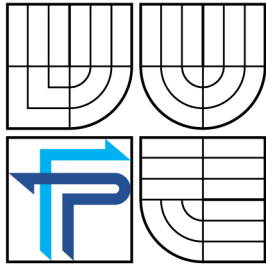


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BRNO UNIVERSITY OF TECHNOLOGY



FAKULTA PODNIKATELSKÁ  
ÚSTAV EKONOMIKY

FACULTY OF BUSINESS AND MANAGEMENT  
INSTITUTE OF ECONOMICS

## BUSINESS PLAN FOR SMALL BUSINESS DEVELOPMENT

PODNIKATELSKÝ PLÁN PRO ROZVOJ MALÉHO PODNIKU

DIPLOMOVÁ PRÁCE

MASTER'S THESIS

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## Diploma Thesis Assignment

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### **Business Plan for Small Business Development**

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### **Podnikatelský plán pro rozvoj malého podniku**

#### Instructions:

Introduction  
Problem specification, objectives of diploma thesis  
Theoretical approach  
Analytical part - company analysis  
Synthetical part - proposal of business plan  
Project time - line  
Conclusion  
Bibliography  
Appendixes

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## **Abstract**

The aim of this diploma thesis is to propose a business plan for development of small business. First part introduces small business from a theoretical perspective. Next the company and its business environment is assessed and an adoption of customer relationship management practices (CRM) and software among small businesses is examined. In the last part author proposes new business plan for simple CRM web service Zakaznici.eu and further specifies the development of a project.

## **Abstrakt**

Cieľom tejto diplomovej práce je navrhnúť podnikateľský plán na rozvoj malej firmy. V prvej časti je teoreticky opísané prostredie malých firiem. Ďalej je skúmané obchodné prostredie firmy a adopcia praktík riadenia vzťahu so zákazníkmi (CRM) v oblasti malých firiem. V poslednej časti autor navrhuje podnikateľský zámer jednoduchej webovej CRM služby Zakaznici.eu a detailnejšie špecifikuje projekt rozvoja.

## **Keywords**

Small business, business development, business plan, SWOT analysis, CRM, customer relationship management

## **Klíčové slová**

Drobné podnikanie, malý podnik, podnikateľský zámer, podnikateľský plán, CRM, riadenie vzťahu so zákazníkmi

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### **Declaration of originality**

I hereby declare that this thesis is my own work and that, to the best of my knowledge, it contains no material previously published, or substantially overlapping with material submitted, except where relevant full reference to source is made in the text.

In Brno, 30 August 2009

Bc. Štefan Vantroba

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## Introduction

In 2005, there were almost 20 million enterprises active within the non-financial business economy<sup>1</sup> in the EU27 (Appendix 1 and 2). Nearly all of these enterprises (99.8%) were either micro, small or medium-sized enterprises, with up to 249 persons employed. This share varied only marginally between Member States. SMEs accounted for 67% of total employment and 58% of value added (Eurostat 2008). Small businesses are thus very important for the economy of European Union and its member states. SMEs play major role in generating employment opportunities and their share on gross domestic product is also significant.

Planning is essential part of any small business and it should not stop with first initial business plan, but rather be ever evolving process adapting to newly occurred circumstances.

This diploma thesis proposes change of the course and new business development for existing small business. To make adequate proposal possible, environmental analysis is conducted, including examination of micro and macro environment and potential customers. Concluded with the SWOT analysis, findings of analytical part form basic input for development of business plan.

Business plan proposes development and provision of new product - simple on-line, on-demand CRM system - Zakaznici.eu. It further specifically features company, marketing and finances, assesses risk and examines future opportunities.

In the final part, project time-line is drawn, further specifying flow of events leading to establishment of limited liability company and start of product provision.

Issues examined in this thesis are real business case. Developed business plan will help to identify potential problem areas and work out solutions. It will help to crystallize the idea and think-out more deeply about the particular steps needed to reach set goals. Proposed business plan will be major guideline for company's further development.

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<sup>1</sup> The non-financial business economy (NFBE) excludes agriculture, public administration and other non-market services, as well as the financial services sector.

# **1. Problem specification and objectives**

Everybody can start-up a business following certain procedures specified by the law. Factors motivating an individual to start-up a business can be split into “push” factors and “pull” factors (Watson, Hogarth-Scott and Wilson 1998). Push factors have to do with lack of self development opportunities at current employment or lack of possibility to find adequate and desired employment. These people start businesses out of necessity. Some individuals are more likely than others to start a business due to a variety of “pull” factors. Such as desire to seek for personal independence or means to realise own idea. Starting business is not an easy task. Entrepreneur must consider many, sometimes hard to predict, circumstances.

## ***1.1 Issues with the business start-up***

Whatever motivation is there, either for starting a new business or undergoing a new venture with an existing one, we must think critically about feasibility of our idea, goals and return of our investment. There are many financial and non-financial risks associated with any business venture. Early examination of risk involved as well as assessment of success factors can be crucial for business success.

Planning plays an important role (Hormozi 2008) in determining and organising these issues. A business plan is an effective tool to organize identified goals and strategies to meet them. In addition it has a potential to describe and market the business to potential investors and other stakeholders. Planning process can be split into three main stages (Koráb, Peterka and Režňáková 2007):

1. Understand where we are
2. Decide where we want to go
3. Planning how to get there

Each of these stages brings its own issues associated with them. Analysis is important part in order to understand where we are. Also business has to be aware of environment which it is going to enter.

## **1.2. Diploma thesis objectives**

By applying theoretical knowledge and developing product idea, my objective is to propose a business plan for development of small business towards service providing, repetitive sales generating small business. In order to meet this objective, few partial goals must be accomplished. This work will seek to:

- asses business environment related to a new product
- understand theoretical underpinning to form a business plan
- understand how micro businesses are managing their customer data
- asses risk involved in the new business venture
- conduct SWOT analysis
- write a business plan

Clever Leap is a small company focused on custom development of web sites and web based applications. This market can be considered as a replacement market. As web sites have longer and longer life span, the future growth can be problematic. The proposal is to move from custom web development towards product offering company, which provides own web based services in particular niche areas. This diploma thesis will try to asses the risk involved in such undertaking and formulate goals and strategies in a business plan.

## **2. Theoretical approach**

### **2.1 What is enterprise**

In recent years the word “enterprise” has been attached to variety of initiatives, and represents wide continuum of meanings. In some cases its use implies a meaning that is limited to a business context, and it can even be used as a synonym for business. Other uses, however, imply a wider meaning: it is often associated with an attitude to life: of exploring, developing, leading and taking the initiative. Attitude which can be very helpful in the business context (Bridge, O'Neil and Cromie 2003).

These different uses have been described as the narrow and broad meaning of enterprise:

- The narrow meaning “economy school”, regards enterprise as business entrepreneurialism.
- The broad one “education school”, regards it as a set of qualities and competencies that enable individuals and groups that possess them to be flexible, creative and adaptable in the face of change. Personal development and development of self-confidence lies in the heart of this attitude.

Entrepreneurship and enterprise are referring to the same meaning in a business context. Those who have looked at the makeup of the entrepreneur have identified entrepreneurship, or enterprise, as the exercise of a set of attributes. There is however no clear agreement on precisely what these attributes, skills, or attitudes are. Further, the possession of such attributes, skills and attitudes is not necessarily sufficient for a person to act in an enterprising manner.

Veber et al. (2005) describes enterprise from four dimensions:

- economical context – enterprise is effective utilization of economical resources and other assets to increase their value. It is dynamic process of added value creation,
- psychological context – underlying motivation in entrepreneurship is to gain

something and to achieve something. In this context enterprise is the means of self development and independence,

- social context – enterprise is development of prosperity for everybody affiliated. It is pursuit of better utilization of resources and job creation,
- legal context – legally recognized organization designed to provide goods and/or services to consumers with a goal of profit and wealth generation.

Enterprise therefor is a varied concept, both in its application and in its explanation. As such it is the subject of considerable interest.

### 2.1.1 Legal forms of small enterprises

Every business is facing some regulations. Legal form is the first issue. The three most popular legal forms which can be occupied by small enterprise are: the sole trader (almost 60% of businesses), partnership and limited liability company.

**Sole Traders:** Is a business owned by one individual. The individual is the business, and the business is the individual. There are no major requirements about accounts and audits. This form has liability disadvantage where the sole trader is personally liable for all the debts of the business, no matter how large.

**Partnerships:** Are groups of sole traders who come together, formally or informally, to do business. Disadvantage is that each partner has unlimited liability for debts of the partnership, whether they incurred them personally or not.

**Limited companies:** Is a separate legal entity distinct from its owners or shareholders. It can enter into contracts and sue or be sued in its own right. It is taxed separately through Corporation Tax. The advantage of this form of business is that the liability of the shareholders is limited by the amount of capital they put into the business. Company has unlimited life and can be sold to other shareholders, as such it can attract additional risk capital from

backers. There are some disadvantages of a need to keep certain books of account and face greater regulation.

## **2.2 Small business definition**

### **2.2.1 Small business definition based on size**

According to Bridge, O'Neil and Cromie (2003) in the UK for statistical purposes the DTI (The Department for Trade and Industry) usually uses the following classification of businesses:

Micro Firm	- up to nine employees
Small firm	- up to 49 employees (includes micro)
Medium firm	- 20-249 employees
Large firm	- 250 employees and over

Section 249 of the Companies Act of 1985 states that a company is “small” if it satisfies at least two of the following criteria:

- a turnover of not more than £2.8 million
- a balance sheet total of not more than £1.4 million
- not more than 50 employees

In 1996 the European Commission adopted the following definition of SMEs:

<i>Maximum</i>	<i>Micro-enterprise</i>	<i>Small</i>	<i>Medium-sized</i>
Number of employees	10	50	250
Turnover (million €)	n/a	7	40
Balance sheet total (million €)	n/a	5	27
Independence criterion <sup>2</sup>	n/a	25%	25%

<sup>2</sup> The independence criterion refers to the maximum percentage that may be owned by one, or jointly owned by several, enterprises not satisfying the same criteria.

Burns (2001) argues that definitions based on financial criteria suffers from inherent problems related to inflation and currency translation. Despite the independence criteria, SMEs could still include organisations managed by non-owner-managers. He concludes that we are, therefore, left with three groups – managers of small firms, owner-managers and entrepreneurs – without any delineation.

Being small firm is not just about size, defined in simple statistical terms. Small firms also have other important defining characteristics. The Bolton Report (1971) described a small firm as satisfying three criteria.

- Market influence – in economic terms, the small firm has a small share of the market.
- Personal influence – small firm tends to be managed by its owners or part-owners in a personalised way and not through the medium of a formalised management structure.
- Independence – small firm is independent in a sense that it does not form part of a larger enterprise and that the owner-managers should be free from outside control in taking their principal decisions

Burns (2001) and others confront the Bolton report. He argues that many successful small firms operate in niche markets where they can have large influence. Also small firms when they have some 10-20 employees start to take on more formal structures.

### **2.2.2 Features of small businesses**

Small businesses behave differently and interventions that apply to big businesses and their management will not necessarily apply on a small scale (Bridge, O'Neil and Cromie 2003). Gibb (1988) identified and classified these differences between the behaviour of small and big businesses. In addition to already discussed definition of small businesses based on scale there are other significant differences which include:

- **An absence of functional managers**

Small business is often managed by one person. The advantage is that one



person can have overall view of management, production, finance and marketing. On the other hand knowledge of such functions may not be well developed.

- **On-the-job learning**

Many small business owners have acquired most of their business knowledge on the job. The business processes employed are likely to be based on their own experience, and are unlikely to change unless experience suggests it is necessary.

- **Personal investments and resources**

Investments often come from personal money, there can therefore be a reluctance to spend this money on anything except the bare essentials, for short-term obvious returns.

- **Informal systems and procedures**

Many businesses start with one person, for whom formal systems and procedures will seem unnecessary. They will grow by taking on new employees in ones and twos and again lacking formal procedures. Many business never grow too big to be actually harmed by lack of formal structures. Informality in systems and procedures is common characteristic of small businesses.

- **Top-down control**

Dominant position of the entrepreneur can create a person-centered culture. Business strategy usually correspond to that of the entrepreneur. It can be attractive, however, even in small businesses, intelligent employees are often more in touch with the latest technological, economical and sociological developments. Decision-making discretion, even at the strategic level, may have to be delegated to these individuals, but entrepreneurs are notoriously reluctant to share their power.

- **Informal, personalized decision-making**

Decision-making process in small businesses will be less formal and more personalised than in larger ventures. In a large businesses the distance from top to bottom, and the consequent number of layers and communication steps, may mean that the message, and the consequent meaning behind it, can be distorted. Omnipresence of the owners in small business means that everyone in the business can hear a clear articulation of the goals and objectives. This can bring

advantage of flexibility. Time horizons for planning tend to be much shorter than in large enterprises, but information available to decision maker will be more inaccurate and incomplete. Moreover decisions in small business are more likely to be influenced by an owner-managers emotions and personal interests rather than by objective analysis.

