

# **A Business Plan for Establishing a Fitness Centre in a Small Czech Town**

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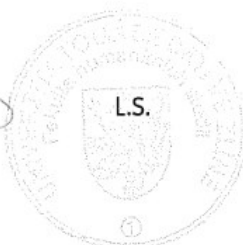
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## **ABSTRAKT**

Cílem této práce je zpracovat podnikatelský záměr fitness centra na Jižní Moravě a ověřit realizovatelnost projektu. V teoretické části je úkolem provést rešerši literárních zdrojů se zaměřením na podnikání a podnikatelský plán pro fitness odvětví. Práce popisuje, jaké předpoklady a podmínky musí být splněny, aby se člověk mohl stát podnikatelem. Definuje termíny jako je podnik, podnikání a je zde popsána struktura podnikatelského plánu, včetně zásad pro jeho zpracování. V praktické části práce je zpracován podnikatelský plán nově zakládaného podniku Hrušovany Fitness a jsou prováděny analýzy tak, aby v závěru bylo možné určit, zda je plán realizovatelný.

Klíčová slova: podnik, podnikání, podnikatelský plán, podnikatel, fitness, sport, finanční plán

## **ABSTRACT**

The goal of this bachelor thesis is to develop a business plan for establishing a fitness centre in the South Moravian Region and to verify the feasibility of the project. In the theoretical part, the task is to make a research of the literature specialized on entrepreneurship and business plan for fitness field. Thesis contains information about all the features and conditions of conducting business. It defines terms such as business, entrepreneurship, and also the structure of the business plan and its processing is described. In practical part, author focuses on the business plan for new establishment Hrušovany Fitness and carries out analyses, which find out whether the project is feasible.

Keywords: business, entrepreneurship, business plan, entrepreneur, fitness, sport, financial plan

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## INTRODUCTION

Nowadays, fitness is not only the condition of being physically strong and healthy. It is a lifestyle, which can maximize people's potential when it comes to their life, mind and body. The idea of getting in shape and being fit is very popular and largely unhealthy and overweight population is looking for ways to get in shape. This puts the fitness industry in a great position as it leads to many opportunities. According to International Health, Racquet & Sportsclub Association (IHRSA), the fitness industry is booming, with a market that has a huge potential worldwide.

This bachelor thesis aims to create a business plan, on the basis of which a feasible fitness center could be established. Specifically, the project is focused on a market of the small town Hrušovany nad Jevišovkou, which lacks well-equipped gym with quality services. Existing services presented by local utilities are inadequate, primarily due to the poor amount, condition and advanced age of the equipment in use. This situation promotes the idea that there could be a demand in Hrušovany nad Jevišovkou for a fitness center.

With the respect to establishing a new facility, proper business plan is a key assumption of a successful start, as it provides the list of necessary steps and strategies. Crucial point that needs to be carried out is to target the company's customer, analyze its competitor, gain the competitive advantage, also to come up with appropriate advertising methods and last but not least, to put the ideas of the plan to the financial form. This particular thesis includes, inter alia, all these chapters. The information is based on true facts and data. Beneficially, the author could co-operate with people from fitness industry, fitness professionals or, better yet, owners of the gyms. These contacts can serve as a great source of information or even prevention of possible failure. In the end of the thesis, the author will evaluate the benefits and risks of the project and propose final recommendations for the implementation of the business plan.

## **I. THEORY**

## 1 ENTREPRENEURSHIP

The origins of entrepreneurship date back to the prehistoric times, when hunters and gatherers were sharing resources of knowledge like fishery, hunting techniques and tools, thus creating economic groups. These were the sources of social and individual welfare. In history books we read about outstanding artists or politicians, but references to business are missing. As recorded by Kuratko (2017, 4), only in the 18th century Richard Cantillon (1680-1734) introduced the newly forming working profession and called it an entrepreneur. Nevertheless, the main concept of his role was to take responsibility and risks for the implementation of a larger commercial project.

According to Srpová (2010, 18), in economics, the entrepreneur figure came into being later by Jean Babtiste Say (1767-1832), who came up with the theory of three factors of production and the entrepreneur as its driving force. In the upshot, theory of entrepreneurship as an individual scientific discipline was studied by J.A. Timmons (1941-2008). He had been continuously dealing with this issue since the 70s of the 20th century and published the first extensive textbook on enterprising (Srpová et al., 2010, 19).

### 1.1 Definition of entrepreneurship

The prime concern of entrepreneurship is to organize a new venture, manage it, and assume the associated risk. The single term “entrepreneurship” has several interpretations. The economic approach represents involvement of economic resources and other business activities so that they increase their original value. It is a dynamic process of creating added value. In a contrary, psychology defines doing business as an activity motivated by a need to achieve and accomplish something. It says that having a company is the means of self-realization, financial independence and standing up on one’s own feet. To sociologists it is the activity conducive to all stakeholders welfare, finding ways to contribute to the productive utilization of the human resources. Kuratko broadens these definitions: “The entrepreneur – uniquely optimistic and committed - works creatively to establish new resources or endow old ones with a new capacity, all for the purpose of creating wealth.” (Kuratko, 2014, 23) (Kuratko, 2014, 4) (Veber, 2008, 15).

Definition of entrepreneurship in new civil code represents legal approach: Entrepreneurship is a systematic activity operated independently by an entrepreneur on his own name

and responsibility, for his own account for the purpose of making a profit (Občanský zákoník, 2012, § 420) (Synek et al., 2010, 12).

Kuratko emphasizes (2014, 3), that there is a difference in terms entrepreneur and small-business owner and they should not be used interchangeably. Small businesses are operated, usually do not engaged in innovative practices, while entrepreneurial ventures are those for which the objectives are innovation and growth.

## 1.2 Choosing the business structure

When forming a company, the business structure chosen by the entrepreneur can have important consequences. The main legal form division is into a natural entity (a person) and a legal entity, which is further divided into partnerships, capital companies and cooperatives. Choosing one or the other is affected by the method and extent of property guarantee, privilege to control the entity, the number of founders, initial capital requirements, expected extensions etc. Before starting any business, the entrepreneur must meet general conditions set by law:

- full legal capacity – at least 18 years old person with legal capacity,
- integrity – the office verifies the criminal record (Synek et al., 2010, 76) (Veber, 2012, 70).

Both advantages and drawbacks are listed in the chapters below, which discuss the natural and legal entity in greater details. The Tab. 1 below supports and summarizes the information in points.

## 1.3 Natural person enterprising

A natural person is the simplest and very common structure chosen to start a business in the Czech Republic. It is carried out under a business license. It cannot be delegated to another person, the business is entirely linked to the individual person. As far as the natural person, the law considers it under two headings:

- reporting business – subdivided into crafts, regulated and unrestricted,
- license trade – shall be subject to the holding of a license issued by the government (concession) (Alexy et al., 2005, 48) (Švarcová 2008, 57).

The fitness establishments in the Czech Republic operate through unrestricted business license, however appropriate professional certification is usually required. (Živnostenský zákon, 1991, §25) In the points below, there are listed both advantages and drawbacks of natural person enterprising.

**Advantages:**

- fewer formalities and paperwork than the legal entity,
- full control over the business, including how the company uses its proceeds,
- ease of accounting, very often an entrepreneur can handle it himself,
- tax rates for a natural person are also lower than legal entity taxation.

**Disadvantages:**

- the owner is personally liable for all company debts,
- start-ups may be viewed as having less credibility, since the owner did not take the time or pay the expense to form a legal entity (Synek et al., 2010, 76) (Veber et al., 2012, 71) (fitnessbusiness.eu, 2014).

**1.3.1 Process of forming a sole proprietorship**

When forming a sole proprietorship, an entrepreneur must firstly check if the chosen activity has the characteristics typical for this kind of entity. Then the process is as follows:

- verifying whether he meet general and special conditions where applicable. If an entrepreneur does not meet special conditions for running a business, the law allows him to perform it through the authorized deputy,
- determine, which group of proprietorships the activity he want to start belongs to,
- establish the reporting business/license trade at the trade office (Synek et al., 2011, 38-39).

**To register the sole proprietorship at trade office is required:**

- fill in the form of registered proprietorship at any local trade office,
- a copy of the criminal record of the entrepreneur, alternatively of his authorized deputy, not older than three months,
- statement by the authorized deputy (if appointed),
- the ownership right or other right to the spaces of a business place,
- proof of the administrative charge payment (CZK 1000 for the first proprietorship) (Synek et al., 2011, 39).

## 1.4 Legal entity enterprising

Taking into account all legal entity forms and fitness oriented business, small fitness owners very often choose limited liability company (hereinafter LLC) as the most suitable structure, and therefore, the thesis does not discuss any other legal forms (fitnessbusiness.eu, 2014).

