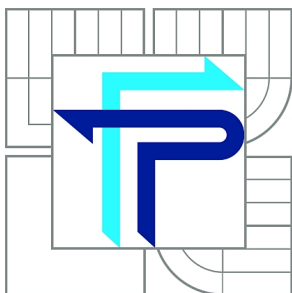


VYSOKÉ UČENÍ TECHNICKÉ V BRNĚ  
BRNO UNIVERSITY OF TECHNOLOGY



FAKULTA PODNIKATELSKÁ  
ÚSTAV EKONOMIKY

FACULTY OF BUSINESS AND MANAGEMENT  
INSTITUTE OF ECONOMICS

## CREATING OF INTERNET TRAVEL AGENCY

ZALOŽENÍ INTERNETOVÉ CESTOVNÍ AGENTURY

DIPLOMOVÁ PRÁCE  
MASTER'S THESIS

AUTOR PRÁCE  
AUTHOR

Bc. RÓBERT SOLÁRIK

VEDOUcí PRÁCE  
SUPERVISOR

prof. Ing. VOJTĚCH KORÁB, Dr., MBA

BRNO 2011

# **ZADÁNÍ DIPLOMOVÉ PRÁCE**

---

**Solárik Róbert, Bc.**

---

European Business and Finance (6208T150)

Ředitel ústavu Vám v souladu se zákonem č.111/1998 o vysokých školách, Studijním a zkušebním řádem VUT v Brně a Směrnicí děkana pro realizaci bakalářských a magisterských studijních programů zadává diplomovou práci s názvem:

**Založení internetové cestovní agentury**

v anglickém jazyce:

**Creating of Internet Travel Agency**

Pokyny pro vypracování:

Úvod

Vymezení problému, cíl diplomové práce

Teoretický přístup k řešení

Analytická část

Návrh založení cestovní kanceláře

Závěr

Literatura

Přílohy

Seznam odborné literatury:

KORÁB, V., MIHALISKO, M.: Založení a řízení společnosti. Společnost s ručením omezeným, komanditní společnost, veřejná obchodní společnost. Praha, Computer Press, 2005, 252 s. ISBN 80-251-0592-X.

MALACH, A., a kol.: Jak podnikat po vstupu do EU, Praha, Grada Publishing, 2005, 524 s. ISBN 80-247-0906-6.

SRPOVÁ, J., ŘEHOŘ, V. a kol.: Základy podnikání. Praha, Grada Publishing, 2010, 427s. ISBN 978-80-247-3339-5.

VEBER, J., SRPOVÁ, J. a kol.: Podnikání malé a střední firmy. Praha, Grada Publishing, 2005, 304s. ISBN 80-247-1069-2.

Vedoucí diplomové práce: prof. Ing. Vojtěch Koráb, Dr., MBA

Termín odevzdání diplomové práce je stanoven časovým plánem akademického roku 2010/2011.

L.S.

---

doc. Ing. Tomáš Meluzín, Ph.D.  
Ředitel ústavu

---

doc. RNDr. Anna Putnová, Ph.D., MBA  
Děkan fakulty

V Brně, dne 29.08.2011

## **Abstract**

This dissertation thesis focuses on creating a business plan for starting an online travel agency with aim to find out if is it feasible to start a business in tourism industry as a travel agency operating over the internet. Analysis of the environment is performed and recommendations in form of time projection, marketing plan, operation plan and financial plan are provided. Based on the forecasted financial reports, the feasibility of the project is evaluated.

## **Abstrakt**

Táto diplomová práca sa zameriava na vytvorenie podnikateľského zámeru pre online cestovnú agentúru s cieľom zistiť, či je ekonomicky výhodné začať podnikat' v turistickom ruchu ako predajca zájazdov cez internet. Táto práca tiež vykonáva analýzy okolia a podáva odporúčenia vo forme časového harmonogramu, marketingového plánu, operačného plánu a finančného plánu. Na základe predpokladaných finančných výkazov hodnotí ekonomickú výhodnosť projektu.

## **Key words**

Business plan, travel agency, e-commerce, tourism industry

## **Kľúčové slová**

Podnikateľský zámer, cestovná agentúra, elektronický obchod, cestovných ruch

**Bibliographic citation**

SOLÁRIK, R. Založení internetové cestovní agentury. Brno: Vysoké učení technické v Brně, Fakulta podnikatelská, 2011. 103 s. Vedoucí diplomové práce prof. Ing. Vojtěch Koráb, Dr., MBA.

**Declaration**

I declare that this master's thesis is original and has been written independently. I also declare that the list of references is complete and that I did not breach of copyright in the sense of Act No.121/200 Coll. on Copyright Law and Rights Related to Copyright and on the Amendment of Certain Legislative Acts.

Brno, August 30th 2011

.....

Bc. Róbert Solárik

## **Acknowledgements**

I would like to thank my supervisor prof. Ing. Vojtěch Koráb, Dr., MBA. for his professional guidance and technical support he gave me during the compilation of this thesis.

# CONTENTS

INTRODUCTION .....	10
1 DISSERTATION OBJECTIVES AND USED METHODOLOGY .....	11
2 THEORETICAL PART .....	12
2.1 Business plan.....	12
2.1.1 Functions.....	12
2.1.2 Structure.....	12
2.2 Research process and methods.....	14
2.2.1 Scientific research.....	14
2.2.2 Research methods .....	15
2.3 Analytical tools .....	17
2.3.1 PESTEL analysis .....	17
2.3.2 Porter's 5 Forces model .....	18
2.3.3 SWOT analysis .....	20
2.4 Types of businesses.....	22
2.4.1 Sole traders .....	22
2.4.2 Corporate bodies .....	23
2.4.3 Co-operative societies.....	24
2.5 Marketing mix.....	24
2.6 Break-even point analysis .....	25
3 ANALYSIS.....	28
3.1 Introduction of the company .....	28
3.2 Macro environment .....	29
3.2.1 PESTEL analysis .....	29
3.2.2 Possible changes in the environment .....	31



3.2.3	Globalisation factors .....	32
3.3	Micro environment.....	33
3.3.1	Characteristics of the environment and its structure.....	33
3.3.2	Analysis of competitive forces (Porters 5 forces model).....	34
3.3.3	Analysis of customers (primary research) .....	37
3.3.4	Competition analysis.....	44
3.3.5	Key success factors .....	48
3.4	Analysis of internal resources and abilities.....	48
3.4.1	Identification of resources .....	49
3.4.2	Intangible resources .....	50
3.4.3	Abilities of the company.....	51
3.5	Synthesis of the analysis .....	52
3.5.1	SWOT analysis .....	52
3.5.2	Strategy.....	54
4	PROPOSAL OF THE BUSINESS PLAN.....	55
4.1	Decision about business type .....	55
4.2	Time projection of start-up.....	56
4.2.1	Hire and train operator(s) of the call-centre.....	56
4.2.2	Prepare office for the operators .....	56
4.2.3	Negotiate conditions of dealership with tour operators .....	57
4.2.4	Prepare and process data.....	57
4.2.5	Prepare marketing materials .....	58
4.3	Marketing plan .....	62
4.3.1	Product / Customer .....	62
4.3.2	Price / Cost.....	63
4.3.3	Place / Convenience.....	63

4.3.4	Promotion / Communication.....	64
4.4	Operational plan .....	66
4.4.1	Deployment plan.....	66
4.4.2	Information and communications technology plan .....	67
4.4.3	Human resources plan.....	68
4.5	The financial plan.....	74
4.5.1	Cash flow .....	75
4.5.2	Statement of Comprehensive Income (Profit and Loss account) .....	79
4.5.3	Statement of financial position (Balance sheet) .....	80
4.5.4	Break-even point analysis.....	81
4.5.5	Scenario analysis.....	83
4.6	Executive summary .....	84
	CONCLUSION.....	85
	BIBLIOGRAPHY.....	88
	LIST OF TABLES AND FIGURES .....	92
	APPENDICES .....	93
	Appendix 1 – Development of GDP of Slovakia .....	93
	Appendix 2 – Development of salaries in Slovakia.....	94
	Appendix 3 – Demographic development in Slovakia .....	95
	Appendix 4 – List of tour operators with available data.....	96
	Appendix 5 – Questionnaire .....	97
	Appendix 6 – Office layout example.....	99
	Appendix 7 – Cash Flow statements for years 2013 – 2016 .....	100

## INTRODUCTION

Tourism industry is inseparable part of the world's economy. With the development of technology and the living standard of people, their habits and needs change. Tourism is one of the sectors which take advantage of these changes and it grows in long term. The development of information technology also brings new possibilities to buy products and services for example over the internet.

This work connects these two factors – tourism and the development of information technology – and presents the business plan for creating an internet based travel agency.

Firstly, theoretical concepts used later in this work are presented and discussed. This work begins with the information about the functions of business plan and its structure. Research methods are discussed later followed by the description of analytical tools used in this work – PESTEL analysis, Porter's Five Forces model and SWOT analysis. Possible legal forms of businesses in Slovakia are listed and 4 P's of marketing mix are explained. This part ends with the explanation of break-even point analysis and its use.

Following part performs the analysis described in theoretical part and discusses the business environment from macro-economical as well as micro-economical point of view. Internal analysis of the company is performed followed by the synthesis of all analysis.

Last part of this work is the proposal of the business plan of creating an online travel agency. This plan takes into consideration the findings of the analysis performed earlier and recommends specific steps for management. The business plan itself is divided into four main parts: The time plan shows the necessary steps of preparation and their connections; marketing plan explains the marketing mix for proposed online travel agency; the operational plan outlines how the company could service their clients cost effectively and the financial plan shows the forecasted cash flows, profits and loss and the structure of assets and liabilities for first five years of the company. These data will be analysed and the feasibility of the project will be evaluated.

# **1 DISSERTATION OBJECTIVES AND USED METHODOLOGY**

The main objective of this dissertation thesis is to create a business plan for starting an online travel agency to find out if it is feasible to start a business in tourism industry as a travel agency operating over the internet.

To achieve the main objective of this thesis, several supplementary goals need to be achieved. First supplementary goal is to analyse business environment from the macroeconomic perspective as well as microeconomic one. Second supplementary goal is to analyse the internal resources and abilities of the company. Last supplementary goal is to make synthesis of previous analysis to summarize acquired knowledge and make recommendation for business strategy.

This dissertation thesis will use secondary research method to gather all necessary information to perform PESTEL analysis of the macroeconomic environment. Microeconomic environment will be analysed using Porter's Five Forces model with data from secondary research and potential customer's analysis will be performed using primary research method using questionnaires. Analysis of internal resources and abilities will be based on the experience and knowledge gained during the work of the author for the company. SWOT analysis will be used to summarize previous analyses and to suggest appropriate business strategy for future. Forecasted cash flow statements, statements of comprehensive income and statements of financial position for first five years will be used to evaluate feasibility of proposed business plan.

## 2 THEORETICAL PART

### 2.1 Business plan

Robert D. Hisrich and Michael P. Peters define business plan as written material processed by the entrepreneur, describing all relevant external and internal factors related to starting a new business (HISRICH, PETERS, 1996). Udo Wupperfeld's definition is somewhat more specific – he defines business plan as a concept of the company in writing form that contains objectives and business strategy, company's advantages, market definition, target groups and competitors, the next steps of planning and building the company, a planning revenues, earnings and financing. The focus of the business plan should be qualitative expression about the outlook for the company and its development possibilities, but also the expected risks (WUPPERFELD, 2003).

From the definitions mentioned, it is clear, that business plan concludes the basic idea of the existence of the company, its vision and also necessary step to achieve planned goals.

#### 2.1.1 Functions

Generally, business plan serves two main groups of stakeholders. Firstly it is used as an internal document which helps the management to make successful decisions. On the other hand, it can be useful externally, especially when external sources of financing are necessary. This capital is usually requested from private banks, investment groups, or possible from government donation to support specific part of industry. In all situations, the company must persuade the other party that their business is feasible and their investment will capitalize. And a well processed business plan can help to achieve these goals (ČEP, 2010).

#### 2.1.2 Structure

The structure of every business plan can be different, because it is based on the question: who is the business plan made for and what information is needed. However, every business plan should cover five major areas of interest:

- **Background information and analysis** of the company and industry. This part should focus on characteristics of the company, as well as the analysis on the

environment. This part should focus on present situation and evaluate the position of the company within the industry. PEST analysis, Porter's five forces model or other frameworks can be used to analyse the external environment. Internal resources, abilities and skills should be identified as well. The synthesis of these analyses should be presented for example using SWOT analysis and based on results, viable strategy should be chosen.

- **Marketing plan.** Awareness of existing and potential customers and actual communication with them is essential for the proper operation of the company and its success. The area of these activities is marketing. It is a discipline that ensures awareness of customers about the product or service that company offers. It includes promotion, sales management, sales, and basically allows the customer to buy the product or service. One of the tools of marketing is the concept of 4 P's – Product, Price, Place and Promotion, which will be used later in this work.
- **Operational plan** outlines how would the company service their clients cost effectively. This plan should include answers to questions such as what are the requirements for facility in aspects like size, layout, location or capacity, what equipment is needed, what are the production inputs and how to get them etc. Also in modern companies where information technology plays an irreplaceable role, the plan for software IT systems needed as well as hardware requirements should not be omitted. Operation plan should include also human resources plan with number of people and their roles in the company, their job descriptions, proposed compensation and also training plan if necessary.
- **Financial plan** in business plan is mainly in form of forecast, because even though the projections can be quite accurate, the cost and revenues are known only when they really happen. The finance plan should start with current financing of the company and continue with planned costs for the newly proposed business. Together with proposed revenues, summarized financial forecasts should follow. These should be in form of Balance sheet, Income statement and Cash flow statement. Annual, quarterly, and monthly versions should be provided based on the quality of forecast that can be made. Usually,

more than one scenario is prepared and realistic, optimistic and pessimistic development is proposed.

- **Decision making criteria** discusses question regarding feasibility of the plan and calculation how beneficial it is for the company or investor. Break-even point analysis, Pay-back period or Net present value calculation can be used to express the expedience of the business and attractiveness for the investor. Based on this section, the one for whom the business plan was prepared should decide if the project will or will not be executed.

Also, it is highly recommended to include an **executive summary**, so that the key information can be summarized on one well-arranged page and the stakeholders can get familiar with the key figures in a fraction of time (SEINEROVÁ, 2010; BOROVSKÁ, 2010).

## 2.2 Research process and methods

Generally, research can be defined as systematic process of investigation. During this process, various data or information are collected and analysed to increase the understanding of the phenomenon of the study. This process should be practised with an open mind to accept new facts, prove new ideas or develop novel theories using scientific method. Primary aim of any research is to discover new information which can enhance human knowledge of researched topic.

### 2.2.1 Scientific research

For the research to be valid and accepted, it needs to follow certain structural process. The cycle of formulating hypotheses, testing and analyzing the results, and formulating new hypotheses, will resemble the cycle described below. A scientific method consists of four essential elements: *iterations*, *recursions*, *interleavings*, or *orderings*. These are applied to the following actions: (GODFREY-SMITH, 2003)

- Characterizations (observations, definitions and measurements of the researched subject)
- Hypotheses (theoretical explanations of observations and measurements)
- Predictions (reasoning including logical deduction from the hypothesis or theory)

- Experiments (tests of all of the above)

A linearized scheme of the four points mentioned above is often referred to as a guideline for proceeding: (CRAWFORD, STUCKI, 1990)

1. Define a question
2. Gather information and resources (observe)
3. Form an explanatory hypothesis
4. Perform an experiment and collect data, testing the hypothesis
5. Analyze the data
6. Interpret the data and draw conclusions that serve as a starting point for new hypothesis
7. Publish results
8. Retest (frequently done by other scientists)

Although this schema described a process how a research can be typically performed, it is necessary to mention, that some scientists (for example Paul Feyerabend) claim that every research is very specific and different, so general descriptions cannot be made. Description like the one mentioned earlier have little relation with researches actually done by scientists.

### **2.2.2 Research methods**

For the purpose of this thesis, research methods will be divided into two main groups. First group will distinguish *Primary* and *Secondary* research. Second group will distinguish *Qualitative* and *Quantitative* research (CROUCH, HOUSDEN, 2003).

#### **2.2.2.1 Primary research (field research)**

This type of research copes with collecting of the non-existent data. This means that the researcher needs to collect original data. Usually, it is performed because the information needed could not be found elsewhere. The research can be done in many different forms including questionnaires, observations and experiments or interviews. Basic approaches in primary researches are quantitative method and qualitative method which will be explained later in this chapter.



Conducting primary research has many advantages, because it can address specific research issue and the researcher has great control over the focus on specific subject. Also, primary research has a great value, because the researcher can be sure about the quality of the research. On the other hand, compared with secondary research, it is more expensive and in order to be done properly, it requires a lot of time for planning and execution of the research plan.

#### **2.2.2.2 Secondary research (desk research)**

In contrast with primary research, secondary research involves synthesis and summary of existing data, rather than collection of new information. It is also called desk research because necessary knowledge can be obtained while sitting at the desk. Also the word secondary indicates that the data have been used or produced by someone else before and the researcher is the second person working with it. Usually it does not serve as a source to answer the question, but it is very useful for the researcher to get familiar with the subject and to formulate more specific question for more in depth primary research.

One of the advantages of secondary researches is that it saves time and finance. Moreover, if the research has a closed time frame, it may be the only option for the researcher, because for proper primary research there may not be enough time. On the contrary, if the sources are not reliable, secondary research can lead into false premises and can damage whole project. Also, the sources may not suit best the needs of current research.

With the wide range of modern technologies such as electronic libraries or generally the internet, the importance and usefulness of secondary research is increasing because researchers can reach more information and knowledge than ever before.

