. Additionally, it is crucial to be able to prepare preliminary balance sheets and cash flow statements. These elements help in assessing the financial health and potential future performance of the business (Červený, 2014).

3.2.8 Risk evaluation

Each project or plan carries inherent risks. Failing to proactively identify and analyse these risks can leave us unprepared or lead to intentional omission. Presenting the identified risks and suggesting possible mitigations reflects a comprehensive understanding of the project. It shows that the initiative is more than just an impulsive idea; it is a well-considered proposal backed by strategic planning and readiness to address potential challenges (Šafrová Dráčilová, 2019).

4 ANALYSES USED IN BUSINESS PLAN

Having delineated the various components of a business plan, including organizational structure, marketing strategy, and personnel planning, attention shifts to the analytical tools that underpin these elements. The subsequent section explores various analytical methodologies integral to the business planning process. By employing these analyses, the business plan is reinforced, ensuring it is not only theoretically sound but also practically viable and strategically equipped to navigate market complexities.

For a business to thrive, it's vital to accurately define and understand its target market and customer base. The core objective of any enterprise is to fulfil the needs of its customers, requiring entrepreneurs to have a deep understanding of their customer's desires, the specifics of their requirements, and their purchasing capacity. Essential elements in designing an effective marketing strategy include demographic details such as age, gender, and economic status of potential customers. Furthermore, incorporating geographic or psychographic information enriches the customer profile. It's critical that the defined target market is expansive enough to sustain the business's profitability, ensuring the enterprise can deliver value while remaining economically viable. This strategic focus on customer insight not only informs product and pricing strategies but also significantly boosts customer engagement and business success (Abrams, 2019).

4.1 SWOT analysis

SWOT analysis serves as a standalone tool that evaluates critical elements influencing a company, delineating its internal strengths and weaknesses alongside external opportunities and threats. This evaluation takes into account the surrounding environment, expectations from stakeholders, and the internal dynamics of the organization. Primarily aimed at condensing the insights from a strategic analysis, SWOT can also be adapted for broader applications. For effective use, it should focus solely on pertinent details that directly impact the area under examination. Employing SWOT analysis for example in market analysis is advantageous as it provides a clear framework for identifying how external market forces and internal capabilities can align to leverage opportunities or mitigate potential risks. This makes it an essential tool for strategic decision-making and planning, helping businesses to navigate their competitive landscapes more effectively (Červený, 2014).

4.2 PEST analysis

PEST Analysis reveals that comprehending the facets of the external business environment requires recognizing elements such as political, economic, social, and technological factors. To adapt to more contemporary concerns, additional dimensions like environmental, legal, and ethical considerations have been integrated lately (Sloman and Jones, 2020).

The factors previously discussed significantly impact demand. This analysis examines key trends in the business macro-environment, identifying potential threats and opportunities for a company. It selectively focuses on those components that are likely to influence the demand for a product or service significantly in the future, rather than covering every facet of the macro-environment (Karlíček, 2018).

4.3 Porter's five forces analysis

Koráb (2007) provides information that this model analyses the competitors of our business, both potential and existing. Further, he suggests that within the creation of a business plan, it is essential to concentrate on those five generalized areas where threats should be assessed:

- **The Threat of New Entrants:**
Examining how easily new competitors could enter the market and what barriers, such as capital requirements and customer loyalty, might protect the existing company's position.
- **Rivalry Among Existing Firms:**
Understanding the level of competition and the intensity of rivalries within the current market landscape.
- **The Threat of Substitute Products or Services:**
Assessing the risk posed by alternatives that customers might opt for, which could reduce demand for the company's offerings.
- **The Bargaining Power of Suppliers:**
Considering how supplier relationships and dependencies could influence the company's operational capabilities and cost structures.
- **The Bargaining Power of Buyers:**
Gauging the influence customers have over pricing and terms, which could impact profitability and strategic flexibility.

II. ANALYSIS

5 A BUSINESS PLAN FOR AN UPHOLSTERY COMPANY



Figure 2: Logo

5.1 Title page

Name of the company: BOMBA FÁRO

Legal form: LLC

Address: Buk 8, 751 21

Owner: Tereza Birnbaumová, Aneta Cahová

Contact: bombafaro@outlook.com

Website: www.bombafaro.cz

Financing: Savings of the co-founders (150,000 CZK)

Company description: *"Personalizing Cars, Stitch by Stitch."* BOMBA FÁRO, s.r.o. is a Czech company that excels in the art of car seat upholstery, blending traditional craftsmanship with modern ideas to create high-quality upholstery solutions. The company's roots trace back to its original founder, a skilled upholsterer who dedicated her life to perfecting the craft in her small workshop. Now, as she steps into her golden years, she is focused on preserving her legacy by passing on her extensive knowledge to a new generation of craftsmen. This transition infuses BOMBA FÁRO, s.r.o. with a blend of time-honored techniques and innovative practices, making it a pivotal force in the automotive upholstery industry and a favoured partner for both individual car enthusiasts and major automotive manufacturers.

5.2 Executive summary

BOMBA FÁRO, s.r.o., an enterprise specializing in car seat upholstery, is poised to make a significant impact in the Czech automotive market. Founded by Tereza Birnbaumová and Aneta Cahová, and situated in Buk, this company blends traditional upholstery craftsmanship with innovative designs to offer personalized, high-quality automotive interiors. With an initial investment of 150,000 CZK from savings, BOMBA FÁRO aims to cater to individual car owners and enthusiasts, particularly those involved in car tuning, a market segment that has seen substantial growth since the early 2000s. The company plans to extend its reach to the B2B sector, partnering with car dealerships and auto importers to broaden its market presence and diversify its revenue streams.

5.3 Company description

"Personalizing Cars, Stitch by Stitch." BOMBA FÁRO, s.r.o., is a specialized enterprise located in Buk, dedicated to the art of car seat upholstery. As a small business with fewer than ten employees, it thrives under the expert hands of a lead upholsterer who has devoted her entire life to mastering the craft. In a market where manual skills are diminishing, BOMBA FÁRO has carved a niche by reviving these traditional techniques. The company offers customized upholstery services, allowing customers to select their own design themes for a personalized interior touch. In addition to custom upholstery, BOMBA FÁRO also provides repair services and complete interior cleaning of vehicles, ensuring both comfort and elegance are seamlessly integrated into every aspect of their work.