### 1.4.1 Limited liability company (LLC)

Very often, the business entity in a fitness industry is a capital company, specifically a limited liability company. The main reason for this choice is the amount of registered capital and the liability of shareholders. It can be founded by one to fifty persons, both physical and legal. The amount of registered capital is set at CZK 1 since 1.1. 2014. The company is responsible for its obligations up to all its asset value, however, shareholders are responsible only up to the amount of their share of the capital subscribed in the commercial register. The business must include “Limited Liability Company” in its name. LLC profit is subject to the corporate income tax, whereas the share of shareholders to personal income tax. This entrepreneurship form must have a given organizational structure. The highest authority is the general assembly and the statutory body function is represented by one or more members. The supervisory board is appointed only

if laid down in the memorandum of association (Koráb et al., 2005, 74-77) (Synek et al., 2010, 78).

In the Tab. 1 below, there are the key differences of both sole proprietorship and LLC briefly summarized in points. Like the sole proprietorship, also LLC has its advantages and drawbacks. The advantages and drawbacks of this entity are as follows:

#### **Pros:**

- limited liability for the company obligations associated with less financial risk,
- social and health insurance paid for the personnel is a tax-deductible expense (Podnikatel.cz, 2010).

#### **Cons:**

- it is a complex administrative process, most candidates will not be able to complete it without legal assistance,

- the cost of setting up and running an LLC is higher than sole proprietorship, including the initial formation fees, filing fees and annual state fees (Podnikatel.cz, 2010).

Tab. 1: The comparison of sole proprietorship and LLC

The legal form of entrepreneurship	Sole proprietorship	LLC
Establishing	1 natural person, valid at the day of notification at trade office	At least 1 natural or legal person, valid by signing the memorandum of association
Initial investment	Acquiring trade license (CZK 1000)	Registered capital of CZK 1, administrative fees, notary charges
The tax burden	Personal income tax 15% + social and health insurance	Corporate income tax 19% + withholding tax on profit shared between the shareholders (15 %)
Liability	Unlimited liability for debts and other obligations	- Shareholders are liable only up to the amount of their share of the capital subscribed and not paid up, - Director s.r.o. is liable for breach of duty - s.r.o responds to its obligations with all its assets
Publication duties	No obligation	The obligation to publish financial statements
Share of the profit / loss	Natural person	Shared equally between shareholders
Administrative burden	Tax records	The obligation to double entry book-keeping
Management and control	Directed by the only person	Any shareholder negotiates, s .r. o. is not linked to the only person.
Legal reserve fund	Optional	Optional



## 2 BUSINESS PLAN

There are numerous definitions of a “business plan” in literature sources. Valach clearly characterizes it: “Business plan is the set of technical and economic studies to be used for preparation, realization, funding and an effective operating of proposed investment.” (Valach, 2006, 25) According to Veber (2008, 98), it can be compared to road atlas, which should facilitate the answers to questions like: where we are, where we want to get and how we carry it out. Atkinson emphasizes the financial approach of a business plan: “The key to securing financing is a business plan. A good business plan will analyze future cash flows and identify potential shortfalls.” (Atkinson, 2014, 21).

In other words, business plan serves as a careful material preparation, it encourages decision-making, helping us to prevent financial wastage, which can be caused by putting assets into poor projects. It is used to determine precise targets, strategies and measures. Business plans for establishing legal and physical person differ. Plans devised by a sole proprietor are usually simpler and not so developed. Legal person chooses more professional approach and in many cases it is processed by consultancy firm or agency (Koráb et.al, 2007, 58).

### 2.1 Business plan users

Internal users of a business plan are founders and managers of the enterprise. Information in the document should, however, primarily appeal to capital providers, thus to external subjects. This is mainly the bank, which considers the ability of a firm to meet both interest and capital repayment obligations. The financial institution should be convinced, that the co-financed project will be hopeful and favorable. Well-drafted business plan can significantly contribute to obtaining necessary investment. In addition, it can serve also as a basis for the entry of new shareholders (Koráb et.al, 2007, 21-22) (Červený et.al, 2017, 8-9).

### 2.2 General principles for establishing the business plan

In drawing up a plan, certain principles based on requirements of its users shall be respected:

- **clarity** – the plan should be readable without having to enter into the technicalities, in order for it to be comprehensible for the investors (they usually do not have great technical knowledge),
- **logicality** – between sentences and ideas contained in a plan must be logical connection supported by evidence (e.g. tables or graphs),
- **accuracy and feasibility** – compliance of data trueness and plausibility of future development,
- **respecting the risk** – the plan should respect and identify the risks and propose measures needed to minimize them,
- **innovation** – ideally, the company should deliver the unique added value for customer. The good or service must meet the needs of customer better than the competitor (Veber et.al., 2012, 96) (Fotr, 2005, 209).

### 2.3 Structure of a business plan

On the market, there is a large number of firms operating in different fields, using its specific development and production structures. The scope and the content of a plan is therefore

not strictly given. The set up is based on individual requirements of investors or banks. Nevertheless, some specific parts should be covered in each business plan:

- title page,
- executive summary,
- description of the business opportunity,
- objectives of a company and shareholders,
- market environment analysis,
- competitor analysis,
- products and services,
- human resources,
- marketing and business strategy,
- financing plan,
- annexes (Koráb, 2008, 36-38) (Srpová, 2011, 14).

In the following pages of the thesis, individual parts that each plan should contain will be described in detail.

### 2.3.1 Title page

Title page of the document should be professional, neat and attractive. It should provide the name under which the firm is operating, place of business, founders' names and contact information. If possible, we give also IN and present a company logo (Srpková, 2011, 15) (Mariotti, 2016, 3).

### 2.3.2 Executive summary

Abbreviated version of a business plan, whose purpose is to provide basic information about business intention to people for which it is intended. The principal aim of this chapter is to attract the reader and motivate him to read the other parts of the plan. As stated by Abrams: “No matter how beneficial your product, how lucrative your market, or how innovative our manufacturing techniques, it is the executive summary, that persuades a reader.” (Abrams, 2010, 53) The summary should be therefore readable and easily understandable. It is expected to briefly outline why and what is the product entering the market, what are the company objectives, mission, competitive advantage and target segments of focus. Last but not least we state the information regarding staffing, financial goals, capital intensity and potential revenue (Koráb, 2008, 59) (Sochor, 2014, 42).

### 2.3.3 Description of the establishment

This part of the document already provides clear details about our business intention. We describe the goods or service entering the market, the space solution, business place and opening hours of the establishment. We continue with description not only of the price as such, but we include all discounts available, loyalty schemes or method of payments to be used. It is appropriate to identify the customers, which will get the added value of our product/service, for whom it will be beneficial and how will be the idea transformed into profitable format. Another important part of a project is to set the company goals. Manager pays attention to the goals to be specific, measurable and feasible as much as possible (Abrams, 2010, 69-77) (Srpková, 2011, 16).

Also, the plan should describe the requirements concerning job positions, qualification, experiences and certification of employees. It sets out who will be responsible for what. In addition, it should be borne in mind that the appropriate choice of staff and their motivation is crucial for quality of service provided. As Rhonda Abrams adds: “No matter what you sell, you are selling your people.” (Abrams 2010, 215) (Veber 2008, 101).

### 2.3.4 Market environment analysis

This chapter of the plan should cover information about recent competitor situation, size of the market, existing market entry barriers, customers and suppliers. According to Atkinson (2010, 23), key factor when finding space in the market is to successfully find a sustainable and profitable niche, known as market gap. Getting the information is possible from public sources like statistical authorities, ministries material, scientific publications

and magazines, internet, or alternatively by questioning and observation (Abrams, 2010, 22- 29).

Further, the target group of customers should be identified, for instance through the market segmentation. Market segmentation is dividing market into several groups of the customers according to certain criteria when advertising. These can be for example age, customers' motivation for using the service or price requirements. It is favorable to focus on such segments, for which the largest profitability is expected. The purpose is to convince the investor of existing market potential for gaining a profit (Abrams, 2010, 100) (Kotler, 2007, 79).

### 2.3.5 Competitor analysis

Companies, which operate at the same markets and provide identical or similar services are our competitors. As mentioned by Sellars (2009, 13), every concepts that is not revolutionary have direct competitors. The main issue for an entrepreneur is to create competitor profile and detect their strengths and weaknesses. The relevant criterion is the extent and quality of offered goods, equipment of an establishment, parking, price, accessibility, etc. Knowing the competitors' goals is helpful in estimating their further steps and reactions. On the basis of competitor analysis we may determine competitive advantage of each individual firm. Efficient alternative for competition comparisons is benchmarking. It is the approach for evaluating the company by comparison to other, usually top level business in order to enhance its effectiveness (Synek, 2010, 447) (Sellars 2009, 13).

### 2.3.6 Marketing and business strategy

With development of entrepreneurship and growth of competitiveness, it is not possible to sell everything we offer, provided that the purchaser just does not need the exact prod-

uct. Nowadays, when the trend is that the supply significantly exceeds the demand, marketing has become increasingly relevant.

The main marketing objective is to convince the customer of a bargain purchase. According to Atkinson (2014, 26), company should find area where it offers unique value and used

it to inform marketing messages. On the other hand, sometimes services provided by organization can be almost identical to those of competitors, but the service must be something, that customer wants, something, what our company does well and what our competitors do not well (Atkinson, 2014, 31).