- **Organisational structures**

Work at large businesses is highly specialised. Small businesses does not have a large volume of output and work is usually done by generalists. Change is the order of the day. As a result small firms tend to have simple, flexible, non-differentiated structures and flexible work practices, to possess general-purpose rather than specialised machines and to exhibit few of the features so characteristic of bureaucracies.

- **Control**

Decision-making can be considered to take place at three levels: strategic, administrative and operational. These will each happen at different levels in large enterprises. In small business they are often all done by the same person with no formal or recognised boundaries or hierarchical split. This leads to much speedier decision making and shorter reaction times, which in turn can bring an improved competitive advantage.

Understanding small businesses and their place in the economy requires more than an understanding of business in general. It requires an appreciation of the significant differences between small and big businesses and knowledge of specific small business issues. It also requires an understanding of the entrepreneurs who start and run small businesses.

### ***2.3 Stages of small business development***

Whatever the definition of small business is, there is a large variety between small businesses. In considering them, and in particular in trying to establish their needs and the issues facing them, it can be helpful to try to distinguish groups or categories of small businesses with common characteristics (Bridge, O'Neil and Cromie 2003).

One way of classifying small business development process is to divide it into several stages of their development. It is however important to recognise that this model doesn't explain what is happening inside a business, rather it describes its situation and present symptoms not causes. Therefore it is not appropriate for prediction of what will happen next to a business.

Churchill and Lewis (1983) divide small business development process into five stages:

Existence	Staying alive by finding products or services and customers
Survival	Establishing the customer base, demonstrating viability
Success	Confidence in its market position, options for further growth
Take-off	Opting to go for growth
Maturity	The characteristics of a larger, stable company

Other models have additional stages that come either prior to or after Churchill and Lewis stages. Kruger model (Bridge, O'Neil and Cromie 2003) recognises that the commencement of trading itself, is not the beginning of the process but that there are stages before the formation of a business which are nevertheless relevant to the development of the entrepreneur and to an understanding of the inception of the business. These stages can include:

- culture – if the underlying culture is helping nurture business awareness, interests and ideas, people are more likely to think of starting a businesses
- the idea – before start-up, product or service idea is needed around which the business can be formed
- the pre-start phase – process of actually starting business from the business idea

When the business is already formed, it doesn't stay independent, but it forms part in a broader environment of whose knowledge are essential for business operation.

## **2.4 Market environment**

Marketing environment surrounds and impacts upon the organization and its ability to do business effectively. According to Kotler and Keller (2006) a major purpose of environmental scanning is to discern new opportunities. In many ways, good

marketing is the art of finding, developing, and profiting from opportunities. As well as opportunities, management also needs to consider and identify associated threats. Competition represents only one potential threat. Enterprises have to assess these threats and develop defensive marketing actions.

Kotler (2006) sees the marketing environment from two perspectives:

- *task (micro) environment* – includes companies, suppliers, distributors, dealers and target customers involved in production, distribution and promotion of the offering.
- *broad environment* – consists of six components: demographic environment, economic environment, physical environment, technological environment, political-legal environment and social-cultural environment. These external factors are influencing organization indirectly and can have major impact on the actors in the task environment. They are out of the organisation's direct control and as such market actors must pay close attention to the trends and developments in these environments and make timely adjustments to their marketing strategies.

### 2.4.1 Analysis of broad marketing environment

There are two major frameworks used for external environment analysis – SLEPT and Porter's 5 forces analysis. Findings of these analysis are usually basis to conduct SWOT analysis.

SLEPT is a framework of macro-environmental factors used in the environmental scanning. These factors represent Sociocultural, Legal, Economic, Political, Technological and Ecological environment in which the organization operates and is surrounded by (Gillespie 2007).



Figure 1: Porter's (1980) five forces

To decide which marketing strategies to adopt we have to understand customer needs, competitors and the degree of competition in the market place (Burns 2001). Porter (1980) contended that the competitive environment is created by the interaction of five different forces acting on a business. In addition to rivalry among existing firms and the threat of new entrants into the market, there are also forces of supplier power, bargaining power of buyers, and the threat of substitute products or services introduced to the market. Porter suggested that the intensity of competition is determined by the relative strengths of these forces.

### **2.4.2 SWOT analysis**

SWOT analysis is a strategic method used to evaluate business strengths and weaknesses and the market environment in which it operates - opportunities and threats. It is build by grouping variables considered important to assessing a firm's strategic situation in the competitive marketplace (Porter 1980). SWOT involves specifying the objective of the business venture and encompasses findings of internal and external analysis that provide back-end planning perspective of variables/events/trends (Barney 1995). These may be favourable and unfavourable to achieving desired objective.

SWOT process is seeking to achieve an overlap between the business environment and the firm's resources. In other words, a match between the firm's strategic or core competencies and a market opportunity. A view of the overall attractiveness of a market is based upon the opportunities it offers balanced by the threats that it poses (Burns 2001).

## **2.5 Generic marketing strategies**

Porter (1985) suggested that there are three generic strategies that company may follow – focus on niche market, differentiation strategy and overall cost leadership. Kotler and Keller (2006) describe these categories as:

- **Focus** – the business focuses on one or more narrow market segments. The firm

gets to know these segments intimately and pursues either cost leadership or differentiation within the target niche segment.

- **Differentiation** – the business concentrates on achieving superior performance in an important customer benefit area valued by a large part of the market. The firm cultivates strengths which will contribute to the intended differentiation.
- **Overall cost leadership** – the business works hard to achieve the lowest production and distribution costs so that it can price lower than its competitors and win a large market share. Firms pursuing this strategy must be good at engineering, purchasing, manufacturing and physical distribution.

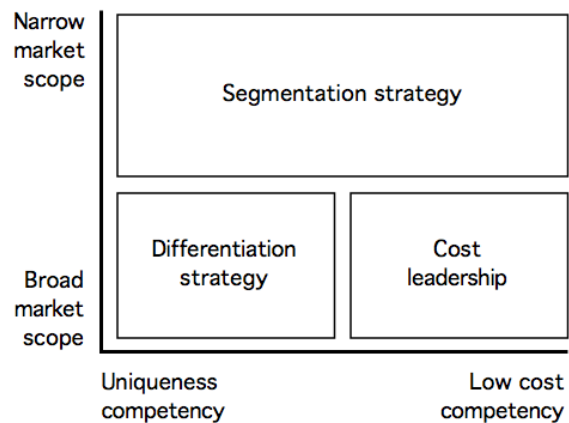


Figure 2: Porter (1985) generic strategies

Burns (2001) discusses generic strategies in terms of four distinct market positions.

- **Commodity supplier** – competing with low price on broad market with a relatively undifferentiated product. This strategy is rather unattractive for most small firms as they can rarely achieve the economies of scale of large firms.
- **Market traders** – some small businesses are able to compete in highly price-competitive markets where economies of scale exists. This is possible because of low overhead costs which enable small business to compete

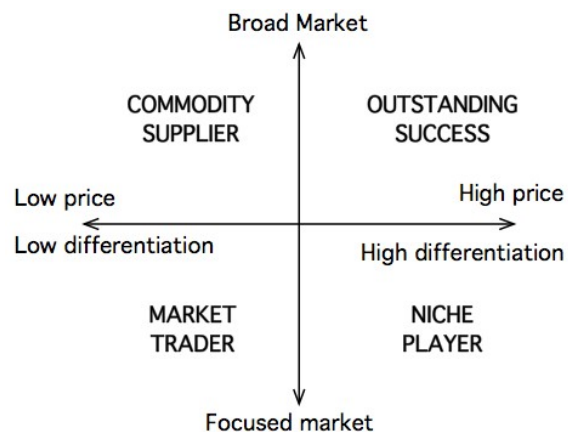


Figure 3: Burns (2001) generic marketing strategies

with bigger one. They may also compete in industries where economies of scale exist but are either unimportant to the customer or cannot be achieved because of limitations in the size of the market, either in total or geographically, and therefore economies of scale cannot be achieved, particularly in highly specialist industries.

- **Niche player** – the firm sets out to establish itself as unique and different from its competitors in some ways. It is seeking its unique selling proposition and then charge a premium price. When the firm combines this differentiation with a focus on narrow target market segment, it follows “focused differentiation” - niche strategy.
- **Outstanding success** – sometimes firms that differentiate themselves effectively turn out to have every broad market appeal. What may have started out as a niche business turns out to be an outstanding success accompanied with rapid and considerable growth.

A specific launch strategy, based on these generic marketing strategies needs to be developed for each starting business. Business plan is a vital tool in allowing to thought through marketing strategy.

## ***2.6 Business plan***

Planning plays an important role in determining the degree of success realized by a new or small business. Business plan allows owner-manager to crystallise business idea and to think through the problems they will face. Essential elements to business success are identification of goals, followed by development of strategies to meet those goals (Hormozi et al. 2002). Business plan allows to organize goals and objectives and creates basic framework to measure performance. Moreover business plan can act as a crucial tool to raise finances. Burns (2001) points out that in many ways the planning process of thinking through how to go about setting up the business is far more important than the final document and for that reason internal plans can be informal, working documents. Only when they are used to obtain external finance or present the idea to external partners, they need to become more elaborate “selling document”.

Planning is three stage process (Koráb, Peterka and Režňáková 2007):

4. Understand where we are
5. Decide where we want to go
6. Planning how to get there

The purpose of a business plan is to define the business and explain in as much detail as possible how the venture will operate in the current market. Operating the company on paper first provides an opportunity to identify potential problem areas and work out solutions without real world consequences. A business plan also communicates goals throughout the organization and helps the business stay focused on its objectives. After implementing the proposed strategies, the owner or manager can use the plan as a benchmark to identify both achievements of goals and areas that need improvement. While a good business plan will not guarantee success, it can go a long way toward reducing the odds of failure (Hormozi et al. 2002).



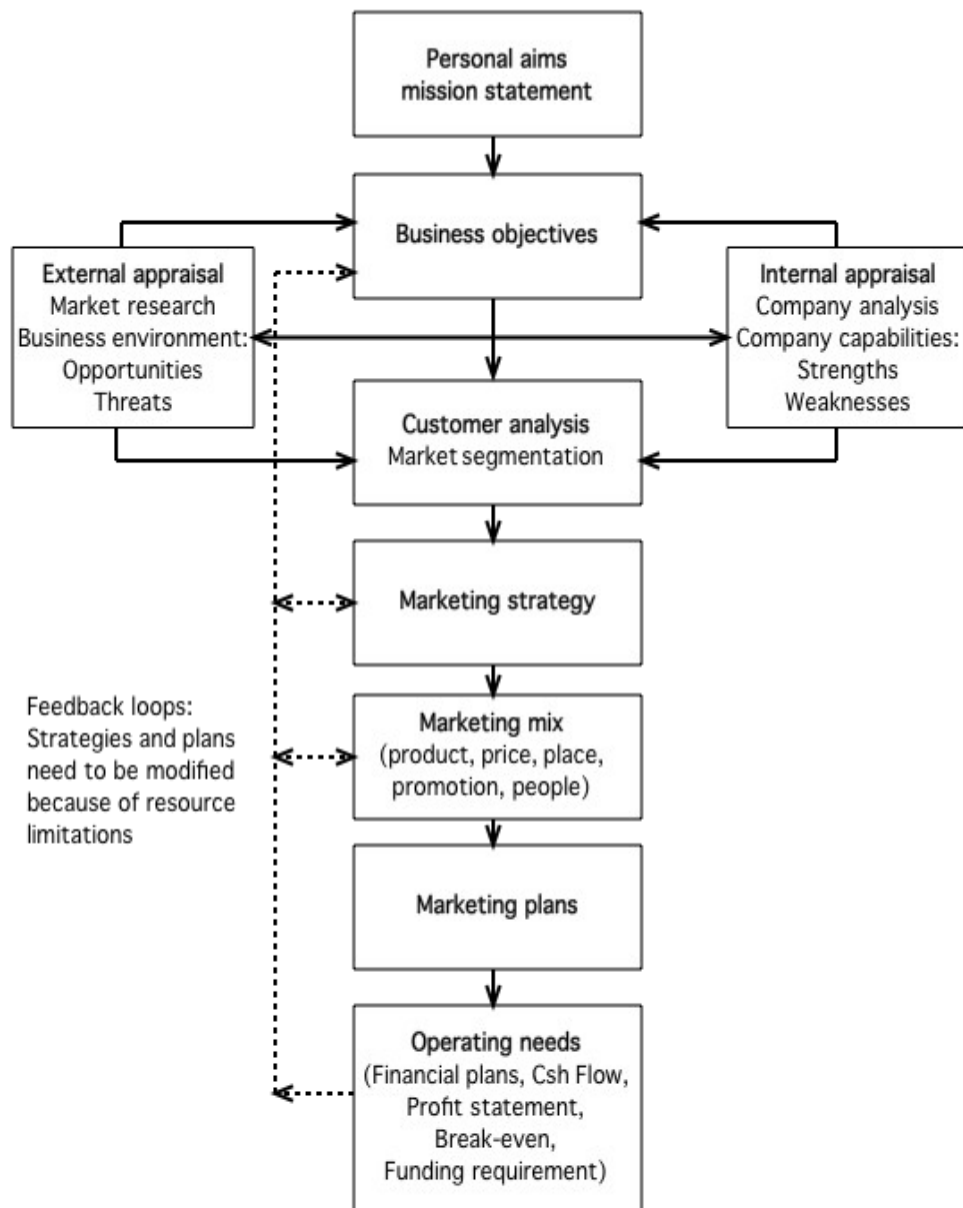


Figure 4: Burns (2001) - the business planing process

Despite the internal benefits, most entrepreneurs begin to develop a business plan because of its external function. Such a plan is a virtual requirement if the business is attempting to obtain outside financing. When approached about potential funding, either

for a start-up business or for expansion of an existing business, the first thing a prospective investor or lender will ask to see is a business plan. It is the primary tool used by financiers to evaluate the potential of a business. Information investors are looking to obtain include specific and organized information about the company, an in-depth analysis of the business opportunity, and most importantly, the amount of money requested and how the money will be paid back (Hodges 1997).

