

A Business Plan for Establishment of the Fitness Center Hrušovany

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Sestavte podnikatelský plán pro fitness centrum.
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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 describe the structure of the business plan and its processing. In practical part, author focuses on the business plan for new establishment Hrusovany 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, leading 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 Hrusovany nad Jevisovkou, which lacks well-equipped gym with quality services. Existing services presented by local utilities are inadequate, primarily due to the poor amount, condition or advanced age of the equipment in use. This situation promotes the idea that there could be a demand in Hrusovany nad Jevisovkou for a fitness center.

When 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, come up with appropriate advertising methods and last but not least, to put the ideas of the plan to the financial form. The information in the thesis is based on true facts and data. Beneficially, the author could co-operate with people from fitness industry and owners of the gyms. These contacts serve as a great source of information and prevention of possible failure. In the end of the thesis, the author will evaluate the benefits and risks of the project.

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).

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 (Srpová, 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) (Srpová, 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 product. 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)

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

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 Hrusovany nad Jevisovkou, 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.

Hrusovany Fitness is a sole proprietorship owned by Marketa Kucerova who is responsible for all facility operations. Another person working at the gym will be the trainer, who will be providing personal trainings to customers. Both the owner and the trainer have proper certification for operating in fitness field.

The gym will be established on 1st January 2017 in the small town of Hrusovany nad Jevisovkou 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 Hrusovany Fitness market will be the adult population aged 18-40 as its primary customer base. The potential customers live in Hrusovany nad Jevisovou or in nearby villages with the maximum distance from the facility 7 miles. The competitive advantage will be reached by favorable location and providing discount entry to customers under 26 years of age. 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 1.000.000 of capital, CZE 850.000 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 10 years with interest 5,9 % p.a. Estimated revenues in realistic scenario assume, that the establishment has the potential to be successful.

6.3 Legal issues and ownership

Hrusovany 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 Marketa Kucerova 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

Hrusovany 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.

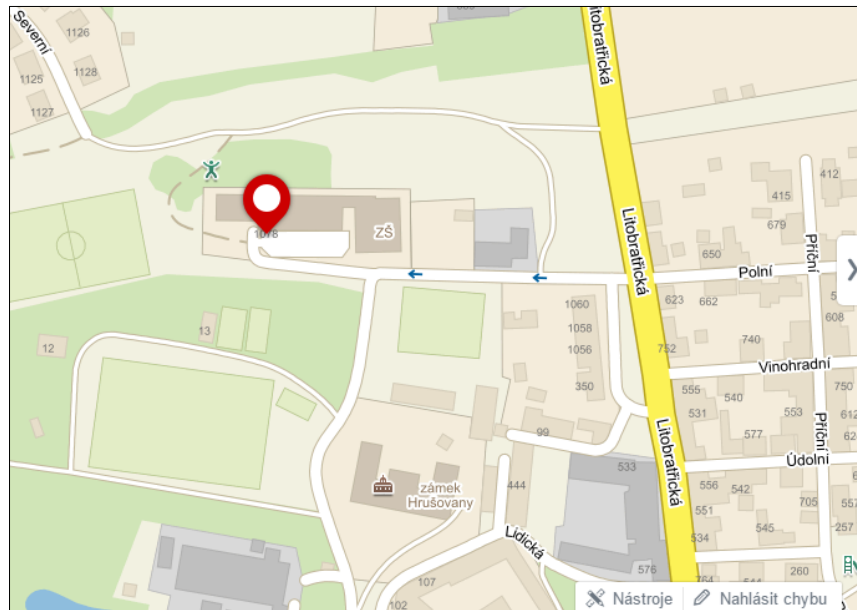


Figure 2: Business location (own creation)



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 110 square feet. The intention of the town Hrušovany n. Jev. was to build spaces 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

Trainer 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 35x90 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

Hrusovany Fitness will keep the owner and one full-time worker in the working process. The founder Mrs Marketa Kucerova will be responsible for providing day-to-day direction and control for all aspects of Hrusovany 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. The job of HPP worker is to serve the reception alternately with the owner.