In marketing, customer oriented approach is frequently used, where the firm behavior is already not based on priority of own interests, but on the interests of a customer. According to Abrams, customer needs can be sum up into five f's: Functions, finances, freedom, feelings and future (Abrams, 2010, 135).

As a part of every marketing plan, SWOT analysis should be conducted. The analysis give us key factors that are internal (strengths and weaknesses) and external (opportunities and threats) and enable business to focus into those that present greatest opportunities to growth (Pinson, 2008, 33).

### **2.3.7 Financing plan**

When preparing a business plan, one of the main aspects to pay attention to is a financing plan, which specifies funding needed for the purchase of machines, equipments and other facilities necessary in starting up the enterprise. As stated by Abrams, much of the information linked with budgeting process may be difficult to forecast, especially if one is just entering the industry. Possible way to get this information is interview those already in the industry, especially those who are not our direct competitors (Abrams, 2010, 82).

For investor financing plan institutes reference point through which he checks whether the business is able to cover the costs and gain the profit. Assuming we want to use borrowed capital, the conditions of a loan, amount of money needed and the period for which the money will be subscribed should be mentioned (Pinson, 2008, 3-4).

### 3 INDUSTRY TRENDS OF 2017

The largest sports medicine and exercise science organization in the world, American College of Sports Medicine (ACSM) released an annual report of top fitness trends in 2017. The report was completed by more than 1 800 fitness professionals such as personal trainers, exercise physiologists, wellness coaches, and college professors. The activities enjoying

the great popularity are the following:

#### **HIIT**

One of the major trends not only for this year is a high-intensity interval training (HIIT). This workout helps to burn calories by regular alternating of short bursts of exercise at maximum or near-maximum heart rate with short rest periods. Giving an example, a person can spend 20 to 30 minutes repeating 45 seconds of burpees with 15 seconds of rest, followed by 45 seconds of squats. This kind of exercise offers improving the fitness condition and burning more calories in a shorter amount of time compared to other activities. Therefore, it is appreciated also by people who are short on time. There are plenty of exercises to choose from, like pushups, squats, lunges and planks, and many others (Health 2017) (Dr. Axe 2016).

#### **Wearable technologies**

At the top of the ACSM's list were surprisingly wearable technologies, including various types of fitness trackers, pedometers, applications for smart phones and heart rate monitors. The wearables track distance, count calories or work as a timer. "Trackers help facilitate self-awareness and mindfulness, which are necessary for behavior change," explains Lee Jordan, a health coach and behavior change specialist (Health 2017).

#### **TRX**

Favorite training equipment is also a suspension trainer, the so-called TRX. This equipment consists of two adjustable straps with handles for hands or feet. The system uses only our own bodyweight to complete countless number of exercises. Workout is performed in a way that one part of the body is positioned on the ground and the other is suspended in TRX. Every exercise develops the core (abdominals, back, chest and pelvis), which is the base

of all body movements. The main advantage is in its mobility, it can be set up anywhere

with the same functionality as large and pricy machines. Therefore, it is the kind of product which should be inherent part of any gym's facilities (Health 2017) (Dr. Axe 2016) (TRX 2016).

### **Exercising with professionals**

The number of people seeking out fitness-related help keeps growing. Educated, certified and experienced personal trainer can be a great way to get proper guidance and avoid mistakes, which can make our training inefficient. Many people in the gym do not know how to start, so usefulness of personal training is warranted. Motivational personality can change individual's attitude toward fitness, helping to increase their physical activity (Dr. Axe 2016) (Health 2017).

### **Strength training**

When it comes to building strength, using weight machines in the gym stays a key component of overall health and fitness. Two major rules are to lift heavy with a great technique. The main strength training's benefits are reducing body fat and increasing muscle mass (Dr. Axe 2016) (Health 2017).

Strength training may also help us to:

- **develop strong bones** – putting weight on our bones can increase bone density, reduce back pain and the risk of osteoporosis,
- **manage our weight** – strength training helps us to lose weight by increasing metabolism, which in return burns more calories. Most people think, cardio activities like running, swimming, cycling or rollerblading are the primary fat burner. The fact is, that cardio activities not only burn fat, but also shrink down your muscles.

Bodybuilders, however, are seeking to retain the muscles and build new ones while burning off fat. The rule is, the more muscles we already have, the more fat and calories we burn,

- **manage chronic conditions** – with the help of strength training we can reduce many signs of chronic conditions such as obesity, back pain, depression, heart disease and diabetes. It also increases our abilities in everyday activities, contributes to better balance, especially appreciated by older adults. Beside other things, strength training also sharpens our thinking skills as we develop regular exercising and eating habits. The positive influence on our psyche is undoubted.

The big boom nowadays is also to follow well-known and successful fitness models and bodybuilders on various social media channels like Instagram or Facebook. It puts people in touch with exercise, smart eating habits and gets them motivated to be in shape. As ACSM also suggests, people reaching their retirement age enjoy the physical activity more. Unfortunately, the target group which is overlooked is overweight children and teenagers. According to portal health.com, the industry seems to be giving up on this population because they are not profitable (Health 2017) (Mayo Clinic.org 2016) (bodybuilding.com, 2006).



#### 4 CHARACTERISTICS OF A PERFECT FITNESS CENTER

Choosing the right gym could be compared to choosing a restaurant. Every fitness enthusiast wants to find a gym, which makes him feel comfortable and motivated to come back and exercise on daily basis. “When you enter a gym, you should feel a lot of positive energy and a little bit of anxiety - that’s the mindset you need for focused, intense workouts. You need a place that makes you anxious for new challenges and afraid of falling behind,” says Sean Hyson, the group training director for Fitness and Muscle&Fitness magazine (Arnold Schwarzenegger.com, 2012).

Each fitness center will have a different type of equipment to choose from. There should be variety of weightlifting machines and cardio, which can be accommodated by all the people especially during busy hours, without bothering anyone else. This is linked to the amount of space - optimal gym must be large enough. Based on your goals, you will find the gym with equipment, classes and other services you need. Machines must be in good condition and regularly maintained (bodybuilding.com, 2006).

The gym should be optimally located in residential areas or places of work. Having a gym close will ease people in their already hectic day schedule. They will probably not work out consistently, if they have to commute to the gym on the other side of city. Another important factor that needs to be taken into consideration is opening hours. The gym should be open as many hours in a day as possible. Some people prefer to workout later in the evening, while others’ only possibility is to go early in the morning. Favorable opening hours should be standard also during the weekend (Spark People 2015).

To employ people who are professional trainers and nutritionists is a must. The trainers should be certified, more importantly experienced and know what they are doing. In any case, it is better to have employees who are passionate and serious about training, not people that are only eager to make money on clients training. If the trainer has a long list of successful clients, it is the right person (Spark People 2015) (bodybuilding.com, 2006).

As far as other factors of a good fitness centre, for a lot of customers, the availability of parking is crucial. Intense music and mirrors also have a boosting effect on people (Arnold Schwarzenegger.com, 2012).

## 5 SUMMARY

Theoretical part of this thesis covers all of the aspects dealt with when starting up the entrepreneurship in the Czech Republic. Firstly, history of entrepreneurship is briefly introduced. Following chapter defines entrepreneurship from the point of view of both Czech and English literature sources. The thesis then discusses how to choose the right business structure when forming an establishment and introduces the two legal forms. Further,

the author only deals with sole proprietorship and LLC legal structure, listing advantages and disadvantages of both of them. The table at the end of the chapter clearly compares the essentials of both forms in points. Second chapter describes what the business plan is, for which purposes it is being used and under which principles it used to be elaborated. Also it provides usual structure and parts which any business plan has. Following two chapters introduce to the reader current trend in fitness industry and give key characteristics that quality fitness center should have.

## **II. ANALYSIS**

## 6 BUSINESS PLAN

### 6.1 Title page

# Business Plan for the Fitness Center



Figure 1: Business logo (own creation)

<b>Name of the company:</b>	Hrušovany Fitness
<b>Business activity:</b>	Providing fitness and sports services
<b>Location:</b>	Litobratřická 1078, Hrušovany nad Jevišovkou 671 67
<b>Date of establishment:</b>	1.1.2017
<b>Owner:</b>	Markéta Kučerová
<b>Telephone:</b>	+420 608 718 488
<b>E-mail:</b>	kucerovamarketaa@hotmail.com
<b>Web:</b>	<a href="http://www.fitnesshrušovany.cz">www.fitnesshrušovany.cz</a>

## 6.2 Executive summary

In recent years, the demand for fitness services - due to the growing popularity of a healthy lifestyle - is increasing. Sport and good health will never lose its relevance. Therefore, setting up a business in the fitness industry seems to have a great potential. The author decided

to use the opportunity in a small town of Hrušovany nad Jevišovkou, where is not yet available a good quality facility to provide fitness services. The aim is to establish a fitness center that focuses on active people, who are seeking accessible and affordable fitness facility with quality services.