#### **2.2.2.3 Qualitative research**

This type of research aims to get an understanding of the behaviour and reason of why people do things they do. Qualitative research asks why or how certain actions are performed rather than what, where or when. In simplified words, non-numerical data collected and interpreted. This method is usually used for exploration – to generate hypothesis. Quantitative research, on the other hand, is used to test the hypothesis.

#### 2.2.2.4 *Quantitative research*

By definition, quantitative research refers to systematic empirical investigation of the subject of interest using mathematical or statistical methods. It involves analysis of numerical data. In contrast with qualitative research, it does not ask why or how specific event occurs, but how many times, how often or when. Usually large number of sample data is analysed and structured questionnaires are used incorporating closed questions – questions where the responders check the answer closest to their opinions or experience.

### 2.3 Analytical tools

Later in this work, several analytical tools will be used to analyse business environment and to summarize gathered knowledge. This chapter will briefly look at three main tools: PESTEL analysis, Porter's Five Forces model and SWOT analysis.

#### 2.3.1 PESTEL analysis

This analysis is an analysis of external macro-economical environment which have an influence on every organisation within the environment. The original name PEST analysis stands for "**P**olitical, **E**conomic, **S**ocial, and **T**echnological analysis", but often is expanded with **E**nvironmental and **L**egal factors. Many of macro-economical factors are specific to every country, so this fact should be taken into consideration when performing this analysis on large differentiated market (SEDLÁČKOVÁ, BUCHTA, 2006).

- **Political** factors include questions such as political stability, risk of military invasion, tax policy, labour law, trade restrictions and others. Also, governments influence infrastructure, health and education level of the people in the country.
- **Economical** factors question how government intervenes in the free economy. They contain economic growth, inflation rate, exchange rates and interest rates, unemployment rate etc. These factors can influence cost of capital and hence influence the profitability of the business.
- **Social** factors consider aspects such as demographics, education, career attitudes or health.
- **Technological** factors incorporates question of recent technological developments and its impact on value chain structure, impact on cost structure

or technology's impact on product offering. It also includes research and development activity or level of automation. Technological shifts can affect costs, quality, and lead to innovation.

- **Environmental** factors include aspects such as weather or generally climate, which is especially important in industries such as farming, tourism or insurance.
- **Legal** factors consider most common laws such as discrimination law, consumer law, antitrust law, employment law, and health and safety law and their impact on how company operates.

The number of macro-economic factor is nearly unlimited. That is why it may be very difficult to forecast future development even with company's focus on factors that influences its industry. To solve this problem, the scenario planning techniques can be introduced to deal with high level of uncertainty.

These external factors are out of organisations control and thus can present themselves as threads or opportunities for the company. The connection with SWOT analysis will be explained later in this chapter.

### 2.3.2 Porter's Five Forces model

In contrast with PESTEL analysis which investigates macro-economic environment, Porter's five forces analysis focuses on forces within micro-economic environment. This framework has been developed by Michael E. Porter of Harvard Business School in 1979 and indentifies five forces that determine strength of competition and consequently overall attractiveness of the market (SEDLÁČKOVÁ, BUCHTA, 2006).

Five forces as presented by Porter can be divided into two categories. The first one includes forces from horizontal competition: *threat of substitute products*, *the threat of established rivals*, and *the threat of new entrants*. Second group analyse forces from the vertical competition: *the bargaining power of suppliers* and *the bargaining power of customers*. Now, this work will briefly explain what the author meant by these forces.

- **The Degree of Rivalry** is probably the most obvious of the five forces. It helps to determine how hardly are existing firms competing for the customer. Concentration Ratio can be used to the measure market share of usually four

largest firms on the market. With low concentration ratio and thus fragmented market, industry is considered to be more competitive. Slow or negative market growth may cause that the competition increases. Also low switching costs, high exit barriers, high storage costs may cause the producers to fight hardly for the customers.

- **The Threat of Entry** copes with the question how easy it is for an outsider to start new business in the researched industry. The threat is usually based on the barriers to enter the market. Most common form of these barriers include: government legislation – licences or introduction of new laws, cost of entry – for example investment into technology, economies of scale – benefits with bulk production or the problem with differentiation – for example if certain brands cannot be copied (The Champagne).
- **The Threat of Substitutes** shows how easily are the customers willing to switch to different types of products in other industries which satisfy the same needs. This can be measured by price-to-performance ratios if performance can be quantitatively expressed. The threat of substitutes can be also affected by switching costs. This force can be explained on example of aluminium cans for drinks. Glass bottles, steel cans or plastic containers are substitutes despite the fact that they do not compete in the same market of aluminium can industry. With low switching costs and many substituting products available the threat can be described as high
- **Buyer Power** is one of the horizontal forces that influence the micro environment. It represents the power of buyers (customers) on the industry. In the extreme situation with absolute buyer power which could exist in monopsonic market, the buyer sets the price and producers may just decide if they accept the price or leave the market. The power is considered to be strong when the buyers are concentrated and their number is low. On the other hand the power is weak if there are significant switching costs, buyers are fragmented or producers supply critical scarce items of buyers input (for example PC manufacturer's weak position against Intel in microprocessor industry).
- **Supplier Power** is a mirror image of Buyer power. It represents the strength of how much pressure suppliers can place on a business. If there is one or just a

few suppliers on the market that can have large impact on the company profitability, than the supplier power is considered to be high. The reason for high supplier power can be also absence of substitutes, high switching costs to the substituting product or possibility of forward integration of suppliers (for example Brewers buying bars).

### 2.3.3 SWOT analysis

A review of external and internal environment of the organisation is one of the most important parts of strategic planning. **Strengths** and **Weaknesses** can be classified as internal factors to the organisation whereas **Opportunities** and **Threats** are considered to be external. Such analysis of the internal and external environment is commonly known as SWOT analysis (SEDLÁČKOVÁ, BUCHTA, 2006).

This analysis is using the findings from analyses mentioned previously by identifying strengths and weaknesses of the company and comparing them with the major factors or external environment – with opportunities and threats and aims to synthesis of those analyses in order to form a strategy.

*Strengths* are usually company's resources and capabilities which can be used as a source of competitive advantages. These include know-how, patents, strong brand name and others. *Weaknesses*, on the other hand, indicate absence of desirable qualities. Lack of patent protection, weak brand name or high cost structure can be seen as examples. *Opportunities* can be revealed by performing external environment analysis. Loosening regulations, removal of trade barriers or arrival of new technologies are just few of them. In contrast, *Threats* are changes in the environment that can worsen the position of the company on specific market. Examples of such situations include emergence of substitute products, shifts in consumer taste, trade barriers or new regulations in the industry.

SWOT analysis can be illustrated as a diagram as follows:

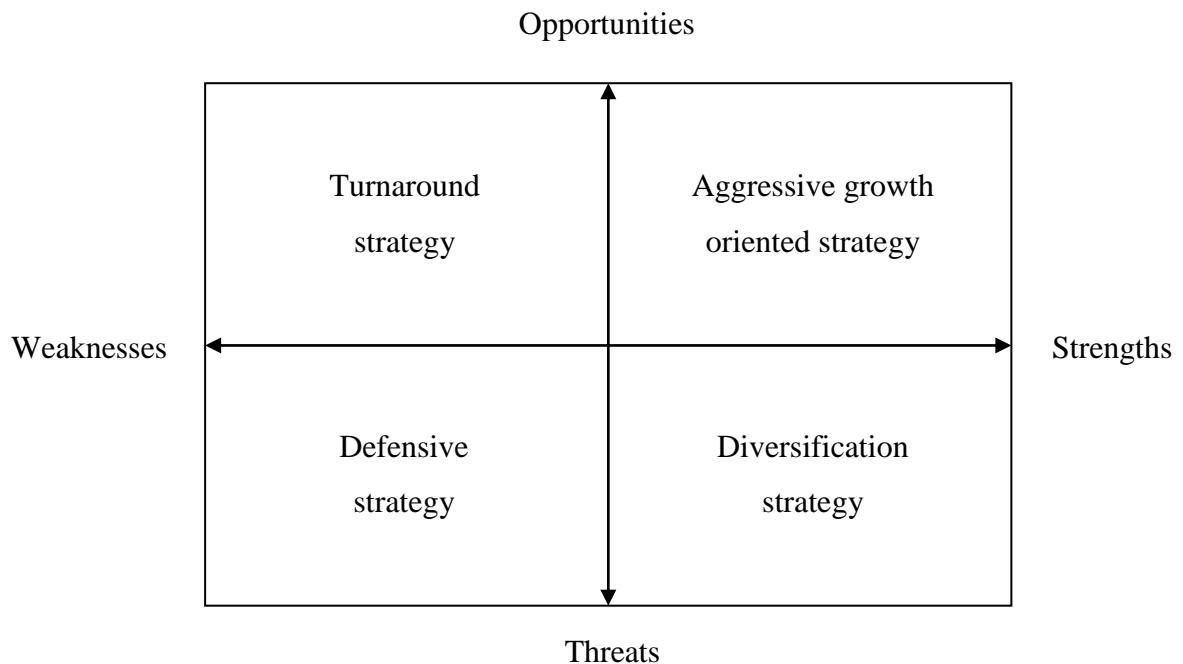


Figure 1 SWOT analysis diagram (Source: SEDLÁČKOVÁ, BUCHTA, 2006, p. 93)

Creating such diagram helps to compare external opportunities and threats with internal strengths and weaknesses and enables the creation of meaningful strategy. Four different sample strategies are identified and could be used as a guideline to create a strategic decision.

- **First quadrant** is the most desired one. It represents situation, when the organisation have many opportunities in the market and is able to offer its strengths to create value. Resulting strategy should be aggressive and oriented on growth. The goal of majority of organisation is to get to this quadrant
- **Second quadrant** represent situation where the organisation has strengths but the external environment represents threats to the company. In this situation so-called “min-max” or diversification strategy takes place. The threads need to be identified and changed to opportunities using strengths.
- Organisation in **Third quadrant** sees a lot of opportunities in the market, but itself it has many weaknesses. Company in this quadrant should choose a

turnaround strategy to use the opportunities as much as possible and try to eliminate the weaknesses it has.

- Last – **fourth quadrant** is the least desired one. Company is in a situation with many external threats and many internal weaknesses at the same time. Defence strategy is recommended to eliminate as many risk as possible, often by exiting the industry to minimise losses or maximise still possible profits.

## 2.4 Types of businesses

In Slovak republic, there are three main types of legal forms to do business activity (Formy podnikania, 2011). As a

- a) **Sole trader** - a personal entity
- b) **Corporate body** – a legal entity
- c) **Co-operative societies**

### 2.4.1 Sole traders

This type of legal form is predominant in small businesses. Sole trader has to be registered in Trade Register, and the business is regulated by Trade Licensing Act. Usually the sole traders run their business on their own without employed managers. After the registration, the business concession/licence is issued. Sole trader is liable for any losses and liabilities incurred in doing business with all its assets which means *unlimited liability*.

**Reported concession** consists of operation that are easier to perform and do not represent high risk of damage for customers. They include:

- Handicraft concessions – where the school certificate and three years experience is necessary
- Bounded concessions – where a higher education and also experience in industry are necessary
- Free concessions – where no prior education is needed.

**Licensed concessions** are more demanding where incompetent and inexperienced action could represent a threat to the customer. A special licence is needed for every listed activity in the Trade Licensing Act. These activities include concession for taxi

services, funeral services or activities which include holding and manipulation with guns, chemicals or other hazardous materials.

### 2.4.2 Corporate bodies

These can be formed by one, two or more entrepreneurs who will operate together under the one name. Every company needs to be registered in Commercial Register and operate under Commercial Law/Act. Four different types can be formed

v.o.s. (Verejná obchodná spoločnosť) ≈ general partnership or unlimited partnership

- A company of 2 or more partners having unlimited liability
- Capital consists of contributions by shareholders and by the amount of capital contributed, profits are divided
- The value of capital input but is not fixed
- The company may be represented by any of the partners

s.r.o. (Spoločnosť s ručením obmedzeným) ≈ Ltd. (a private limited company)

- Maximum number of partners is 50
- All partners are liable for losses just with limit - only up to the capital contribution
- Capital investment - must be paid in advance (5.000 € while the deposit shall of each partner must be minimally 750 €).

k.s. (Komanditná spoločnosť) ≈ LLP or Limited liability partnership

- Must have at least one "general partner" with unlimited liability
- There are two types of partners
- limited partners - have limited liability, to the extent of the deposit
- complimentary partners - unlimited liability - but they have the largest gains from profit and they manage and represent the company

a.s. (Akciová spoločnosť) ≈ plc (Public limited company).

- Minimum share capital SKK 25,000 €.
- Must have a supervisory board in addition to the management board.



- Share capital is divided into a number of shares and the shares are then sold for a price
- Important matters are decided by the General Assembly. Decision here is made by the number of shares (the number of shares one has, the number of votes they get)

### 2.4.3 Co-operative societies

They are created based on voluntary unions. Either 5 individuals or 2 corporate bodies can establish a co-operative society. The society as a whole is liable for any losses and liabilities incurred in doing business with all its assets, but the members of the society can have limited liability.

## 2.5 Marketing mix

The term marketing mix has its roots in year 1986 when American Marketing Association presented this tool by Neil Borden. However, the original idea probably came from James Collinton, who in year 1948 described the activity of marketing as mixing different ingredients to form a marketing campaign. Marketing mix consists of four factors: **P**rice, **P**roduct, **P**lace and **P**romotion. That is why it is commonly known as **4 P's** (JAKUBÍKOVÁ, 2009; KOTLER, 2000).

Organisations try to create this mix on their knowledge about the needs of customers. Because of this strong customer orientation, these 4 P's were later translated into 4 C's, emphasizing the importance of customer.

**Table 1 Relationship between 4 P's and 4 C's**

<b>4 P</b>	<b>4 C</b>
Product	Customer value
Price	Cost to customer
Place	Convenience
Promotion	Communication

Even though the name is different, 4 P's and 4 C's represent the same factors that need to be considered while creating a marketing campaign.

- **Product** is considered to be the thing what can be used to draw attention of customers to buy, consume or use certain tangible good or intangible service and is able to satisfy their needs. Intangible products are services for example like in tourism industry. Tangible products are goods that can be produced and sold for a reward. In marketing it is important to clearly identify *what* it is what the marketers want to sell.
- **Price** is the value the customers are willing to pay in order to get desired good or service. This value can be in form of money, good, services a vote or any other thing that represents value for the other party. Price is the only part of marketing mix that creates income for the company.
- **Place** or in other words distribution. Its main goal is to make marketed goods or services as accessible to the customer as possible. Is concern physical place where the products could be bought, the time and also to quantity available for the customer. Distribution channels should be chosen the way it best suits the customer and the process of acquiring the product should be convenient. Distribution cost represents one of the major costs for the producer. Unlike other parts of the marketing mix, distribution channels are often planned to longer period of time and cannot be changed quickly.
- **Promotion** represents the way company communicates with its customers. It identifies techniques of informing the consumer about the products of brands of the products.

The basic idea of this model is to identify *what, for how much, where* and *how* is the company going to sell its production. The goal of the marketing mix is to inform potential customers about the products, its qualities, prices and places where these products are available and persuade them to purchase such a good or service.

## 2.6 Break-even point analysis

Very important aspect of every business plan, as mentioned previously in this chapter, is the question of feasibility. After careful analysis, calculations and projections of future development, every business plan should try to answer the question if the project could be profitable and at what conditions.

If the costs and sales could be accurately forecasted, conducting a break-even analysis can be a very helpful tool. Company reaches break-even point when their total sales equal total costs. At this point no profit or loss has been made. This point is very important, because it represents a point from which company is making profit (SYNEK a kol., 2006).

In break even analysis two types of costs are relevant.

- **Fixed costs** represents expenses which are the same regardless the quantity of products sold.
- **Variable costs** occur when the good or service is produced and are directly connected with the unit.

Critical part in this analysis is the setting of price which is needed to calculate revenues.

Break-even point analysis can be represented by a mathematical formula, or by a graph.

$$\text{Breakeven Point} = \text{Fixed Costs} / (\text{Unit Selling Price} - \text{Variable Costs})$$

This formula expresses how many units of production need to be sold for the company to break even. Above this point all additional units increase profit, whereas below this point the company is in loss. This relationship can be plotted on the graph for better understanding.

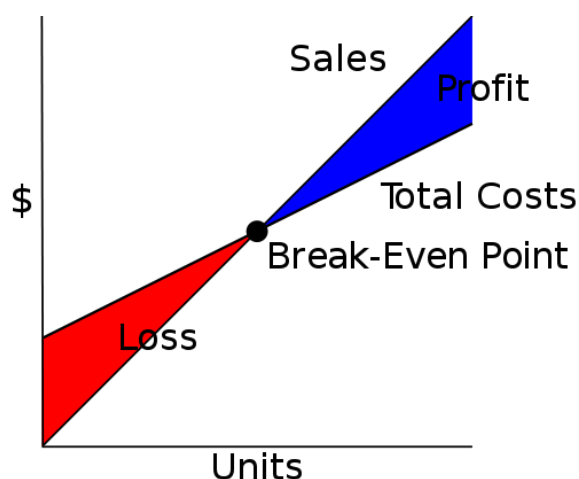


Figure 2 Diagram of Break-even point analysis

Even though break-even point analysis is very useful tool to analyse feasibility of proposed businesses, it is important to remember its limitations. Mainly it only considers the supply side and does not take into consideration what the sales/demand will be at different prices. Also, it assumes that fixed costs are constant which may not be true in high increase of production. Also it assumes that variable costs are constant no matter what is the level of production. Further, it assumes that all production will be sold which is unlikely in real conditions.