Business plan starts with development of business objectives that are quantifiable, realistic and bounded in time. These are based upon an internal appraisal of owns business capabilities (strengths and weaknesses) and an external appraisal of the business environment (opportunities and threats). Further it identifies customers and develop a marketing strategy based upon marketing mix (product, price, place, promotion and people). This will translate into operational and financial budget. Finding critical success factors in particular business area can be also important.

Business plan is usually compiled from three different sections examining marketing, finance and management structure. Koráb, Peterka and Režňáková (2007) after comparing business plan structures from literature with practical experiences conclude following most common elements of business plan:

- **Cover page** – introduces reader to the content of business plan. Usually it describes the company, names of founders and their contact details, description of business and legal form.
- **Executive summary** – is first main section of the business plan, however it should be done as the last one. It is designed to provide a summary for the reader of what they are about to read. It should first identify the amount and type of funding sought (either debt or equity) and then summarize company objectives, history, and financial information. The executive summary is where many investors start reading. If their interest is not peaked, they may not read any further. The goal of the executive summary is to motivate reader for further reading.
- **Market analysis** – business plan should provide an overview of the marketplace the firm is entering or operating in, evaluating target customers and competition.

Investors seek to know whether or not the total market for the venture's product or service is large or rapidly growing and whether the industry is structurally attractive. If the market is not growing, the business plan needs to convince the reader that the venture will still be able to make sufficient profit, making it beneficial for investors to participate (Sahlman 1997). This part should include analysis of competition including their strengths and weaknesses and potential threats to our business arising from their presence on the market. Broad environment analysis (SLEPT) can be also included as well as detail analysis of our customer, based on market segmentation.

- **The company** – this section should begin with the overall company vision or mission statement. A mission statement is a one to two sentence description of the type and purpose of the business. Overall business objective should also be included as well as legal structure of the company. Description of the company should contain important data about setting-up the enterprise, achievements, business objectives, and the strategy to meet these objectives. Key elements of this part is description of products or services, location and size of an enterprise, organisational structure, technological equipment, history and experience of founders.
- **The product or service** – this part describes product or service offered and production process. Suppliers, their role and the reason for their involvement should be stated. In the service oriented company, this part will describe offered services and actual process of their provision. Also in this section, investors look for identification of a core competency, which is the characteristic that sets the business apart from the competition. Because the business environment is constantly changing, the business plan should address how the business will retain its unique advantage if competitors begin offering products with the same features.
- **Marketing plan** - describes positioning of product on the market including distribution, pricing and promotion. It includes detailing how the target market will be informed about the product. Estimated amount of production or services provided is used as an input to estimate profitability of an enterprise. Investors

often see marketing plan as the most important factor driving business success.

- **Management and organisational structure** – describes form of ownership in the enterprise, shares and structure of management. Members of management team, their education, history and skills should be listed. Right management team is important as the team is going to execute the business plan. As Elkins (1996) concludes even a mediocre product can make a successful company if there is excellent management. Conversely, bad management can make the best product a failure. Management structure can be concluded in terms of superiority and their subordinates.
- **Risk assessment** – we need to examine all the risks which may originate from competition, our weaknesses in marketing, production, technology or leadership. It is good to analyse these risks and prepare alternative strategies for their elimination. For potential investor these risks are assurance that founders are counting with the risk and are prepared to face them in case they arise.
- **Financial plan** – management of resources is essential for success of any small business. The financial section of a business plan begins with a brief narrative summarizing the projections, addressing key figures including those for sales, expenses, net income, and total growth in assets and net worth. The narrative is then substantiated with financial statements including an income statement, balance sheet, statement of cash flows, and break-even analysis (Hormozi 2002).
- **Appendix** – contains all the supportive documents which are referred from within a business plan.

There is no single best format to write a business plan. Each plan should be written to meet particular needs and objectives of founders. Guy Kawasaki (2004), former Apple evangelist and owner of Garage.com, a Silicon Valley based venture capital firm, proposes slightly different structure of a business plan.

- Executive summary
- Problem – describe the customer pain that the new product is alleviating

- Solution – explains how is new product alleviating this pain for the customer
- Business model – explains who pays, channels of distribution and gross margins
- Underlying magic – describe the technology, secret sauce, or magic behind the product or service
- Marketing and sales – how are you going to reach customers
- Competition
- Management team
- Financial projections and key metrics – five-year forecast
- Current status, accomplishments to date and the use of raised funds

While a good business plan may not guarantee success, it can be helpful reducing the odds of failure. The purpose of a business plan is to define the business and explain in as much detail as possible how the venture will operate in the current market. A business plan is used for both internal and external purposes. For external purposes, a business plan is a requirement if a new or small business hopes to obtain external financing. It is the primary tool used by financiers to evaluate the potential of a business. For internal operations, a business plan will help the entrepreneur to clarify short and long-term objectives and the means by which to achieve those objectives (Hormozi 2002).

### 3. Analytical part

This part will explore the firm's current capabilities. Using Porter's five forces framework and PESTEL analysis, micro and macro environment are examined. Final conclusion is drawn within boundaries of SWOT analysis. These factors can directly influence the choice of business strategy which is important for effective business plan.

#### 3.1 Facts about the company

<b>Legal form:</b>	Sole trader
<b>Registered office:</b>	Záhradná 546/2 Veľká Lomnica Slovakia
<b>Registration number:</b>	43067361
<b>Web:</b>	<a href="http://www.cleverleap.com">www.cleverleap.com</a>
<b>Start of business:</b>	20. 3. 2006

Clever Leap is a small company providing web design and web development services for customers seeking to promote their business on the Internet or improve their current online presence. Clever Leap is trying to differentiate itself by providing state of the art content management system. Content management system is delivered with every web site developed by Clever Leap to enable easy update of web content directly by the web site owner himself. The name of the company “Clever Leap” which is registered trade mark represents company's aim to promote innovation and a positive change. This could be either improved web site which should be a leap forward compared to the existing one as well as new revolutionary products.

#### 3.1 Company's current marketing mix

##### **Product:**

Company currently offers two main products. Web design, development and support services and Tatra.net – online catalogue of hotels and private pensions in High Tatras region. Web development and support service can be split into these categories:

- web site design – graphic design of online presentation and web based applications
- web site development – programming of web site and its interaction with the user
- web hosting and domain registration – technical housing, serving and maintenance of the web site on the Internet under chosen domain name
- internet marketing – pay-per-click campaigns in Google and other search engines, submission of web site into search engines and search engine optimization.

Clever Leap provides full-service solution, embodying all parts into one coherent package. All web sites provided are equipped with content management system which enables customers to easily create, update and manage content of their web sites without any programming knowledge.

Web hosting services are outsourced to specialist web hosting providers which provide high quality services at very low cost. Clever Leap currently uses few of web hosting providers in Slovakia, Australia and USA to provide as fast service to local geographic area as possible.

### **Price**

Pricing of most web development services is done on per project basis. Company charges €20 per hour of design or development. It seeks to examine how much time would certain project consume and quote accordingly.

Tatras.net portal is subscription based where customers pay €20 yearly fee for guest house advertisement published on the site.

### **Place**

Distribution of web sites is mostly done remotely. Company doesn't target any specific segment. Firms's own web presentation is done in English, having customers as far as Australia. Web sites are hosted and maintained remotely.

## **Promotion**

Company has a web site at [www.cleverleap.com](http://www.cleverleap.com) promoting its services and presenting past references. Customers can also try demo version of content management system from the web site. However company doesn't actively promote its services. Word of mouth, references from former customers and existing websites are the only channels promoting company's services.

## **3.2 Analysis of the external environment – PEST**

### **Political and legal factors**

- The Internet has implications for politics in all countries, with its absence of frontiers and general promotion of freedom of speech.
- In the Czech Republic Czech Telecommunication Office has a regulatory remit across television, radio, telecommunications and wireless communications, and this includes monitoring Internet usage.
- Ministry of Industry and Trade is main legislation body regulating trade and consumer protection.
- At the European level, a public consultation on ways to stimulate the growth of a true single EU market for online digital content, such as films, music and games, was launched by the European Commission in 2006 (Key Note 2009).
- High penetration of broadband is highly supported by the government in its goal to build knowledge based information society and economy.

### **Economic factors**

- Among central and eastern European states, Czech Republic and Slovakia have one of the most developed industrialized economies.
- However, long period of growth prior to 2008 slowed down in recent year and country is facing stagnation or even recession and bleak prospects for 2009, set against a global financial crisis.



- The major Internet sites and companies rely on advertising revenues, which could be vulnerable to a serious downturn in the economy. The forecasts of long-lasting recession that were being made by the second half of 2008 have led to some predictions that advertising expenditure by marketing departments may not grow over the next couple of years (Key Note 2009).
- Forecasts for online advertising are still, however, generally good. This advertising medium is expected to continue to show greater growth than other channels and will take a growing share of total advertising expenditure. Companies are increasingly switching their advertising and promotional budgets from traditional media to online media.
- Business access to the Internet is also crucial economically, and it has tended to produce a more 'level playing field' than the high street. E-business has inspired whole sectors of new companies (Key Note 2009).

### **Social Factors**

- Social factors have come to the fore in Internet use through the rise of social networking. To some extent, such networking may be replacing the casual browsing of websites, which could lead to the sale of a product or service (i.e. networking may hamper e-commerce).
- The underlying shift is away from solipsistic Internet 'surfing' and towards communication, interaction and the creation of special-interest groups.
- On a broader level, "cocooning" in the home has been encouraged by a range of improvements to the quality of life — of which the Internet is just one. Other developments include a digital television and radio choices and 'home office' set-ups for managing hobbies and communicating (e.g. video phone calls).
- The trend towards e-learning will change forever the way in which information is produced and consumed. The PC is becoming an important feature of education both at home and on the campus (Key Note 2009).

## **Technological factors**

- Clearly, the Internet market is driven largely by technology, although the original argument that the Internet would create social isolation has been disproved by the increased popularity of social networking.
- On one level, the Internet is driven by new technology platforms in the home or office, e.g. fast access to the Internet via broadband connections. On another level, there are influential drivers in related technologies such as MP3 players, mobile telephones/personal digital assistants (PDAs) and digital cameras, all of which can interface with home computers and, in many cases, with websites (e.g. the iPod/iTunes system).
- Advances in digital television, mobile telephones and games consoles are broadening the choice of ways to access the Internet. Wireless access is particularly significant, enabling consumers (and workers) to connect with the Internet away from the home or workplace. The “mobile Internet” has itself stimulated the design of smaller, lighter computer products.
- Despite the impact of technology, simple interests still preoccupy people and are at the heart of many popular websites, e.g. gathering news, catching up with football results or obtaining obscure books or music not available on the high street (Key Note 2009).

## **3.3 Analysis of micro environment**

This part will examine task environment consisting of customers, suppliers and competition which have direct influence on the company.

### **3.3.1 Customers**

By understanding who our customers are, who can be or should be our customers we can develop strategic approach to reach the right customers we want. Company's current customers are small businesses, mostly micro-firms from construction, HORECA and internet and print media sectors. All services provided to company's

customers are custom tailored to meet their specific needs, such as graphic design, particular interactive functions and customized promotion. Customers have high degree of power and upper-hand over services delivered. These must exactly meet specified requirements and must be delivered on time.

The need to specifically address individual customer's needs and to develop custom solution for each customer doesn't allow for scaling of the business. This is the major drawback of current product and customers portfolio. For every business it is better to seek such a product that can be easily multiplied and sold multiple times. Such scaling portfolio can grow business over time.