Hrušovany Fitness is a sole proprietorship owned by Markéta Kučerová, who is also a key full-time worker, responsible for all facility operations. The only employee will be hired under full-time employment contract, with the main job description of providing personal trainings to customers. Both the owner and the employee have proper certification for operating in fitness field.

The gym will be established on 1st January 2018 in the small town of Hrušovany nad Jevišovkou located in southern Moravia. The facility will be run in long-term lease as a part of newly built sports hall, with the total area of fitness center 130 square feet. To meet the customers' needs, the establishment will offer new modernly equipped gym as well as personal trainings with an instructor, nutritional counseling and range of fitness supplements at the bar, also serving as a reception desk.

Target group of customers is rather younger population of people, specifically, the most demanded group for Hrušovany Fitness market will be the adult population aged 18-40 as its primary customer base. The potential customers live in Hrušovany nad Jevišovou or in nearby villages with the maximum distance from the facility 7 miles. The competitive advantage will be reached by favorable location, providing discount entry to customers under 26 years of age and generally by lower prices for certain services than the competition. The gym also overtakes the competitor in terms of new and quality fitness machines, modern premises and qualified staff.

The start-up will require approximately CZE 1.076.000 of capital, CZE 860.000 of which will come as a loan from Fio banka a.s. The remaining money will be provided by the owner from her long-term savings. The loan is going to be paid back in 9 years with interest 5,9 % p.a. Estimated revenues in realistic scenario assume, that the establishment has

the potential to be successful. Overall the project shows good results mainly due to its evident competitive advantages over local facilities.

### **6.3 Legal issues and ownership**

Hrušovany fitness will be registered as a sole proprietorship according to Trade Act No. 455/1991 Coll. as unrestricted trade, specifically:

- operation of physical education facilities and organization of sports activities.

This type of business may be operated under the condition of professional ability, which the owner Markéta Kučerová meets in the form of an accredited trainer and II. class fitness instructor, as an accredited educational program no. 060/2011-50-R, awarded by the Ministry of Education, Youth and Sports in Prague. Sole proprietorship has been chosen as a suitable form of business with respect to its low administrative burden, and size of the company, which is not supposed to be expanded further. Moreover, the business will be mostly operated by the owner herself and hence does not need any other shareholders.

### **6.4 Description of the company**

#### **6.4.1 Location**

Hrušovany Fitness is located at Litobratřická 1078 Street in Hrušovany nad Jevišovkou (hereinafter Hrušovany n. Jev.) and will be occupying roughly 150 square feet area of newly built sports hall. Spaces of the building will be shared with a competitor, who will be carrying out activities like yoga and zumba there. The facility is near the city center and easy to reach from anywhere in Hrušovany n. Jev. by foot. Citizens from nearby villages can arrive by car in less than ten minutes, or use the regularly and frequently served bus line. Access to the reception desk is from the main entrance at the front of the building. There are free parking places available as well.

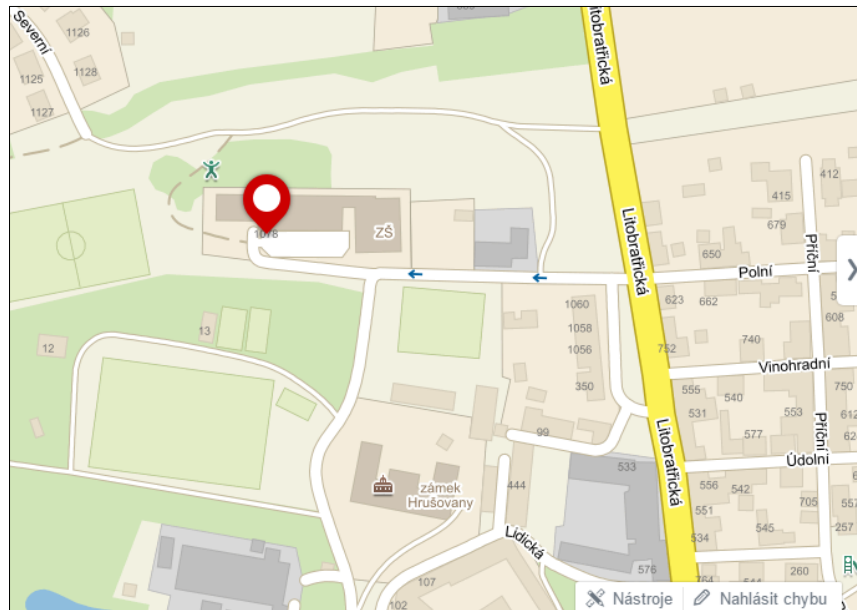


Figure 2: Business location (own creation)



Figure 3: Business location (Sportovní Hala Hrušovany n. Jev., 2017)

#### 6.4.2 Layout plan

In the picture below, there is a layout plan for Hrušovany Fitness. The premises will be subject to a long-term lease, with operating space consisting of a reception desk, locker rooms and sanitation. The main gym area will be occupying 90 square feet. The intention of the town Hrušovany n. Jev. was to build premises for the purposes of gym lease, thus the new locker rooms, bar, toilets and showers are already part of the rented facility. The space is fully adjusted for running the fitness center, so there is no need for further reconstruction. For Hrušovany Fitness it is a big benefit, as the owner can save the money for initial costs.

### **6.4.3 Services**

Since Hrušovany Fitness is a gym, it means that it is service based. The Hrušovany Fitness services are listed below.

#### **Gym**

The overall purpose of the facility is the gym strength training. The room will be notionally divided into a cardio zone and the gym, equipped with modern good-quality fitness machines to serve up to 30 people at a time. The other equipment includes one LCD monitor and audio system. The supplier for all machines will be FIT PRO s.r.o.

#### **Personal training**

Trainers will be providing personal training to people of all age groups and fitness ability level. Private sessions will be designed with the client's fitness goals in mind, whether it is weight loss, muscle tone, flexibility or others. The process begins with an initial interview after which a personalized exercise plan will be drawn up, including cardio exercise and strength training. Clients will utilize all kinds of equipment and training techniques to keep progressing for maximal results.

#### **Nutritional counselling**

Within nutritional counselling, there will be professional and individual counselling offered for the treatment of obesity, sports nutrition and weight loss. The service is aimed at everyone, who wants to eat healthy and rationally without purchasing dietary supplements. Example of Hrušovany Fitness diet programs may be the following:

- diet in relation to lifestyle diseases (diabetes, high blood pressure),
- diet for people dealing with shift work,
- diet for weight loss,
- diet for people who want to prepare for various types of fitness competition (bodybuilding),
- diet for children.

#### **Reception desk and bar**

At the entrance of the establishment, there is a reception desk, also serving as a bar with fitness supplements. The main activities at the reception are welcoming customers, providing keys from locker rooms, receiving entry and service charges, refreshments preparation and issuing permanent passes. A characteristic feature for the worker at



the reception, as well as for the trainer of the centre in general, must be good manners and friendly attitude to customers.

#### **Locker rooms, showers and toilets**

After paying the entry charge or showing their permanent pass, each customer will get the key to the women's or men's locker room. In each locker room, there will be 15 lockers as it is a sufficient quantity if the capacity of the fitness centre is full. The lockers will measure 30x90 centimetres and will be arranged one above the other in two rows to optimize the space use. In both locker rooms, there will be also benches for sitting. Showers and toilets will be situated in the next room.

#### **6.4.4 Management and staff**

The focus of Hrušovany Fitness is to keep only the owner and one employee involved in the working process. The purpose is to lower initial costs in the first year as much as possible. The founder Mrs Markéta Kučerová will be the key employee responsible for providing day-to-day direction and control for all aspects of Hrušovany Fitness in order to deliver optimal profit. These activities include operating the reception, communication with suppliers, but also cleaning of the premises, and occasionally provide personal trainings. Mrs. Kučerová studied at the Tomas Bata University in Zlín in 2017 and till now has no business experience. She has knowledge of accounting and hence she will be responsible for keeping the company accounting. With regards to fitness, she has been exercising for many years and of course, she is a certified trainer and expert in nutrition.

The only employee will be Jan Zapletal, whose main job is to provide personal training to customers. Mr Zapletal has strong base of clients, who are interested in his services as he is a successful bodybuilding competitor. To have such an experienced employee is a great benefit for Hrušovany Fitness and a unique competitive advantage. Both workers will rotate in long-term shifts and, the employee will be responsible for daily run of the facility at the reception. For these purposes, this employee will be hired for full-time employment contract.

#### **6.4.5 Pricing strategy and opening hours**

The method of creating pricing strategy for Hrušovany Fitness was designed to reflect the quality of the equipment and service. For a new facility it would not be reasonable to set low price level, as new gym need to cover its expenditures and earn profit at the same

time. Due to the fact that both competitors operate more or less on the same price level, it probably would not be harmful to set prices at the same level, as well. On the other hand, the pricing plan aims to achieve a premium position in a market whose product offering is in many cases paradoxically overestimated pricing, though poor quality. Therefore for some services, pricing will reach values below those offered by competitors.