## 3 ANALYSIS

### 3.1 Introduction of the company

Tour operator Solartour was established in year 1990 and from this time its core business was organising summer holiday tours and sightseeing tours in European countries.

In first years, Solartour, was focusing on organising bus tours to Italy especially to Caorle / Bibione / Lignano region and on organising short one-day sightseeing tour to close destinations such as Wien in Austria, Budapest in Hungary, Prague in Czech republic and many other. Later on, the tour operator broadened its business into organising bus tours to Spain and airplane tours to Ukrainian Krym. When regular customers started to demand new destinations after couple of years, Solartour added destinations in Greece, Croatia and Bulgaria.

For summer season 2011 the product portfolio consists of destinations in Croatia and currently the most popular destinations in Greece – Olympic riviera, Khalkidhiki peninsula and Evia island.

Tour operator is situated in Martin city in Slovak republic. At this time, probably, there is one another tour operator present in the city, and of course there is number of independent travel agencies, which sell products of different tour operators for commission. Solartour is now formed as a limited liability company, but at the beginning started as a sole trader.

For last few years, Solartour has its office in shopping centre Prior near city centre and pedestrian zone, but in past Solartour had changed the office place several times. Besides the core business – organising summer holiday tours – travel agency Solartour also sells international bus tickets, plane tickets, tickets to sport or cultural event as well as holiday tours of other competing tour operators, especially to countries where Solartour does not organise holiday tours itself.

## **3.2 Macro environment**

At the beginning, PESTEL analysis is used to analyse Political, Economical, Social, Technological, Ecological and Legal factors of the environment. Then, possible changes in the environment are discussed and factors influencing globalisation are identified.

### **3.2.1 PESTEL analysis**

Following analysis will consider the target of the company which is country of Slovakia.

#### **3.2.1.1 Political**

Slovakia is relatively young democratic country with high level of political stability. Currently, country is governed by right-wing coalition of 4 political parties. In last several elections no party was able to get majority of votes, so the government was always created by negotiation between more parties. That is why radical changes in laws are not common, and wide agreement between several political parties is needed. Slovakia is part of EU, NATO, OECD and other multinational organisations which secure political, economical and military stability in the country.

#### **3.2.1.2 Economical**

Thanks to opening the market for foreign investment and number of reforms governments in Slovakia as well as other Central / Eastern European countries introduced in the last decade, the counties has been experiencing fast growths of their economies. This brought new job opportunities and consequently pushed the disposable income of population higher. From 1993 till 2009 the GDP of Slovakia was raising by 7.12% on average (see APPENDIX 1) and the average salary was raising by 8.43% on average every year (see APPENDIX 2). With the rising living standard, the demand for goods and services was rising as well. After the recovery from the global economic recession, it is expected, that the demand for travel services will be rising again (WORLD TRAVEL & TOURISM COUNCIL, 2010). However, based on the data from UniCredit Bank and Eurostat, the domestic demand for in retail still have not recovered from recession. (KORŠŇÁK, 2011) Slovakia entered Euro zone and replaced Slovak crown as a currency in 2009. In last few years low inflation rate could be observed so the prices are relatively stable. Unemployment rate is quite high with approximately 12.3% in June 2011.

#### ***3.2.1.3 Social***

It is important to remember, however, that the raise in demand in Slovakia is caused not only by rising living standard, but by demographic structure as well. Age from 30 to 40 year-old is currently the most significant part of population, which is also the target group for travel agencies (MAJEROVÁ, 2009). It is necessary to keep in mind that after this group reaches ages over 60, due to the demographic development (see APPENDIX 3) the market for travel services may start to decline. From the educational point of view, the portion of people with university education was 14% in 2006, but the aim of government is to rise this number in the future (ČTK, 2008).

#### ***3.2.1.4 Technological***

From the technological point of view, the environment is very dynamic. With lower costs of personal computers, better computer literacy and higher penetration of the internet, the traditional way of looking for information, producing or shopping for goods and services is changing. A research done by Faktum Invenio (2008 cited in MAJEROVÁ, 2009) shows that the portion of population who use internet older than 15 years grown from 16% in year 2001 to 60% in year 2008. The same study revealed also that the percentage of holidays sold on-line was rising from 4% in 2004 to 12% in 2008 in Czech Republic. For an on-line travel agent this means that its market grew rapidly – approximately three times over a very short period of time.

#### ***3.2.1.5 Environmental***

With the global warming, also the climate of Slovakia is changing. Floods, heavy rains and winds are generally more common than in the past. Most of the extreme weather exposures happen during the spring and summer periods. This affects also the decisions of customers to travel – and thus leave their properties unattended, which is bad for tourism industry. Also, with warmer summers, customers may be less willing to travel to traditional summer destinations.

#### ***3.2.1.6 Legal***

The nature of the business requires that customers pay for their holidays in advance. Because of this fact and the fact that travel agencies are dealing with considerable amount of money, it is set by a law who can operate this kind of business. The Trade Licensing Act in Slovakia states that running a travel agency is a bound concession and

a higher education with at least three years experience is needed to get it (Základné legislatívne podmienky podnikania v cestovnom ruchu, 2005). Beside this restriction, it seems that government does not regulate travel agency companies by other legislation in any other way.

### **3.2.2 Possible changes in the environment**

Every environment is experiencing faster or slower changes over time, and for every business, it is necessary to forecast possible changes within its environment. After the examination of factors in PESTEL analysis, some factors revealed possible instability. To overcome potential mistakes based on static PESTEL analysis, several possible changes in the environment will be discusses.

- Even though in Political factor, the situation has been evaluated as stable based on historic data, it is becoming very interesting to observe the situation in preferences of political subjects in the country now. Some agencies have reported that the biggest party currently in opposition could form a government on its own if the election would happen in March 2011 (FOCUS, 2011).
- From economical point of view, in last two years – after the economic recession, interest rates started to rise again. Currently the interest rate in main refinancing operation set by European Central Bank is 1.50 in contrast with 1.00 % in 2009. If this trend continues, this could lead into rise of cost of capital for companies and lower their profit margins. Also, it may discourage companies to invest in general (NBS, 2011).
- Also, the unemployment rate could fall if the predicted economic growth will be achieved and it can reach the level from before the crises. Currently the unemployment rate is 12.3% in contrast with 7.4% in June 2008. This can complicate the hunt for new skilled and experienced employees and make them more expensive to the employers (Vývoj nezamestnanosti, 2011).

Even though these changes are just forecasted, is it important to mention them to remember that environment is dynamic and changes over time.



### 3.2.3 Globalisation factors

The trend of globalisation nearly in every industry cannot be overseen. Because of that, this chapter will try to identify the factors which drive companies to globalisation. These can be later labelled as Opportunities or Threads and can influence organisational strategy in the future.

- First factor can be that the travel agencies are following their suppliers – tour operators - to new markets. In the tourism industry probably the hotel owners were the one to go global, creating networks of identical hotel across the world. Tour operators followed this trend and when they had established relationships with the suppliers, they started to offer their services in different countries. Recently, also the travel agents started to expand geographically to use existing networks of contact as well as exploiting their know-how and technology.
- Another factor is the willingness of customers to travel to more distant airports. The example of customers from Bratislava can be considered to illustrate the advantage of multinational travel agency. If a travel agency has its subsidiaries also in Czech republic, Austria and possibly Hungary, it can offer holiday tours also from tour operators from these countries and their airports which are very close to Bratislava (Wien, Brno and Budapest). This was, multinational company gain a competitive advantage against its national competitors.
- Last identified factor is the ability to negotiate better conditions when making higher sales volumes to the tour operators. Often, the reward for selling a holiday tour is dependent on the overall sales volume. Tour operators try to motivate travel agencies to recommend their products and they offer bonuses for overstepping specific sales levels. These are usually in form of free holidays and in form of higher provision for sales.

These factors can be evaluated both as Opportunities as well as Threads, because it is highly dependent on the company and how can it deal with the changing and globalising environment. This work will try to answer the question if they are Opportunities or Threads after internal analysis of the company.

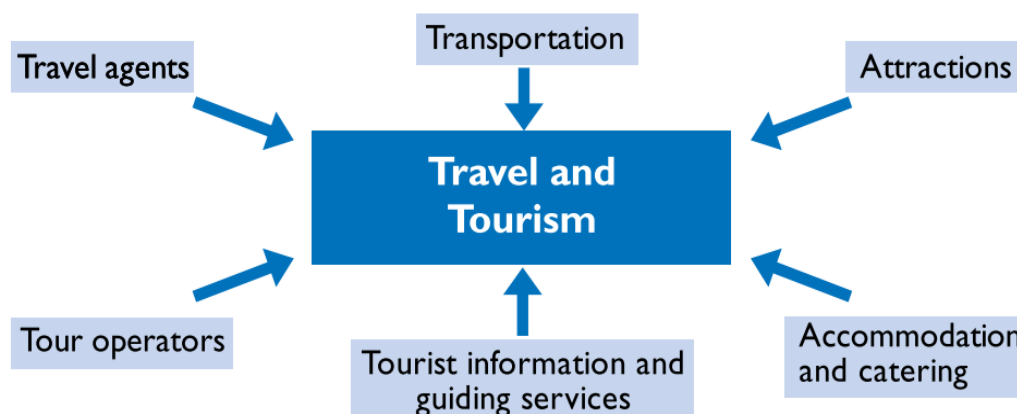
### 3.3 Micro environment

This chapter will take a closer look at the micro-economic environment. Firstly, tourism industry will be defined and briefly analysed and trend and development will be discussed. This will be followed by Porter's analysis of five competitive forces. Results of primary research focused on the study of customers and their willingness to buy holiday tours over the internet will be presented as well as analysis of the closest competitors and the identification of key success factors in this industry.

#### 3.3.1 Characteristics of the environment and its structure

It is necessary to understand how and where the company operates - that is why, the analysis of business environment is essential for a business plan. Firstly, this chapter briefly looks at the tourism industry and its division. Secondly, this chapter analyses the business environment using PEST analysis and Porter's Five Forces Model. Lastly, the proposed company is reviewed using SWOT analysis suggesting potential strengths, weaknesses, opportunities and threats it can encounter.

**Travel and tourism industry** - At the beginning it is important to define what the term tourism means. According to World Tourism Organization (2011, p.1), tourism is a set of "activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes". Figure 3 shows six key components of this sector as identified by Rowe, Smith and Borein.



**Figure 3 Components of Travel and Tourism Industry (Source: ROWE, SMITH, BOREIN, 2002, p. 8)**

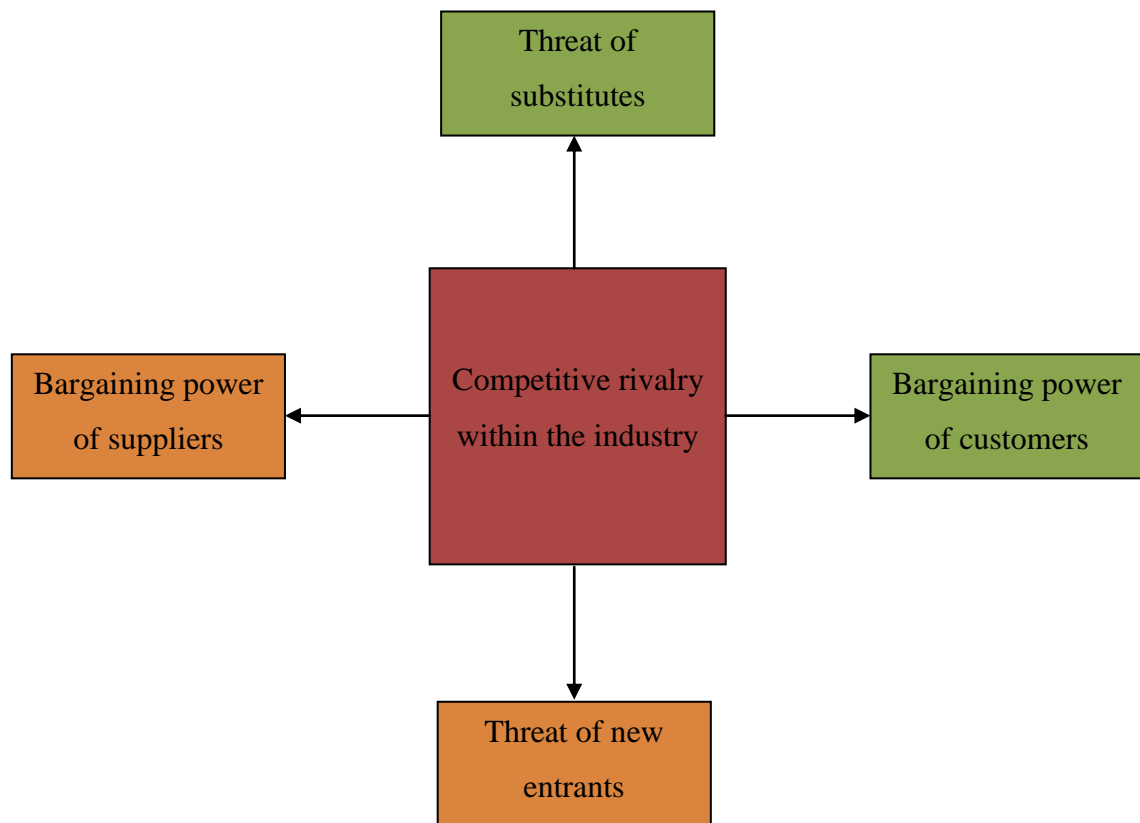
Travel agents (also called travel agencies), as one part of the key components, are the most important for this thesis, because the proposed company belongs to this category. However, it is important to remember that all these components work together and are equally important for the success of the whole industry.

Based on the study by World Tourism Organization (2010, p.10) most international travels “place within the traveller’s own region”. This means, that most of the people are travelling across their own region for holiday. The number of Europe’s international tourist arrivals was rising on average by 2.2% in years 2000 – 2009 despite the global economic recession and the decline in year 2009. Travel and tourism industry in Europe is rising in long-term and according to Tourism 2020 Vision (WORLD TOURISM ORGANIZATION, 2010) it will be rising also in the future. Evidence shown to support this statement were the rising living standards and many emerging economies in Central and Eastern Europe which has shown a fast growth rates over the past years (WORLD TOURISM ORGANIZATION, 2010). This makes tourism sector and Central / Eastern Europe region attractive for investments and possibly companies looking for expansion opportunities.

### **3.3.2 Analysis of competitive forces (Porters 5 forces model)**

Porters five forces model is an excellent method to use to analyse a particular environment of an industry. In this work, Porters 5 forces model will be used to find out more about the tourism industry and particularly the segment of travel agencies.

The strength of specific forces is illustrated on the picture below where red colour indicates very strong force whereas green colour indicates weak force.



**Figure 4 Diagram of the strengths of Porter's Five Forces**

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

It is very difficult to identify which companies are the real competition for a travel agency. The problem is that customers behave differently in various situations and prefer to buy services from different types of companies. In one case a travel agency organising a holiday tour or in another case a hotel providing on-line booking to potential customers directly can be considered to be competition for a travel agent. However, direct competition is only local travel agents and national on-line players such as: [invia.sk](http://invia.sk), [zajazdy.sk](http://zajazdy.sk), [dovolenka24.sk](http://dovolenka24.sk), [123zajazdy.sk](http://123zajazdy.sk) and others. All components of the tourism industry compete for the same customer, but at different levels. Considering there is a significant number of companies fighting at the market, the rivalry can be considered to be high.

#### ***3.3.2.2 Threat of substitutes***

Most of the holidays sold by travel agents are tours to other countries. A substitute for this could be a domestic holiday and travelling of customers on their own, that is why a threat of substitutes is low (MAJEROVÁ, 2009, DOLÁKOVÁ, 2008).

#### ***3.3.2.3 Threat of new entrants***

Because of legislative barriers to enter the market are not high and that travel agents actually do not have their own product, threat of new entrants can be seen to be relatively high. Customers tend to be more loyal to the tour operators who actually organise the holiday than to the travel agency who just secures the transaction. For a new national on-line travel agency the capital requirements could be considerably high, but definitely lower than the first comers to the market - caused by standardisation in data exchange between travel agencies and tour operators in last years (CUGEREAN, 2008). However, some experience, and know-how is needed to start a business in this sector. This is the reason for the threat of new entrants to be moderate.

#### ***3.3.2.4 Bargaining power of customers***

Consumers in this industry are mostly individuals or families and small and medium enterprises (DOLÁKOVÁ, 2008). Customers have the opportunity to choose between specific offers, but they do not have enough power to bargain. Even though there is a significant amount of offers available, customer does not have perfect information about them, and the offers differ from each other for example in term, destination, hotel, transportation, length of stay, programme, diet, etc.

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

Suppliers of a travel agency could be divided into two groups. On one hand, there are small tour operators which are dependent on travel agencies selling their product. These suppliers have a low bargaining power, because without travel agencies selling their products they would not be able to find the customers themselves. On the other hand, bargaining power of big tour operators is considered to be high. This is caused by a degree of differentiation of their products as well as their ability to vertically integrate and sell their products through the network of their own selling places. Because the bargaining is mostly about the provision the travel agency gets, they are able to

negotiate better conditions with smaller players on the travel market than with big, sometimes even multinational tour operators (DOLÁKOVÁ 2008).

### 3.3.3 Analysis of customers (primary research)

After brief analysis of Porter's Five Forces model, it is reasonable to research more on the topic of potential customers. For any business to be successful, it should identify potential customers and then create strategy to address these customers with the right offering.