Personal trainings will be provided by a trainer, who is not employee of the facility. The trainer will pay monthly charge at CZK 1500 and is eligible to provide clients of any number of the trainings. The trainer has a strong base of clients, who are interested in his services as he is a successful bodybuilding competitor. To have such an experienced worker is a great benefit for Hrusovany Fitness and a unique competitive advantage.

6.5 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. Therefore, for most of the services, pricing will reach values just a bit under those offered by competitors. Both competitors operate more or less on the same price level, although prices for such services do not match the quality.

Hrušovany Fitness offers penetrations and a discount pricing, as it competes with other gyms which do not offer any type 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
1 month penetration	770
3 months penetration	1 800
Half-year penetration	3 200
Nutritional plan	2 000

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.

6.6 Marketing

6.6.1 Customer analysis

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.

6.6.2 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
Website: www.fitnessburda.cz
Facebook: Fitness Burda

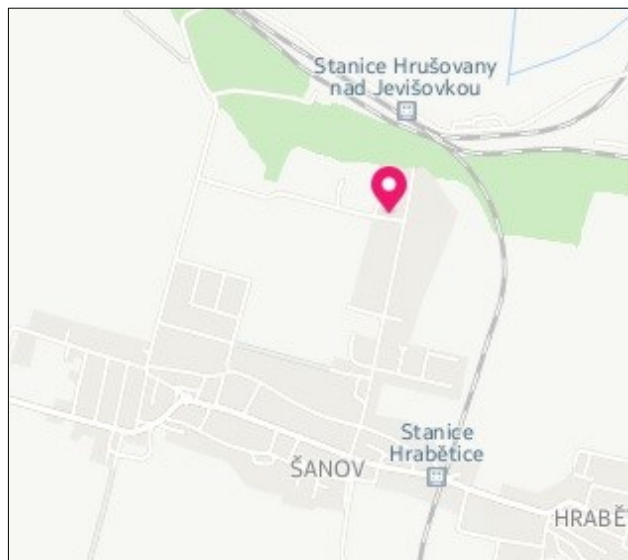


Figure 4: Fitness Burda location (Mapy.cz 2017)

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 Hrusovany Fitness. It is located in a small village Sanov, 2 miles away from Hrusovany. 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

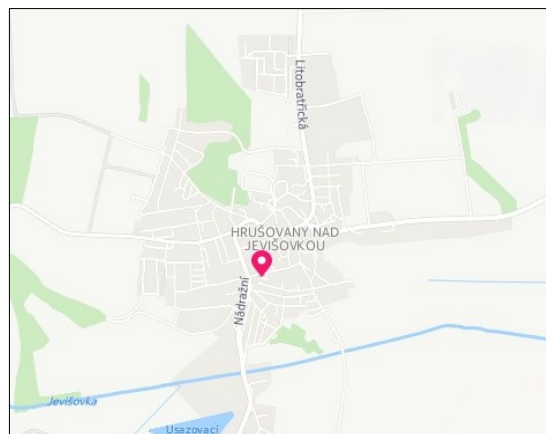


Figure 5: Barakiel s.r.o. (Mapy.cz 2017)

The only fitness centre in Hrusovany 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 Hrusovany 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.

6.6.2.1 Indirect competition

All sports activities in Hrusovany n. Jev. will be considered as an indirect competition. These are some of Hrusovany 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 Hrusovany's population attend schools or work there.

6.6.3 Competitive Advantage

In order to build a core of loyal customers, Hrusovany 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 students. What is also beneficial, Hrusovany Fitness is favorably located near the city center with parking space right next to the building. What makes the facility unique in the area is the 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. Last but not least, in Hrusovany 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.