Hrušovany Fitness offers penetration and a discount pricing, as it competes with other gyms which offer the same services but without any possibility of student discount. Since Hrušovany n. Jev. is not typically student town, discount pricing will be offering not only to student, but it will apply to those who are up to 26 years. After price analysis of both competitors, the Hrušovany Fitness prices for different services were established:

Tab. 2: Pricing

Service	Price
Casual visit	70
Up to 26 years	60
Eight entries	520
1 month penetration	700
3 months penetration	1500
Half-year penetration	2800
Nutritional plan	1500
Exercising with trainer	250/one training unit

As for the opening hours, on weekdays, the gym will be available from Monday to Friday 9am - 9pm. Saturday and Sunday will be open 9am - 7pm.

## 6.5 Marketing

### 6.5.1 Target market

Hrušovany Fitness attracts adults in the age range of 18 to 40 years old. According to the owner's experience, it is the most frequent age group of people doing exercise. Of course, Hrušovany Fitness offers its services to everyone looking to stay fit beyond this group and it will try to appeal to as many people as possible. The potential customers live in Hrušovany n. Jev. or are located within 7 miles driving distance from the fitness. This targeted area includes (beyond Hrušovany) villages like Hrabětice, Šanov, Hevlín, Litobratřice,

Pravice, and Drnholec and it has roughly 9.600 people that fall into that range (Český Statistický Úřad 2017).

The target market for Hrušovany Fitness will be further categorized into three main groups. The first group of people is seeking to shed some weight through proper exercise, ideally under the guidance of a qualified instructor. Another group of people are those who are interested in building their muscles. As the fitness employs Jan Zapletal, who has experiences with top level bodybuilding competitions, it offers the highest quality of service. Last group of people are those who just want to enroll for cardio sessions. An example

of the customer can thus be:

- men and women who want to get the body they always dreamed of at rather low cost,
- teenagers or young adults who go to the gym to keep fit and get in shape for summer,
- group of friends, who rather go to the gym with others, because it is more entertaining and it will keep them coming back,
- couples who like to train together,
- housewives being at an age where it is hard for them to maintain their figure,
- professional sportsmen/sportswomen who choose our fitness center for their regular exercising.

### **6.5.2 Competitor analysis**

The following pages outline how Hrušovany Fitness compares to the competition in terms of service and other factors, including advantages and drawbacks. Information has been collected by author's own observation while attending these competitive facilities, by interviews with customers and through the fitness web pages. Two fitness facilities are currently operating in Hrušovany n. Jev. area and none of them have their services perfect. We may say, both companies are small, family-based, exercising facilities. The two businesses that are considered the only Hrušovany Fitness's competitors are Fitness Burda Šanov and Barakiel s.r.o.

**Fitness Burda Šanov**

Owner: Roman Burda  
ID: 670169-2199  
Address: Komenského 358, Šanov 671 68  
Telephone: +420 724 926 552  
E-mail address: [roda.burda@volny.cz](mailto:roda.burda@volny.cz)  
Website: [www.fitnessburda.cz](http://www.fitnessburda.cz)  
Facebook: Fitness Burda

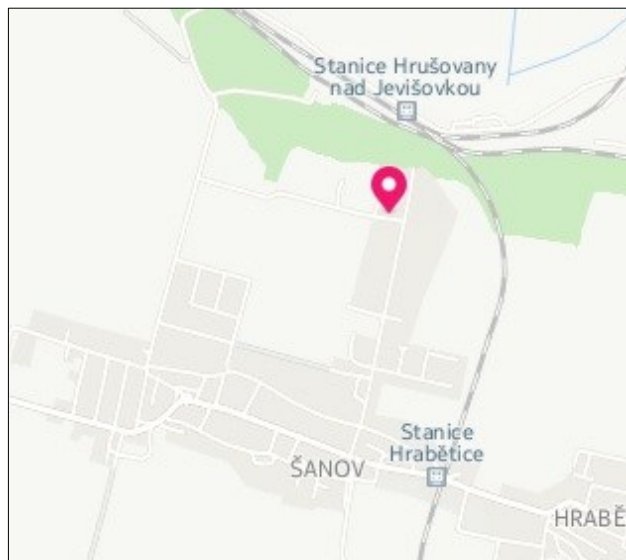


Figure 4: Fitness Burda location (Mapy.cz 2017)

As Fitness Burda is a well known gym in the local fitness community and it has better quality service than Barakiel, it has a major influence on Hrušovany Fitness. It is located in a small village Šanov, 2 miles away from Hrušovany. Being on the market for eight years, their advantage is a relatively good reputation and established client base. In fact, it is the only fitness center in the area where people can have plausible full-body training. Although

the machines here are rather inferior-quality, they are at least in good condition and there is still more of them available compared to Barakiel discussed below. Advantages and drawbacks of this establishment are highlighted below.

**Pros:**

- relatively stable client base,
- friendly attitude of the owner, who is always ready to give advice or have a talk,
- quite a long time on the market,
- sufficient offer of training supplements,
- good level of customer service.

**Cons:**

- high price, even in comparison with modern, better equipped gyms,
- less convenient location - the majority of clients drive by car from 2 miles distant Hrušovany n. Jev.,
- small changing rooms – not enough space when more people come,
- no student or other type of discounts for entry.

**Barakiel s.r.o.**

Owner: Andrea Kerelová

ID: 03344142

Address: Mlýnská 408, Hrušovany nad Jevišovkou 671 67

Telephone: 606 935 766

E-mail address: barakiel@barakiel.name

Facebook: Barakiel Fitness Solarium

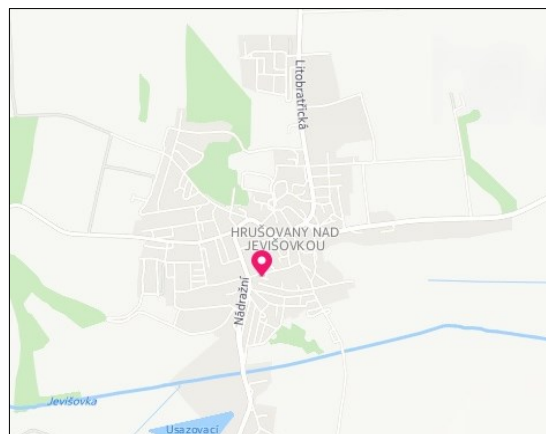


Figure 5: Barakiel s.r.o. (Mapy.cz 2017)

The only fitness centre in Hrušovany n. Jev. - Barakiel - has an influence on author's project due to its location in the same city. Although the gym is an established facility existing for more than 10 years, the fundamental drawback of this fitness is having poor quality equipment machines. These are obsolete, badly maintained and in small quantity. The gym is thus inadequate for having proper full body training and for Hrušovany Fitness it is an opportunity to gain big competitive advantage. The Barakiel benefits from the owners' friendly relations with people, as they know lot of athletes and local people

in general. In other words, Barakiel is small, family-based fitness, visited only by close range of people by force of habit. This kind of environment may be uncomfortable especially

for newcomers or women.

**Pros:**

- tradition,
- favorable location in the centre of the town,
- friendly owners.

**Cons:**

- high price for the quality,
- equipment shortage,
- confined spaces,
- obsolete machines,
- no student or other type of discounts for entry.

**6.5.2.1 Indirect competition**

All sports activities in Hrušovany n. Jev. will be considered as an indirect competition. These are some of Hrušovany Fitness' indirect competitors:

- zumba lectures,
- yoga lectures,
- football,
- tennis,
- volleyball,
- and a few others.

Indirect competition could also come from big cities like Znojmo, Brno or other surrounding towns since many of Hrušovany's population attend schools or work there.

### **6.5.3 Competitive Advantage**

In order to build a core of loyal customers, Hrušovany Fitness has to make its services better than what is currently available in the area. Our key advantage over the competitors is based on new modernly equipped facility, which is currently lacking in the area, discount entrance charge, and unique service quality.

The gym will offer its customers the same service for discounted student prices, which is not available at any other of the above-mentioned competitors. Since Hrušovany n. Jev. is not a student city per se, the usual student discount will be extended, applying on all visitors up to the age of 26, meaning not only for actual students. What is also beneficial, Hrušovany Fitness is favorably located near the city center with parking space right next to the building. What makes our facility unique in the area is our external trainer, professional bodybuilder Jan Zapletal, who is ready to provide customers with trainings and top level know-how. In addition, the gym will provide all its customers a free of charge first entry as well as first lecture with a trainer. Last but not least, in Hrušovany Fitness

we want to create a noticeable difference in the customers' sense of well-being. We want to attract customers by creating great atmosphere and giving them a great experience to stay here.