Because a study of what is the target group for an online travel agency in Slovakia could not be found, this analysis will be performed by primary research method. The main question this research is trying to answer is: **Who are the customers of online travel agency and what products are they looking for?** Supplementary goal of this research is **to identify competing online travel agencies** which are commonly known by the general public.

By observation and with experience gained while working in this company, several characteristics of potential customers could be identified. First factor is the access to the internet. For an online travel agency, potential customers are narrowed down at the very beginning by this factor. From statistics provided by Solartour, the buyer who is communicating and signing the contract is in most cases female, aged between 18 and 65 years. With the assumption that internet access is required, the potential customer will probably have higher education and higher disposable income.

The subject of education and income are the basic presumption for the question of what products should be offered online. Holiday tour with airplane transport in better equipped 4 or 5 star hotels with additional services included, such as all inclusive diet policy can be expected.

These observations can be formulated to hypothesis this research will test by the method of questionnaire.

**Customer:**

- Female
- Aged 18-65
- Highly educated
- Already bought other products online

**Product:**

- Holiday tours with airplane transportation
- Convenient price / services ratio

**Competing online travel agencies:**

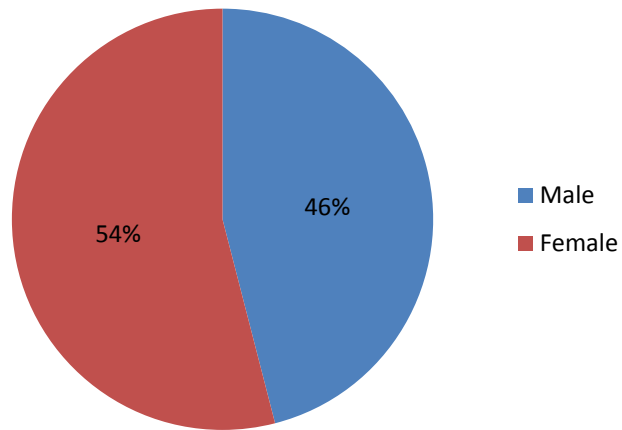
- Invia.sk
- Zajazdy.sk

This hypothesis will be tested by the questionnaire which will be distributed both electronically as well as in paper form. Only people with access to the internet will be asked to fill in the paper form.

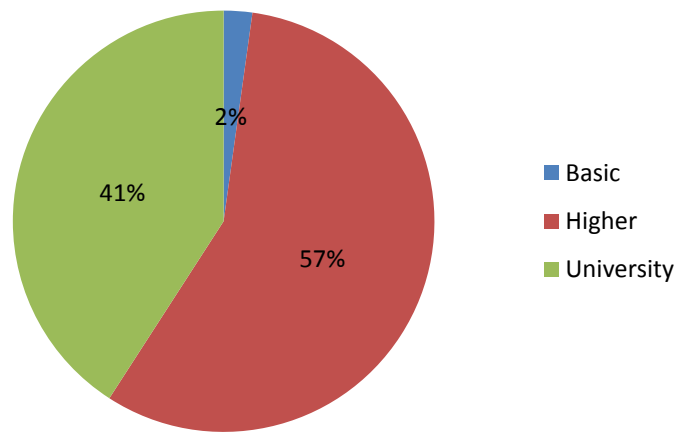
The questionnaire was firstly tested on the sample of 6 people. This test revealed few weak parts with missing answers or unclear questions. There have been corrected in the questionnaire and final questionnaire (see APPENDIX 5) has been distributed. This chapter will analyse the results of this research and present the conclusion and value of this study.

**Basic data and demographics**

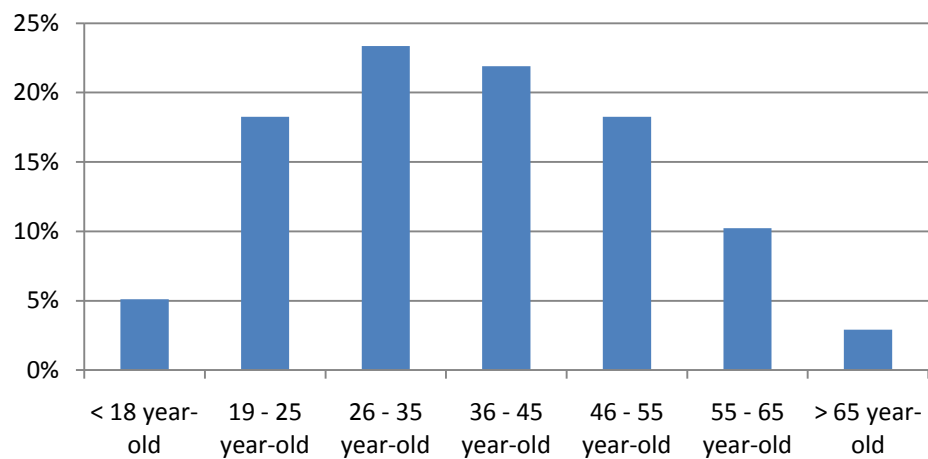
Total number of 137 filled-in questionnaires has been collected. From this number 54% were filled-in by women and 46% by men. The strongest group based on age was from 19 till 45 year-olds. Mostly people with higher education have taken part in this research and 41% of people were with university education. This may be influenced by the structure of the social network of the author, but generally all age groups and educational levels have been involved. The graphs below illustrate stated data.



**Figure 5 Research results – Sex**



**Figure 6 Research results - Education level**

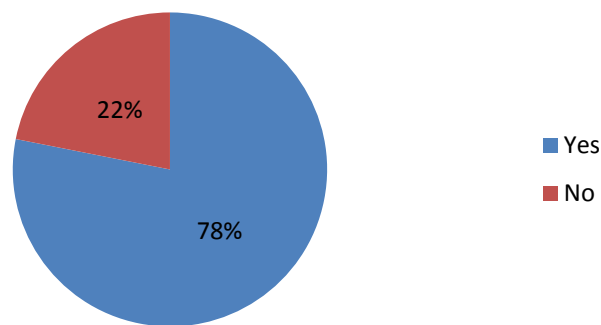


**Figure 7 Research results - Age**

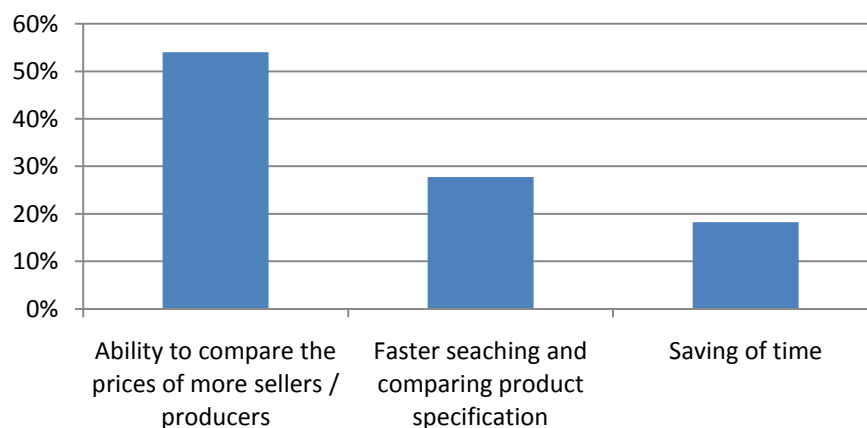


### **Experience with e-commerce**

Second part of the research has been focused on the people's experience with online shopping and the main reason for choosing e-commerce instead of traditional form of buying products and services. In the past, a significant level of disbelief could be observed in Slovakia regarding online shopping as people were not used to this form of shopping and did not want to risk losing their money in case of dishonesty on the side of the seller. The research has found out that 78% of people have already bought something over the internet. This is very surprising finding which uncovers that people have already lost their initial fear of new technology and tried to use it in their own advantage. The main reason for online purchase was the ability to compare the prices of more sellers / producers and choose the cheapest one. This also indicates the price sensitivity of the customers.

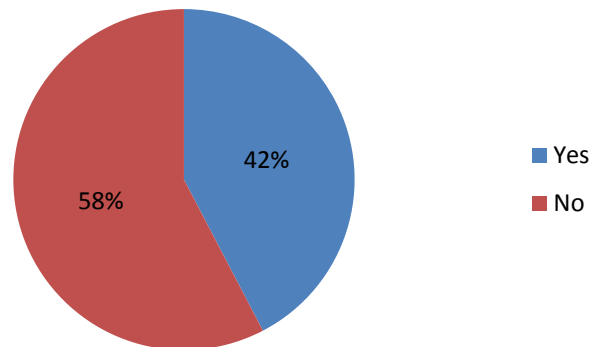


**Figure 8 Research results - Have you have bought any product online?**



**Figure 9 Research results - Reasons for e-commerce**

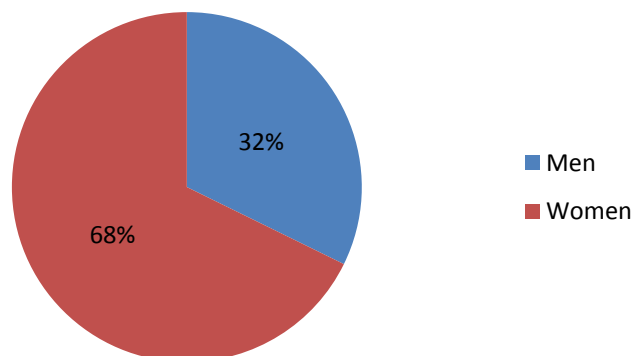
On the other hand, only 42% of people have considered booking their holiday tour over the internet. This probably means that even though they have tried some form of e-commerce, probably products like books or music / movies have been purchased because of their lower price.



**Figure 10 Research results - Consideration of online booking of holiday**

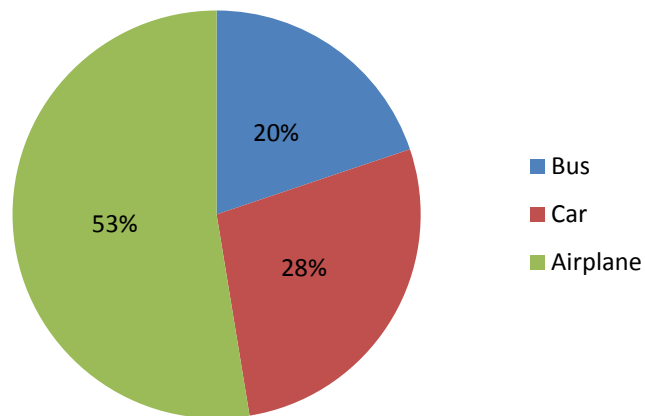
### **Target group**

Another part of this primary research was the identification of target customer group and target product. Analysis of the potential customers and identification of target group is very important, because it influences the company's strategy for the future. The hypothesis that the customers of travel agency are usually women has been accepted as the research shows that in 68% of cases the decision about the holiday is done by women in the household. This is very helpful information mainly for targeting the marketing campaign.

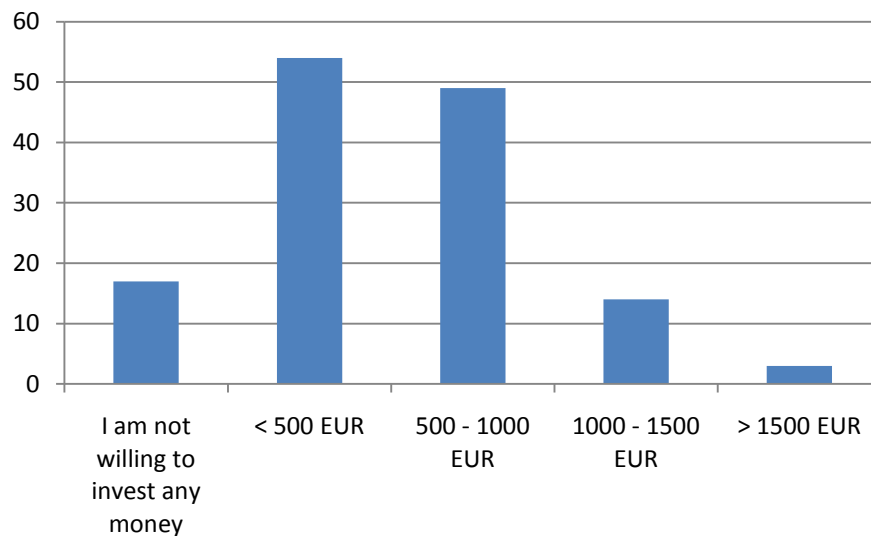


**Figure 11 Research results - Who is in charge of choosing holiday tour**

In addition to who is the customer, this research tried to identify the main product of the travel agency in terms of price as well as type. The research has revealed, that majority (53%) have used airplane transportation for their last holiday tour. From the question of money, people usual do to want to spend much money for holiday, and most of them are willing to spend less than 500 € per person including transportation cost and other obligatory costs. Diagrams below show this information in more detail.

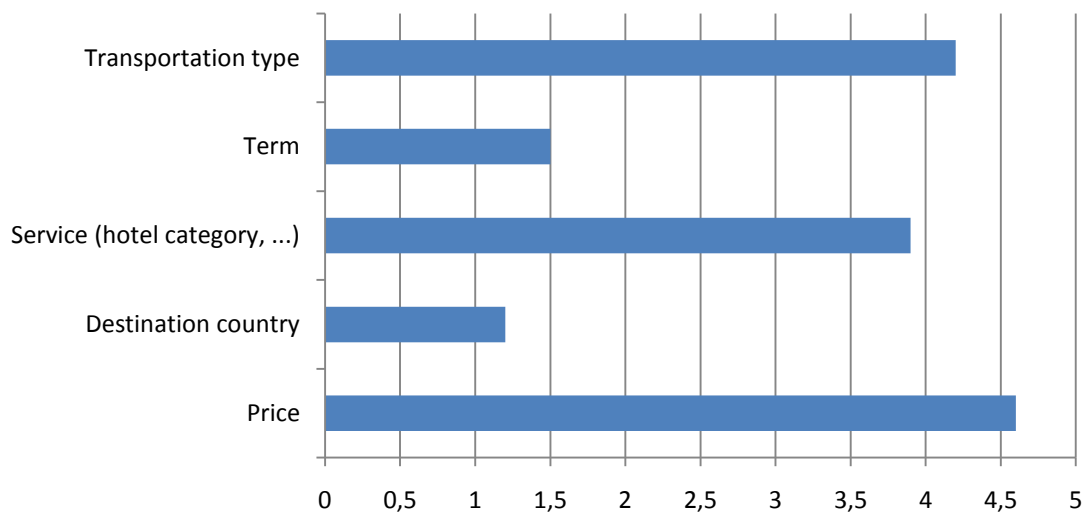


**Figure 12 Research results - Transportation type**



**Figure 13 Research results - Acceptable price**

Last question in target group section was focus on the preferences of customers while choosing their holiday tours. Because of variety of factors and the width of the offering, finding a perfect match for the customer is not possible in most cases. Based on this knowledge, this research tried to identify which factors are more important for the customer and which and not important at all. 0 points represent no influence and 5 points represents significant influence on the choice.



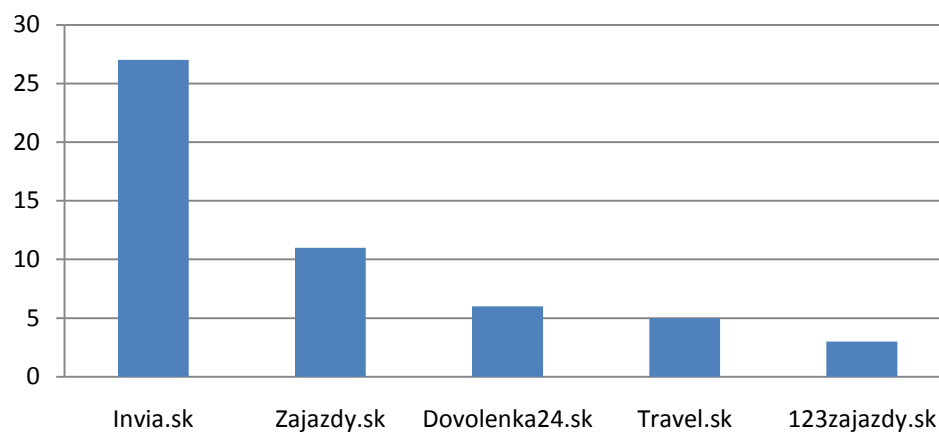
**Figure 14 Research results - Wight of factors in decision making**

This means that for customers the transportation type, the level of service and final price are of the biggest importance. The term and destination country do not play as important a role in their decision making. This also underlines the price sensitivity of the customers and suggests that if the travel agency wants to be successful it needs to promote tours with the best price / value ratio currently present on the market.

### **Competition**

Firstly, from 137 returned questionnaires, only 41 people were able to write a name of an online travel agency. Websites of classical tour operators were not taken into consideration. Some people were able to write more than one online travel agency. Based on collected data, the best known online travel agency is Invia, which has been written 27 times. The low number of answers indicates that the brand awareness of

competing companies is low and thus people are not familiar with the companies competing on this market.



**Figure 15 Research results - Competition recognized by public**

Next chapter of microeconomic analysis will analyse three biggest competitors online and provide identification of their strategies.

### 3.3.4 Competition analysis

As explained previously, the competition for online travel agency is the high number local travel agents and several on-line national travel agents. Base on the research there is one multinational travel agency present in the Central / Eastern Europe – Invia, a.s.. Its main competitor competitor – NetTravel on Slovak and Czech market has been bought by Invia in 2009. However, there is a smaller competitor - Zájazdy, a.s. (operating Czech and Slovak market). Unfortunately, smaller competitors like dovolenska24.sk, 123zajazdy.sk and other local travel agents do not publish their economical statistics. Therefore the number of customers and their turnover could not be analysed

Even though the information about competition is very limited, this chapter will try to identify and briefly analyse strengths and weaknesses of three main competitions focusing their operations on the internet.