6.6.4 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, Hrusovany 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 Hrusovany 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 Hrusovany 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 Hrusovany 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 Hrusovany 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 Hrusovany 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	2 500
Posters	1 580
Local newsletter	500
Webpage	6 000
Local radio reports	400
Total	10 980

6.6.5 SWOT analysis

The following is a description of strengths, weaknesses, opportunities, and threats for Hrusovany 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. Hrusovany 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 Hrusovany 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 Hrusovany 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)

Strengths	Weaknesses
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	
Opportunities	Threats
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 estimation of costs and revenues for Hrusovany Fitness. Further are presented income and expenditure statements for 3 years period and profitability indicators.

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 item to run the business will be the machinery equipment purchased through supplier FIT PRO s.r.o. The total amount for this equipment is at CZK 792.000. As mentioned in the chapter 6.4.2., Hrusovany Fitness will open in newly built spaces, so shower rooms, toilets and reception, all was already bought and installed through town Hrusovany n. Jev. The only missing furniture that needs to be acquired by owner is 4 bar chairs at the reception, and further 30 lockers and 2 sitting benches placed in the locker rooms. The last cost items are TV, sound system and computer.

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

Item	Sum of money
Exercise machinery	792 000
Reception furniture	11 000
Locker rooms equipment	25 000
TV, sound system, computer	65 000
Total	893 000

7.1.2 The costs of acquiring current assets

This part of expenses consists of cleaning products and nutritional supplements available for customers at the bar. The next supplies will be being regularly ordered according to its consumption. The distributor is again company FIT PRO s.r.o.

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

Item	Sum of money
Cleaning products	2 000
Bar	35 000
Total	37 000

7.1.3 Costs for the first month of operation

The Tab. 7 below shows the costs for the first month of business operation. The water and electricity consumption was forecasted after discussion with similarly large competitor and after figuring out local water and electricity rates. In the following months, costs for the water and electricity will rise due to the higher customer demand. Wage costs are represented by the salary of HPP worker and set at CZK 33.500 (CZK 25.000 gross wage + CZK 8.500 social and health insurance). The accountant will be paid for the invoice issued. The next item that has to be paid monthly is advance of social and health insurance. There is also need to set up an insurance of property. It will be provided by 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 building a website.

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

Item	Sum of money
Establishment of the business	2 000
Salary of the HPP worker	33 500
Accounting	2 000
Advance of social and health insurance	3 967
Three-month rent in advance	45 000
Electricity + water	7 000
TV + internet	1 000
Insurance of property	2 000
Advertising	10 980
Total	107 447

To sum it up, the chapter assumes that the capital necessary for the opening of the business is in the amount of CZK 1.037.447. 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)

Item	Sum of money
The costs required for acquiring fixed assets	893 000
The costs required for acquiring current assets	37 000
Costs for the first month of operation	107 447
Total	1 037 447

7.2 Investor

The sources for the start-up funds will required long-term loan of CZK 850.000 which will be provided by Fio banka, a.s. The loan will be paid annually in the amount of CZK 114.941 and repaid in 10 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)

Year	Annual instalment	Interest	Instalment + interest	Final amount
1	114 941	50 150	64 791	785 209
2	114 941	46 327	68 614	716 595
3	114 941	42 279	72 662	643 933
4	114 941	37 992	76 949	566 984
5	114 941	33 452	81 489	485 494
6	114 941	28 644	86 297	399 197
7	114 941	23 553	91 389	307 809
8	114 941	18 161	96 780	211 028
9	114 941	12 451	102 491	108 538
10	114 941	6 404	108 538	0

The remainder of CZK 187.447 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 1.037.447.