### **3.3.2 Suppliers**

Web hosting providers are the major supplier of the company. Critical issue with these providers is their ability to provide steady, full-time service without errors. Short break in web hosting service delivery could mean unavailability of a client's web site and thus loss of profit for him. Many web hosting providers provide high quality services and stability is no more a big issue as it used to be in the past. Big availability of hosting services also lowered prices and created heavy competition between web hosting providers. Switching provider is relatively easy.

Clever Leap currently uses services of four web hosting providers in USA, Australia, Czech Republic and Slovakia. Localising web sites in geographic location of client is important to serve his local customer fast.

### **3.3.3 Competition**

Competition impacts both, buyer and seller, it decreases prices, increases choices and possibilities for customers. It drives innovation and forces adaptability to new market conditions.

Competition in custom web development services is very high. There are many providers of these services in every city, including small towns. Entry to the market is very easy as underlying technology is free and elementary parts of it can be understand in relatively short time.

Surprisingly increased competition brought lower quality for customers. Many

providers use freely available templates and free content management systems whose quality is very poor and they do not meet set standards of web consortium (W3C). However it enabled more small businesses to jump on the web with minimal entry costs despite of the poor quality.

Clever Leap specialised in content management driven web sites (CMS), such as product catalogues and other sites with steady update of content. Competition in CMS was small at the beginning. However in the last two years plenty of free content management systems become available what decreased price just to the cost of integration.

If to survive in the web segment, another specialisation will be needed. New product could bring such new level of specialisation at least for some time.

### ***3.4 Porter's 5 forces analysis***

#### **Bargaining power of suppliers**

There are two kinds of suppliers in the Internet related industries. First infrastructure providers – telecoms and web hosting providers. Second software technology providers. Both of these groups have very small bargaining power as underlying physical networks are already in place. Internet connection providers are in difficult position competing between one another. Software providers found themselves in similar position as cost of software went extremely down. With most essential software available as open source and for free. Switching costs are also low as changing internet service provider is very easy and cheap. However it is more difficult with software packages as people become used to certain software it is harder for them to switch to similar alternative.

#### **Bargaining power of buyers**

Information technology has always been a cost center in a business. Once the Y2K hype was over and we entered the new millennium, it became clearer that the buyers of IT consulting services had the upper hand, as opposed to the suppliers of these services. As industry saturation grew and technology become abundant, consumers got broad possibility of choice.

### **Threat of new entrants**

It is very easy and cheap to enter Internet service market. All the essential software is free. Cost of hardware went down rapidly in last years. There is no need to employ expensive infrastructure at the beginning. It can be shared and rented cheaply. Anybody can start some sort of e-business with almost zero initial investments. This leads to extremely competitive market environment and commoditisation. However in some segments of high-end services e.g. IT/Business consulting, level of expertise creates barrier to new entrants.

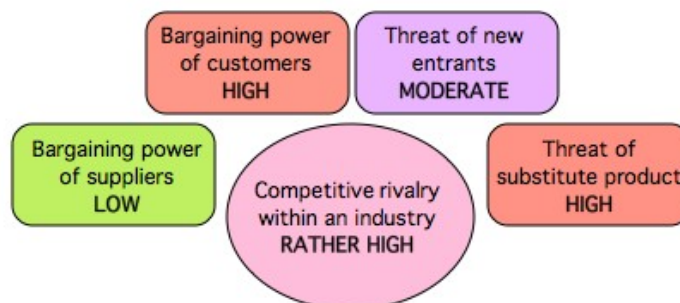
### **Threat of substitute products**

It is easy to copy almost any internet service. Threat of substitute products is therefor high. Moreover competition is global in nature and stretches across boundaries and geographies which further intensifies threat of substitute products.

Considering new CRM system for small businesses, threat of substitute product can be considered high, as it is easy for others to copy the product and provide similar offering within few months. Branding, quality customer service and overall customer experience are the only ways how to retain customer in this industry.

### **Competitive rivalry within the industry**

This industry offers huge area of specialisation. Existing competition is high within some segments but can be very low in some highly specialised areas. Competition in the proficiency area of Clever Leap is high. There are plenty of web developers, which increases competition, puts pressure on quality and lower prices.



*Figure 5: Author's result of Porter's 5 forces analysis*

### **3.5 Business environment of CRM systems in Czech Republic**

CRM is widely spread in large enterprises but just lately it is finding its way to middle sized and small companies. While this segment is stagnating in large solutions for big enterprises, SMEs are driving growth of the CRM industry. Czech market is featuring wide variety of different, hard to compare applications which provide CRM functionality. Center for information systems research, conducted between years 2007 and 2008, broad research of systems used by Czech companies to manage their customer relationships. Together they examined 103 software products available on the market (Klčová & Vořechová 2009).

Based on the study, CRM systems can be divided into three categories:

- best-of-breed systems – which are developed and oriented towards specific sectors (e.g. pharmaceuticals, finance). These systems are employed by large organisations who seek to integrate various processes across entire organisation.
- all-in-one systems – can be employed universally, they integrate all CRM processes. This category includes big systems such as Oracle, SAP as well as smaller systems such like Microsoft Dynamics CRM. According to Gartner, SAP CRM is the flag-ship of all-in-one solutions gaining 25,7 % market share, 10% well ahead of its closer competitor.
- lite CRM solutions – lower end of the market with simpler applications such as Jazzman CRM, Easy CRM or InTouch CRM, which focus on small businesses. Their functionality usually complements accounting systems or other economical information systems. Their biggest advantage is low cost of purchase and operation. As such they are aimed towards micro-enterprises and sole traders.

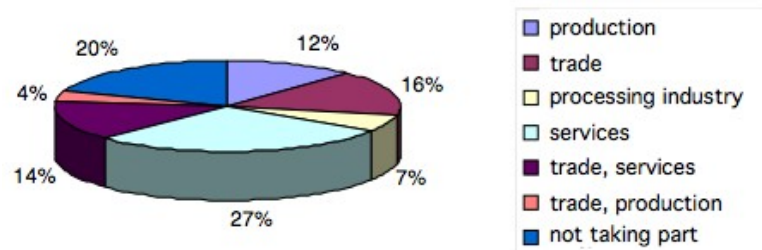
67,7 % of CRM market in the Czech Republic is shared between three all-in-one solution providers SAP, Microsoft Dynamics and Asseco Helios - former LCS (Klčová and Vořechová 2009).

### 3.5.1 CRM experience and deployment

Consulting company Brain Logistics (2006) conducted research of Czech CRM systems market in B2B sector. Results describe awareness of CRM and customer expectations. 107 survey participants were chosen randomly. Interview during which survey questionnaire was fulfilled was primary method of research. In total 41 respondents (39%) have experience with some CRM system.

No. of employees	Respondents
1 - 5	4
6 - 15	27
16 - 25	19
26 - 50	21
51 - 250	34
250+	2

*Table 1: Research respondents*



*Chart 1: Participants based on segment*



*Chart 2: Awareness of CRM systems*

Company	Product	Count
Microsoft	MS CRM - Dynamics	10
SAP ČR	SBO	10
Aktis a.s.	ABRA	7
LCS International	LCS Helios	5
J.K.R. s.r.o.	Byznys Win	4
Siebel systems	Siebel CRM	4
Oracle ČR	Oracle	4
Iterity s.r.o.	Iterity CRM	3
M2000 s.r.o.	smart4web	3
Symantec ČR	ACT!	3

Table 2: Most popular CRM products in the Czech Republic

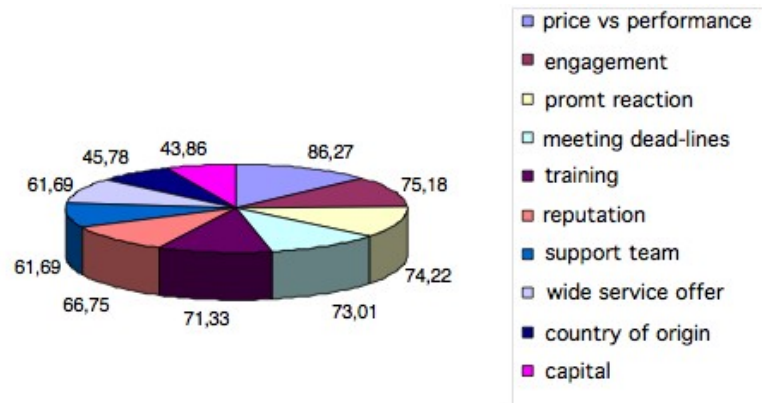


Chart 3: Important criteria of CRM system in %

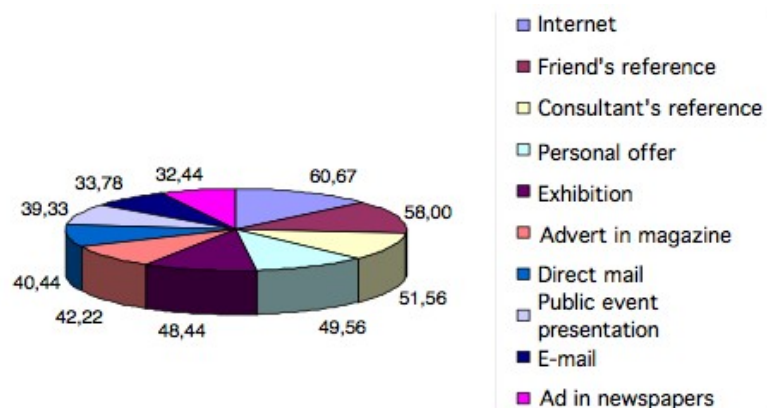


Chart 4: Source of information about CRM

Microsoft and SAP lead in popularity in Czech Republic, but research found that 54% of respondents have no awareness of any CRM system. This implies low



penetration of CRM systems and concepts, and huge potential to grow in the market.

Assessing buying criteria for customers, important factors can be concluded. Relationship between performance and price is important for 86,27%, engagement of sales team (75,18%) as well as prompt reaction, communication and meeting set schedule and deadlines are also significant.

### 3.5.2 Research of CRM practices between company's clients

To gain more relevant data especially related to new product introduced, I undertake own research between clients related to customer relationship management. The goal was to find out about important aspects of customer communication and current CRM practices and solutions employed. Research was done during first half of 2009 on 25 small businesses who are clients of Clever Leap. Personal interview during which a questionnaire survey was fulfilled was again primary method of research. However survey was conducted on relatively small amount of respondents, it brought useful insights into CRM practices among existing customers of Clever Leap.

#### Research result:

##### 1. Size and segment of participating companies

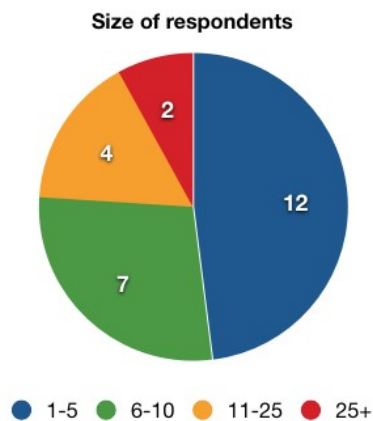


Chart 5: Number of employees

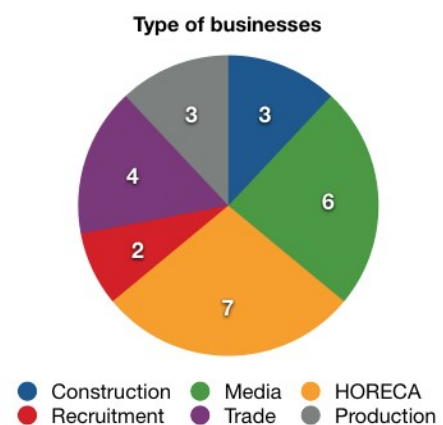


Chart 6: Segment of business

Most companies researched were micro businesses. Small media companies and hotels form big part of researched businesses.

## 2. Deployment of any CRM software to manage customer's contacts

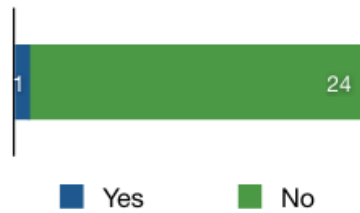


Chart 7: CRM software deployment

Just one production company had off-the-shelf CRM system deployed.

## 3. After sale communication with clients and partners. E.g. by sending monthly newsletter, inviting to events, promotions, membership options.

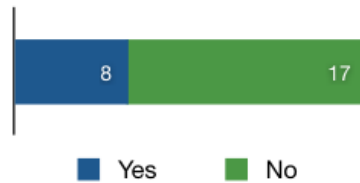


Chart 8: After-sale communication

Eight companies actively approach their clients after the sale, they pursue to build long term relationship and bring new sales from existing customers. However 17 companies do not actively communicate with former clients unless the client contacts them.