5.4 Market analysis

Market analysis is a fundamental component of strategic business planning, serving as a comprehensive evaluation of the dynamic market environment in which a company operates.

5.4.1 Market segmentation

To conduct a market analysis, it is first crucial to define who the customer of BOMBA FÁRO actually is. Market segmentation is an integral part of the marketing strategy because by understanding these distinct segments, businesses can tailor their products and marketing strategies to more effectively meet the specific needs of each group.

B2C segment

The primary target group that BOMBA FÁRO focuses on comprises individuals who are enthusiasts of car tuning. Car modifications have been around forever, but the tuning scene experienced an unprecedented boom in the Czech Republic since the year 2000, possibly fuelled by the release of the movie "The Fast and the Furious." Since then, tuning gatherings have become a common sight across the Czech Republic (Garáž.cz, 2023). For instance, at least 11 tuning events are scheduled for 2024, where car enthusiasts will convene (Tuning Moto Sprint, 2024). Tuners are a segment who invest their hearts and salaries into enhancing their vehicles. It is at this juncture that BOMBA FÁRO enters the market, offering these individuals additional customized interior tuning for their cars.

Secondary customers consist of all car owners who desire a personalized design, seek to renovate the interior of their vehicle, or require deep cleaning services for their car's interior. These consumers value customization and are keen to maintain or enhance the aesthetic and functional aspects of their vehicles. By addressing these needs, BOMBA FÁRO broadens its market reach beyond the primary tuning enthusiasts, tapping into a wider audience. This diversification helps to stabilize the company's client base and increases its market potential within the automotive industry.

B2B segment

In a later phase, once the B2C segment gains traction, BOMBA FÁRO intends to also focus on the B2B segment, particularly in collaboration with car dealerships and auto importers. Expanding into the B2B market is crucial because it diversifies the company's revenue streams and reduces dependency on individual consumer sales. Engaging with businesses such as car dealerships and importers not only broadens the customer base but also enhances brand visibility and credibility within the automotive industry. The practice of importing both new and pre-owned vehicles into the Czech Republic is quite common. The majority of these vehicles are sourced from Germany, its neighbouring country, with others coming from various European nations including Spain, France, and the United Kingdom (AutoScout24, 2020).

5.4.2 PEST Analysis

The PEST analysis is being implied to evaluate the external environment that might impact the company. This method categorizes external influences into four main types: Political,

Economic, Social, and Technological. Some analysis, operate with additional dimensions like environmental, legal and ethical ones.

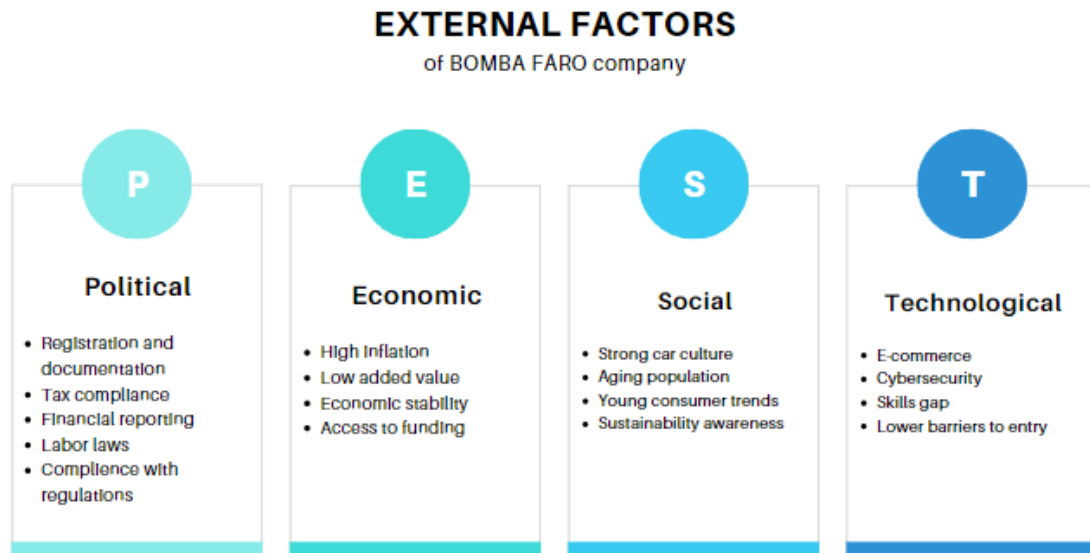


Figure 3: PEST Analysis

Political-legal factors

Key legal responsibilities include registration with the Czech Commercial Register and obtaining necessary trade licenses for operational legality. Such companies must adhere to corporate income tax regulations, register for VAT if applicable, and fulfil local tax obligations. Maintaining accurate accounting records according to Czech accounting standards is crucial. Depending on the company’s size, preparation of annual financial statements and potentially undergoing an annual audit are required. It is essential that all employment contracts comply with Czech labour laws, including the management of social and health insurance contributions for employees. Furthermore, as a member state of the European Union, adherence to EU regulations, such as data protection (GDPR) and consumer rights, is mandatory.

The Czech Republic, as an EU member, adheres to stringent European regulations concerning vehicle modifications and consumer safety standards. Compliance with these regulations is crucial for BOMBA FÁRO, especially in offering upholstery and vehicle modifications. According to Czech law and regulations concerning vehicle modifications, it is possible to replace seat covers without special permission, provided that this replacement does not interfere with the construction of the seat or the vehicle's safety systems, such as airbags. Interventions into airbag systems are heavily regulated and require specific expertise

and procedures. Any manipulation of airbags or interventions that could affect their functionality are strictly regulated and usually require homologation or special permission. This is crucial to ensure that airbags will function correctly in the event of an accident. In the Czech Republic, the safety aspects of motor vehicles, their components, and accessories that may affect road safety are regulated by Law No. 56/2001 Coll., with updates included in later regulations.

Thus, the law tells us that in the field of car seat upholstery, we are obliged to perform homologation, particularly if significant modifications are made that could affect vehicle safety. If an upholsterer is unsure whether a specific type of modification requires homologation, they should contact the relevant authority or a professional laboratory, which can provide relevant information and possibly conduct the necessary testing and certification. For example, the State Office for Road Traffic Control can provide information on the standards and regulations applicable to vehicle modifications, including upholstery.