Tab. 10: Initial balance sheet (own creation)

Assets		Liabilities	
Fixed assets	899 000	Equity	187 447
Tangible	893 000	Registered capital	187 447
Exercise equipment	792 000		
Furniture	36 000		
TV, PC, audio	65 000		
Intangible	6 000		
Webpage	6 000		
Current Assets	138 447	Borrowed capital	850 000
Cleaning products	2 000	Loan	850 000
Bar	35 000		
Bank account	101 447		
Total assets	1 037 447		1 037 447

7.4 Cost calculation

The chapter contains estimated costs of the fitness center. Those are illustrated in the Tab. 11 below for the rest of the first year (11 months), since costs for the first month of operation had been already calculated above. Compared to the first month costs, advertising costs will get lower, since most of the advertising channels were implemented in form of one-time payment at the beginning of the project. Only those costs associated with advertising in local printed newsletter four times a year are considered. Costs for the second year of operation are depicted in the table (Tab. 12).

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

Item	Costs
Wage of HPP worker	368 500
Accounting	22 000
Personal consumption of the OSVC	220 000
Advance of social and health insurance	43 637
Rent	165 000
Electricity + water	110 000
TV + internet	11 000
Supply of goods (bar, cleaning)	45 000
Insurance of property	22 000
Loan payment	114 941
Advertising	1 500
Total	1 123 578

Tab. 12: Costs for the second year of operation (own creation)

Item	Costs
Wage of HPP worker	402 000
Accounting	24 000
Personal consumption of the OSVC	240 000
Advance of social and health insurance	50 556
Rent	180 000
Electricity + water	120 000
TV + internet	12 000
Supply of goods (bar, cleaning)	60 000
Insurance of property	24 000
Loan payment	114 941
Total	1 227 497

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 one-time entry, priced at CZK 70. The facility provides entry discount for people up to 26 (priced at CZK 60) and it is expected to have very similar number of visitors as in the case of standard entry. Under this estimation, about 36 persons will pay the one-time entry fee per day (18x CZK 70 + 18x CZK 60). Other visitors will come through penetrations. The external trainer will pay CZK 1500 rental charge every month, which makes him eligible for providing customers with any number of trainings. Total expected revenues for realistic scenario summarizes the table (Tab.13). Prices of individual items are already set above in the theses.

Tab. 13: Revenues for the first year of operation - realistic scenario (own creation)

Item	People/Month	Sales/Year
Standard entry	550	462 000
Up to 26 years	550	396 000
1 month penetration	5	46 200
3 months penetration	5	108 000
Half-year penetration	2	76 800
Nutritional plan	3	50 400
Charge from trainer CZK	1 500	18 000
Bar		144 000
Total sales		1 301 400

In realistic scenario it is assumed, that customer interest will increase and revenues will grow by 30%.

Tab. 14: Revenues for the first year of operation - optimistic scenario (own creation)

Item	Sales/Year
Standard entry	600 600
Up to 26 years	514 800
1 month penetration	60 060
3 months penetration	140 400
Half-year penetration	99 840
Nutritional plan	65 520
Charge from trainer	18 000
Bar	187 200
Total sales	1 686 420

In contrast, the **Chyba! Nenalezen zdroj odkazů**. Tab. 15 below illustrates the situation, when the facility does not attract customers constantly, and as a result, revenues will fall by 30%.

Tab. 15: Revenues for the first year of operation - pessimistic scenario

Item	Sales/Year
Standard entry	323 400
Up to 26 years	277 200
1 month penetration	32 340
3 months penetration	75 600
Half-year penetration	53 760
Nutritional plan	35 280
Charge from trainer	18 000
Bar	100 800
Total sales	916 380

7.6 Depreciation of fixed assets

Before coming up with income and expenditure statement, depreciation of fixed assets need to be determined. The Tab. 16 below considers the depreciation of exercise equipment, the initial price of which was higher than CZK 40.000. The initial prices were depreciated on the basis of Act No. 586/1992 Coll. of Czech National Council Act on Income Taxes.