## 4. Tools used to store and classify customer details

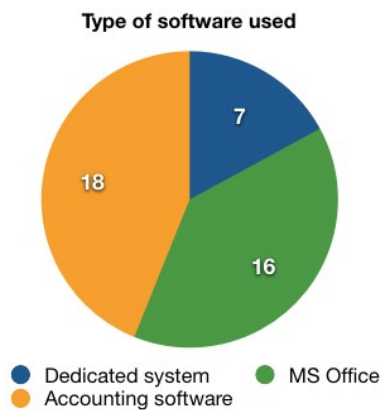


Chart 9: type of software

Next I tried to figure out what is the proportion of employing standard accounting software to manage contacts and tools of MS Office such as Excel and Outlook. Some companies were employing both, accounting software and MS Office as standard accounting software didn't provide them enough options to meet all customer tracking needs. Seven companies surprisingly had some other system to handle customer details. Products from Datalock were popular among clients from HORECA segment. This is in contrast with second question and shows low understanding of CRM as companies already have some CRM software in place but they do not recognise it.

### 5. Willingness to purchase new software and improve CRM

Willignes to purchase new software

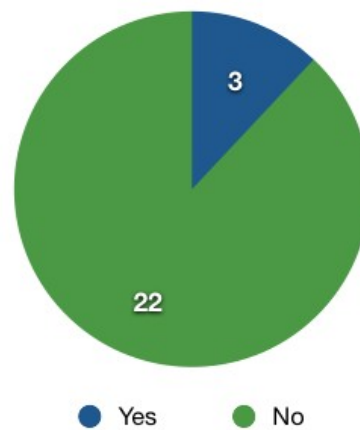


Chart 10: Willingness to change

I wanted to understand, how many of surveyed companies are ready to change their current CRM practices. Three companies were ready to improve their existing practices if new, reasonable priced software would be available. Most companies were not eager to change already used system. They were content with existing solution.

### Some other findings

Many people miss the ability to share contact information. Advanced networked versions of systems employed are more costly than single user ones. Some people would invite possibility to distribute emails to all clients in their database to inform them about latest promotions and activities.

### 3.5.3 Why CRM initiatives fail in small businesses

Brian Halligan (2006) tried to identify why most CRM implementation in small businesses fail. He comes with following findings:

- **counting vs creating customers** - current breed of CRM systems are useful for large companies who want to count customers in various ways. Small businesses have tens or hundreds of customers. Problem is finding new ones and growing relationship with existing ones.
- **measuring the wrong things** - current crop of CRM measures final self selection, e.g. action of purchase, but forgets to measure what is happening before the actual purchase. Pre-buying process is however important because many people first research on the internet and then buy after they gain information and form an opinion.
- **structured vs unstructured data** - existing CRM systems are essentially databases. They are good at capturing and organising structured data but bad dealing with data lacking structure. Therefore, the interesting/reusable knowledge about customers/patterns is captured in employees' email threads instead of the CRM system. That means the knowledge that can really help get major new account or help to rethink positioning based on customer's behaviour is stuck on individuals' desktops versus in a centralized, searchable repository that survives changes in personnel, territory shifts, and memory lapses.
- **easy of use** - most CRM vendors say their product is "easy-to-use". However the reality often is that is easy to use only if you have dedicated CRM IT person to figure out how to do the hard/useful things.
- **feeding the monster** - CRM output is only as good as CRM input "garbage in, garbage out". Most end-users in a small businesses, whether a partner in a law firm or an account manager at a consulting shop, interact with customers in their email system (usually Outlook). CRM requires end-users to take actions that are not part of their natural work process in order to "update" the system. Thus CRM system should bring real value in order to motivate end-users to use it and feed it with relevant important data.
- **transactional systems vs solution/relationship systems** - today CRM systems

are more useful for transaction (i.e. call center) type of companies than they are for small businesses who have client relationships that are more solution oriented in nature. That structured set of fields limits creativity and limits team collaboration when dealing with complicated relationship/solution-oriented sales.

All these findings are important for development of CRM solution fully dedicated for micro to small businesses.

### **3.5.4 Potential market size for a new product**

There were 2 588 888 registered business subjects in Czech republic before 30th June 2009 according to CZSO (2009). Each of these businesses could be potential user of Zakaznici.eu. If we however narrow our focus on companies with higher potential of solution providers, thus with higher customer interaction such as IT sector (52 000), administrative services (49 463) and real estate businesses (133 327) we get more narrow scope. If Zakaznici.eu could reach just 1 % of these 234 790 businesses, that would account for 2 347 customers and yearly turnover of more than 225 000 €. We have to consider however that many of these businesses have already some sort of CRM in place.

There can be also much more potential buyers from other segments such as lawyers, developers and material providers and more. The goal of Zakaznici.eu is to gain 100 customers each year. This is far bellow potential market size and can be realistically accomplished.

Another way how to determine the size of potential market is to analyse amount of searches conducted on Google searching for CRM. According to Google (Appendix 4) there were 1300 people searching for Microsoft CRM in June 2009 and 1000 people searching generic term "CRM software". Reaching all of these people with relevant message is relatively easy. However they may represent rather higher segment of the market while the target audience for Zakaznici.eu will be broader lower end. Thus it will be important to find out how to reach customers who do not have former experience with CRM.

### 3.5.5 Potential competitors of new product

Considering focus on meeting basic CRM needs, Zakaznici.eu can be characterised as lite CRM system. In this particular area three competitors were identified on the Czech market:

- **InTouch CRM** - probably direct competitor, similarly to Zakaznici.eu it is a web based CRM tool. It offers extensive features for HRM, billing, document management. Start version, limited to three users is available for free download, however as the software is written in Java, it requires dedicated web server and specialised IT personnel for installation and maintenance. As download version is complicated, company pushes online version which costs 900 Czk monthly for single user up to 14750 Czk for 50 users without VAT. The drawback of InTouch CRM is that it offers a lot of features, most of which are useless for most small businesses. As such it is also complicated to operate.
- **Easy CRM** - standalone desktop application build on Microsoft technologies, it features mailing list, mail-merge, tracking of incomes and expenses and enables sharing of contacts. It costs 3000 Kč. Big drawback is that it requires Microsoft SQL server which is costly despite of low price of the Easy CRM application. This software can be utilised only in organisation which already have Microsoft SQL server and Microsoft server infrastructure in place, otherwise it would be difficult and costly to build this whole environment just for CRM application.
- **Jazzman CRM** - Czech product similar to Easy CRM. Licence for up to 3 users for MS Access costs 13 500 Czk. Same version for MS SQL server costs 30 000 Czk. It features management of contacts, related events and phone calls. It seems to have dedicated features for call-center. It has build in calendar to manage meetings and enables users to send mailinglist. Similar disadvantage of this product is that it requires existing environment based on MS SQL server.

Surprisingly, the cheapest available lite CRM systems on the market, require MS SQL server in order to operate, which drives cost of initial purchase to more than 100 000 CZk. These systems should serve bottom of the market but their pricing doesn't

meet low cost expectations of potential customers. The only freely available - InTouch CRM requires Java environment to run properly, which puts pressure on server administration personnel and requires skilled programmers to install, update and maintain InTouch CRM installation. However online version of InTouch CRM can be considered as a direct competitor on the Czech market. Zakaznici.eu will provide almost the same set of features for a three-times lower price. It is hoped that Zakaznici.eu can compete or better still reach different segment of users seeking CRM functionality for low price.

### **3.6 Internal analysis**

This part further examines internal environment and analyse human, technological and financial resources of the company.

#### **3.6.1 Financial analysis**

Company doesn't maintain standard accounting, rather it maintains tax accounting solely for tax purposes. For the purpose of financial analysis, profit and loss statement will be drawn and examined.

##### **Profit and loss statement**

Profit and loss account (P&L) statement, also called income statement, is a company's financial statement that indicates how the revenue (money received from the sale of products and services before expenses are taken out, also known as the "top line") is transformed into the net income (the result after all revenues and expenses have been accounted for, also known as the "bottom line"). The purpose of the income statement is to show whether the company made or lost money during the reported period.

	2006	2007	2008
Sales	327 400	182 000	162 700
Cost of goods sold	(36 300)	(5 460)	(6 400)
<b>Gross profit</b>	<b>291 100</b>	<b>176 540</b>	<b>156 300</b>

*Table 3: Profit and loss statement*

Company's accounting differs slightly as standard expenses are applied instead of real expenses.

	2006	2007	2008
Sales	327 400	182 000	162 700
Standard expenses	80 000	80 000	80 000
<b>Gross profit</b>	<b>247200</b>	<b>102000</b>	<b>82700</b>
Insurance		45840	45840
<b>Net profit</b>	<b>247200</b>	<b>56160</b>	<b>36860</b>
Non taxable discount	98496	98496	98496
<b>Taxable profit</b>	148704	0	0
Tax 19%	28253.76	0	0
<b>Profit after tax</b>	218946.24	56160	36860

Table 4: Profit and Loss statement close as in accounting

#### Horizontal analysis of the profit and loss account:

	2006/2007		2007/2008	
	Sk	%	Sk	%
Sales	-145 400	-44.41%	-19 300	-10.60%
Cost of goods sold	-30 840	-84.96%	940	17.22%
Gross profit	-114 560	-39.35%	-20 240	-11.46%

Table 5: Horizontal analysis of profit and loss statement

Profit and loss account shows that business made profit each year. However sales and profit are in decline year by year. This is contributed to company taking advantage of market potential at the beginning of operation but struggling to find new customers later on. As the market becomes saturated company needs to start looking for new opportunities. Big

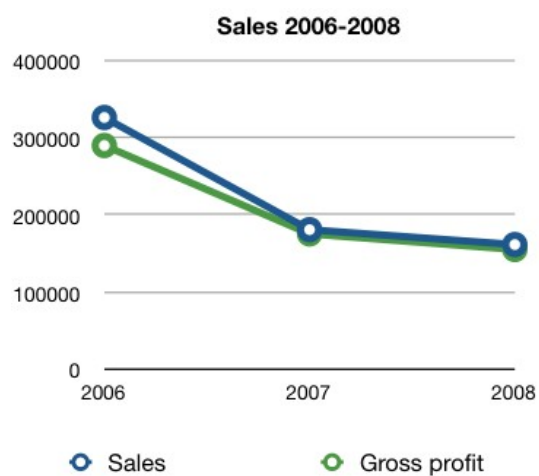


Chart 11: Sales and profit



advantage of the business is its high value added as the cost of services purchased is extremely low compared to services sold.

	2006	2007	2008
Value added	291100	176540	156300
Gross profit margin	88.91%	97.00%	96.07%

*Table 6: Value added and profit margin*

Low costs are due to no operational costs, as the company doesn't need to rent any offices. As a service provider it doesn't buy any stock. The only expenses in the company are web hosting charges.

### **Assets and liabilities**

Company doesn't keep record of assets and liabilities in terms of balance sheet. Reflecting assets, there isn't any extensive portfolio of them. The only asset company currently possesses are one laptop computer purchased in the first year of operation and cash from sales. Business provides hi-tech service and it doesn't maintain any long term assets.

In terms of liabilities, company doesn't employ any external finances and all the creditors are paid within two weeks.

### **3.6.2 Technological resources**

As a sole trade business, company doesn't have extensive technological resources. Most software deployed is open-source, available for free. Clever Leap has own content management system developed during past three years, which enables easy web site creation and content management. Business doesn't operate own web servers. All the necessary web hosting services are rented from proficient suppliers. Company owns some lucrative domain names such as zakaznici.eu, klienti.eu, fakturuj.eu, semestr.cz, regioninfo.eu which can be used for future projects.

Knowledge of internet technologies comes to business advantage. As business is selling web development services, advanced knowledge of design, programming and

search engine optimization are important resource. These can be utilised to develop software in house.

### 3.6.3 Human resources

As a sole trader, the company doesn't have any employees neither shareholders. The owner is skilled in internet related technologies, particularly usability design of web applications and programming. However “one man show” is not viable path for future development. Additional human resources would be needed for a company in order to scale and reach broader market.

### 3.7 SWOT analysis and conclusion

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• can build on existing experience</li> <li>• knowledge of internet environment</li> <li>• underlying basic structure in place</li> <li>• competitive knowledge of internet technologies</li> </ul>	<ul style="list-style-type: none"> <li>• lack of promotion strategy</li> <li>• generic services in saturated market</li> <li>• problematic scaling of current services</li> <li>• sole trader</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• social networking</li> <li>• cloud computing and Web 2.0</li> <li>• global market</li> <li>• niche orientation</li> </ul>	<ul style="list-style-type: none"> <li>• new entrants</li> <li>• range of substitute products from competitors</li> <li>• global competition</li> </ul>

Clever Leap can be currently characterised as a “market trader” in terms of Porter's generic marketing strategies. Product differentiation is low as there are many suppliers providing same or similar products when it comes to web design and development services. In terms of local market orientation within the whole internet industry we can say that the scope is narrow. Clever Leap focuses on services related to websites powered with a content management system and promotion of private guest

houses and pensions on the internet.