- **Invia.sk** is the biggest competitor on the market. For this reason, the analysis of competition will focus on this company. Company was established in 2000 in

Czech Republic with the aim to aggregate offerings from various tour operators, compare them and sell them for provision on their website. In 2004 company attracted an investment from swish company Contralway Holding AG and started to prepare for expansion. The vision of the company states clearly, that it wants to become the biggest on-line seller of holiday tours, air tickets and accommodation in Central Europe. Thanks to Contralway Holding AG as well as new investment from polish private equity company MCI Privateventures FIZ, Invia.cz could expand to new markets located in Central and Eastern Europe and make another step to fulfil its vision. Besides expanding to Slovakia and creating Invia.sk, subsidiaries in Poland, Hungary and Romania were created (Invia.pl, Invia.hu and Invia.ro). In year 2009 it also strengthened its position in Czech and Slovak market by acquisition of their main competitors – company operating sites Nettravel.cz and LastMinute.sk.

On Slovak market, Invia is the biggest travel agent. It served more than 16.000 customers in 2010 with the turnover of more than 9 million EUR. From the beginning of the company in 2002, it has experienced a rapid growth and ranked 8<sup>th</sup> in Delloite's Technology Fast50 Index 2008 of fastest growing technological companies in Europe with a growth rate of 2.001% in last 5 years (INVIA.SK, 2011).

Main strength of this company is the market share it controls and the strong financial background. Many customers have already tried its services and if they were satisfied with the services, there is no reason for them to switch to other online travel agency. Also, Invia claims that they process data from more than 300 travel operators in Czech Republic and Slovakia which is probably the largest offering on the market. Another strength of this company is a large database of user experiences from their holidays. Even though tour operators provide basic descriptions of the hotels and resorts, reviews written by tourists who have already been in particular hotel are considered to be more credible than tour operator's descriptions. This provides competitive advantage from other travel agencies.

From the side of weaknesses - descriptions of holiday tours on the website are incomplete and sometimes even wrong. Also employees of the company work mostly part-time and are usually students without proper training and motivation. This causes that potential customers are doubtful about the quality of the service.

- **Zajazdy.sk** – second biggest competitor's strategy is little bit different. This company does not process data from as many tour operators as Invia, and it states clear restrictions for tours on their website. For example, this travel agency does not sell one day trips or other cheap trips with price lower than 30 EUR per person or does not cooperate with tour operators who provide lower commission than 10%. This travel agency processes data from 50 Slovak tour operators and in Slovakia its turnover in year 2010 was 3.6 million EUR (ZAJAZDY.SK, 2011).

Advantage of this company on the market is that they know the product better because the offering is not that wide as in Invia's case. Also, they employ their call-centre operator full-time which secures better training and loyalty. Another strengths is the independence from various financial groups, because this company is still owned by Czech capital.

Even though company was established in year 2000 – same as Invia – it did not manage to gain the market share same as its main competitor. Because it does not process data of as many tour operators as Invia, its weakness is probably technology – either the technology is too expensive, so the company is choosing with which tour operators it will cooperate or the technology they developed is not able to process various types of data formats. Also, if the prices for holiday as set by tour operators, this company is not as successful in attracting new customers and therefore marketing could be identified as a weak point as well.

- **Dovolenka24.sk** is younger company compared to two analysed earlier. It has been established in 2005 and in last 6 years it became one of the prominent travel agencies present on the internet. The turnover of number of customers are not available, thus cannot be compared with other companies. (DOVOLENKA24.SK, 2011).

Main strength of this travel agency is its strong focus on holiday tours to Turkey. Employees as well as the owner of this company visited most of the hotels they offer on their websites by themselves and created information videos about the hotels. Also, majority of hotels are localised on the satellite map using Google Maps technology, so that the customer has better information about the location of the hotel. This video material and maps represents a large competitive advantage, because it is an added value to the customer, which cannot be found elsewhere (description and images are usually given to the travel agency by tour operator and therefore are the same on every website).

This strong orientation can be seen as a weakness as well. Because this company focuses on one country, it loses positions in other country markets. This strategy can be effective in short run – for example till Turkey is very attractive and popular among tourists, but can represent a threat in case of unpredictable situation in this country (as for example political instability as happened in Tunisia, Egypt or Morocco). Also, Dovolenka24.sk offer holiday tour of only 7 partner tour operators. There is larger number of tour operators organising holiday tours to Turkey, so a problem with technology and automation of data processing is probably a weakness of this company as well.

From this analysis of main three competitors in online travel agency industry, three different strategies can be identified. Invia.sk focuses on getting the market share as high as possible with the offering as wide as possible. Zazazdy.sk, on the other hand, tries to provide better service to the customer by choosing partners to operate with and tries to maximise profits which can be seen from requesting minimum commission. Lastly, Dovolenka24.sk focuses its strategy on creating and providing new and better



information about the holiday tours with focus on one country. Because complete financial information about these companies cannot be found, objective conclusion which strategy is the best cannot be made. However, if these companies survive in the competition and operate for several years, all strategies are probably profit making and could be taken as an inspiration for Solartour's strategy in future.

### **3.3.5 Key success factors**

To be successful on the market, it is important to identify the key success factors of the industry.

#### **3.3.5.1 Marketing**

In the tourism industry, it is common that the prices of specific tours are set by the tour operator and travel agencies do not have a right to change them. When the prices are set, it is difficult for travel agencies to differentiate between themselves. Better marketing is considered to be a key to build a strategy to success in the travel agency's industry (BENNINK, 2006).

#### **3.3.5.2 Wide range of products**

Second important factor for a travel agency is to offer the customer a wide choice of products (holiday tours). It is essential to have knowledge about as many tour operators on the market as possible and know where to look for a particular holiday of customer's choice. Implementation of an appropriate information technology could be answer to store and manage essential knowledge (ŠMARDOVÁ, 2009).

#### **3.3.5.3 Complete and detailed information**

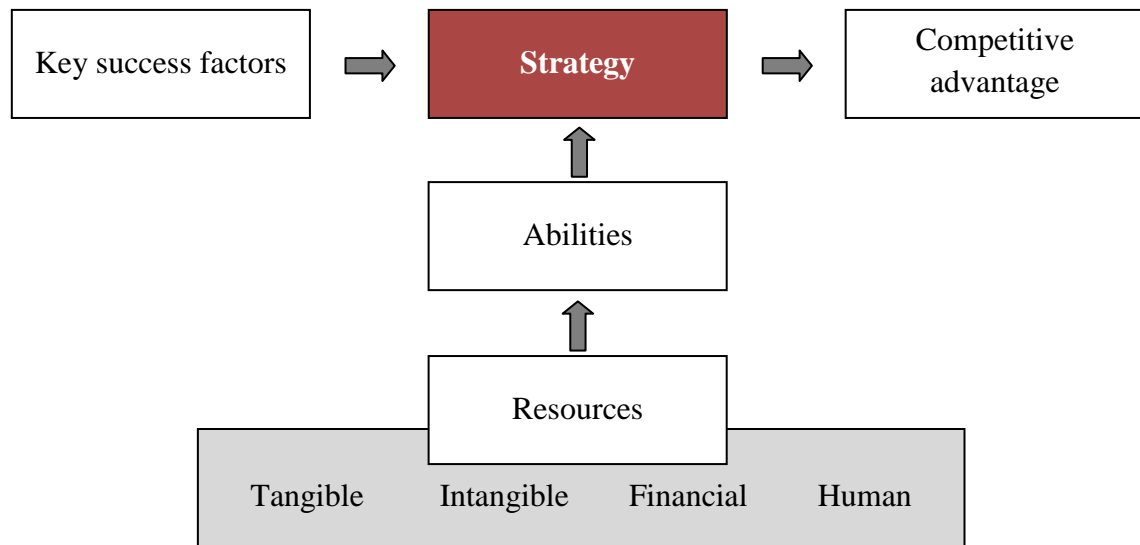
As can be concluded from the competition analysis, complete and detailed information are essential if the company wants to gain competitive advantage. If all necessary information cannot be obtained from organising tour operator, travel agency can invest time and resources and acquire these information by themselves. Reviews written by customers or videos and maps from the holiday locations have been identified as factors which provide competitive advantage and consequently success in this industry.

## **3.4 Analysis of internal resources and abilities**

Analysis of internal resources and abilities represents a diagnosis, audit or examination of current situation of the company, which enables to specify its sources and abilities

and to forecast the development at the same time. The aim of this analysis is to identify strategically important resources and abilities and specify the strengths of the company as sources of competitive advantage (SEDLÁČKOVÁ, BUCHTA, 2006).

When the resources are combined or used by the abilities of the company and are relevant with the key success factors, with proper strategies a competitive advantage can be created. Diagram below shows this relationship.



**Figure 16 Relationship between resources, abilities, competitive advantage and key success factors (Source: SEDLÁČKOVÁ, BUCHTA, 2006)**

### 3.4.1 Identification of resources

Resources of the company are all tangible or intangible items with significant value for the company. These resources can be divided as follows.

#### 3.4.1.1 Tangible resources

From this perspective, company Solartour does not possess any equipment, land, buildings or transportation vehicles with significant value. The reason for this can be the fact that this company operated in services and heavy machinery or equipment is not required for production. (However, it is necessary to remember, that some tour operators performed vertical integration with its suppliers and acquired tangible properties such as apartment houses or hotels as well as means of transportation such as

buses or planes.) On the other hand, Solartour operates a sales office in shopping centre Prior in Martin. Even though the premises are rented, it represents great value because of its good position and returning customers who are accustomed to buy its products.

#### **3.4.1.2 Human resources**

Currently, Solartour is owned by two partners and the company employs one full-time employee working as a general administrative assistant and two part-time employees working on research and development of information technology. The fact that the company operates in this industry for 21 years and that the owners are still working in this company suggests that they represent a strong asset for the company which cannot be easily replaced. Also, part-time employees who are developing information system for the company have strong motivation and drive the company towards innovations. This can lead into gaining competitive advantage in future.

#### **3.4.1.3 Financial resources**

Financial structure of this company is fairly simple. Currently it is fully self-financed and does not have any long-term debts. Compared to competition which is partially financed to private equity funds and have liabilities towards banks or other financial institutions, this company can take whole profit and invest in further innovation. Because of its long term presence on the market, company has developed good relationships with local banks and is able to use borrowings to finance short as well as long term projects with reasonable conditions.

#### **3.4.2 Intangible resources**

This is probably the biggest advantage of analysed company. For several years Solartour has been developing its own information system. This system is able to help with all processes needed to run a tour operator. However, it is also able to integrate with information systems of other tour operators to transfer data about destinations, hotels and holiday tour, the availability or current prices. This represents great value and competitive advantage, because when the company starts to sell products of other tour operators and focuses more on the role of selling the holiday tours instead of organising them (operate as a travel agency), it will have complete and up-to-date information about the products of its suppliers.

### **3.4.3 Abilities of the company**

In order to be successful on the market, it is not enough to possess relevant resources, but it is important to have abilities to use them. Proper abilities used to formulate strategy are the essence of creating competitive advantage.

In case of processing data from competing tour operators, Solartour manages to use the technological resources highly. Web based portal for comparison of offerings from various tour operators as well as detailed search engine has been developed. On the other hand, the owners who represent “the brain” of the company are not used efficiently in the human resources point of view. Highly qualified managers besides organising the holiday tours also work as sales people in the office and waste their time with marginal activities.

Even though the technological resources are used by abilities of the company to produce competitive advantage, the rate of rentability is low. Relatively expensive development of technology should be used more broadly to dissolve fixed costs in larger number of customers and revenues. This means that bigger company can have lower relative costs for one customer and can generate bigger profits or invest more to marketing or innovation.

From financial point of view, this work is not able to perform in depth financial analysis, because information about profits and detailed summary of sources of financing were not available.

The results of this analysis can be interpreted as strengths and weaknesses of the company and will be used in the SWOT analysis which is the synthesis of all previously performed analyses.

### 3.5 Synthesis of the analysis

The analyses performed previously represent just isolated information or knowledge about specific issue important in business. However, summarising previous analyses can bring integrated view on the market and position of Solartour in the market.

#### 3.5.1 SWOT analysis

SWOT analysis will be used to synthesize prior analyses highlighting Strengths, Weaknesses, Opportunities and Threats for the company. Most significant factors are highlighted in bold and will be explained in more detail later in this chapter.

<b><u>Strengths</u></b> <ol style="list-style-type: none"><li>1. <b>21 years experience in the industry</b></li><li>2. <b>Established office in Martin</b></li><li>3. <b>Internally developed IS with ability to integrate with tour operators</b></li><li>4. <b>Motivated employees for innovation</b></li><li>5. Self-financed (no debts)</li><li>6. Above standard relationships with other tour operators</li></ol>	<b><u>Weaknesses</u></b> <ol style="list-style-type: none"><li>1. <b>Low market share</b></li><li>2. <b>Low rentability and no scales of production</b></li><li>3. <b>Neglected marketing</b></li><li>4. Limited offering or self organized holiday tours</li><li>5. Human Resources management</li><li>6. No tangible assets or real value</li></ol>
<b><u>Opportunities</u></b> <ol style="list-style-type: none"><li>1. <b>Rising living standard and disposable income in long-term</b></li><li>2. <b>Willingness of people to buy products online</b></li><li>3. <b>Rising computer literacy and availability of the internet</b></li><li>4. Savings by standardisation in the industry in terms of data-exchange</li></ol>	<b><u>Threats</u></b> <ol style="list-style-type: none"><li>1. <b>New entrants on the market</b></li><li>2. <b>Ongoing economic recession and low domestic demand</b></li><li>3. <b>Rise in interest rates</b></li><li>4. <b>Political instability in target holiday destinations</b></li><li>5. Expensive labour</li><li>6. Globalising tour operators pushing commissions lower</li><li>7. Potential decline in demand caused by demographic development</li></ol>

Figure 17 Result of SWOT analysis

#### ***3.5.1.1 Strengths***

After the analysis of Solartour, some very strong characteristics have been identified. First of all, it is necessary to point out, that the company has been in business for 21 years and survived strong competition. The management and chosen strategies are definitely one of the strengths of this company. Established office with good accessibility is another strong asset of the company. Customers from Martin region have already accustomed themselves to come to this office to buy holiday tour of their preference. Another important strengths is the possession of own information system also to automatically process and update the offering from other tour operators. This system can be used to compare similar products from various tour operators and offer the customer best holiday tour available on the market at specific time.

#### ***3.5.1.2 Weaknesses***

On the other hand, despite 21 years of presence on the market, Solartour failed to gain respectable market share which would allow them to use economies of scale – thus the rentability of investment is very low. Also, weakness of Solartour in past years has been marketing when the company was not able to attract new customers or travel agencies selling their product and the sales were predominately generated by returning customers and old travel agencies. Also the offering of holiday tour organised the Solartour has lowered and the width of offering is lower than other tour operators in Slovakia.

#### ***3.5.1.3 Opportunities***

Based on the evidence from PESTEL analysis, company has the opportunity of gaining high market share on the domestic market, because of technological progress, economic growth and the rising tourism industry in long-run. Willingness of people to buy products online identified by analysis of the potential customers creates a possibility to focus on this sector and use this distribution channel. Rising computer literacy and availability of the internet also suggests that the internet creates an opportunity to gain bigger market share.

#### ***3.5.1.4 Threads***

One of the threads is an entry of new national travel agency company. As explained in Threat of new entrants' analysis, the barriers to enter are relatively low, capital investments are lower than before, so a probability of new national travel agency

operating on the internet is quite high. Relatively high unemployment rate, dynamic inflation (and consequently decline real wages) with combination of ongoing caution of Slovak households with purchases (compared to pre-crisis period relatively high tendency to save) will probably continue to hold home consumption to current lows. Also an unclear political situation in several travel destinations (Greece, Tunisia, Egypt) may lower the demand for travel agency services. The bargaining power of big tour operators can be seen as a threat as well, because of lower provisions from selling holiday tours.

### 3.5.2 Strategy

The SWOT analysis revealed that the company has more Strengths than Weaknesses, which is very positive, but the Threats in the market are bigger than the Opportunities which is negative. Based on theory explained earlier, *diversification strategy* should be suitable in this situation. In means to increase profitability through greater sales volume obtained from new products and new markets. At the business unit level, it is most likely to expand into a new segment of an industry that the business is already in. For a company operating as a tour operator in tourism industry, opening a branch focusing on selling holiday tours instead of organising them can be a feasible option. Offering holiday tours from other tour operators online can also eliminate the weakness of the company – limited width of organised tours as well as take advantage of opportunities of emerging market for online travel agencies.

Implementation of this strategy with forecasted time projection, sales and cost estimates as well as marketing, organisational and technological plans and financial plan are subject of next chapter where based of these estimates feasibility of this project will be calculated.

## **4 PROPOSAL OF THE BUSINESS PLAN**

After detailed analysis of internal factors of the company as well as external factors of the business environment summarized by SWOT analysis, proposal of business plan for Solartour will be presented in this chapter.

### **4.1 Decision about business type**

Firstly, the question of appropriate business type for the proposed project should be answered. In case of Solartour, there are two possible strategies.

1. Create a new, independent company operating only in travel agency business
2. Creating a branch within existing company focusing just on selling holiday tours

Both approaches have advantages as well as disadvantages. New company would be independent and could not be influenced by difficulties of the original company. Also, it would be easier to sell the company or it would be easier for a strategic partner to enter into the company. On the other hand creating an independent company would cost more money and will be administratively more demanding. For example separate book keeping would be necessary, separate bank accounts etc. If new company would be created, this business plan recommends creating a private limited company, because of the limit of partners for liabilities created in case of failure of the company.