Tab. 16: Depreciation rates of fixed assets (Act No. 586/1992 Coll., own creation)

Item	Category	Depreciation period	1 st year rate	2 nd year rate	Initial price
Equipment	2	5 years	11	22,5	597 000

Tab. 17: Depreciation of fixed assets (own creation)

Item	Depreciation				
	1 st year	2 nd year	3 rd year	4 th year	5 th year
Equipment	65 670	132 833	132 833	132 833	132 833

7.7 Income and expenditure statement - three years period

Income and expenditure statement is, again, drawn up in three scenarios (pessimistic, realistic, optimistic) for three years of operating business. In all scenarios, it is counted on growing customer demand and so rising revenues. If the pessimistic scenario was fulfilled, the annual income growth would be unsatisfactory. The tables also depict, that with rising demand, the costs of buying goods for the bar, water and energies will also increase. On the other hand, these cost items will decrease slightly in case of insufficient occupancy of the gym. In the second and third year, costs will increase due to the money needed on regular maintenance of the machines.

Tab. 18: Income and expenditure statement 2017 (own creation)

2017			
Item	Optimistic	Realistic	Pessimistic
Total income	1 686 420	1 301 400	916 380
Cost of sold goods	75 000	52 000	42 000
Personnel costs	402 000	402 000	402 000
Energy and water consumption	120 000	100 000	80 000
Rent	180 000	180 000	180 000
Phone, internet	12 000	12 000	12 000
Marketing	1 500	1 500	1 500
Accounting	24 000	24 000	24 000
Insurance of property	24 000	24 000	24 000
Depreciation of tangible assets	65 670	65 670	65 670
Non-depreciable assets	296 000	296 000	296 000
Interests payable	50 010	50 010	50 010
Total expenditure	1 250 180	1 207 180	1 177 180
EBT	436 240	94 220	- 260 800
Personal income tax	40 590	0	0
Social insurance	63 686	24 732	24 732
Health insurance	29 444	22 872	22 872
EAT	302 520	46 616	-308 404

Tab. 19: Income and expenditure statement 2018 (own creation)

2018			
Item	Optimistic	Realistic	Pessimistic
Total income	1 715 383	1 331 540	920 380
Cost of sold goods	83 000	60 000	45 000
Personnel costs	402 000	402 000	402 000
Energy and water consumption	120 000	100 000	80 000
Rent	180 000	180 000	180 000
Phone, internet	12 000	12 000	12 000
Accounting	24 000	24 000	24 000
Insurance of property	24 000	24 000	24 000
Maintenance costs	50 000	50 000	50 000
Depreciation of tangible assets	132 833	132 833	132 833
Interests payable	46 327	46 327	46 327
Total expenditure	1 074 160	1 031 160	996 160
EBT	641 223	300 380	-78 780
Personal income tax	71 340	20 205	0
Social insurance	93 619	43 856	24 732
Health insurance	43 283	22 872	22 872
EAT	432 981	213 447	-126 384

Tab. 20: Income and expenditure statement 2019 (own creation)

Item	2019		
	Optimistic	Realistic	Pessimistic
Total income	1 722 383	1 345 540	931 380
Cost of sold goods	83 000	75 000	50 000
Personnel costs	402 000	402 000	402 000
Energy and water consumption	120 000	100 000	80 000
Rent	180 000	180 000	180 000
Phone, internet	12 000	12 000	12 000
Accounting	24 000	24 000	24 000
Insurance of property	24 000	24 000	24 000
Maintenance costs	65 000	65 000	65 000
Depreciation of tangible assets	132 833	132 833	132 833
Interests payable	42 279	42 279	42 279
Total expenditure	1 085 112	1 057 112	1 012 112
EBT	637 271	288 428	-80 732
Personal income tax	70 740	18 420	0
Social insurance	93 042	42 111	24 732
Health insurance	43 016	22 872	22 872
EAT	430 473	205 025	-128 336

7.8 Break even point analysis

The break even point is based on realistic scenario of revenues. It was used of weighted average of all services offered by the facility to set up the average spending per visitor. Variable costs are demonstrated by amortization of machines, the amount of which is set at CZK 3 for single entry. Amortization for the rest of the services (people coming through penetrations) is determined from average estimated visits over given period. Fixed costs include monthly cost for rent, services and loan payment.