### **6.5.4 Promotion Strategy**

In this chapter of the business plan, it is discussed, what the best way to reach the customers is. Attention will be paid on good visibility of the facility and excellent customer service. Since the fitness center will be operating in rather small town and there will be no advertising done through radio, TV and other pricy channels, the promotion will not be one of the extensive and money consuming. Initial promotional activity will be done through advertisement in local printed newsletter, local reports, Facebook page and webpage. Outdoor visibility is also very important and it will be utilized through posters and advertising canvas.

Following initial promoting activity, Hrušovany Fitness will reduce its promotional efforts in hope that word-of-mouth will attract potential customers. Promotional activity will be

still reached through our Facebook, webpage, canvas and small advertisement in the local newsletter. All advertising channels as well as table with marketing budget (included in start-up costs) for Hrušovany Fitness are provided in detail below.

**Advertising canvas:** Two large banners of about 250x150 centimetres will be situated at strategic places, one on the fence and the other at the building, both in two different entrances to Hrušovany n. Jev.

**Posters:** Catchy informative posters should include pictures and it will be placed at the main places, which are frequented daily by many people. More specifically, in each town, there will be two posters – one at the notice board on the square and one at the most frequent bus station's board. The exception is Hrušovany n. Jev., where posters will be placed at three places.

**Local newsletter:** Half-page advertisement will be placed in the local newsletter, which is distributed every three months to the citizens of Hrušovany n. Jev.

**Facebook:** Facebook page will be used for sharing motivation among fitness enthusiasts. One example is two pictures comparing progress of a specific person “before” and “after” their training program, which has been led by me or my colleague Jan Zapletal. At our FB profile, we will be further providing motivational videos, as well as actual information about our services, opening hours, etc.

**Webpage:** It will be possible to find the fitness webpage with search engines, and it is the next supportive tool providing crucial information for customers, designed attractively and clearly to attract new exercisers.

**Local radio reports:** This part of promotion efforts will be utilized through local authority, which will be reporting the opening of new fitness centre once a week for one month.

The most important goal in the promotional activities is, that all potential customers are aware of the services offered by Hrušovany Fitness, and to create an image which makes them choose our gym instead of one of our competitors. Following table shows marketing budget, which is of course included in the start-up costs in chapter.



Tab. 3: Marketing budget (own creation)

Item	Sum of money
Advertising canvas	1 700
Posters	1 580
Local newsletter	500
Webpage	6 000
Local Radio reports	400
<b>Total</b>	<b>10 180</b>

### 6.5.5 SWOT analysis

The following is a description of strengths, weaknesses, opportunities, and threats for Hrušovany Fitness. Our goal is, of course, to maximize the strengths and opportunities and minimize the weaknesses and threats. The information is summarized in the table below.

#### Strengths

In terms of strength of the facility, it can be definitely said that the easily accessible location as well as free parking for all gym customers counts as a plus. Hrušovany Fitness has highly qualified staff, which is able to work with clients to achieve their goals. All knowledge of the trainers and the exercising processes had been firstly experienced and successfully tested on themselves. Unlike the competitors, we offer modern and well-equipped fitness facility, which is not short on any necessary machines. In addition, the discount pricing already introduced in chapter 6.4.5 makes our gym affordable. The range of fitness supplementation provided at the bar is not needlessly wide, but in sufficient quantity to satisfy everyone's needs.

#### Weaknesses

When looking at weaknesses, the financial factor of the project should be mentioned. The company is a start-up and the owner is obliged to pay its commitments and fees, regardless of whether the facility is profitable or not. Especially during the first year of operation the owner may face financial risk and instability. Moreover, the new gym has yet to develop good image or reputation and it will take time and sustainable effort to gain it. As next weakness should be considered the inexperience of the owner with operating a business and the incapacity to offer popular classes such as zumba or pilates, as there is no possible space for it in the rented object. On the other hand, these classes are already

provided by one of the competitors, so there is neither the demand nor the need in being the next one to start with it.

### **Opportunities**

Nowadays, popularity of fitness lifestyle is growing, especially among young people. In general, health conscious population is increasing and that creates opportunities for fitness businesses. Also, many people have New Year's resolutions to get fit and lose weight, thus Fitness Hrušovany can use this period to attract new customers. Newness of the facility

in connection with creating friendly and motivating atmosphere can be also the opportunity, helping us to surpass our competitors. Furthermore, relatively low costs for advertising and overall growth of the Czech Republic economy can be a huge benefit for the facility. (czso.cz). Next opportunity can be considered the attractiveness of the fitness center for bodybuilding professionals, thanks to the quality staff and equipment mentioned above. Finally, if the Hrušovany Fitness is in line with current exercise trends and developments, it will have a great opportunity in being popular among customers and consequently it will be profitable.

### **Threats**

The main threat is the growth of permanent competitors, which could occur in case they remove their weaknesses, for example by purchasing new or more exercise equipment or by implementing rapid price reduction. The threat could also be newcomers on the market, however they will probably not occur, because another facility would most likely not be able to survive and prosper at the limited market of the small town. Further, there may be seasonal customers willing to pay for summer activities when outdoor sports are popular. Last but not least, government regulations may also pose a threat (for example increasing taxes), as well as declining economy or decreasing local population.

Tab. 4: SWOT analysis (own creation)

<b>Strengths</b>	<b>Weaknesses</b>
Good Location	Uncertainty in finance
Quality new equipment	Impossibility of having classes
Knowledgeable and friendly staff	Poor facility image
Free parking	Owner without business experience
Complementary service	
Discount pricing	
The fitness instructor Jan Zapletal	
<b>Opportunities</b>	<b>Threats</b>
Growing population interested in fitness	Local competitors
Increasing health conscious population	Newcomers on the market
New year's resolutions	Seasonal demand
Newness of the facility	Change in government regulations
Advertising not expensive	Declining economy
New exercise trends	Decreasing local population
Growing economy	

## 7 FINANCING PLAN

Following pages will discuss financial planning for the project. The first part summarizes necessary expenses needed to launch the business. The following chapters discuss sources of the funds required; bring the opening balance sheet as well as calculation of costs and expected revenues for Hrušovany Fitness.

### 7.1 Start-up costs

In this part of the financing plan, the amount of expenses necessary to launch the business is divided into three groups:

- the costs required for acquiring fixed assets,
- the costs required for acquiring current assets,
- the costs for the first month of operation (Veber, 2008, 96).

All cost items are estimated and analyzed in following chapters.

#### 7.1.1 The costs of acquiring fixed assets

One of the key and most expensive items is demonstrated by the machinery equipment purchased through supplier FIT PRO s.r.o. The total amount for this equipment is CZK 895.000. As mentioned in the chapter 6.4.2., Hrušovany Fitness will be using spaces with existing shower rooms and toilets as well as furniture equipment at the reception, already bought and installed through town Hrušovany n. Jev. Thus there will be no expenses for additional reconstruction. The only missing furniture that needs to be acquired by Hrušovany Fitness is 4 bar chairs at the reception, 30 lockers and 2 sitting benches for the locker rooms. The last cost items are TV, sound system, computer and accounting software Pohoda 2017 standard.

Tab. 5: Costs of acquiring fixed assets (own creation)

<b>Item</b>	<b>Sum of money</b>
Exercise machinery	895 000
Reception furniture	3 800
Locker rooms equipment	15 000
TV, sound system, computer	59 000
Accounting software	7 980
<b>Total</b>	<b>980 780</b>

### 7.1.2 The costs of acquiring current assets

This part of expenses consists of cleaning products and normally also of fitness nutritional supplements available at the bar. In this case, distributor of exercise equipment FIT PRO s.r.o. provides the initial supplements for free as a kind of reward for a big order. This supply of supplements will ensure the operation of the fitness for the first month (fit-pro.cz 2017).

Tab. 6: Costs of acquiring current assets (own creation)

Item	Sum of money
Cleaning products	2 000
<b>Total</b>	<b>2 000</b>

### 7.1.3 Costs for the first month of operation

Following expenses include costs for wages, Internet, TV and marketing promotion. The amount of monthly rent, water and electricity, was forecasted after discussion about the consumption with similarly large competitor and after figuring out local water and electricity rates. In terms of wage costs, the only employee will be hired for full-time employment contract. Monthly wage cost for this employee was calculated as follows: CZK 18.000 (gross wage) + CZK 6.120 (34 % of gross wage for social and health insurance paid by the employer) = CZK 24.120 monthly wage cost. According to this calculation, net monthly salary of the employee is CZK 14.460. In addition, the commission will be paid to the employee according to the amount of trainings with clients. This part of the employee's salary will be variable and thus different every month. Total monthly wage costs including salary of the owner is in the Tab. 7 set at CZK 55.000.

There will be no wage cost for an accountant, as it will be kept by the owner through accounting system Pohoda 2017 standard. As far as the insurance for entrepreneurs, that will be provided by insurance company Maxima a.s. The reason for this choice was an acceptable price for provided insurance. Marketing promotion expenses for opening the gym are listed in detail in the chapter 6.5.4. and include posters, outdoor canvas, advertisement in local printed newsletter, local radio reports and the cost for building a website.