Second approach brings mainly the advantage of reduced costs and the brand name of Solartour company. As mentioned previously, creating a branch within the existing company is less demanding and creating a new one and the running costs are lower as well. In addition to this, above standard relationships with other tour operators could be used to negotiate better conditions than would be able with newly created company. These conditions represent factors like the rate of commission, the payment conditions, or limits in reservation systems. Also, running an online travel agency does not represent significant risk for the mother company because of low capital requirements.

Because there is more advantages of the second alternative and because the existing company already is a private limited company as this business plan recommends, this work suggests creating a branch / business unit within existing company.



## 4.2 Time projection of start-up

To realize this project, required steps have been divided into few activity groups.

1. Hire and train operator(s) of the call-centre and part-time workers
2. Prepare office for the operators
3. Negotiate conditions of dealership with tour operators
4. Prepare and process data and adapt exiting website to be able to display products of other tour operators
5. Prepare marketing materials

These four groups are the main activities that need to be done before the online travel agency can start doing business. These activities are not related and can be performed simultaneously by different people.

Each of these activity set can be divided into processes with necessary time to finish the process and aligned in order they need to be executed. This chapter will list all necessary processes in the group and present them in form of a Gantt chart for better image and understanding.

### 4.2.1 Hire and train operator(s) of the call-centre

This activity set consist of these processes:

- Advertise available jobs in newspaper / internet portal (< 1 day)
- Wait for reaction (15 days)
- Conduct job interviews (2 days)
- Summarize interview and make decisions (1 day)
- Training and getting experienced (5 days)

### 4.2.2 Prepare office for the operators

Because current offices are currently fully occupied by current employees, it is necessary to rent new premises for online travel agency office. Because this premises will be used mainly for a call-centre, its locations is not as crucial as with offices which are opened to customers. These are the necessary steps:

- Contact local real estate agents and ask for offers (5 days)
- Analyse the offerings, visit the offices and choose the best option (3 day)

- Purchase necessary equipment such as furniture (5 days)
- Secure internet connection and configure ICT (4 days)

#### **4.2.3 Negotiate conditions of dealership with tour operators**

This activity set is very hard difficult to forecast. Solartour already has contracts with many tour operators, but new ones will have to be created. This is the list of processes that have to be carried out:

- Create list of tour operators with whom Solartour does not have contract about dealership (2 days)
- Send mass mail to these tour operators (1 day)
- Receive replies with proposed dealership conditions and reply with suggestions and improvements of proposed contracts (10 days)
- Sign the contracts (1 day)

Negotiation of better than standard conditions will be probably very hard with tour operators with no history of cooperation. These companies have no real reason to proceed with better conditions when no previous cooperation has been made. On the hand, tour operators with whom Solartour cooperated in the past may proceed to better conditions regarding selling their products online, because it broadens functional cooperation and brings new potential income without any additional costs (for example no paper catalogues are needed, no need to train employees about the reservation system, no need to teach the technique of sales etc.).

#### **4.2.4 Prepare and process data**

Preparing an algorithm to automatically process data of tour operator and update the data on regular basis is one of the key processes in his project. This will be probably also the process which will take most time of preparation. Main problem of this process is that there is little standardisation in data exchange and even though tour operators provide their data in structured and processable format, nearly every tour operator uses their unique format for the data. This means, that it is necessary to develop new algorithm for every tour operator.

Another problem is, that every tour operator uses different product tree. This means that even after the data are processed, the data cannot be used until their structure is mapped

on the existing structure present in the system. This inconsistency can be illustrated on this example: One tour operator has 3 level product tree and a hotel called “Kolymbia Star” in village Kolymbia in Greece will be categorized in “Greece / Rhodos / Kolymbia Star”. Another tour operator may categorise it in “Greece / Kolymbia / Kolymbia Star”. Last tour operator in our example may have 4 level product tree and this hotel will be categorised in “Greece / Rhodos / Kolymbia / Kolymbia Star”. In order to overcome this inconsistency, every imported hotel needs to be mapped to previously created category. This mapping is a subsequent process of importing and in many cases can be more time consuming than programming the algorithm.

It is strategically important to keep the product tree consistent, because it is used by search engine. If the product tree was not created consistently, users of the system may get confused and switch to competition.

The complete list of activities connected with preparation and processing of data and adaptation of their structure to be able to fit to existing product tree on the website is as follows: (for every tour operator.)

- Analysis of the source of the data and its format (1 day)
- Programming of the algorithm for automatic data processing and updates (2 days)
- Check for correctness of imported data (1 day)
- Mapping of imported hotels to existing product tree structure (1 - 5 days – depending on the number of hotels)

This business plan recommends to process data from 15 largest tour operators on the market who provide their data in structured format in the first year. The list of these companies as well as the format they are using can be found in Appendix.

#### **4.2.5 Prepare marketing materials**

Lastly, before everything else is prepared, marketing campaigns have to be created. Because the proposed project is based on the internet, only online marketing materials will be considered in this business plan.

- Preparation of text and keywords for CPC campaigns (2 days)

The start date for the project was set to September 12<sup>th</sup> 2011. This date is reasonable because in the half of September all tours organized by Solartour will already be departed and based on the length on the project it will still be possible to finish preparation before beginning of December which is the starting date for selling products for next season.

Specific tasks have been assigned to 4 different people – One of the owners – Jaroslav with blue colour, one of the current part-time worker – Robert with orange colour, another part-time worker – Martin with green colour, and new full-time employee (FTE) with new part-time employee (PTE) with red colour.

Total length on the project is 55 days and the total of 1296 hours will be needed. Forecasted costs of extra (part-time) human resources will be 3448 €. This does not include the salary of the manager and the cost of new fulltime employee. This will be present in finance plan later in this work. The costs of new part-time employee is calculated as 3.20 € and cost of current part-time employees is 5.00 € per hour.

For the purposes of this business plan all process's lengths have be rounded to full days. In practice, some processes may consume less time and thus make it cheaper.

All mentioned processes that need to be finished before the online travel agency could be started are illustrated on the Gantt chart below.

**Table 2 List of tasks and processes**

<b>Task Name</b>	<b>Duration</b>	<b>Start</b>	<b>Finish</b>	<b>Resource Name</b>
<b>Advertise available jobs in newspaper / internet portal</b>	1 day	Mon 12.9.11	Mon 12.9.11	Jaroslav
<b>Wait for reaction</b>	15 days	Tue 13.9.11	Mon 3.10.11	
<b>Conduct job interviews</b>	2 days	Tue 4.10.11	Wed 5.10.11	Jaroslav
<b>Summarize interview and make decisions</b>	1 day	Thu 6.10.11	Thu 6.10.11	Jaroslav
<b>Training and getting experienced</b>	5 days	Fri 7.10.11	Thu 13.10.11	Jaroslav
<b>Contact local real estate agents and ask for offers</b>	5 days	Thu 15.9.11	Wed 21.9.11	Robert
<b>Analyse the offerings, visit the offices and choose the best option</b>	3 days	Thu 22.9.11	Mon 26.9.11	Robert
<b>Purchase necessary equipment such as furniture</b>	5 days	Tue 27.9.11	Mon 3.10.11	Robert
<b>Secure internet connection and configure ICT</b>	4 days	Tue 4.10.11	Fri 7.10.11	Robert
<b>Create list of tour operators with whom Solartour does not have contract about dealership</b>	2 days	Mon 12.9.11	Tue 13.9.11	Robert
<b>Send mass mail to these tour operators</b>	1 day	Wed 14.9.11	Wed 14.9.11	Robert
<b>Receive replies with proposed dealership conditions and reply with suggestions and improvements of proposed contracts</b>	10 days	Thu 15.9.11	Wed 28.9.11	Jaroslav
<b>Sign the contracts</b>	1 day	Thu 29.9.11	Thu 29.9.11	Jaroslav
<b>Analysis of the source of the data and its format (1 day per source)</b>	15 days	Mon 10.10.11	Fri 28.10.11	Robert
<b>Programming of the algorithm for automatic data processing and updates (2 days per source)</b>	30 days	Tue 11.10.11	Mon 21.11.11	Martin
<b>Check for correctness of imported data (1 day per source)</b>	15 days	Fri 14.10.11	Thu 3.11.11	Jaroslav
<b>Mapping of imported hotels to existing product tree structure (2 days per source with 2 workers)</b>	30 days	Mon 17.10.11	Fri 25.11.11	FTE;PTE
<b>Preparation of text and keywords for CPC campaigns</b>	2 days	Thu 24.11.11	Fri 25.11.11	Robert

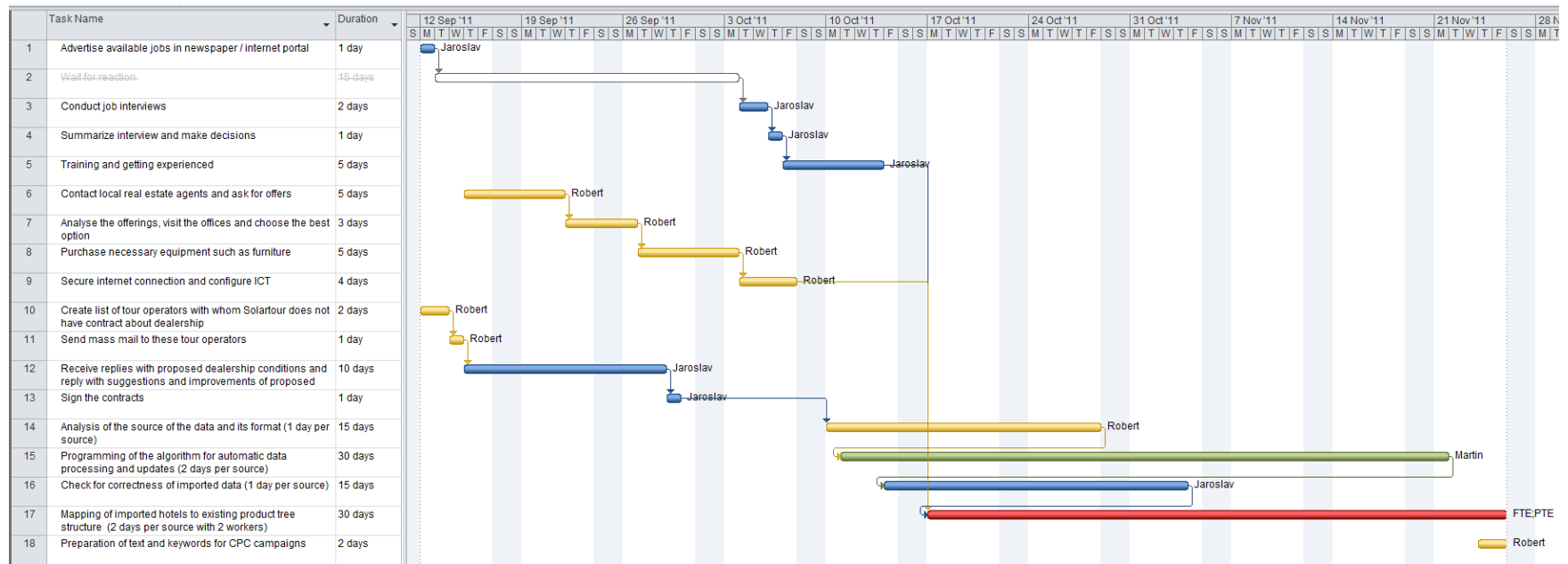


Figure 18 Gantt chart

### **4.3 Marketing plan**

To achieve the maximum impact of the marketing, the marketing plan must be clear, concise and simple. With the 80:20 rule in mind it needs to concentrate on the 20 percent of products or services, and on the 20 percent of customers, that will account for 80 percent of the volume and 80 percent of the profit.

For the marketing strategy to be successful, it is important to understand, the business of travel agency – to identify what is the product the company is trying promote. Marketing strategy will be explained using the 4 P's / 4 C's of marketing mix in this chapter.

#### **4.3.1 Product / Customer**

The product of online travel agency is the wide offerings of holiday tours. This means that the company does not sell tangible good, but offers the services such as consultancy as can be seen in corporate world. The travel agency aggregate the offering from various tour operators, analyse the needs of the customer and advise them to buy the holiday tour from a particular tour operator that best suit their needs. Travel agencies are only the mediators in this relationship and thus holiday tours cannot be seen as their products.

From the perspective of 4 C's, travel agency truly focuses on the customers and their satisfaction. The goal of travel agency is to have all possible information about the products they are offering as well as all available information about the customer's wishes and to advise them in a way, that they are satisfied with the recommendations of the travel agency and come back for another advice in future.

Because of this fact, it is necessary to point out, that travel agency should not advertise particular products of tour operators as can be seen in cases of competition, but the consultancy service they are providing which include search engine within products of multiple tour operators, comparison of prices for equivalent services provided by different tour operators etc.

In addition, because this plan wants to focus on customers and products generating most revenues, the marketing campaigns should concentrate on longer term holiday tours

with airplane transportation and skip advertising in field of short trips, just accommodation offerings or promotion of selling tickets to cultural or sport events.

#### **4.3.2 Price / Cost**

The product of travel agencies – consultancy – is “free” for the customers. This is why it is difficult to differentiate on the market with price to the end customer. This is also the reason why this factor cannot be part of marketing strategy. The prices of holiday tours are set by organising tour operator and cannot be changed by the travel agency. Because of this the analysis of pricing strategy (skimming or penetration), pricing methods (cost plus, demand based, or competitor indexing) or the price elasticity cannot be performed.

However, after careful analysis, the service of travel agencies for consumers is not entirely free of charge, because travel agencies need some form of income to survive. These companies are entitled to receive commission for every mediated contract between tour operator and the customers they make. Despite the fact that there is no direct cost for the customer, the cost is already included in the price of the holiday tour and is received by travel agency as a commission, but this price for the customer is set, and cannot be used as a tool to attract attention.

#### **4.3.3 Place / Convenience**

With the rise of the internet and hybrid models of purchasing, place where the traditional business is conducted is becoming less relevant. Convenience, on the other hand, takes into account the ease of buying the product, finding the product, finding information about the product, and other factors.

This is the factor there proposed project excels. Instead of trying to force the customer to come to the office, online travel agency represents a convenient way of providing the customer the advisory service remotely. The convenience is even bigger taken into consideration that the service of providing up-to-date information about the products of many tour operators and the search engine is available 24 hours, 7 days a week.

From the geographical point of view, it can be said, that the service is available to anyone everywhere on the world. However, Slovak republic should be considered as the geographical coverage, because the website language will be Slovak, the holiday tours



will be organised by Slovak tour operators and the boarding places for transportation will be probably in Slovakia.

#### 4.3.4 Promotion / Communication

Promotion of the service offered by online travel agency is one of the key success factors as identified in previous analysis. Because the prices are constant, the communication and promotion is one of the possible ways to differentiate and attract new customers.

For the market plan to be simple and clear, the promotional goal should be specified. This business plan suggests that the goal should be:

**Inform potential buyers of holiday tours about possibility to search through and compare the offering of multiple tour operators online with the ability to order the holiday at the same time.**

In order to achieve this goal, this business plan suggests two types of promotion:

1. Above the line promotion
2. Below the line promotion

First type includes promotion in mass media where the advertiser pays and advertising agency for the placement of the advertisement. In case of internet marketing campaign, the use of Cost per Click (CPC) campaigns is recommended because of easier performance analysis later after the company operates. To reach wider audience, it is recommended to use wide range of channels for CPC advertisement. In Slovakia these include:

- Google Adwords
- eTarget.sk
- Azet.sk
- Facebook

Where targeting on specific group is available, female audience aged 18-65 is recommended as a result of primary research conducted to identify potential customer. These campaigns should communicate the added value customers get when they visit

Solartour's online travel agency – possibility to search a company offers from various tour operators and specific tour does not need to be advertised.

This marketing plan recommends investing into marketing with declining level. First few months, investment in the marketing should be high to attract new customers, increase the number of email addresses in newsletter and to increase the brand awareness. Later, the investment in marketing can decline so that the performance analysis can be made and adjustments to the marketing strategy implemented.

Below the line promotion should be used to communicate interesting offers and sales promotions directly to customers by direct newsletter mailing. E-mail addresses could be used from former customers who agreed that their e-mail address could be used to send propagation material as well as voluntary registration on the website of travel agency. These regular newsletters will help to build brand awareness as well as drive sales through special – often time limited – offers.

Another very important part of promotion is viral marketing. With the increasing popularity of social networks of all kinds, it is becoming easier to share certain information of interest with that social group. It is suggested to implement buttons on every web page that enables users to share certain information about destination, hotel or specific term with their friend via email, facebook, twitter or google accounts. This will lead into additional traffic to the website, build the knowledge of the brand and consequently increase the revenues and profits with no additional costs.

In addition, other forms of communication cannot be forgotten. Even though the travel agency will operate on the internet, customers will need a living person to talk to in case of problem or in case of additional consultancy needed. To solve this issue, this business plan recommends to create a helpdesk / call-centre, where the operators will answer the questions and lead the customers in the process of specifying their wishes / searching for adequate tour / reservation / processing the payment and signing the contract. Even though all of these processes can be done remotely by internet, it is recommended to create the possibility to customers of telephone contact.

## 4.4 Operational plan

The operation part of this business plan will be divided into three main categories because of their different nature. The deployment plan will focus on the suggestions in field of size, layout, capacity or location of the office and the equipment required for work. Following part will list and explain the information and communication technology needed. Last, but not least is the part considering human resources. Time projection revealed how specific processes will follow and how much time will they consume. This part focuses on human resources plan in more detail.