The Ministry of Transport can then provide information on the legislation concerning vehicle modifications and the conditions for their homologation.

However, the replacement of seat covers is considered a cosmetic modification that usually does not affect the vehicle's safety functions. For upholstery businesses, compliance with these regulations is crucial as any modifications made to car seats, such as the integration of custom designs or materials, must not compromise the seat's structural integrity or interfere with safety components.

Moreover, governmental policies play a crucial role in shaping the operational landscape for small and medium enterprises (SMEs). These policies, which often include subsidies, tax incentives, and access to funding opportunities, are designed to bolster the growth and sustainability of SMEs within the economy. For a specialized company like BOMBA FÁRO, operating in the niche market of car upholstery, such supportive measures can provide significant benefits.

Economic factors

In 2023, the Czech economy contracted by 0.6%, influenced by persistent high inflation that continued to suppress both household spending and investment activities. Nevertheless, governmental expenditures and initiatives funded by the EU helped stabilize the economy.

A notable decline in inventory accumulation slowed the economy further, although improvements in supply chains facilitated an increase in exports, with imports staying subdued due to low domestic demand. The outlook for 2024 predicts a 1.2% economic

expansion, primarily fuelled by renewed consumer spending, private investments, and a stronger performance in export markets. After reaching a peak of 10.7% last year, inflation is expected to fall to approximately 3% throughout most of 2024, helped by diminishing external cost pressures and reinforced by strict monetary policies and a fiscal consolidation package. The job market remains tight, which should prevent a significant rise in unemployment rates, expected to increase marginally from 2.6% in 2023 to 2.8% in 2024. Wage growth is also expected to recover in real terms after two years of declines (Ministerstvo financí České republiky, 2024).

For a company like Bomba Fáro, which specializes in car seat upholstery, the economic conditions outlined present both challenges and opportunities. The projected economic recovery in 2024 with a 1.2% growth, alongside renewed consumer spending, suggests a potentially expanding market for automotive and related industries.

However, the tight labour market and expected slight increase in wages mean that Bomba Fáro might face higher operational costs, particularly in terms of labour. The decrease in inflation to about 3% could stabilize purchasing power, potentially boosting consumer willingness to invest in non-essential services like car upholstery. Additionally, the company could benefit from the increased activity in private investments and the stronger export markets, providing opportunities to expand both domestically and internationally. Therefore, strategic planning and efficient management of resources will be crucial for Bomba Fáro to leverage these conditions effectively.

Social factors

The Czech Republic has a strong car culture, influenced by its history in automobile manufacturing and a general passion for automotive excellence. The popularity of car tuning and customization is a reflection of this culture and younger consumers often seek ways to express individuality through their possessions, including their vehicles.

The Czech Republic is experiencing demographic shifts with an aging population. The Czech Statistical Office states, "Throughout the second half of the 21st century, there will be 2.5 times more seniors than children living in the Czech Republic. This will be the case despite more substantial migration or a slightly higher fertility rate." (Český statistický úřad, 2014).

Older adults may have different priorities than younger consumers, often valuing practicality and comfort over style and customization. This could lead to a decrease in demand for the more elaborate and stylistic modifications that the company offers. As the

population ages, there may be a general decline in the number of drivers, particularly those interested in vehicle customizations. Older individuals may drive less frequently or opt for more conservative vehicle features.

Another social factor is sustainability awareness. Increasing awareness of environmental issues among consumers could drive demand for eco-friendly and sustainable upholstery materials.

Technological factors

BOMBA FÁRO may struggle with a skills gap, where the current workforce lacks the necessary technological skills. Recruiting new talent or training existing employees can be time-consuming and costly and implementing new technologies often comes with high initial costs. Investments in advanced machinery, software, and training can be substantial. For a small company like BOMBA FÁRO, finding the financial resources to keep up with the latest technology could strain budgets and impact profitability.

In addition, technological advancements lower barriers to entry and can lead to increased competition. As more businesses adopt cutting-edge technologies, BOMBA FÁRO could face more competitors offering similar services, potentially driving down prices and market share.

As technology is moving forward, the development of online sales channels represents a significant shift in how services are marketed and delivered to consumers. For BOMBA FÁRO, the implementation of an e-commerce platform could transform its business operations by enabling customers to view, customize, and order upholstery services directly through the internet.

However, as business operations expand into digital domains, the need for robust cybersecurity measures becomes increasingly critical.

5.4.3 Porter's Five Force Model

The Threat of New Entrants

In today's era, where craftsmanship is in decline, it is challenging to find individuals who possess the necessary skills and expertise to perform services such as car seat upholstery. Although upholstery is classified as an unrestricted trade (BusinessInfo.cz, 2018), indicating easy entry into the industry, it is a service that demands precision and experience, not only

for aesthetic outcomes but also for customer safety. Thus, while theoretically there are no barriers to entry for a new company, practically, entering the sector is more complicated.

Another barrier to entry could be insufficient start-up capital, as emerging upholsterers might not have access to the necessary facilities or equipment, which represents a significant expense. This financial hurdle can deter new entrants, making it difficult for them to establish a foothold in the market without adequate initial funding.

Rivalry Among Existing Firms

As part of examining current competitors, upholstery businesses located in the vicinity of the company's headquarters were analysed.

Čalounictví Hložek

This company is located in the town of Holubice, which is 72 kilometers away from the BOMBA FÁRO's workshop. The activities of this firm encompass both furniture upholstery and automotive upholstery services. In terms of vehicle upholstery, Čalounictví Hložek also specializes in the upholstery of historic vehicles, motorcycles, and the installation of heated seats. Čalounictví Hložek operates every weekday from 7:00 AM to 6:00 PM and even on Saturdays from 7:00 AM to 11:30 AM. This firm has established collaborations with two other companies – Auto Slavkov and HT Car Systems. At this juncture, BOMBA FÁRO is at a disadvantage as it has not formed any partnerships and focuses solely on one type of vehicle. However, according to the price list on the company's high-quality website, the total cost for reupholstering a vehicle at high quality is 35,200 CZK. BOMBA FÁRO offers this service for 28,000 CZK. Additionally, Čalounictví Hložek does not utilize social media, and its website lacks photographs of its car seat upholstery work, an area where BOMBA FÁRO can robustly compete.