Calculation of break even point:

$$\text{Average price (P)} = \frac{(70 * 550) + (60 * 550) + (770 * 5) + (1800 * 5) + (3200 * 2) + (2000 * 3)}{1115} \sim 87 \text{ CZK}$$

$$\text{Variable costs (VC)} = \frac{(3 * 550) + (3 * 550) + (36 * 5) + (33 * 5) + (30 * 2)}{1115} \sim 3,3 \text{ CZK}$$

$$\text{Fixed costs (FC)} = 39\,578 \text{ CZK}$$

$$\text{Break even point (Q}_{BEP}) = \frac{39\,578}{(87-3,3)} \sim 473 \text{ visitors}$$

From the calculation it is obvious, that with 473 visitors per month all costs that must be paid are paid, and there is neither profit nor loss. As already assumed in realistic scenario, optimum monthly visits for the first year of operation could be around 1100, with revenues roughly CZK 95.000. The total revenues will also depend on the amount of nutritional products sold in the fitness centre. This item is not included in break even point analysis and is estimated at CZK 12.000 per month. In case, that the expected customer base is reached, initial costs will return in the sixth year of operating the business.

7.9 Selected profitability indicators

7.9.1 Return on assets (ROA)

The Tab. 21 below gives the comparison of return on assets for three years of operating business. ROA was calculated as a proportion of earning after taxes and assets. Again, realistic scenario of revenues was taken into account. The resulting values are positive, with 4, 4% of EAT generated from assets in the first year.

Tab. 21: ROA (own creation)

Year	ROA
2017	4,4%
2018	20,5%
2019	19,8%

7.9.2 Return on investment (ROI)

The bank loan was used as a crucial source of financing. In the first year of running the fitness center, 32, 1 % of EAT is generated from the debt capital. The results for the next two years are in the table (Tab. 22)

Tab. 22: : ROI (own creation)

Year	ROI
2017	5,4%
2018	25,1%
2019	24,1%

7.9.3 Return on equity (ROE)

Return on equity (ROE) was calculated as the proportion of EAT and registered capital. The values are very favorable, however the main reason is higher indebtedness of the business.

Tab. 23: ROE (own creation)

Year	ROE
2017	24,8%
2018	113,8%
2019	109,3%

7.10 Financial summary

The first part of the financing plan classifies costs into three groups, so that the total start-up costs of the Hrusovany Fitness could be determined. The most expensive item was the machine equipment. The highest monthly expenditures will be spent on wages, space rental and the loan. Next chapter discusses the source of financing, a bank loan of CZK 850.000, and brings the repayment schedule. To cover remaining costs, the owner will put CZK 187.447 into the business in form of registered capital. Following chapters give initial balance sheet and calculation of expected revenues.

Based on estimated amount of monthly paying customers, annual revenues were determined in three possible scenarios of development. Before compiling the income and expenditure statement, the depreciation of the tangible assets was calculated. Income and expenditure statement was drawn up for 3 years of running the business. Both income and expenditures were put into comparison, with very positive earning after taxes in realistic and optimistic scenario. In case of pessimistic scenario, EAT reaches negative values and apparently, the business would operate at a loss due to the slow sales. On the other hand, predicted customer interest in pessimistic scenario is extremely low.

Next part of the financing plan was break even point analysis, showing that the facility will be able to pay its liabilities with 473 visitors per month. According to realistic scenario, the business is expected to reach about CZK 200 000 EAT in the second and third year of operating. If this tendency is continuing, initial costs will return in the sixth year of operating

the fitness centre. The last part of the financing plan brought the main profitability indicators, with satisfying valuation of assets, meaning that the project is feasible and profitable.