Tab. 7: Costs for the first month of operation (own creation)

<b>Item</b>	<b>Sum of money</b>
Wages	55 000
Rent	10 000
Electricity + water	5 000
TV + internet	1 000
Insurance	2000
Loan payment	10 282
Advertising	10 180
<b>Total</b>	<b>93 462</b>

To sum it up, the chapter assumes that the capital necessary for the opening of the business is in the amount of CZK 1.076.242. For better orientation, the Tab. 8 below overviews total amount of investment necessary to start Hrušovany Fitness.

Tab. 8: Overview of start-up costs (own creation)

<b>Item</b>	<b>Sum of money</b>
The costs required for acquiring fixed assets	980 780
The costs required for acquiring current assets	2 000
Costs for the first month of operation	93 462
<b>Total</b>	<b>1 076 242</b>

## 7.2 Investor

The sources for the start-up funds will required long-term loan of CZE 860.000 which will be provided by Fio banka, a.s. The loan will be paid monthly in the amount of CZK 10.282 and repaid in 9 years. The interest rate is 5,9 % p.a. The repayment schedule is calculated in the Tab. 9 below.

Tab. 9: Repayment schedule (own creation)

<b>Year</b>	<b>Annual instalment</b>	<b>Interest</b>	<b>Instalment + interest</b>	<b>Final amount</b>
1	125 889	50 740	75 149	784 850
2	125 889	46 306	79 583	705 267
3	125 889	41 610	84 278	620 988
4	125 889	36 638	89 251	531 737
5	125 889	31 372	94 516	437 220
6	125 889	25 796	100 093	337 127
7	125 889	19 890	105 998	231 128
8	125 889	13 636	112 252	118 875
9	125 889	7 013	112 875	00

The remainder of CZK 216.242 will be covered by the owner's personal savings. The money will be entered into the business in the form of registered equity.

### 7.3 Initial balance sheet

Based on the preceding information, an initial balance sheet for Hrušovany Fitness was drawn up. The total balance sheet of the entity will amount to CZK 1.076.242.

Tab. 10: Initial balance sheet (own creation)

Assets		Liabilities	
<b>Fixed assets</b>	<b>980 780</b>	<b>Equity</b>	<b>216 242</b>
Tangible	972 800	Registered capital	216 242
Exercise equipment	895 000		
Furniture	18 800		
TV, PC, sound	59 000		
Intangible	13 980		
Accounting software	7 980		
Webpage	6 000		
<b>Current Assets</b>	<b>2 000</b>	<b>Borrowed capital</b>	<b>860.000</b>
Cleaning products	2 000	Loan	860.000
Bank account	87 462		
<b>Total assets</b>	<b>1 076 242</b>		<b>1 076 242</b>

### 7.4 Cost calculation

Before the calculation of costs, depreciation of fixed assets needs to be determined. The Tab. 11 below does not include the depreciation of intangible assets (web site, accounting software), but it does consider exercise equipment, furniture, television and personal computer. The initial prices were depreciated on the basis of Act No. 586/1992 Coll. of Czech National Council Act on Income Taxes.

Tab. 11: Depreciation rates of fixed assets (Act No. 586/1992 Coll., own creation)

Item	Category	Depreciation period	1 <sup>st</sup> year rate	2 <sup>nd</sup> year rate	Initial price
PC, TV	1	3 years	20	40	59 000
Equipment, Furniture	2	5 years	11	22,5	913 800

Item	Depreciation				
	1 <sup>st</sup> year	2 <sup>nd</sup> year	3 <sup>rd</sup> year	4 <sup>th</sup> year	5 <sup>th</sup> year
PC, TV	11 800	23 600	23 600	x	x
Equipment, furniture	100 518	203 321	203 321	203 321	203 321
<b>Total depreciation</b>	<b>112 318</b>	<b>226 921</b>	<b>226 921</b>	<b>203 321</b>	<b>203 321</b>

Tab. 12: Depreciation of fixed assets (own creation)

After depreciation calculation, costs of the fitness centre can be estimated. These are calculated in the Tab. 13 below for the rest of the first year (11 months), since costs for the first month of operation have been already calculated above. Compared to the first month costs, monthly charges for water and electricity have increased by one thousand crowns, due to expected growth of customer base. On the other hand, advertising costs will get lower, since most of the advertising channels were implemented in form of one-time payment.

Only those costs associated with advertising in local printed newsletter four times a year have been considered. The costs for the second year of operation are calculated in the Tab. 14.

Tab. 13: Costs for the first year of operation (11 months) (own creation)

Item	Costs
Wages	605 000
Rent	110 000
Electricity + water	66 000
TV + internet	11 000
Purchase of goods (bar, cleaning)	35 000
Insurance	22 000
Loan payment	113 102
Marketing promotion	1 500
<b>Total</b>	<b>964 000</b>



Tab. 14: Costs for the second year of operation (own creation)

Item	Sum of money
Wages	660 000
Rent	120 000
Electricity + water	72 000
TV + internet	12 000
Purchase of goods (bar, cleaning)	50 000
Insurance	24 000
Loan payment	123 000
<b>Total</b>	<b>1 061 000</b>

## 7.5 Revenue calculation

In the following pages, the revenue calculation is carried out. In its estimation, optimistic, realistic and pessimistic scenario is taken into account. Realistic scenario assumes that 18 people per day will visit the fitness centre through standard single entry, priced at CZK 70. The facility provides entry discount for people up to 26 (CZK 60/entry) and it is expected to have very similar number of visits as in the case of standard entry. Other expected revenues per services of Hrušovany Fitness are calculated and summarized in the table (Tab. 15). As stated by law on value added tax of Annex No. 2 to Act No. 235/2004 Coll., VAT rate of 15% is applied.

Tab. 15: Revenues for the first year of operation - realistic scenario (own creation)

Item	People/Month	Sales/Year	VAT 15%
Standard entry	550	462 000	69 300
Up to 26 years	550	396 000	59 400
Eight entries	5	31 200	4 680
1 month penetration	5	42 000	6 300
3 months penetration	3	54 000	8 100
Half-year penetration	5	168 000	25 200
Nutritional plan	5	90 000	13 500
Exercising with trainer	10	30 000	4 500
Bar		144 000	21 600
<b>Total sales</b>		<b>1 417 200</b>	<b>212 580</b>

Sales in case of optimistic scenario are also based on the number of services purchased by customers. The Tab. 16 below presents, that 23 people per day will visit the fitness cen-

tre through standard single entry. Some other unit sales per year will also increase, specifically, the sale of eight entries penetration and supplements at the bar. Increased interest will also be on the diet plans and working out with the personal trainer.

Tab. 16: Revenues for the first year of operation - optimistic scenario (own creation)

Item	People/Month	Sales/Year	VAT 15%
Standard entry	700	588 000	88 200
Up to 26 years	700	504 000	75 600
Eight entries	7	43 680	6 552
1 month penetration	5	42 000	6 300
3 months penetration	3	54 000	8 100
Half-year penetration	5	168 000	25 200
Nutritional plan	8	144 000	21 600
Exercising with trainer	15	45 000	6 750
Bar		160 000	21 600
<b>Total sales</b>		<b>1 748 680</b>	<b>262 302</b>

For the purpose of pessimistic calculation, it is assumed that the interest of the customers will be low, and this will be reflected in the annual sales. In the pessimistic scenario, annual sales will not exceed CZE 1.000.000 and therefore the entrepreneur is not a subject to VAT. Estimated calculation is in the Tab. 17 below.

Tab. 17: Revenues for the first year of operation - pessimistic scenario

Item	People/Month	Sales/Year
Standard entry	300	252 000
Up to 26 years	280	201 600
Eight entries	3	18 720
1 month penetration	3	25 200
3 months penetration	2	36 000
Half-year penetration	2	67 200
Nutritional plan	1	18 000
Exercising with trainer	6	18 000
Bar		70 000
<b>Total sales</b>		<b>706 720</b>

## 7.6 Revenue and cost calculation - five years period

In the same way as for tables above, it was proceeded to calculate the costs and revenues for the following 4 years. In all scenarios, it is counted on rising demand and annual inflation

at 2,5 %. Costs will increase due to the money needed on regular maintenance of the machines, increase in energy prices and other unexpected expenses. Also it is assumed, that market prices will rise over time. In certain years, Hrušovany Fitness counts with more money needed on advertising. (Česká národní banka 2017).