### 4.4.1 Deployment plan

The area of this office should be suitable for at least 3 people as future expansion is possible. Also, this facility can be used as the main office and current premises could be used just for the contact with customers. One of the owners may be working here to oversee the new employee and take control of the online business branch. The advantage would be if the location of new office was close to old office which would help in situations when employees or documentation will need to be transported from one office to another but is not a requirement. Based on the health protection requirements for administrative work, minimum size of administration office is 8 m<sup>2</sup> and minimum area for one employee is 2 m<sup>2</sup>. Bigger office than minimum size is recommended for better work conditions. The requirement for new office can be summarized as follows:

- Area of 10 – 15 m<sup>2</sup>
- Capacity for min. 3 people
- Location in Martin – not necessarily in the city centre, but with good availability and parking options

Reasonable price per 1 m<sup>2</sup> per year including heat, electricity, water, cleaning of common areas, and guard service at night is 85 €. Based on this information, an average office with the area of 12 m<sup>2</sup> would cost 85 € per month in wider centre of Martin (DAM REALITY, 2011).

The layout of the office is highly dependent on the rented premises and real size of the office, but an example layout 12 m<sup>2</sup> office with dimensions 3 x 4 m can be found in

Appendix 6. This example shows a workplace for one of the owners and two workplaces for the employees with two extra chairs at the manager's desk for possible meetings and presentations.

Equipment requirements for an administrative office are quite simple. The essence is a work table, chair and a small cabinet for document storing for each employee. Also, shared storage area should be bought. Budget of 1500 € should cover these expenses.

#### **4.4.2 Information and communications technology plan**

Because company has been already developing its own information system, there is no need for further investment in this field. The development of the system as well as implementation of new features will continue in the future and will be of great benefit for online travel agency. This system covers basically all processes of travel agency from taking the order, processing it, preparing necessary paperwork, registering payment to generating statistical data and reports.

However, internet connection needs to be secured. This connection will be used for telephone and fax line using IP telephony through SIP protocol. (This system is already in practise in current office and seems to be reliable and cost effective at the same time.)

Also, all employees need to have their own computers to be able to work with the information system. Despite the wide popularity of notebook computers, this plan suggests using classic desktop computers. Working on computer with large display and ergonomic keyboard and mouse helps to increase overall productivity and secures healthy and inspiring work environment. The power of the computer is not an issue, because computers will be mainly used to work with information system which is web based and the computer is only used as a terminal to display the data. Other task such as word processing, creating spreadsheets or work with email can be done from any modern computer.

Multifunctional printer (MFP) / scanner / fax is suggested for a small office to cover basic day-to-day tasks. This MFP should have LAN connection for easy sharing within the office and no need for colour printing is necessary as no promotional materials will be printed here.

To summarise this question, this chapter will provide the list of necessary information and communication technology that need to be bought and state forecasted costs.

#### Monthly costs

- Internet connection – approximately 20 € / month. (This is dependent on the geographical location and availability of particular internet providers.)
- The telephone operator Solartour is already using does not charge any fixed monthly payments for SIP phone lines. That is why the monthly costs are dependent on the number of orders.

#### First costs

- Internet telephone switchboard with handset (SIP protocol) approximately 80 €
- 2x Additional telephone handset app. 2x 50 €
- SIP VOIP converter for fax app. 40 €
- Multifunctional printer app. 160 € (ex. HP LaserJet M1212nf)
- Wireless router for the internet app. 30 €
- 2x PC + LCD app. 450 € (ex. HP 500B Microtower + PHILIPS 221V2AB)

It is advised to have one spare computer in the office because of two reasons: Firstly, if there is problem of any kind with one computer, the other was can be used in time of the repair. Also, from the time proposal it is clear, that sometimes part-time workers will be needed to help with the most time-consuming processes such as mapping of imported hotels. In these situations a workplace will be available for immediate start.

### **4.4.3 Human resources plan**

All of the previous analyses revealed the processes that need to be done. Because Solartour does not have any free and available work force, new employees will have to be hired. Because of the seasonality of the business, one full-time employee will be hired with the option of several part-time employees helping with particular processes.

#### **4.4.3.1 List of roles**

- FULL-TIME Travel agent of online travel agency / call-centre operator
- PART-TIME Data entry and editor of the structure of the website at the beginning of the season

- PART-TIME Travel agent assistant in travel agency in the peak time (usually the period from Jun to August)
- FULL-TIME Travel agency manager

This business plan suggest that one of the owner of the company will focus on the online travel agency while the other one will continue working in the tour operator branch where own product will be prepared. Because of the size of the business, management structure is not necessary until more employees are needed.

#### ***4.4.3.2 Job description***

##### **FULL-TIME Travel agent of online travel agency / call-centre operator**

##### **Common Travel Agent Job Duties:**

- Assist clients in finding travel package deals for their needs
- Aid clients with reservations, transfers, changes, and cancellations
- Book domestic and international reservations for air travel, rail tickets, hotel and car rentals
- Secure new client sales and retention through customer service provided
- Stay educated on airline rules, regulations and current affairs
- Create service contracts for group travel
- Provide alternatives for customer travel

##### **Common Travel Agent Job Skills:**

- Strong domestic and international travel knowledge
- Ability to work in a team environment
- Effective oral and written communication skills
- Proficient internet research skills for customer information
- High self motivation

##### **Common Travel Agent Job Requirements:**

- Average of 2 years prior travel or sales experience preferred
- Knowledge of computer reservation programs
- Minimum Education: High school diploma

- Preferred Education: Bachelor's Degree in tourism or equivalent experience

(RESUME-RESOURCES, 2009)

#### Compensation

- According to server Platy.sk the average salary in tourism industry at position of travel agent is 660 €. According to Statistical office, the salaries in Martin region are lower than the Slovak average by 13 %. This means that the salary of 575 € is reasonable for this position in this geographical area for experienced candidate. According to the information available, competing travel agencies in Martin pay approximately 475 € on travel agent position. This business plan suggests that the fixed part of the salary would be set to minimum level, which is 371 € and the travel agent will get 10 % from commission of the holiday tours sold as variable part of the salary. This will motivate the employee to try to do the job as good as possible and provide valuable service to the customer.

#### PART-TIME Data entry and editor of the structure of the website

##### Data entry and editor Job Duties:

- Mapping of imported hotels and holiday tours in the prepared product tree / scheme
- Create reasonable product tree where needed
- Translate hotel and tour descriptions from foreign languages
- Find and write descriptions for missing holiday destinations

##### Common Travel Agent Job Skills:

- Strong domestic and international travel knowledge
- Ability to work in a team environment
- Effective written communication skills
- Proficient internet research skills for customer information
- High self motivation

##### Common Travel Agent Job Requirements:

- Knowledge of computer content management systems
- Minimum Education: High school diploma
- Preferred Education: Bachelor's Degree in tourism student or equivalent experience

#### Compensation

- This part-time job will be paid with minimum wage based the number of hours worker with possibility of bonuses for fast and high quality work.

#### PART-TIME Travel agent's assistant in travel agency in the peak

This Job description is very similar to the full-time travel agent job description with small changes in job duties, skills needed and the requirements, because this worker will be just helping the full time employee and the responsibility will not as high as in full-time job.

#### Common Travel Agent Job Duties:

- Assist clients in finding travel package deals for their needs
- Aid clients with reservations, transfers, changes, and cancellations
- Book domestic and international reservations for air travel, rail tickets, hotel and car rentals
- Secure new client sales and retention through customer service provided
- Provide alternatives for customer travel

#### Common Travel Agent Job Skills:

- Strong domestic and international travel knowledge
- Ability to work in a team environment
- Effective oral and written communication skills
- Proficient internet research skills for customer information
- High self motivation

#### Common Travel Agent Job Requirements:

- Any prior travel or sales experience preferred



- Knowledge of computer reservation programs
- Minimum Education: High school diploma
- Preferred Education: Bachelor's Degree student in tourism or equivalent experience

#### Compensation

- This part-time job will be paid with minimum wage based the number of hours worker with possibility of bonuses based on performance.

Because the one of the owners will need to add some responsibilities to their role, this business plan includes also the job description of the travel agency manager in case that a person would be hired later to run the online travel agency branch.

#### FULL-TIME Travel agency manager

Responsibilities for travel agency managers vary depending on the size of the organisation and the customer base but will usually include sales development, staff and financial management, and daily operational management.

#### Common Travel Agency Manager Job Duties:

- Promoting and marketing the business, sometimes to new or niche markets
- Managing budgets and maintaining statistical/financial records
- Selling travel products and tour packages
- Sourcing products and destinations to meet consumer demands for bespoke travel and sustainable tourism
- Taking part in familiarisation visits to new destinations in order to gain information on issues and amenities of interest to consumers
- Dealing with customer enquiries and aiming to meet their expectations
- Overseeing the smooth, efficient running of the business. constantly motivating the sales team to hit their targets and ensure the profitability of the branch
- Overseeing the recruitment, selection and retention of staff as well as payroll matters and staff training
- Organising incentives, bonus schemes and competitions;

- Communicating with sales consultants and providing encouragement, help and advice
- Dealing with disciplinary matters and customer complaints.

#### Common Travel Agency Manager Job Skills:

- Strong domestic and international travel knowledge
- Ability to work in a team environment
- Effective oral and written communication skills
- High self motivation

#### Common Travel Agency Manager Job Requirements:

- Average of 2 years prior travel or sales experience necessary
- Knowledge of computer reservation programs
- Minimum Education: Bachelor's Degree in tourism
- Preferred Education: Masters's Degree in tourism or equivalent experience

(AGCAS, 2010)

#### Compensation

- An average salary is realistic for this position as the responsibility is higher than in travel agent's case. After season bonuses and additional benefit could be negotiated with the candidate, but these should be dependent on the overall profitability of the business branch.

It is important to note out, that a full-time travel agency manager is not needed at the beginning of the project. One of current owners of the company can take over of the duties and responsibilities of the new office, because the main work is on the shoulders of the travel agent and their assistant. Some of these duties are already taken care of, because the existing company already operates in tourism industry and the duties are similar or in some cases the same in both branches.

#### **4.4.3.3 Training**

Training of new employees is always costly process. Taking this into consideration, the information system leads every user through the process of order and suggests next step.

However, it is always necessary to show the new employee what is expected and how everything works within the company. This business plan suggest 2-week train period for full-time employees. The part-time jobs responsibilities and duties are usually very narrow thus one day training should be enough to secure the expected level of quality from the worker.

## 4.5 The financial plan

Finance is one of the most important aspects of every business. For this reason, this business plan will provide financial plan. To create a cash flow plan, profit and loss account statement or balance sheet, several forecasts need to be made. Based on the previous analysis and suggestions, the financial plan will be based on these figures:

- First costs – office equipment and ICT – total cost 2810 € with depreciation rate of 20% yearly
- Average order size – 1200 €
- First season sales – 265 orders (Year 2012)
- First year marketing budget – 5900 €
- Yearly growth of number of orders – 30 %
- Yearly growth of marketing budget – 30 %
- Yearly growth of wages – 3%
- Maximum number of orders per one employee per year – 375 orders
- Interest rate for short term business loans – 12% p.a.
- Corporate tax – 20 %
- Own financing – 2000 €
- Bank loan – 6000 €

First season sales have been calculated from the marketing budget as follows: 5900 € can buy approximately 53000 page visits through CPC campaigns with the cost of 0.11 € per click. If 0.5 % of the visitors make a purchase 265 sales will be made.

These figures represent realistic scenario based on current research and knowledge. This scenario will be analysed in more depth, however, the results of pessimistic scenario as well as optimistic one will be presented as the end of this chapter. All figures are

rounded to whole € and for simplifications of the plan, inflation is not taken into consideration. Also it is assumed that wages are paid the same month as the cost occur.

#### **4.5.1 Cash flow**

Even though the project start is planned on September, first sales will be probably generated no sooner than in December because of preparation phase as described in time plan. Following pages show cash flow for last 4 months of year 2011 and whole year 2012. This period represents the first selling season for new online travel agency. This financial plan suggests starting to re-pay the bank on as soon as the business starts generating positive cash flow. This should be in January 2012. Reasonable time period for the re-payment is 2 years. With the Loan of 6000 €, the monthly payment is 282 €.

Because in year 2011 no profit will be made, in 2012 no income tax payments are necessary and the loss is divided into 5 following years to lower the tax duty. Also, from October to January negative cash flow is expected because of lower sales and higher marketing costs.

Based on the research, in travel agency business, when a contract is signed with the customer an advance payment is required. Some tour operators require full payment. Travel agent has the right for provision in the moment when the contract is signed. For the reason of simplification, this cash flow plan assumes that all holiday tours will be paid in full when the contract is signed. This does not have any influence on the cash income, because the travel agent subtracts the provision and sends the tour operator the rest of the money paid. That is why it is not important if the customer pays everything at once or in several payments – the travel agent gets full provision from the first payment the customer makes.

Because every year only new hotel needs to be processed and mapped to the product structure, this plan assumes that the costs of data preparation will be lowered by 25% each year.

**Table 3 Cash flow for last 4 months in year 2011**

	Sep	Oct	Nov	Dec	Y 2011
Number of orders	0	0	0	15	15
Equity [€]	2 000	0	0	0	2 000
Bank loan [€]	6 000	0	0	0	6 000
Sales [€]	0	0	0	18 000	18 000
Payments to suppliers [€]	0	0	0	16 380	16 380
<b>Cash inflow [€]</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 620</b>	<b>1 620</b>
First Costs [€]	0	2 810	0	0	2 810
Salary of FTE [€]	0	188	375	375	
Bonuses [€]	0	0	0	162	
Tax payments [€]	0	66	131	188	
Total cost of FTE [€]	0	253	506	725	1 484
Total cost of PTE [€]	600	1 682	486	0	2 768
Marketing [€]	0	0	0	1 000	1 000
Rent [€]	0	85	85	85	255
Telephone [€]	0	0	0	30	30
Internet [€]	0	0	20	20	40
Interest [€]	60	60	60	60	240
<b>Expenses Total [€]</b>	<b>660</b>	<b>4 890</b>	<b>1 158</b>	<b>1 920</b>	<b>8 627</b>
<b>Cash Flow [€]</b>	<b>7 340</b>	<b>-4 890</b>	<b>-1 158</b>	<b>-300</b>	<b>993</b>
Cumulative Cash Flow [€]	7 340	2 450	1 293	993	

**Table 4 Cash flow in year 2012**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y 2012
Number of orders	20	25	20	15	20	25	30	30	25	20	15	20	265
Sales [€]	24 000	30 000	24 000	18 000	24 000	30 000	36 000	36 000	30 000	24 000	18 000	24 000	<b>318 000</b>
Payments to suppliers [€]	21 840	27 300	21 840	16 380	21 840	27 300	32 760	32 760	27 300	21 840	16 380	21 840	289 380
<b>Cash inflow [€]</b>	<b>2 160</b>	<b>2 700</b>	<b>2 160</b>	<b>1 620</b>	<b>2 160</b>	<b>2 700</b>	<b>3 240</b>	<b>3 240</b>	<b>2 700</b>	<b>2 160</b>	<b>1 620</b>	<b>2 160</b>	<b>28 620</b>
Salary of FTE [€]	375	375	375	375	375	375	375	375	375	375	375	386	
Bonuses [€]	216	270	216	162	216	270	324	324	270	216	162	216	
Tax payments [€]	207	226	207	188	207	226	245	245	226	207	188	211	
Total cost of FTE [€]	798	871	798	725	798	871	944	944	871	798	725	813	9 954
Total cost of PTE [€]	0	0	0	0	0	0	0	0	0	1 261	365	0	1 626
Marketing [€]	1 000	800	600	400	300	300	300	300	300	300	300	1 300	6 200
Rent [€]	85	85	85	85	85	85	85	85	85	85	85	85	1 020
Telephone [€]	40	50	40	30	40	50	60	60	50	40	30	40	530
Internet [€]	20	20	20	20	20	20	20	20	20	20	20	20	240
Debt re-payment [€]	282	282	282	282	282	282	282	282	282	282	282	282	3 389
<b>Expenses Total [€]</b>	<b>2 225</b>	<b>2 108</b>	<b>1 825</b>	<b>1 542</b>	<b>1 525</b>	<b>1 608</b>	<b>1 691</b>	<b>1 691</b>	<b>1 608</b>	<b>2 786</b>	<b>1 807</b>	<b>2 540</b>	<b>22 959</b>
<b>Cash Flow [€]</b>	<b>-65</b>	<b>592</b>	<b>335</b>	<b>78</b>	<b>635</b>	<b>1 092</b>	<b>1 549</b>	<b>1 549</b>	<b>1 092</b>	<b>-626</b>	<b>-187</b>	<b>-380</b>	<b>5 661</b>
Cumulative Cash Flow [€]	927	1 519	1 854	1 932	2 566	3 658	5 207	6 756	7 848	7 221	7 034	6 653	

If the assumptions stated earlier in the chapter will be achieved, following cash flows could be expected in the future. The most important thing is, that based on the calculations, the online travel agency is able to generate positive cash flow while returning the bank loans and investing into the marketing. This table compares the cash flow forecast for 5 years after the establishment.