8 RISKS AND BENEFITS OF THE PROJECT

8.1 Risk analysis

The last chapter of the thesis summarizes potential risks, highlights benefits, and gives recommendations for successful business operation. To take a look at the facility in terms of risk is the first step in preventing or mitigating these potential risks.

Competition

High risk could come up if the estimation of customer base will not be fulfilled. In case that the facility is not gaining enough customers, Hrusovany fitness may face financial and existential problems.

Solution

The facility must be as competitive as possible and continuously strengthen its competitive advantage. In case of low customer attendance, a way must be found to create better marketing strategy. The possible way out could be also through consultancy with an advisory agency.

External factors

Consideration should be given also to risks related to external factors such as market development, social, legislative and regulatory environment.

Solution

External risks cannot be influenced and forecasted by Hrusovany Fitness. However, many risks can be reduced by building reserves and continuous monitoring of the development of these risky factors.

Human resources

In case of Hrusovany Fitness, the risk may arise from human factors, as the owner does not have previous experiences in operating business.

Solution

The risk can be eliminated by self-study of the owner.

Injuries

Importantly, the risk associated with exercise should be controlled.

Solution

To minimize injuries, 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. 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. 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.

Dysfunctions of equipment

The risk for Hrusovany Fitness may be also represented by a breakdown of the equipment or its dysfunction.

Solution

To avoid this situation, machines will be regularly maintained. This will reduce the risk of injuries of customers and damaging the equipment.

Damage of property

Other common type of threats may be caused by fire, natural disaster or other damage of the company.

Solution

As prevention from damage of property, the object will be insured. In all cases, the staff should be familiar with what to do in the event of emergency, and also should know the location of exits.

Funding from debt capital

Start-up costs of the company will exceed the amount of registered capital deposited by the owner. It was therefore decided to draw a bank loan of CZK 850.000. In the case of low profits, the repayment of the loan would be very difficult for the enterprise.

Solution

Prevention in this situation is to properly calculate estimated number of visitors, revenues and costs, including the repayment of the loan. The calculations in the thesis point out to the company's ability to generate profits in the first year of business operating.

8.2 Benefits

As far as the benefits of the project, the key purpose is setting up a business, whose main benefit is to develop the sporting activities for the people in the given location. Hrusovany 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 is the trainer, who has been already mentioned in the thesis for his top experiences with bodybuilding. He understands the way to lead training with customers and is believed to significantly contribute to the success of the facility.

CONCLUSION

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

In the theoretical part, all the essential phases when establishing the business were introduced. Based on the studied literature, the thesis provides information about decision-making process when choosing 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, necessary for the validation of the project. The business plan has been designed on the basis of realistic scenario, 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 talk about common issues with competitor. As a key part of the document SWOT analysis, competitor analysis, promotion strategy and financial plan are considered.

As expected, evaluating the fitness services in the area shows, that in Hrusovany n. Jev., improvements in this field are needed. Gaps in existing services bring fresh avenues for setting up the new facility. The costs of founding the fitness centre are relatively high, especially with relation to exercise machines, but manageable.

Arising from income and expenditure statement, income is high enough to cover all costs and generate profit. Initial costs are expected to return in the sixth year of entrepreneurship. Unfortunately, if the pessimistic scenario was fulfilled, the business would operate at a loss because of slow sales. The main focus of the company must be to strengthen its competitive advantage and gain customers of the competitor. If these conditions are met, the facility will be feasible and profitable.

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LIST OF ABBREVIATIONS

LLC	Limited liability company
PIT	Personal income tax
SI	Social insurance
EBIT	Earning before interest and tax
VAT	Value added tax
CZK	Koruna česká
LCD	Liquid-crystal display
HPP	Hlavní pracovní poměr
EAT	Earning after taxes
ROA	Return on assets
ROI	Return on investment
ROE	Return on equity

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