All aspects mentioned in the chapter 7 will be reflected in the operating results as follows:

Tab. 18: Revenues and costs calculation – realistic scenario

Item	2018	2019	2020	2021	2022
<b>Revenues</b>	1 205 000	1 232 000	1 260 000	1 300 000	1 340 000
<b>Costs</b>	1 057 000	1 061 000	1 140 000	1 203 000	1 280 000
<b>EBIT</b>	<b>148 000</b>	<b>171 000</b>	<b>120 000</b>	<b>97 000</b>	<b>60 000</b>
<b>PIT 15%</b>	0	810	0	0	0
<b>SI + HI</b>	46 000	47 000	46 000	46 000	46 000
<b>EAT</b>	<b>102 000</b>	<b>124 000</b>	<b>74 000</b>	<b>51 000</b>	<b>14 000</b>
<b>Depreciation</b>	112 000	227 000	227 000	203 000	203 000
<b>CF</b>	<b>214 000</b>	<b>351 000</b>	<b>301 000</b>	<b>254 000</b>	<b>217 000</b>

Tab. 19: Revenues and costs calculation – pessimistic scenario

Item	2018	2019	2020	2021	2022
<b>Revenues</b>	706 720	723 000	728 000	751 000	790 000
<b>Costs</b>	1 057 000	1 061 000	1 140 000	1 203 000	1 280 000
<b>EBIT</b>	<b>-350 280</b>	<b>-338 000</b>	<b>-412 000</b>	<b>-452 000</b>	<b>-490 000</b>
<b>PIT 15%</b>	0	0	0	0	0
<b>SI + HI</b>	3967	3967	3967	3967	3967
<b>EAT</b>	<b>-354 247</b>	<b>-341 967</b>	<b>-415 967</b>	<b>-455 967</b>	<b>-493 967</b>
<b>Depreciation</b>	112 318	226 921	226 921	203 321	203 321
<b>CF</b>	<b>-242 000</b>	<b>-115 000</b>	<b>-189 000</b>	<b>-253 000</b>	<b>-295 000</b>

Tab. 20: Revenues and costs calculation – optimistic scenario

Item	2018	2019	2020	2021	2022
<b>Revenues</b>	1 486 000	1 500 000	1 508 000	1 513 000	1 528 000
<b>Costs</b>	1 057 000	1 061 000	1 140 000	1 203 000	1 280 000
<b>EBIT</b>	<b>429 000</b>	<b>439 000</b>	<b>368 000</b>	<b>310 000</b>	<b>248 000</b>
<b>PIT 15%</b>	39 510	41 010	30 360	21 660	12 3600
<b>SI + HI</b>	91 592	91 592	78 568	67 136	58 084
<b>EAT</b>	<b>298 000</b>	<b>306 398</b>	<b>259 072</b>	<b>221 204</b>	<b>177 556</b>
<b>Depreciation</b>	112 318	226 921	226 921	203 321	203 321
<b>CF</b>	<b>410 318</b>	<b>533 319</b>	<b>485 993</b>	<b>424 525</b>	<b>380 877</b>

## 7.7 Financial summary

Looking at the costs and revenues calculation, it is obvious, that Hrušovany Fitness generates profit in both realistic and optimistic scenario. In realistic scenario, revenues exceed the costs in all calculated years and the owner is thus left with decent amount of money for creation of future financial reserves. The success of the project is primarily caused by relatively low costs needed for annual wages, rents, and charges for water and electricity. Since the facility is operating in a rather small town and it does not occupy as large area as huge fitness centers in the cities usually do, costs for rent, electricity and water consumption are very bearable. Another important benefit is, that the majority of facility operations are arranged by the owner herself, which results in not very large costs for wages (only one employee for full-time contract is hired). In addition, optimistic and realistic scenario show nice amount of sales, which are feasible, provided that Hrušovany Fitness would outweigh the competitor.

As for the pessimistic scenario, calculation is not favorable at all. The cash flow as well as earnings after taxes reaches negative values and apparently, the business would be frequently operating at a loss because of slow sales. On the other hand, estimated interest of customers considered for pessimistic scenario is extremely low (Tab. 19). It is based on the assumption, that only 10 people per day would come through casual visit entry and 9 people would come through discount entry up to 26. Another example is penetration entries, it is expected, that 2 half-year penetrations and 2 three-month penetrations will be sold only once a month. Pessimistic scenario presents overall very low sales, hence the author assumes, that the pessimistic development of the scenario is not very likely.

If Hrušovany Fitness consistently strengthens its competitive advantages and thus succeeds in gaining customers of the competitor, the project then will be feasible and profitable.

## **7.8 Evaluation of risks, benefits and final recommendations**

The last chapter of the thesis briefly summarizes potential risks, highlights benefits, and gives some recommendations for successful business operation. Taking a look at the facility from the risk point of view is the first step in preventing or mitigating these potential risks. In case of Hrušovany Fitness, the risk may arise from human factors such as poor choice

of employees, which may occur if the fitness center will prosper and would be willing to hire some other staff. In connection to this, leading effort of the owner could be ineffective, more specifically; Mrs Kučerová does not have previous experiences in operating a business.

Consideration should be given also to risks related to external factors such as market developments, social, legislative and regulatory environment, which nevertheless cannot be influenced and forecasted by Hrušovany Fitness. However, many risks can be reduced by building reserves. High risk could come up if the owner errs in her predictions in terms of expected amount of customers. If the fitness does not gain the customers from the competitor, it can cause serious financial and existential problems for Hrušovany Fitness. Therefore, the facility must be as competitive as possible to attract its customers and continuously strengthen its competitive advantage. In case of low customer attendance, a way must be found to create proper marketing strategy. The possible way out could be also through consultancy with an advisory agency. Regarding the suppliers, no problem should arise, since in the market, there is a lot of suppliers of training supplementation, which could replace the initial supplier and flexibly and quickly deliver goods for the bar.

Importantly, the risk associated with exercise should be controlled. To minimize injuries and illness, the equipment in the gym should be as safe as possible. This will be provided by position of machines so that customers can access them easily and safely. Also, benefits versus risks of each exercise should be considered as some exercises have higher risks than others and not every exercise is suitable for everyone. The risk for Hrušovany Fitness may also be represented by a breakdown of the equipment and its subsequent dysfunction. To avoid this situation, machines will be regularly maintained. In addition, fitness will raise awareness among the customers about how to use the equipment correctly and for

the purpose for which it was designed. This will reduce the risk of injuries of customers and damaging the equipment. To ensure overall safety, the staff should keep an eye out for water or other possible liquids in both shower rooms and locker rooms to prevent the risk of fall or other injury. Other common type of threats may be caused by fire, natural disaster or other damage of the company. As prevention from such thing happening, the object will be insured against the intentional damage, natural hazard, and burglary. In all cases, the staff should be familiar with what to do in the event of emergency, know the location of exits, etc.

As far as the benefits of the project, the key purpose is, of course, setting up a business, the main benefit of which is to develop the sporting activities for the people in the given location. Hrušovany Fitness is supposed to fill the gap in the fitness field in the town and surrounding villages by providing quality services and safe equipment, which benefits people seeking new ways to get in shape. Next advantage of the project is the employee Jan Zapletal, who has been already mentioned in the thesis for his top experiences with bodybuilding. Due to the fact, that he understands the way to lead training with customers, he is believed to significantly contribute to the success of the facility. Other significant benefit is the fact, that the facility is relatively low cost for a number of reasons. Firstly, due to the owner's education and size of the facility, she should be able to perform most of business related activities on her own, for example accounting. The cost of staff will be thus assigned to the only employee. It is also beneficial for an enterprise to be given an interest-free loan from a family member. In case of urgency, it is possible to agree on postponing the payment of the installment.

## CONCLUSION

This bachelor thesis titled “Business Plan For Establishing a Fitness Center in a Small Town” dealt with a topic concerning entrepreneurship and establishing a start-up business. The starting point was collecting theoretical information relating to the sources, and acquire knowledge of different outlooks of various authors on the entrepreneurship issue.

In theoretical part, all the essential phases when establishing the business were introduced. Based on the studied literature, it provides information involved in decision-making regarding the business form, including main comparisons, advantages and drawbacks each structure would imply. The next section presents current trends emerging in the fitness industry and finally, it describes a structure, which should be followed when creating a business plan.

In the practical part, the aim was to provide an analysis based on the theoretical part, which was necessary for the validation of the project. The business plan has been designed on the basis of realistic assumptions, in accordance with true conditions and calculations. To identify these data and find out the real experiences from running a business, it also helped me to interview the competitor. As a key part of the document SWOT analysis, competitor analysis, promotion strategy and financial plan are considered.

The analysis has detected, that the project has real potential to be successful. As the author expected, evaluating the fitness services in the area shows, that in Hrušovany n. Jev., improvements in fitness services are needed. Gaps in existing services bring fresh avenues for growth in this field. The costs of founding this facility are relatively high, especially with relation to exercise machines, but manageable. Estimated realistic scenario assumes, that revenues are high enough to cover all costs and generate profit at the same time. However, in the event that pessimistic scenario is taken into account, money made by the business is almost negligible and operating business would not be profitable. On the other hand, sales expectations for pessimistic scenario are rather underestimated and provided that the facility will consistently strengthen its competitive advantages and gain customers of the competitor, it will be feasible and profitable.

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**LIST OF ABBREVIATIONS**

LLC	Limited liability company.
PIT	Personal income tax.
SI	Social insurance.
EBIT	Earnings before interest and tax
CF	Cash flow
VAT	Value added tax
CZK	Koruna česká
LCD	Liquid-crystal display

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