Čalounictví Ivo Kristek

This company is located in Tečovice, which is 24 kilometers away from the BOMBA FÁRO workshop. Established in 1999, the company specializes in upholstery services for furniture, antique furniture, and notably, car and motorcycle seats. Čalounictví Ivo Kristek does not provide a price list on its website, making it difficult to compare service costs directly. The website is somewhat cluttered and lacks a strong design aesthetic. Additionally, the photographs displayed on the site are poorly executed. These elements suggest that BOMBA FÁRO can competitively position itself by highlighting its transparent pricing, user-friendly

and visually appealing website, and high-quality photographic representations of its craftsmanship.

Čalounictví Niké

Another upholsterer who also specializes in vehicle upholstery is Čalounictví Niké, located in Olomouc, approximately 25 kilometers from the BOMBA FÁRO workshop. This company does not use a website, hence vital information is not readily available. The only online presence is an Instagram profile followed by over 600 people; however, this profile lacks necessary information, the visual presentation is unappealing, and follower engagement is low, with posts rarely exceeding 20 likes. Additionally, there are no samples of automotive upholstery work on their Instagram profile. BOMBA FÁRO can outperform Čalounictví Niké by providing a professional website and high-quality online content, thereby enhancing their online presence and customer engagement in the competitive upholstery market.

Autočalounictví a čalounictví Martin Kostelka

This company is located in Podbřežice, which is 64 kilometres away from the workshop. It offers both upholstery and automotive upholstery services and was ranked by Firmy.cz as the 2nd best in the Czech republic industry. The company boasts strong websites that include extensive photo documentation of the car upholstery process. However, some parts of the website may present peculiar expressions or grammatical errors. What the websites lack is a pricing list; more information requires placing an order. This can be a point where BOMBA FÁRO could excel by providing clear, error-free content and upfront pricing information (<https://www.autocalounictvi-calounictvi-kostelka.cz/>)

The Threat of Substitute Product or Services

In the Czech Republic, there are 52 registered auto upholstery services (Evropská databanka, 2024). However, the number of upholsterers who specialize in vehicles may be much higher, as they are only registered as general upholstery services, and vehicle upholstery is just a secondary service they offer. A major disadvantage for BOMBA FÁRO is the fact that these competitors have been in the market for some time and have established a client base and already possess some reviews.

Furthermore, with the increasing availability of DIY car upholstery kits, some vehicle owners might opt to undertake upholstery tasks themselves. These kits often come with step-by-step instructions and can be less expensive than professional services.

Automotive cleaning services are not direct substitutes. However, these services can offer cleaning and minor aesthetic improvements, which might suffice for customers not looking for full upholstery services but just a refresh of their car's interior. Here, BOMBA FÁRO gains a competitive advantage as it uniquely offers deep cleaning of interiors as an additional service.

The Bargaining Power of Suppliers

Our lead upholsterer has established a longstanding partnership with TAMATEX, s.r.o., a company specializing in fabric production. Given that production in the workshop has historically been sporadic and not very frequent, this single supplier has sufficed for our needs. However, a company that is tied to only one supplier might face future challenges with timely material delivery. This dependency could potentially increase the bargaining power of the supplier, as the availability and timing of material deliveries could significantly impact production schedules and overall business operations. It is important to note that while materials are readily available within the Czech Republic, reliance on a single source could limit negotiation leverage and flexibility in responding to supply chain disruptions.

Fortunately, there are several fabric suppliers available in the Czech Republic, such as Potahové látky Tereza or Firma Vaněk.

The Bargaining Power of Buyers

Firstly, the concentration of buyers does not heavily impact BOMBA FÁRO as the business caters to a diverse client base, primarily consisting of individual car owners and enthusiasts rather than a few large buyers. This dispersal of customers reduces the individual bargaining power of each buyer.

However, the availability of substitutes and buyer information significantly impacts buyer power. With multiple upholstery services available and an increase in DIY upholstery kits, buyers possess more alternatives, which enhances their negotiating strength. Furthermore, the internet provides buyers with ample information about upholstery options, pricing, and provider reviews, increasing their knowledge and bargaining leverage.

Price sensitivity is moderately high among individual consumers, who may compare prices across different service providers. Despite this, BOMBA FÁRO's specialization in

customized, high-quality upholstery creates a unique selling proposition that is difficult to find elsewhere.

BOMBA FÁRO can mitigate the bargaining power of buyers by continuing to emphasize its distinctiveness in custom designs and superior craftsmanship, elements that are critically valued by its target market and not easily replicated by competitors.

5.5 Marketing plan

5.5.1 Value offered to customers

"Personalizing Cars, Stitch by Stitch."

With BOMBA FÁRO, you have the freedom to customize every detail, ensuring that your car is not only a mode of transport but a true reflection of your individuality. This bespoke service not only enhances the aesthetic appeal but also deepens the emotional connection between the vehicle and its owner. BOMBA FÁRO will transform your vehicle’s look, repair wear and tear, or simply maintain its cleanliness.

5.5.2 Situational analysis – SWOT

Strengths	Weaknesses
Expertise in traditional upholstery skills Customized upholstery services Unique niche in a diminishing craft market Competitive pricing compared to rivals Additional services	Small workforce Dependent on a single supplier for materials No significant B2B partnerships yet Dependent on the main upholsterer
Opportunities	Threats
Growing trend of car tuning in the Czech Republic Expansion into the B2B market with car dealerships Support for SMEs Increasing consumer interest in customization	Competition from more established upholstery businesses DIY upholstery kits as cheaper alternatives Economic downturn affecting consumer spending

Table 1: SWOT Analysis

Strengths

BOMBA FÁRO's core strength lies in its specialized expertise in traditional car seat upholstery, a diminishing craft that sets it apart in the market. The business offers highly customized services, allowing customers to have a personal touch in their vehicle's interior design. Competitive pricing and additional services like repair and deep cleaning also strengthen its market position.

Weaknesses

The company's small size and limited workforce could restrict its growth potential and ability to handle large orders. Dependence on a single supplier for materials may lead to vulnerabilities in supply chain disruptions. Moreover, the current lack of significant B2B partnerships and a limited online presence could hinder broader market reach.

Opportunities

There is a growing trend towards car tuning and customization in the Czech Republic, especially among young consumers, which presents a significant opportunity for BOMBA FÁRO. Expanding into the B2B sector could diversify its customer base and increase revenue streams. Additionally, technological advancements could enable the company to enhance its e-commerce capabilities, reaching a wider audience online.