Having own content management system is a strength for the company as there is no need to buy licenses from any external supplier. It enables fast, easy and automated web site development, increases productivity and creates high profit margins on every web site sold. However there is huge threat from free content management systems available, despite of their quality. These are increasingly deployed by the competition even on low cost web sites. This move of hi-end software to the low cost market lowered prices and increased competition. Content management systems this way become generic tool and cannot be considered as a means of differentiation and competitive advantage anymore.

There are still many opportunities that internet is creating. Recent rise of blogging and social networking shift the web from information consumption to information production. People get used to the fact that they can also produce content on the web easily. Together with fast internet connection and WEB 2.0 technologies, internet starts to form a good platform for a software delivery. This creates many opportunities to move traditionally desktop software onto the web. With a global reach, quality web service can be delivered to huge amount of users. Finding the right niche area where competition will not want to go and establishing long term relationship with customers is important in order to succeed.

## **4. Business plan for small business development**

This business plan presents the aim to redevelop business by introducing new product – simple customer relationship management system for small businesses. The goal is to create a product which will help company to establish steady customer base, create opportunity for scaling of the business and bring repetitive sales generating repetitive income. Business plan structure is based on structure proposed by Korab, Peterka and Režňáková (2007) as described in theoretical part with some minor tweaks and additions like problem examination as proposed by Guy Kawasaki (2004). Analytical part is excluded from the business plan. It can be found in the previous chapter. Some conclusions drawn in this section and strategy proposed are based on analysis conducted in previous chapters.

### **4.1 Facts about new company**

Company name:	Clever Leap s.r.o.
Registered office:	Záhradná 546/2 05952 Veľká Lomnica
Legislative form:	limited liability company
Start of operation:	1st of January 2010
Www:	Company site: <a href="http://www.cleverleap.com">www.cleverleap.com</a> Product site: <a href="http://www.zakaznici.eu">www.zakaznici.eu</a>
Statutory body:	Managing director - Štefan Vantroba
Capital:	€ 6640,- paid in cash

### **4.2 Executive summary**

Clever Leap s.r.o. will provide simple, easy to use, contact management system “Zakaznici.eu”. Zakaznici.eu will help clients to manage contacts, related events, associated tasks and important dates. It aims to meet basic customer relationship management needs facing micro and small enterprises and to fulfil them as best as possible. Software application will be delivered over the web as a hosted service earning its revenue by selling subscriptions on pay-as-you go basis. Customers will be able to

choose from three price plans: limited free version, single user and multiuser version.

It is planned to sell at least 10 accounts a month for 8 € each. This could bring total accumulated sales of around 7000 € in a first year. If the customer retention will be high, this will generate steady repetitive income. Advertisement and promotion will form most expenses in the first year. No other significant investments are needed to launch this product.

Application will be distributed centrally from a remote server. As such it brings many sharing, connectivity and maintenance advantages. Every computer connected to the internet, including mobile phones, can access the application and customer data. At the same time, all customers are served with up to date application without the need to distribute them new updates and patches.

Zakaznici.eu as a web based product will be promoted mostly on the web using PPC campaigns in search engines and content networks. Public relation will be also important as it can bring attention and generate buzz about the product.

Entering this segment may create many future possibilities, such as extending the application to provide simple invoicing solution or even elementary accounting needs for small businesses.

Zakaznici.eu will not try to provide everything, it will try to provide elementary software platform to track and store the most basic aspects of customer communication. By meeting these elementary needs, it is hoped that the product will be utilised in many different situations and this way it will reach to broader market.

### **4.3 The product**

The aim of new product is to:

- enlarge company's current portfolio,
- create new, recurring revenue stream and
- improve internal processes related to management of customer relationships.

New product should be first step towards transition of the current business offering, from custom web development to provision of centralized software services to

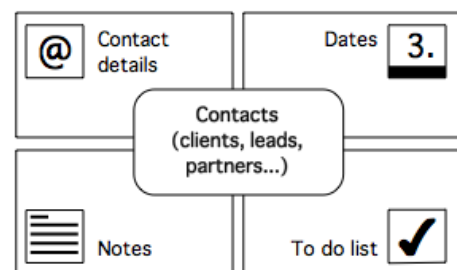
broader amount of customers.

### 4.3.1 Problem which people are facing

For every business, customers are the most important asset as they are the source of revenue. Unfortunately many small businesses do not keep focus on their precious asset. As sales grow, sales people, whoever are they sole entrepreneurs or company employees, start to feel the pain of increasing amount of contacts and relationships which build up over the time. So many people, so many emails, phone calls, meetings and tasks. It is hard to keep track of individual events as they happen, and what should follow. Strange things occur in such chaotic situations. Proposals get lost, contacts get abandoned, meetings dropped, prices get set wrong. Customer experience and entire relationship with the provider gets broken. To solve this problem many people in micro enterprises reach for the first tool available - MS Excel. Only later are they going to find out that this quick fix actually didn't help much. Excel table with contacts and updates cannot be shared across entire company to prevent situations in which two different people call the same client. It is hard to get that important contact details and status updates while you are on the go and desperately need the information. Not to mention that this file can be lost easily. It is astonishing how prevalent is to keep contacts associated with events in excel file. Same things were experienced with Clever Leap business few months ago. Excel file was also used to store recurring dates of payments and many payments get missed and revenue lost. But it created the need to solve this problem and spark the idea to create new product.

### 4.3.2 Zakaznici.eu

Address book doesn't do enough and off the shelf CRM software tries to do too much. To solve own itch and needs of many small enterprises at the same time, Clever Leap develops and will provide web based contacts management service for small businesses seeking to store their customer contact details and communication history. Zakaznici.eu will



*Illustration 1: Product features*

enable businesses to track people, conversations and tasks and this way it will help to manage customer relationships better. Improving both customer response time and customer satisfaction.

**Main product features:**

- storing and classifying customer contact details
- tracking history of communication and events in terms of notes about each situation occurred
- keeping record of important dates and effectively remind important dates approaching
- keeping record of actions needed to be accomplished with clients – to do list and follow-ups
- enable easy mailing of multiple clients ( mailinglist or newsletter )
- enable access for multiple sales people inside a company and effectively share customer data amongst them
- centralized storage to enable easy retrieval of any information from any internet enabled device including mobile phones

**Sharing and easy access to contact history and no lock-in**

Sharing information among multiple people inside organisation is important for effective decision making based on latest information available. Centralised storage of contacts will provide one contact history to many people and enable them to create multiple interactions. It will allow any person to assign to-do to the other, or create follow-up on developing situation, or post a comment to a recent note about a client. Everybody can contribute. Such bits of informations constantly collected from multiple sources finally put together in one central location will help to enable everyone to see a bigger picture and make a better sense and decision.

As contacts and customer data are very precious company asset, it is important to

make customers confident that all the information they put into the system will not stay locked inside when they decide to leave. Therefore for every data available in the system whether it will be contact details, communication history or tasks, there will be export option which will effectively export particular data in the most appropriate format. E.g. vCard will be created from contact details so it will be easy to import them to any address book. RSS feeds will be available for customer communication history, which can be also utilized in many other applications. Zakaznici.eu customers must be sure that whenever they decide to leave, they can take their data with them. It is hoped that communicating openness will raise confidence in the service.

### **Mailinglist**

Zakaznici.eu users will be able to send newsletter to particular group of clients. Mailinglist can be used to communicate new promotions and up-to-date information. This can be very useful especially with seasonal offers or last-minute promotions. To avoid misuse of this feature for SPAM purposes, individual contacts may opt-out from receiving the newsletter if they decide.



Clever Leap CRM Nastavenia | Odhlásiť sa

🏠
Kontakty
✓ Úlohy

Firma: Clever Leap

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### Najnovšie události:

**Dušan Valek ml.** – Piatok, 10. apríl  
Od: zistoval cenu umiestnenia v katalogu tatras.net

**Ján Palinkáš** – Utorok, 7. apríl  
zaslana faktura 20090110

**Jan Šimon** – Utorok, 7. apríl  
od: chcem sa spytat ci je mozne aj bezplatne zaradenie ubytovacieho zariadenie na stranku [www.tatras.net/slovensky-raj/](http://www.tatras.net/slovensky-raj/)

**Ľubomír Šimček** – Sobota, 4. apríl  
OD: Chceli by sme propagovať naše ubytovacie zariadenie na vašom portáli, môžete nám zasiať vaše podmienky, jedná sa o chaliupu na Liptove, naša stránka je [www.liptov.sk/simcek](http://www.liptov.sk/simcek)

**Jana Filakova** – Piatok, 3. apríl  
Od: mam zaujem o vlastnu prezentaciju na vašej stranke.Dakujem

**Kamila Grígušová** – Piatok, 3. apríl - úloha splnená  
✓ skontrolovať platbu

**Ján Deneš** – Streda, 1. apríl

Hľadaj kontakt

Hľadaj

➕ **Nový kontakt**

**Nedokončené úlohy**

- 40\$ za cool-serve.com.au (pre [Ben Marr](#))
- 40 \$A for FFB cemetery CMS (pre [Ben Marr](#))
- vystaviť faktúru €15 (pre [Hedviga Glatzová](#))
- zisiť úhradu 20090110 (pre [Ján Palinkáš](#))

**Dátumy**

**Tatras.net webhosting:** 15. apríl, 2008 (pre [Hedviga Glatzová](#))

Figure 6: Dashboard – featuring summary of recent customer communication history, to-do list and important dates approaching

Clever Leap CRM Nastavenia | Odhlásiť sa

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✓ Úlohy

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## Katarina Buryová

[tatras.net](#), [webhosting](#), [client](#), [Upraviť štítky](#) [Upraviť kontakt](#)

Napište novú poznámku o Katarina

[Ďalšie možnosti \(Súbory atď...\)](#) Pridať poznámku

**História klienta**

**Nedeľa, 26. júl**  
nainštalovaný wifi router a vložené duálne zobrazovanie cien na web stránku

**Sobota, 25. júl**  
Volal dnes Jaro, nefunguje im wifi. Zajst zajtra?

**Štvrtok, 5. február**  
Zaplatila 1000 Sk hosting, 1000 Sk (€33) + €20 AdWords.

**Úlohy** [Pridať úlohu](#)

**Kontakt** [Upraviť](#)

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Adresa: 05952 Veľká Lomnica  
Slovakia  
[Map](#)

**Poznámka** [Upraviť](#)  
(mobil) +421 903 179 884

**Dôležité dátumi** [Pridať dátum](#)  
**tatras.net webhosting:**  
17. január

Figure 7: Client's page - communication history, tasks and dates

## 4.4 Marketing plan

### 4.4.1 Positioning

Zakaznici.eu will help sales people to manage contacts, track client's communication, important dates and relevant actions. All rounded solution providing most of what you need to effectively manage and improve relationship with prospective contacts. Available online, from wherever you are, with no installation needed. You can start using it in 5 minutes, anytime you want.

Zakaznici.eu will not try to solve every aspect of customer relationship management, but it will pursue to do those four most important features extremely well.

As customers are more in favour of high performing products for low price, zakaznici.eu will shake the lite CRM market and provide excellent value for low price unseen on the market. Bottom of the market, mostly people with no previous CRM experience will be primary target. It will reach customers who may benefit of CRM but do not have extensive financial means to purchase expensive of the shelf solutions.

Zakaznici.eu will be positioned as all-rounder solution for any small business, doing four basic things the best way possible for excellent price of 8 € a month.

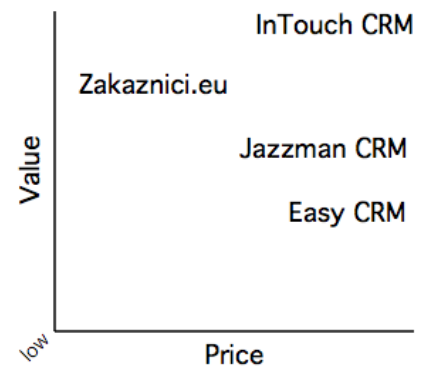


Figure 8: Positioning

### 4.4.2 Distribution

To deliver software, web will be utilised as a platform. Web has many advantages compared to traditional desktop software especially when it comes to distribution:

- centralized server - as application is centrally hosted on a remote server, everybody with web browser and internet connection can access it from anywhere. There is no need for traditional distribution on CD packaged in the box.
- no installation - simple registration on the application web site will create access

to the application. No need to download package or run installation from the CD. This makes access to the software very easy, fast and comfortable.

- platform independent - service delivered over the web is also platform independent, so we can serve any web capable computer and do not need to create special version for different systems. As such it broadens potential user base.
- easy update - centrally hosted software can be updated on the fly. All users are served instantly with the latest up to date application. No need to distribute updates or patches.