Threats

The main threats include stiff competition from more established upholstery firms and the rising popularity of DIY upholstery kits, which offer a cheaper alternative to professional services. Economic instability could also impact consumer spending, particularly on non-essential services like car customization. Lastly, strict regulations and the need for homologation in vehicle modifications could pose operational challenges.

Overall, BOMBA FÁRO has a strong foundation in a niche market but must address its weaknesses and threats to capitalize on the emerging opportunities and ensure long-term sustainability.

5.5.3 Marketing goals

Brand awareness

Expand BOMBA FÁRO's brand awareness by reaching 10,000 new Instagram followers through targeted social media campaigns, local advertising, and participation in automotive events across the Czech Republic within the next 12 months.

Customers

Secure 39 new customers for the primary service over the next 12 months.

5.5.4 Marketing mix for B2C segment

Product

Comprehensive Vehicle Renovation

This premium service targets customers seeking a complete overhaul of their vehicle's interior. It involves a thorough renovation of all seats. If a customer opts for reupholstering all seats, they have the opportunity to choose from a selection of pre-prepared patterns or to consult on a personalized design.

Partial Renovation

The partial renovation service is designed for customers looking to upgrade specific aspects of their vehicle's interior. This could involve reupholstering only the seats or refurbishing worn-out areas like armrests and headrests. This service allows for significant customization and cost efficiency, as clients can select areas of focus according to their needs and budget. Like the comprehensive service, clients have the option to select from a pre-existing design catalogue or collaborate on a custom design that matches their personal style and vehicle aesthetics.

Deep Cleaning

Deep cleaning services cater to customers not looking for structural renovations but aiming to rejuvenate their vehicle's interior. This service is especially appealing to clients who maintain their vehicle's upholstery but require professional cleaning to eliminate dirt, stains, and allergens effectively.

Price

BOMBA FÁRO adopts a value-based pricing approach, which is aligned with the high degree of customization and craftsmanship involved in their services. This pricing model allows the company to set prices based primarily on the perceived value to the customer rather than solely on the cost of production. Such a strategy is particularly effective in the

automotive customization market, where clients are often willing to pay a premium for enhancements that are tailored to their specific tastes and needs. Table below displays the prices of distinct services:

Service	Price (in CZK)
Comprehensive Vehicle Renovation	28,000
Partial Renovation	14,000
Deep Cleaning	1000

Table 2: Prices of services

Place

Located in Buk near Přerov, the workshop serves as the central hub for all upholstery services. To enhance customer convenience, BOMBA FÁRO offers a dual approach to service delivery. Clients can personally bring their vehicles to the workshop, where they can interact directly with the technicians and witness the transformation of their vehicle's interior first-hand. Alternatively, for those prioritizing convenience or residing further away, BOMBA FÁRO provides a car pick-up service. Prior to the physical handling of the car, customers engage in a detailed design selection process, either remotely or in person. They choose their preferred upholstery design and materials and subsequently decide on the method of car delivery to the workshop.

Promotion

BOMBA FÁRO employs a comprehensive multi-channel marketing strategy to enhance brand visibility and customer engagement, leveraging both digital and traditional channels. The company utilizes online marketing through social media platforms and an SEO-optimized website. The budget for marketing activities is set at 5,000 CZK per month.

Digital marketing strategy

Website and blog

The website of BOMBA FÁRO will serve as a critical digital interface between the company and its customers, showcasing the firm's commitment to both quality and customer-centric services. Designed to be SEO-optimized, the website will enhance discoverability and engagement by ranking well for relevant search terms associated with car upholstery and customization in search engines. The website will not only serve as a marketing tool but also

as an extension of the service experience, providing potential customers with comprehensive information and interactive tools to help them make informed decisions about car upholstery customization.

In the digital architecture of BOMBA FÁRO's website, a dedicated link will lead visitors to a comprehensive blog, which will serve as a rich resource for articles and posts about the latest developments in the automotive world. This blog will be regularly updated with insightful content that will cover a range of topics from emerging trends in car design and innovation to practical advice on vehicle maintenance and customization techniques. The inclusion of this blog will not only help in educating and engaging customers but also will enhance the website's SEO, drawing more visitors by providing fresh, relevant content

Instagram

Instagram is ideal for BOMBA FÁRO due to its visual nature and the ability to reach a targeted audience of car enthusiasts and potential customers interested in automotive aesthetics.

<p>CONTENT CREATION</p>	<p>Before-and-After Posts: Regularly showcasing transformations of car interiors to highlighting the quality and impact of BOMBA FÁRO’s work.</p> <p>Story Highlights: Creating permanent Instagram Story Highlights showcasing different themes such as “Customer Stories”, “Behind-the-Scenes”, and “Design Ideas”.</p> <p>Live Sessions: Conducting live sessions featuring walkthroughs of ongoing projects, Q&A sessions with the lead designer, and discussions on new trends in car upholstery.</p> <p>IGTV Series: Developing a series of longer-form videos, such as tutorials on maintaining</p>
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	<p>upholstered interiors, the process of custom design, or interviews with clients about their design choices and satisfaction.</p>
<p>ENGAGEMENT TACTICS</p>	<p>Interactive Stories: Using polls, quizzes, and question stickers to engage users. For example, asking followers to choose between two design options for a project or suggest what they would like to see next.</p> <p>User-Generated Content: Encouraging customers to share their own photos of their upgraded interiors using a specific hashtag, like #BOMBAFAROstyle, to be featured on BOMBA FÁRO’s Instagram page.</p> <p>Contests and Giveaways: Hosting regular contests or giveaways where participants can win discounts or free minor customization services. Requiring participants to like posts, tag friends, and share posts on their stories to increase engagement.</p>
<p>CONSISTENT BRANDING</p>	<p>Visual Style: Maintaining a consistent visual style and colour scheme to enhance brand recognition. Using professional photos that highlight the craftsmanship and luxury of the upholstery.</p> <p>Captions and Hashtags: Crafting compelling captions that tell the story behind each project. Using targeted hashtags to reach wider audiences,</p>

	including generic ones like #CarCustomization, #CustomUpholstery.
PAID ADVERTISEMENTS	Instagram Ads: Utilizing Instagram’s targeted ad system to reach potential customers based on their interests in automotive products or DIY projects. Creating engaging carousel ads, video ads, and stories ads to showcase the transformation capabilities of BOMBA FÁRO.

Table 3: Instagram Marketing Plan

Other social media platforms

Facebook	Sharing similar content as Instagram but also focusing on creating event pages for live events and sharing customer testimonials. Utilizing Facebook Marketplace for promotional posts.
YouTube	Developing a channel for in-depth video content that showcases full projects from start to finish, customer reviews, and expert talks on materials and design trends.
Pinterest	Creating pinboards for different styles of car interiors, DIY tips for car care, and inspirational designs to drive traffic to the main website.
Twitter	Using Twitter for quick updates, sharing news articles about the automotive industry, and engaging with broader conversations about car design and innovation.

Table 4: Social Media Platforms Marketing Plan

Traditional marketing strategy

Participation in auto shows

Showcasing fully outfitted vehicles during auto shows will help visualize the end results, while expert Q&A sessions will build trust and rapport. These activities will not only highlight the company's capabilities but also serve as effective engagement tools, turning interest into potential sales opportunities without explicitly emphasizing cost.

5.6 Personnel plan

5.6.1 Management and Operational Roles

Bomba Fáro is led by two managing directors who opt for a monthly remuneration of 10,000 CZK each. This decision is strategically motivated to circumvent the taxation threshold, as income exceeding 10,000 CZK is subject to income tax under current regulations in the Czech Republic. In their roles, the directors are responsible for overseeing all aspects of the company's operations except for production. This includes strategic planning, marketing, customer relations, and financial management, ensuring that the core focus remains on the craftsmanship and quality of the products.

5.6.2 Key Production Personnel

Central to the production team is the lead upholsterer, whose role is critical until she successfully transfers her skills to a newly trained upholsterer to her satisfaction. During this transitional phase, she will work under a "Dohoda o provedení činnosti" (Agreement on Work Performance), which is not only flexible but also conducive to on-the-job training. This arrangement allows her to handle the initial orders while simultaneously training new upholsterers, who will observe and learn the craft first-hand.

In the business arrangement, the lead upholsterer chose not to receive financial compensation for her role in the company. The agreement was based on her desire to help launch the business while the management, in return, committed to preserving her legacy and sustaining the craftsmanship of the trade. However, to ensure fairness and recognize her invaluable contributions, it was mutually agreed that she would receive the same salary as that of newly hired upholsterers. This decision underscores our commitment to equitable treatment and respect for the expertise she brings to our enterprise, maintaining morale and fostering a culture of appreciation within the team.

5.6.3 Recruitment Strategies

Given the challenges in finding skilled craftsmen in a dwindling trade, Bomba Fáro employs several innovative recruitment strategies. One approach involves collaborating with local employment offices, which can offer a broader pool of candidates who might not have specific upholstery skills but possess competencies in sewing and fabric handling. This strategy opens opportunities for on-the-job training. Another potent recruitment channel is vocational schools where students seek practical experience. Offering internships that could transition into more formal employment agreements allows the company to nurture talent from the ground up.

Additionally, partnerships with other sewing firms could be beneficial. These firms often employ sewers on an agreement to work or in Czech "Dohoda o provedení činnosti", capped at 300 hours per year. After reaching this limit, Bomba Fáro could offer these workers additional hours, effectively sharing skilled labour without the overhead of full-time employment.

Engaging retired upholsterers offers another avenue for attracting part-time employees who can contribute their extensive experience to the company and help preserve the art of upholstery.

5.6.4 Employment Model

Employees will be working part-time in their primary employment contracts. This is the basic model used in financial planning; however, there is also an alternative employment method being considered.

To manage labour costs and maintain operational flexibility, all employees, including the lead upholsterer will be employed under an agreement to work. This model will allow upholsterers to sign up for tasks at a rate of 200 CZK per hour as orders are received. This system will avoid the financial strain of fixed salaries during periods without orders, aligning labour costs directly with production needs. It is crucial to ensure that the number of hours worked per employee does not exceed 300 hours annually. Therefore, a large number of upholsterers can be employed on a contract for work, although only three will be present in the workshop at any time. When an order is received, they may register their interest to take it on.

5.7 Financial analysis

5.7.1 Starting balance sheet

Assets (in CZK)		Liabilities (in CZK)	
Long-term assets	0	Equity	146,700
		Registered capital	146,700
Current assets	146,700	Liabilities	
Bank Account	111,700		
Cash	5,000		
Sewing machine	25,000		
Other equipment	5,000		
Other assets		Other liabilities	
Start-up expenses	11,700		
Total	146,700	Total	146,700

Table 5: Starting Balance Sheet

The starting balance sheet of BOMBA FÁRO, as visible in table above displays the assets and liabilities with which the company is launching. The decision was made to finance the startup through equity. One of the partners, who has a regular income, is able to contribute 111,700 CZK from personal savings. The second partner can contribute 20,000 CZK from personal savings. Additionally, a family member has donated 5,000 CZK to support the startup. Given that we have some capital available, it was determined that it is unnecessary to seek a loan or explore other financing alternatives for starting the business.

5.7.2 Initial expenses

Costs related to setting up the company (in CZK)	
Establishing LLC	11,700
Material Purchase	20,000
Auxiliary Material Purchase	1,000
Goods Acquisition	300
Initial Promotion	5,000
Cleaning Machine	25,000
Reserve	30,000
Total	93000

Table 6: Initial Costs

Initial costs represent expenses associated with the complete start-up of a business, outlining the expenditures required before beginning operations. For BOMBA FÁRO, an advantage is the reduced initial costs thanks to an existing workshop that is personally owned by a family member of one of the partners, eliminating the need for acquiring new premises or paying brokerage fees for lease arrangements.

The formation of the LLC was calculated to cost 11,700 CZK. The social contract amounts to 5,000 CZK, with the founding of the LLC itself costing an additional 2,700 CZK. Bank fees in this case will total 3,000 CZK. One of the partners already possesses a trade license, so only one new license will need to be obtained, costing 1,000 CZK. Registering the company also necessitates a criminal record extract, which costs 300 CZK if obtained in person, although it can be accessed for free via the ČSSZ portal.

The initial purchase of materials is set at 20,000 CZK, sufficient for two complete car renovations, a realistic estimate for the first month of business. Profits from these initial jobs will be reinvested back into the company for further material purchases. The upholsterer already owns a fabric sample book, so this cost is not included. Additional materials such as threads, needles, and others have been budgeted at 1,000 CZK.