These benefits make significant impact on cost of software distribution, service, maintenance and customer support. Advantages are notable especially in comparison to traditional software distribution. Server is the only equipment needed to provide this application over the web as an online service. As there is no need to own dedicated server, from the beginning Clever Leap will rent the server from proficient provider. Foreign location will be preferred to lower the risk of stealing the data by the local administrators. Data contained inside a system may have no value for someone in the USA. To increase the security and safety of user submitted data, application will be hosted in the USA. Besides, US providers are much cheaper than domestic, which will help to decrease cost to about less than €50 a month for secure application hosting services. Depending on scaling of application in the future, further steps will be necessary to deal with scaling issues.

#### **4.4.3 Pricing**

Product will be sold in three options: single user, multiuser and a free limited option. *Single user* will enable access to the application just for one user. This option will be ideal for sole-traders and small single person companies. *Multi-user* option will enable to create additional users and share data between them. *Free* option will be limited, available only for single user, with limited number of client contacts a company can have in the database to 50 and no ability to upload any files. This option will enable everyone to try the product without the need to pay for it and give us a possibility to

promote benefits of upgrading and persuade the user. If people will like the product and will not want to be limited they will have to upgrade to paying plan. Prices will be following:

	Single user	Multi user
Czech Republic	200 Kc	250 Kc
Slovakia	8 €	10 €

Prices are very competitive and there is no similar product for same prices on the market. Fee will be charged on a subscription, pay-as-you go basis. That means that customer can choose on his own for how many months ahead he wants to prepay the service or he can pay month by month. Customer will have the power to decide how much he wants to pay in his hands. It is hoped that this step together with other aspects will raise confidence of customers in the service.

#### **4.4.4 Promotion**

Promotion is critical factor for this project to succeed. The message about product, it's use and benefits must reach potential buyers and this will be challenging task. Zakaznici.eu will be promoted across different channels. It is estimated that about 20% of revenue will be dedicated to promotion. Main focus will be placed on internet than public relations, conferences and industry associations.

#### **Internet and Pay-Per-Click**

For the internet promotion, pay-per-click systems (PPC) as Google AdWords and eTarget will be utilized. Big advantage of PPC is its possibility to target only people which are searching for similar product - contact management or CRM. This way, communicated message will be highly relevant to what are they looking for - which increases conversion. From company's former experience, 1% conversion rate in PPC campaigns is expected. Considering average cost of one click at € 0,10 it means that getting one customer from PPC campaign will cost € 10 on advertising.

#### **Cost distribution of PPC campaign in the first year**

<b>First 6 months</b>	<b>Next 6 months</b>
100 Eur a month	50 Eur a month

PPC campaign should bring 10 new customers each month with leverage of € 86 on each customer in the first year.

### **Public relations**

Communication with important industry leaders and media can significantly help to generate buzz about the product. Promotion should be done in form of articles, reviews and press releases which should be educating and show how one can benefit from using Zakaznici.eu. At the same time they should educate about CRM concepts and what it means. Innovative aspects of service such as WEB 2.0 technologies, cloud computing should be promoted and again people educated about the meaning and impact of new technologies.

There is a lot this product can offer in terms of education, which could be a gateway to editors. It will be important to build good relationship with them. Editors can use the product to manage meetings and interviews, so they too can benefit. Free accounts will be granted to all editors reviewing the product.

After six months zakaznici.eu clients will be contacted and several case studies will be conducted. These will be promoted in industry magazines, forums and newsletters, promoting both Zakaznici.eu clients and Zakaznici.eu.

## **4.5 The company**

Clever Leap is a single person company currently and it will stay so in a first year of new venture. Štefan Vantroba will be managing director of the company. Company will change its legal form to limited liability company. Company's capital €6640 will be paid in cash.

The company will newly operate in web application market as a provider and it's mission will be to provide easy to use, simple but powerful web applications for small businesses.

After first year of new venture, if the project will prove itself profitable, two foreign trainee students will be employed. One web developer and one internet marketing specialist. To lower the cost, traineeships will be preferred where no salaries will be paid. Foreign trainees will be able to obtain funding from Erasmus Placements

scheme or other university sponsored schemes.

## 4.6 Financial plan

Company plans to achieve revenue of around € 7000 in the first year on a new product alone, plus another € 8000 on the web development services which company is offering currently and will provide also next year. Costs will be kept down to necessary promotion and server infrastructure. There will be no employees besides managing director who will have a minimum salary of € 295,50 to avoid high income tax burden.

### Zakaznici.eu paid accounts sales estimation in 2010 in €.

	January	February	March	April	May	June
No. of accounts	0	10	10	10	20	30
New sales	0	80	80	80	160	240
Total sales	0	80	160	240	400	640
Accumulated sales	0	80	240	480	880	1520

	July	August	September	October	November	December
No. of accounts	10	5	10	10	20	5
New sales	80	40	80	80	160	40
Total sales	720	760	840	920	1080	1120
Accumulated sales	2240	3000	3840	4760	5840	6960

It is expected to sell at least 10 accounts (for € 8) each month. Sales can be stronger before summer and weaker during December. Each month we get revenue from all the subscriptions from previous month plus sales from current month (total sales).

We have to consider also that some customers may abandon their accounts after they signed-up and pay for the first months.

Lost accounts may be replaced with new accounts sold. Focus on customer retention

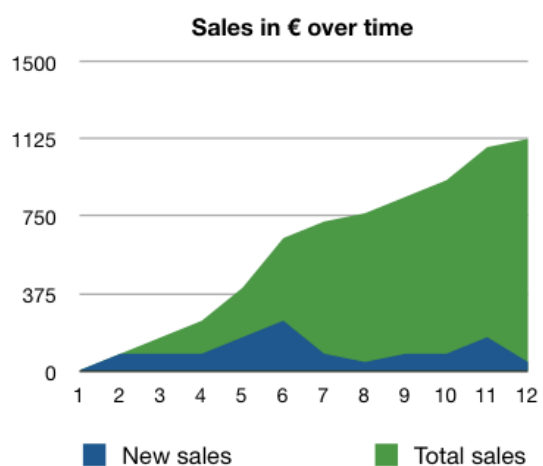


Chart 12: Estimated sales

will have high priority to avoid losing customers.

**Cash Budget as estimated from January to December 2010 in €.**

	January	February	March	April	May	June
Capital	6640					
Sales:						
zakaznici.eu		80	160	240	400	640
web design		660	660	660	660	660
<b>Total receipts:</b>	6640	740	820	900	1060	1300
Payments:						
Company registration	365					
Server hosting	50	50	50	50	50	50
Advertisement	100	100	100	100	100	100
Director's salary	400	400	400	400	400	400
Other expenses	90	90	90	90	90	90
<b>Total payments:</b>	1005	640	640	640	640	640
<b>Surplus/Deficit:</b>	5635	100	180	260	420	660
<b>Opening Balance:</b>	0	5635	5735	5915	6175	6595
<b>Closing Balance:</b>	5635	5735	5915	6175	6595	7255

	July	August	September	October	November	December
Sales:						
zakaznici.eu	720	760	840	920	1080	1120
web design	660	660	660	660	660	660
<b>Total receipts:</b>	1380	1420	1500	1580	1740	1780
Payments:						
Server hosting	50	50	50	50	50	50
Advertisement	50	50	50	50	50	50
Director's salary	400	400	400	400	400	400
Other expenses	90	90	90	90	90	90
<b>Total payments:</b>	590	590	590	590	590	590
<b>Surplus/Deficit:</b>	790	830	910	990	1150	1190
<b>Opening Balance:</b>	7255	8045	8875	9785	10775	11925

<b>Closing Balance:</b>	8045	8875	9785	10775	11925	13115
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### Cash Budget as planned for proceeding 3 years

	2010	2011	2012
Capital	6640		
Sales:			
zakaznici.eu	6960	11000	14000
web design	8000	5000	3000
<b>Total receipts:</b>	21600	16000	17000
Payments:			
Server hosting	600	1600	1500
Advertisement	1200	1500	1000
Director's salary	4800	4800	5000
Other expenses	1145	1500	1500
<b>Total payments:</b>	7745	9400	9000
<b>Surplus/Deficit:</b>	13855	6600	8000
<b>Opening Balance:</b>	0	13855	20455
<b>Closing Balance:</b>	13855	20455	28455

It is hoped that Zakaznici.eu sales will double after first year. At the same time when the focus will be put on Zakaznici.eu as sales increase, web design services will slowly stop being provided.

### Profit and Loss (P&L) account for the period ending 2010

	€	€
Sales: Zakaznici.eu		6960
Sales: Web design		7260
<b>Total Sales:</b>		<b><u>14220</u></b>
Cost of Goods Sold - purchases:	1500	
<b>Gross profit:</b>		<b>12720</b>
Expenses:		
Salary:	4800	
Other expenses	1445	



Total expenses:	<b>6245</b>	
<b>Net profit:</b>		<b>6475</b>

### Assets and Liabilities at the end of 2010.

Assets		Liabilities	
Cash	13115	Capital	6640
		Net profit	6475
	13115		13115

As an online service provider, company will not maintain any stock.

### Break even point

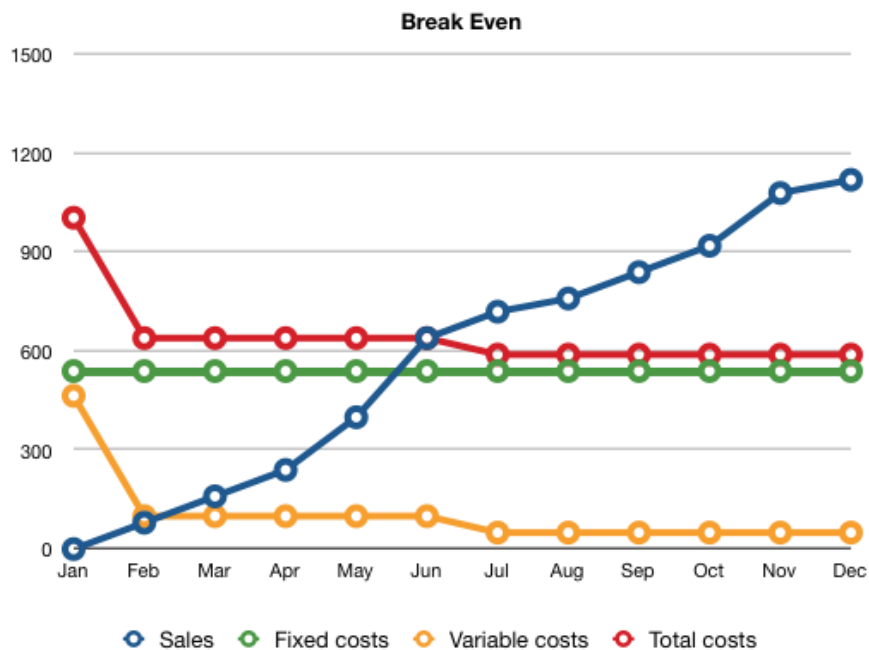


Chart 13: break even point

Cost and sales distribution were calculated considering only new product. If the sales target will be met, the new product should start to generate profit from June.

## **4.7 Future prospects**

### **Positive development**

Zakaznici.eu has the potential to generate repetitive income and be strong in its particular area of lite CRMs. It can fill the needs of simple customer relationship management of any small business. With the growing amount of customers, internal database of accounts and connections will grow too. This database can be later utilised to generate and provide new information about individual contacts. Eventually it could be utilised as a networking tool to connect potential buyers and sellers, which would give the application entire new dimension.

There are still many small businesses with specialised needs of customer relationship management. E.g. HORECA segment, sport clubs and facilities, and other event venues where by providing additional calendar with reservation system Zakaznici.eu could be utilised to effectively handle booking, reservations and memberships. Creating special branch of Zakaznici.eu dedicated to HORECA and venues will be most likely the next step in application future development.

Together with simple invoicing system, Zakaznici.eu may form effective and automated invoicing solution for any small business. This way it can be one and only universal solution needed for small business accounting. There are some steps already undertaken in order to make this possible in the future - such as ownership of Fakturuj.eu domain name and more likely it will be the second step in future development.

### **Negative development**

Unfortunate economic development or low interest, or trust of users may be a barrier to growth. If the development will be unfavourable, service will still be kept alive but budget will be cut to necessary web hosting charges. Potentially whole application can be sold to other company.

### **Probable development**

Most probable development will be positive, first and second year will be mostly about growing customer base and fine-tuning features to generic needs of particular

segments. Later customer retention will be important aspect of running service. New segments may be reached with tailored solution as described in a positive development.

#### **4.8 Risk assessment and avoidance**

There will always be some level of risk associated with any venture. Focus should be put on elimination or avoidance of risk factors. Considering Zakaznici.eu, there are few potentially risky developments which may happen:

##### **1. Customer data theft**

Security may be huge issue. Loosing customer data would shade bad light on Zakaznici.eu and destroy its reputation. After loosing customer loyalty it will be hard to win them back. Data theft even from a single customer could potentially destroy the service if heavily publicised. This risk can be avoided by tightening security and adequate actions taken to prevent data theft from happening.