Initial marketing is budgeted at 5,000 CZK, with 1,280 CZK allocated for printing 500 double-sided business cards at 2.56 CZK each. The remaining 3,720 CZK will be invested in Instagram advertising to launch the company's social media profile.

The largest startup cost is a cleaning machine, priced at 25,000 CZK. Though this is a substantial initial expense, the cleaning machine is fundamental to our cleaning service, which is expected to generate regular and sustainable income.

To ensure financial stability and to cover unforeseen expenses, we have set our financial reserve at 30,000 CZK. This buffer will help manage any initial fluctuations in cash flow and support the business through its early phases, safeguarding against potential operational hiccups.

5.7.3 Cash-flow prediction

For BOMBA FÁRO, adopting a cash flow prediction model was driven by the necessity to manage and foresee financial resources effectively, particularly during the critical initial phase of the business. This approach enables the company to anticipate potential shortfalls and surpluses, allowing for strategic adjustments in real-time.

REALISTIC CASHFLOW SCENARIO												
Initial cash balance												48 700
REVENUES												
Month	1	2	3	4	5	6	7	8	9	10	11	12
Price of the service 1	28 000	28 000	28 000	28 000	28 000	28 000	28 000	28 000	28 000	28 000	28 000	28 000
Price of the service 2	14 000	14 000	14 000	14 000	14 000	14 000	14 000	14 000	14 000	14 000	14 000	14 000
Price of the service 3	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000
Q1	1	4	4	4	4	4	4	4	6	6	6	6
Q2	1	3	3	5	5	5	5	5	5	5	5	5
Q3	2	8	10	14	14	14	4	18	20	20	20	20
Total revenues	44 000	162 000	164 000	196 000	196 000	196 000	186 000	200 000	258 000	258 000	258 000	258 000
VARIABLE COSTS (in CZK)												
Stock 1	10 000	40 000	40 000	40 000	40 000	40 000	40 000	40 000	60 000	60 000	60 000	60 000
Stock 2	5 000	15 000	15 000	25 000	25 000	25 000	25 000	25 000	25 000	25 000	25 000	25 000
Stock 3	20	80	100	140	140	140	40	180	200	200	200	200
Wages 1	2 144	8 576	8 576	8 576	8 576	8 576	8 576	8 576	12 864	12 864	12 864	12 864
Wages 2	1 072	3 216	3 216	5 360	5 360	5 360	5 360	5 360	5 360	5 360	5 360	5 360
Wages 3	2 144	8 576	10 720	15 008	15 008	15 008	4 288	19 296	21 440	21 440	21 440	21 440
Total VC	20 380	75 448	77 612	94 084	94 084	94 084	83 264	98 412	124 864	124 864	124 864	124 864
FIXED COSTS (in CZK)												
Personal wages	20 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000
Electricity	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000
Marketing	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
Phone	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000
Web	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000
Rent	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000
Insurance	200	200	200	200	200	200	200	200	200	200	200	200
Total FC	30 200	30 200	30 200	30 200	30 200	30 200	30 200	30 200	30 200	30 200	30 200	30 200
Total costs	50 580	105 648	107 812	124 284	124 284	124 284	113 464	128 612	155 064	155 064	155 064	155 064
Cashflow	-6 580	56 352	56 188	71 716	71 716	71 716	72 536	71 388	102 936	102 936	102 936	102 936

Figure 4: Cash-flow Prediction for the First Year

Figure 4 illustrates a realistic scenario of cash flow movements during the first year of operation for BOMBA FÁRO. For demonstration purposes, this analysis will focus on the first month of business. The initial balance of funds, or the actual money available at the beginning, amounts to CZK 48,700. This represents the funds in the bank account and cash

on hand, excluding the initial expenses that are already included in the first month's cash flow statement.

Initially, prices for offered services were calculated, as previously shown in *Table 2*. A realistic customer count was anticipated: one customer for a full car upholstery service, one customer for partial renovation, and three customers seeking car cleaning services. Multiplying the price by the number of orders, we arrived at a total income of 45,000 CZK.

Total expenses were then estimated, consisting of both variable and fixed costs. Variable costs are solely from material purchases and employee wages, as these are directly tied to production volume. Employees are compensated at an hourly wage of 200 CZK, with a skilled upholsterer capable of upholstering one car per eight-hour shift. Thus, for one worker completing one service in eight hours, accounting for social security and health insurance contributions, the variable cost amounts to 2,144 CZK. The total variable costs for the first month are 21,462 CZK.

Regarding fixed costs, the partners decided to draw salaries of only 10,000 CZK each to avoid income taxation. As mentioned in 5.7.2., rental costs are negligible, but a symbolic fixed contribution of 1,000 CZK and utility costs associated with workshop operations are calculated at 2,000 CZK. The first year's marketing expenses are set at 5,000 CZK, allocated for all necessary marketing activities. Website administration fees amount to 1,000 CZK. Furthermore, a decision was made to take out business liability insurance, calculated at 200 CZK per month. Thus, total fixed costs amount to 30,200 CZK. Total expenses for the first month are anticipated to be 51,662 CZK.

In summary, while BOMBA FÁRO initiates operations with a strong financial base and strategic cost management, the first month projects a slight deficit when initial revenues are juxtaposed against the startup's comprehensive expenses. This initial overview highlights the critical importance of effective cost management and strategic pricing to ensure sustainability and growth in the initial stages of the business. However, it is anticipated that the financial situation will improve in the subsequent months as the business stabilizes, gains more customers, and benefits from increased efficiency in operations. The reinvestment of early profits into purchasing additional materials and expanding marketing efforts is expected to enhance revenue streams and contribute to a more favourable financial outlook.

5.7.4 Income statement

This financial report assesses the fiscal performance of the business. It is essential for stakeholders to understand the net income, as it provides a clear indicator of the business's financial health over a specified period.

Since the data from *Figure 3* appears to include monthly detailed revenues and costs, thus by summarizing this information into annual projections for each scenario – optimistic, realistic and pessimistic factoring in potential variations in customer numbers and cost efficiencies, it will be feasible to examine the financial performance outcomes of the initial year:

Optimistic scenario

Optimistic income statement for the first year (in CZK)	
<u>Total revenues</u>	<u>2,376,000</u>
<u>Total costs</u>	<u>1,499,224</u>
<u>EBT</u>	<u>876,776</u>
<u>Taxation (21%)</u>	<u>184,123</u>
<u>EAT</u>	<u>692,653</u>

Table 7: Optimistic Income Statement

Realistic scenario

Realistic income statement for the first year (in CZK)	
<u>Total revenues</u>	<u>1,905,000</u>
<u>Total costs</u>	<u>1,261,882</u>
<u>EBT</u>	<u>643,118</u>
<u>Taxation (21%)</u>	<u>135,055</u>
<u>EAT</u>	<u>508,063</u>

Table 8: Realistic Income Statement

Pessimistic scenario

Pessimistic income statement for the first year (in CZK)	
<u>Total revenues</u>	<u>1,221,000</u>
<u>Total costs</u>	<u>921,138</u>
<u>EBT</u>	<u>299,862</u>
<u>Taxation (21%)</u>	<u>62,971</u>
<u>EAT</u>	<u>236,891</u>

Table 9: Pessimistic Income Statement

Across all scenarios, the company has not incurred losses, primarily due to its effective cost management strategies. Even under the pessimistic scenario, where revenue was considerably lower, the ability to keep costs within a manageable range has safeguarded the company from falling into a deficit.

5.8 Return on investment

$$\text{Return on investment (ROI)} = \frac{\text{Net Income}}{\text{Investment}} * 100$$

Return on Investment (ROI) serves as a performance metric that assesses the effectiveness or profit generated from an investment. This metric strives to precisely calculate the amount of return compared to the investment cost. It is widely regarded as a fundamental measure in financial analysis, reflecting the effectiveness of resource allocation.

For calculating ROI, the realistic version of net income will be used:

$$\text{Return on investment (ROI)} = \frac{508,063}{135,000} * 100 = 376,34\%$$

An ROI of 376,34% represents a very high return on investment, indicating that for every unit of currency invested, nearly 3.76 units were gained as profit. This exceptional level of ROI suggests that the investment was highly effective, yielding substantial financial gains relative to the initial cost. The exceptionally high ROI of 376% in the BOMBA FÁRO's business can primarily be attributed to a combination of extremely low operational expenses and robust revenue generation. Additionally, the uniqueness of our service allowed us to set higher, yet competitively acceptable prices, further enhancing our profitability. This strategic pricing, coupled with our distinctive offering, has positioned us advantageously in the market, enabling us to capitalize on the demand without compromising on revenue potential.

5.9 Risk evaluation

In the realm of business, risk refers to the possibility of experiencing losses or undesirable outcomes as a result of internal or external vulnerabilities. Engaging with risk is an inherent aspect of conducting business, as decisions must often be made with uncertain outcomes.

Key Upholsterer Departing Prematurely

The departure of leading upholsterer before they can pass on their crucial skills and knowledge poses a significant risk. This could lead to a degradation in the quality of work and loss of proprietary techniques. In worse cases, the downfall of the company will take place.

To mitigate this risk, the company should establish a formal mentorship and training program at the earliest convenience. Documenting processes and creating a knowledge base that can be accessed by all employees will also preserve critical operational knowledge.

Family Disputes Leading to Loss of Workshop

Family disputes resulting in the loss of the workshop could severely disrupt operations. This would result in a disruption of the financial and scheduling plans. New workspaces would need to be secured.

For this reason, it was decided to offer at least a nominal rent. To ensure that the workshop owner does not wish to evict the company, there could be a propose on a long-term lease agreement that will provide stability for both parties. Additionally, it could be offered to maintain and improve the property, thus increasing its value and making the tenancy more beneficial for the owner.

Customer Shortage

The risk of customer shortage represents a significant challenge for any business, as it directly impacts revenue streams and the overall sustainability of operations. This risk can arise from a variety of factors, including increased competition, economic downturns, changes in consumer preferences, or a decline in market demand for certain products or services.

Addressing the risk of customer shortage requires a proactive approach that includes market diversification, strategic marketing, product adaptation, and robust customer

engagement. By implementing these strategies, Bomba Fáro can strengthen its market position and ensure a steady flow of customers despite the fluctuating market conditions.

Customer Property Damage

Damage to customer property during service delivery can lead to financial liability and harm the company's reputation.

Implementing quality control measures and staff training in handling customer items with utmost care are essential. Furthermore, obtaining comprehensive insurance coverage can provide financial protection against potential claims, thus safeguarding the business's financial health.

Identified risks	Analysis		
	Probability	Impact	Risk level
Key Upholsterer Departing Prematurely	3	5	15
Loss of Workshop	1	2	2
Customer Shortage	2	4	8
Customer Property Damage	3	4	12

Table 10: Risk evaluation

CONCLUSION

This bachelor thesis developed a comprehensive business plan for BOMBA FÁRO, s.r.o., which focuses on reviving traditional craftsmanship with a modern twist in car seat upholstery. The main goal of this thesis was to establish a strategy that clearly defines how the company will operate, its financial targets, and how it plans to achieve profitability. This goal has been met.

The market analysis revealed that there is a growing interest in the Czech Republic for customized car designs, providing BOMBA FÁRO with a unique growth opportunity. The company targets car tuning enthusiasts, a group with high potential. The plan includes strategies to reach this group and tailor services to their needs.

Financially, the business plan shows strong potential for profitability. Initial funding requirements are moderate, with a starting capital of 150,000 CZK, which is realistic given the founders' contributions and minimal external financing needs. The financial projections indicate that the company could break even within the first year, with expected revenue growth of 20% by the end of the third year.

In conclusion, the business plan for BOMBA FÁRO, s.r.o. not only meets the goals for a successful business launch but also provides a scalable model for future expansion. The focus on high-quality, personalized car seat upholstery positions the company to tap into specific market needs while encouraging growth in a niche market. The careful financial planning and risk management ensure that BOMBA FÁRO is well-equipped to navigate future challenges, making the business viable and competitive in the dynamic automotive industry.

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LIST OF ABBREVIATIONS

LLC	Limited Liability Company
B2C	Business to Consumer
B2B	Business to Business
PEST	Political, Economic, Social and Technological.
EU	European Union
GDPR	General Data Protection Regulation
VAT	Value Added Tax
GDP	Gross Domestic Product
EAT	Earnings After Tax
EBT	Earnings Before Tax
CZK	Czech currency
SEO	Search Engine Optimization
ROI	Return on Investment

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