##### **2. Incorrect market prediction**

It is possible that there is no market for simple customer relationship management systems and that customers whose Zakaznici.eu will try to reach stay using Excel and address book to manage their contacts. On the other side, if there is huge market potential, big software houses can start moving to this lower segment after their current market saturates in pursuit of additional sales. This risk could be eliminated by more detail market analysis which is however more time consuming and doesn't lower the threat of new competitors.

##### **3. Substitute products**

It is easy and cheap to develop similar products. New competitors offering same or similar product could potentially divert our customers. It is important to build good relationship with customers from the beginning so they have no motivation to switch to another provider.

##### **4. Continuous recession**

People are looking to save money during tough economic times, and they may want to avoid paying for contact management application in favour of continuing use of Excel to store their customer information data. Zakaznici.eu are not

necessity for most businesses. Rather it brings convenience. Convenience may however be something people will sacrifice if their business is not growing anymore and if they do not need to increase productivity. Zakaznici.eu can increase productivity and thus lower the cost. It will be important to communicate these advantages and cost saving to the businesses.

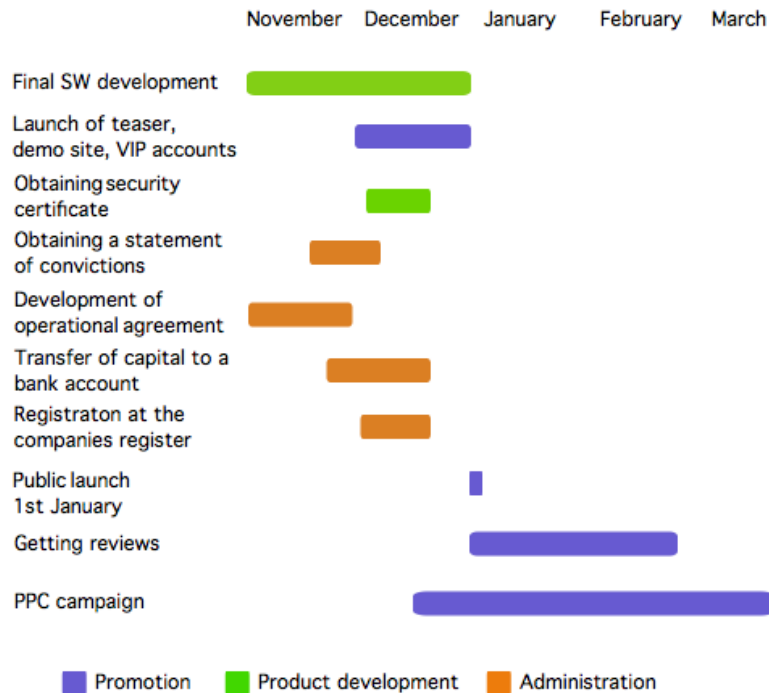
#### **5. Communication and marketing issues**

It can happen that we may find difficulties in communicating benefits of Zakaznici.eu to potential buyers and getting relevant message across. Focus will be put on educating customers and it is hoped that they will start to learn more about CRM and seek to deploy the service. If communication will be an issue, budget for promotion may be increased.

#### **6. Scaling issues**

Rather more positive but still risky. If the service would eventually become extremely popular, there may be issues of handling large number of new customers. They may put pressure on software system, its online delivery which may become unstable, as well as company - administration and support. It is not expected to scale rapidly in the first year. However if it will be the case in the second year, additional support staff will be hired and additional investors may be sought to scale the Zakaznici.eu software platform in order to meet high demand.

## 5. Project timeline



*Chart 14: Project timeline 2009 / 2010*

Software development is already entering finishing stages and platform is fairly usable. Some last features and promotional web site need to be further developed. Final product development touches will be done till end of November. At the beginning of December special public teaser preview will be available to early subscribers through email subscription box which is already available at [Zakaznici.eu](http://Zakaznici.eu). Fully functional web site will present the product without allowing everybody to use it. It's aim will be to create interest and pursue curiosity. Few accounts opened to individually picked early subscribers will be used to test stability and to remove potential weak points.

Over November and December all the necessary administrative steps will be undertaken to register the company and enable smooth start from January. Company's capital will be transferred to a bank account and operational agreement will be developed.

From the December promotion in PPC systems will start to target searches for CRM and contact managers over Google and other major czech and slovak search engines. PPC campaign will continue over the pace of whole year 2010.

## Conclusion

This diploma thesis was seeking to develop business plan for existing small business which would transform business's offering from custom web development solution provision to product offering. Proposed change in the business model and new product development should bring recurring payments and enable scaling of business.

Theoretical part described underlying theory of small businesses, including legal forms, development stages and features of small businesses. Forming structure of business plan is also examined. Based on the theory and environmental analysis conducted we can conclude that company operates in well developed market with relatively stable political and economical factors, but ever changing technological and social factors. Company's existing target customers possess high bargaining powers and oppose situation with suppliers of internet connectivity services who form the main input to business but have low bargaining power and compete on price. The competition in whole web development environment can be considered as fierce. Developing substitute products is easy. Also entering this market is easy and cheap which further intensifies competition. Higher specialisation and niche orientation could bring competitive advantage. This way simple CRM software Zakaznici.eu is seen as the only solution to drive future growth.

Czech CRM market is relatively unsaturated, with bigger part of the top end of the market split between three players. Research (Brain Logistics, 2006) found that 54% of respondents have no awareness of what CRM is. Bottom of the market is served with lite CRM systems which seems too be too difficult and too expensive to deploy and operate and do not fully meet requirements of customers of the lower segment. Thus the aim to develop and provide on-demand CRM solution Zakaznici.eu as universal CRM which meets basic requirements may be a viable idea.

Business plan proposes development and provision of such application. Zakaznici.eu will be simple, easy to use, subscription based service enabling any sales person (be it employer, manager or sole trader) to effectively store contact details, track communication and events history, important dates and related tasks and follow-ups. Allowing for easy retrieval or update of any information over the web. Effective share

of information about individual contacts will help to form bigger picture and make better decisions for everybody taking part in customer interaction. Entering this market may open doors to new future possibilities and further specialisation to concrete segments.

From the financial plan we can conclude that the new product alone should bring revenue of about 7000 € in a first year. If the customer retention will be high, doubling account sales and revenue in the next year can be expected. Overall company should be in profit after first year, while new product should break even in six months.

I am sure that I met all the goals initially set. Business plan underlined main proposal for future development. Sustainable, repetitive income generating product or service is important for any business in order to survive and grow. It is hoped that business plan developed in this diploma thesis will bring this sustainability to the company and create opportunities for future development. If it will, main objective will be fully accomplished.

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## **List of abbreviations**

CRM - Customer Relationship Management

HORECA - HOtels, REstaurants, CAtering

NFBE - non-financial business economy

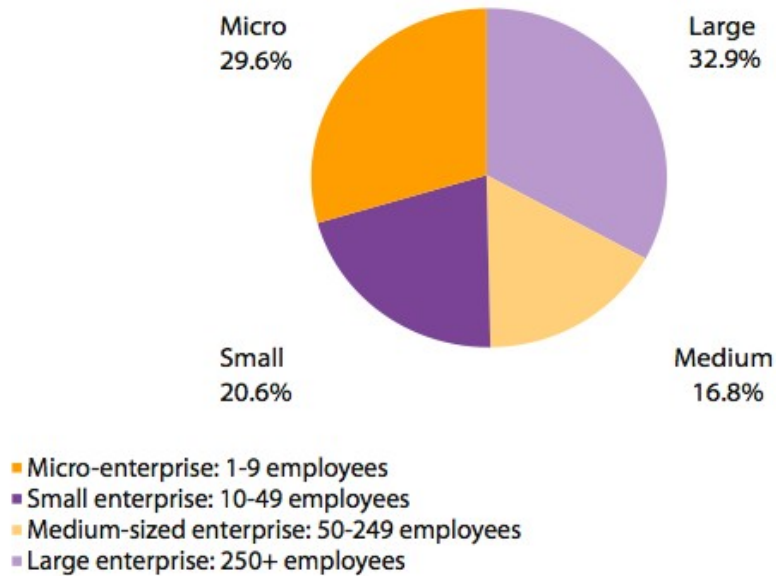
PPC - Pay-Per-Click

RSS - Really Simple Syndication

SME - Small-Medium Enterprises

## Appendixes

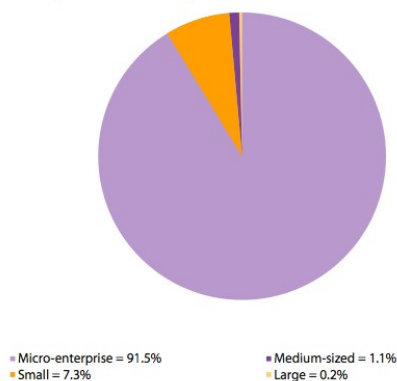
### ***Appendix 1: 67% of Europe's private sector jobs are in SMEs***



Source: Eurostat SBS, Breakdown of number of persons employed by enterprise size-class, non-financial business economy, EU-25, 2003 (% share of total)

### ***Appendix 2: Micro businesses in Europe***

Micro-businesses are the real giants of the European economy



Europe SMEs represent:

- 99.8% of European enterprises
- 67.1% of private sector jobs
- more than 80% of employment in some industrial sectors such as the manufacture of metal products, construction and furniture.

Source: Eurostat, SBS, Breakdown of main indicators by enterprise size class, non-financial business economy, 2003, EU-25

### Appendix 3: Enterprises in Europe 27 in 2004 (% share of total)

	Number of enterprises		Value added		Number of persons employed	
	SMEs (<250 persons employed)	Large enterprises (>=250 persons employed)	SMEs (<250 persons employed)	Large enterprises (>=250 persons employed)	SMEs (<250 persons employed)	Large enterprises (>=250 persons employed)
<b>EU-27 (1)</b>	99.8	0.2	56.9	43.1	66.7	33.0
<b>BE</b>	:	:	:	:	:	:
<b>BG</b>	99.7	0.3	49.5	50.5	71.7	28.3
<b>CZ</b>	99.8	0.2	56.7	43.3	68.9	31.1
<b>DK</b>	99.7	0.3	:	:	:	:
<b>DE</b>	99.5	0.5	:	:	60.1	39.9
<b>EE</b>	99.6	0.4	:	:	:	:
<b>IE</b>	:	:	:	:	:	:
<b>EL</b>	:	:	:	:	:	:
<b>ES</b>	99.9	0.1	68.1	31.9	79.1	20.9
<b>FR</b>	99.8	0.2	53.7	46.3	60.9	39.1
<b>IT</b>	99.9	0.1	70.3	29.7	81.2	18.8
<b>CY</b>	:	:	:	:	:	:
<b>LV</b>	99.7	0.3	:	:	75.0	25.0
<b>LT</b>	99.4	0.6	56.7	43.3	71.3	28.7
<b>LU</b>	:	:	:	:	:	:
<b>HU</b>	99.9	0.1	51.9	48.1	72.2	27.8
<b>MT</b>	:	:	:	:	:	:
<b>IL</b>	99.7	0.3	60.4	39.6	67.4	32.6
<b>AT</b>	99.7	0.3	:	:	:	:
<b>PL</b>	99.8	0.2	47.8	52.2	70.3	29.7
<b>PT</b>	:	:	:	:	:	:
<b>RO</b>	99.5	0.5	44.5	55.5	58.2	41.8
<b>SI</b>	99.7	0.3	:	:	:	:
<b>SK</b>	98.6	1.4	42.4	57.6	51.2	48.8
<b>FI</b>	99.7	0.3	:	:	:	:
<b>SE</b>	99.8	0.2	56.5	43.5	64.2	35.8
<b>UK</b>	99.6	0.4	50.7	49.3	53.9	46.1

Source: Eurostat, 2008. *Enterprises by size class – overview of SMEs in the EU* [online]. Available at: <http://ec.europa.eu/eurostat/europeanbusiness> [Accessed 10 January 2009].

## Appendix 4 - CRM search

CRM related search - number of search on Google in June 2009.

Keywords	Advertiser Competition <sup>?</sup>	Local Search Volume: June <sup>?</sup>	Global Monthly Search Volume <sup>?</sup>
<b>Keywords related to term(s) entered - sorted by relevance <sup>?</sup></b>			
microsoft crm		1,300	201,000
pivotal crm		12	4,400
clarify crm		12	5,400
crm system		480	33,100
siebel crm		110	33,100
crm manager		91	9,900
crm software		1,000	201,000
mysap crm		Not enough data	6,600
crm demo		110	8,100
mobile crm		110	9,900
ms crm		720	74,000
crm business		140	33,100
crm management		390	60,500
crm systems		16	12,100
crm marketing		210	22,200
crm solution		36	22,200
vtiger crm		170	12,100
erp crm		260	40,500

Source: Google AdWords, 2009. *Keyword Tool* [online]. Available at: <https://adwords.google.com/select/KeywordTool> [Accessed 5 August 2009].