**Table 5 Cash flow for years 2011 - 2016**

	Y 2011	Y 2012	Y 2013	Y 2014	Y 2015	Y 2016
Number of orders	15	265	347	453	588	764
Equity [€]	2 000	0	0	0	0	0
Bank loan [€]	6 000	0	0	0	0	0
Sales [€]	18 000	318 000	416 400	543 600	705 600	916 800
Payments to suppliers [€]	16 380	289 380	378 924	494 676	642 096	834 288
<b>Cash inflow [€]</b>	<b>9 620</b>	<b>28 620</b>	<b>37 476</b>	<b>48 924</b>	<b>63 504</b>	<b>82 512</b>
Equipement [€]	2 810	0	0	0	0	0
Total cost of FTE [€]	1 484	9 954	11 869	19 527	21 883	31 652
Total cost of PTE [€]	2 768	1 626	1 220	915	686	514
Marketing [€]	1 000	6 200	8 060	10 478	13 621	17 708
Rent [€]	255	1 020	1 020	1 020	1 020	2 040
Telephone [€]	30	530	694	906	1 176	1 528
Internet [€]	40	240	240	240	240	240
Debt-repayments & Interest [€]	240	3 389	3 389	0	0	0
Tax pre-payments & Clearance [€]	0	0	1 410	5 093	3 217	6 497
<b>Expenses Total [€]</b>	<b>8 627</b>	<b>22 959</b>	<b>27 902</b>	<b>38 179</b>	<b>41 843</b>	<b>60 179</b>
<b>Cash Flow [€]</b>	<b>993</b>	<b>5 661</b>	<b>9 574</b>	<b>10 745</b>	<b>21 661</b>	<b>22 333</b>

The raising costs of Full Time Employees (FTE) shows the rising number of employees to 2 in year 2014 and to 3 in year 2016. In year 2016 one of the first employees should take role as the travel agency manager and take over the responsibilities of the owner of Solartour.

Detailed monthly cash flow plans for years 2013 – 2016 can be found in Appendix 7.

#### 4.5.2 Statement of Comprehensive Income (Profit and Loss account)

The income statement shows that after first year when a loss can be expected, the profit in following years is raising. Wages and marketing are dominant at the expenses side. Even though the wages have variable part – the bonus for completed purchase, still it has a fixed part which causes that after new employee is hired; the rise in profit is not as high as the raise in revenue. On the other hand with 2 or later with 3 employees, the new business unit of the company gets stability because of divided responsibility over more employees.

**Table 6 Comparison of Statements of Comprehensive Incomes for years 2011-2016**

Year ending December 31,	2011	2012	2013	2014	2015	2016
Revenues [€]	18 000	318 000	416 400	543 600	705 600	916 800
Cost of goods sold [€]	16 380	289 380	378 924	494 676	642 096	834 288
<b>Gross Profit [€]</b>	<b>1 620</b>	<b>28 620</b>	<b>37 476</b>	<b>48 924</b>	<b>63 504</b>	<b>82 512</b>
Depreciation [€]	141	562	562	562	562	422
Total cost of FTE [€]	1 484	9 954	11 869	19 527	21 883	31 652
Total cost of PTE [€]	2 768	1 626	1 220	915	686	514
Marketing [€]	1 000	6 200	8 060	10 478	13 621	17 708
Rent [€]	255	1 020	1 020	1 020	1 020	2 040
Telephone [€]	30	530	694	906	1 176	1 528
Internet [€]	40	240	240	240	240	240
Interest [€]	240	568	210	0	0	0
<b>Expenses Total [€]</b>	<b>5 958</b>	<b>20 700</b>	<b>23 875</b>	<b>33 648</b>	<b>39 188</b>	<b>54 103</b>
<b>Profit / Loss before tax [€]</b>	<b>-4 338</b>	<b>7 920</b>	<b>13 601</b>	<b>15 276</b>	<b>24 316</b>	<b>28 409</b>
Income tax [€]	0	-1 410	-2 547	-2 882	-4 690	-5 508
<b>Net Profit / Loss [€]</b>	<b>-4 338</b>	<b>6 509</b>	<b>11 054</b>	<b>12 395</b>	<b>19 626</b>	<b>22 900</b>

Overall profitability of this business branch is acceptable and it with forecasted results it could diversity the portfolio of currently offered services.



### 4.5.3 Statement of financial position (Balance sheet)

In contrast with previous sections where particular period of time was analysed, this statement will take a look at the assets and liabilities at one moment of time – at the end of calendar year.

**Table 7 Comparison of Statement of financial position in years 2011 - 2016**

At December 31,	2011	2012	2013	2014	2015	2016
<b>Assets</b>						
<u>Non-current</u>						
Equipment [€]	2 670	2 108	1 546	984	422	0
<u>Current</u>						
Cash and cash equivalents [€]	993	6 653	16 227	26 972	48 633	70 966
<b>Liabilities</b>						
<u>Own capital</u>						
Equity [€]	2 000	2 000	2 000	2 000	2 000	2 000
Profit from current year [€]	-4 338	6 509	11 054	12 395	19 626	22 900
Retained profit [€]	0	-4 338	2 172	13 226	25 621	45 247
<u>Borrowings</u>						
Bank loan [€]	6 000	3 179	0	0	0	0
Retained tax payment [€]	0	1 410	2 547	335	1 808	819

From the statement it is clear, that the equipment of the office has depreciated over the 5 years period and thus new equipment may be needed. Also, the profit has never been divided and is stored on the bank account as ‘cash or cash equivalent’. Bank loan has been repaid after 2 years and at the end of 2013, there are no foreign liabilities except of retained tax payments that will be paid at the beginning of the following year. If the retained profits will not be taken by the owners, it is recommended to invest free financial resources into something that is generating revenue or saving cost – for example purchase a small office building where can the growing company expand and operate.

#### 4.5.4 Break-even point analysis

To perform a break-even point analysis, the costs have to be divided into fixed and variable. For this business plan a break-even point analysis will be performed to find out, how many orders needs to be performed to cover all costs in the period of first year.

Fixes costs – total 15803 €

- Preparation of the data – 2568 €
- Salary of the employee – 4500 €
- Tax payments – 1575 €
- Marketing – 5900 €
- Rent – 1020 €
- Internet – 240 €

Variable costs per order – total 16.60 €

- Bonuses for the employee – 10.80 €
- Tax payments – 3.80 €
- Telephone - 2 €

With the fixed costs of 15803 €, an average gross profit per order 108 € and variable costs 16.60 €, calculation would show these results:

**Break-even point = 173 Units or 207 479 € Revenue or 18 673,13 € Gross Profit**

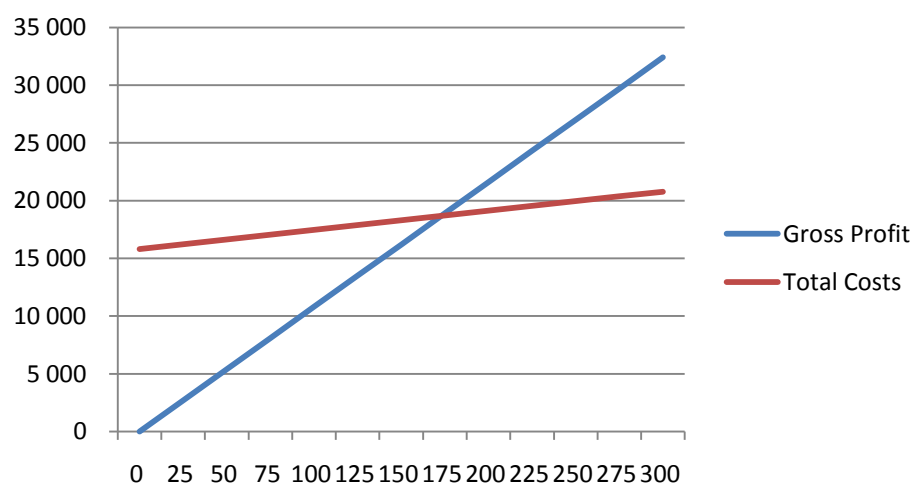


Figure 19 Break-even point chart

**Figure 20 Break-even point analysis data table**

Number of orders	0	25	50	75	100	125	150	175	200	225	250	275	300
Revenue	0	30 000	60 000	90 000	120 000	150 000	180 000	210 000	240 000	270 000	300 000	330 000	360 000
<b>Gross Profit</b>	<b>0</b>	<b>2 700</b>	<b>5 400</b>	<b>8 100</b>	<b>10 800</b>	<b>13 500</b>	<b>16 200</b>	<b>18 900</b>	<b>21 600</b>	<b>24 300</b>	<b>27 000</b>	<b>29 700</b>	<b>32 400</b>
<b>Fixes costs</b>													
Preparation of the data	2 568	2 568	2 568	2 568	2 568	2 568	2 568	2 568	2 568	2 568	2 568	2 568	2 568
Salary of the employee	4 500	4 500	4 500	4 500	4 500	4 500	4 500	4 500	4 500	4 500	4 500	4 500	4 500
Tax payments	1 575	1 575	1 575	1 575	1 575	1 575	1 575	1 575	1 575	1 575	1 575	1 575	1 575
Marketing	5 900	5 900	5 900	5 900	5 900	5 900	5 900	5 900	5 900	5 900	5 900	5 900	5 900
Rent	1 020	1 020	1 020	1 020	1 020	1 020	1 020	1 020	1 020	1 020	1 020	1 020	1 020
Internet	240	240	240	240	240	240	240	240	240	240	240	240	240
<b>Variable costs</b>													
Bonuses for the employee	0	270	540	810	1 080	1 350	1 620	1 890	2 160	2 430	2 700	2 970	3 240
Tax payments	0	95	189	284	378	473	567	662	756	851	945	1 040	1 134
Telephone	0	50	100	150	200	250	300	350	400	450	500	550	600
<b>Total Costs</b>	<b>15 803</b>	<b>16 218</b>	<b>16 632</b>	<b>17 047</b>	<b>17 461</b>	<b>17 876</b>	<b>18 290</b>	<b>18 705</b>	<b>19 119</b>	<b>19 534</b>	<b>19 948</b>	<b>20 363</b>	<b>20 777</b>

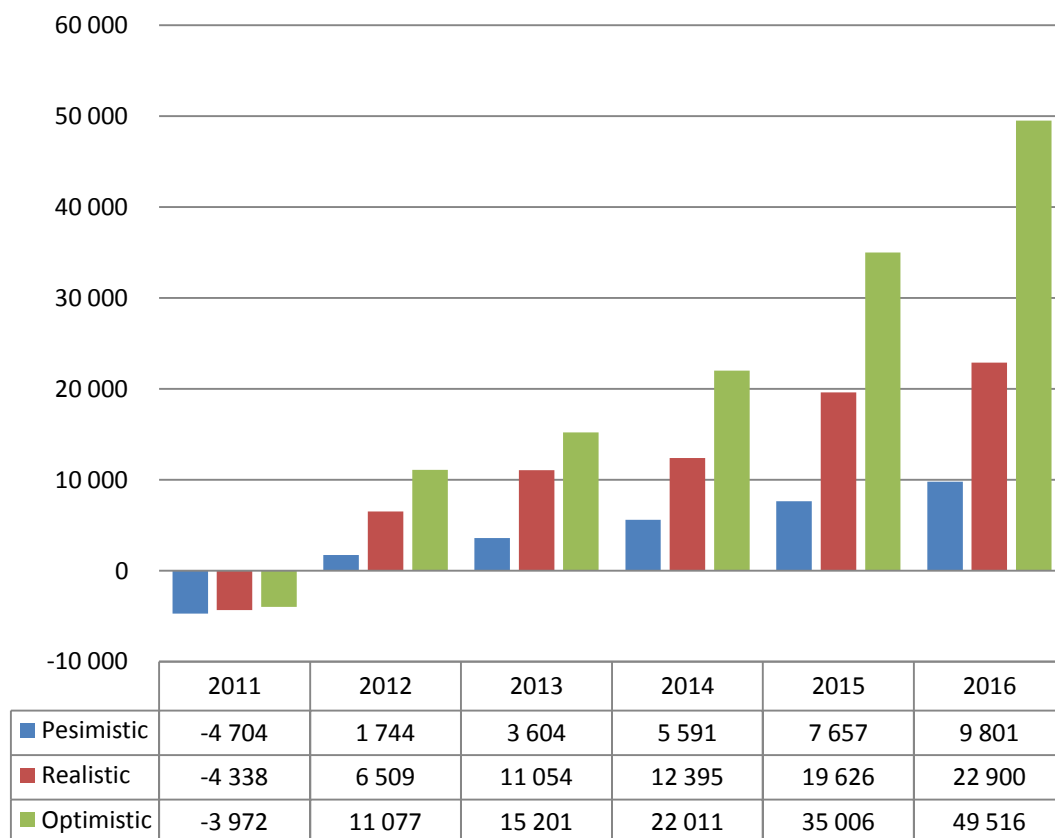
#### 4.5.5 Scenario analysis

This chapter will compare the profit and loss account balance in first 5 years of the business of 3 scenarios. The realistic scenario which has been described in more detail in previous chapters will be compared with optimistic and pessimistic one. With other assumptions remaining the same, these are the changes to the model for pessimistic and optimistic variant

**Table 8 Scenario analysis variables**

	<b>Pessimistic</b>	<b>Realistic</b>	<b>Optimistic</b>
Number of orders	199	265	331
Yearly growth of number of orders	15%	30%	45%
Yearly growth of marketing budget	15%	30%	45%

The chart below shows the possible development in case the forecast used were not accurate. Interesting thing is that even in pessimistic scenario the business is profitable and generates positive cash flows.



**Figure 21 Profit and Loss comparison chart**

## 4.6 Executive summary

### Purpose

The purpose of this work is to create a business plan for starting an online travel agency to find out if it is feasible to start a business in tourism industry as a travel agency operating over the internet. In addition, provide an overview of the literature and the background of the company and analyse the businesses environment for a travel agency in Slovakia as well as the travel and tourism industry as a whole.

### Design / Methodology / Approach:

Based on the examination of the market using PESTEL analysis and Porter's five forces model the business environment is analysed. Primary research is conducted to find out more about potential customers and their behaviour. SWOT analysis is used to summarize the findings and to suggest appropriate business strategy for future. Forecasted cash flow statements, statements of comprehensive income and statements of financial position for first five years are used to evaluate feasibility of proposed business plan.

### Findings

Research has shown that there are many opportunities in this segment which can be exploited to gain profit. However, in the time of current economic crisis, the threats are higher than opportunities. To use the strengths that company Solartour possesses, differentiation strategy has been suggested. This strategy represents focusing on creating of an online travel agency. The preparation phase should begin no later than September 12<sup>th</sup> 2011 so that everything is ready on December 1<sup>st</sup> 2011. Based on the calculations, with own capital of 2 000 €, another 6 000 € will be needed from the bank. Realistic forecast shows, that with 265 holiday tours purchases first year, the new business unit should become profitable at 6 509 € in year 2012. With positive outlook for the future in terms of cash flow and the profit, this work recommends to execute proposed business plan.

## CONCLUSION

The main objective of this dissertation thesis has been the creating of a business plan for online travel agency. To achieve this objective, several supplementary objectives have been named.

Firstly, after the explanation of theoretical concepts of this work and brief introduction to the company, business environment has been analysed. PESTEL analysis revealed that Slovakia has relatively with high level of political stability. From the economic point of view, the living standard is rising, but due to economic crisis the domestic demand has lowered and still has not recovered from recession. Age from 30 to 40 year-old is currently the most significant part of population, which is excellent because it is also the target group for travel agencies. Technological analysis revealed also pleasing results as market for online travel agencies grew rapidly – approximately three times over a very short period of time. From environmental point of view, with warmer summers in Slovakia, customers may be less willing to travel to traditional summer destinations in the future.

Porter's five forces model exposes that the competitive rivalry within the industry is high because of significant number of companies fighting at the market. Threat of substitutes is considered to be low as well as bargaining power of customers because consumers in this industry are mostly individuals or families and small and medium enterprises and they do not have enough power to bargain. Threat of new entrants and bargaining power of suppliers were found to be moderate.

The analysis of potential customer showed that the majority of internet users have already tried some form of e-commerce, but did not think about buying a holiday tour online. Also it has been found out that in most cases women are the ones who make the decision about the holiday tour. Transportation type, level of service and price are the most important factors in decision making. The term and destination country are not very important.

Analysis of internal resources and abilities found out that human resources and intangible resources with the ability to use them seem to form the main strengths of

them company. On the other hand, rentability of investment and use of human resources seems to be the weaknesses.

The SWOT analysis revealed that the company has more strengths than weaknesses, which is very positive, but the threats (mainly new entrants on the market, ongoing economic recession and low domestic demand and political instability in target holiday destinations) in the market are bigger than the opportunities. Diversification strategy has been recommended based on this information which corresponds with the business plan of creating a branch within existing company focusing just on selling holiday tours.

The business plan explained that the total length on the project is 55 days and the total of 1296 hours of preparation work will be needed. Marketing plan underpins, that the company should focus the campaigns on promoting the consultancy service they are providing which include search engine within products of multiple tour operators, comparison of prices for equivalent services provided by different tour operators and the convenience that the service of providing up-to-date information about the products of many tour operators and the search engine is available 24 hours, 7 days a week. Cost per click campaigns were recommended as the main promotion channel with use of viral marketing as well as below the line promotion options. Operational plan showed the requirement of office, the equipment and human resources needed to secure smooth operation of the business.

After the analysis of fixed and variable costs, the break-even point for the first year of operation has been calculated to 173 orders (revenue of 207 479 €). Based on the forecasts, the new business branch should be generating positive cash flows from the first year of operation and in year 2012 when 265 orders should be processed .The net profit is expected to be 6 509 €. Generating positive cash flows and growing in terms of number of orders and revenue should lead the company into higher stability and profits in the future.

Based on calculated cash flows and profits for first 5 years of operation, this project is considered to be feasible and it is recommended for execution.

This work has achieved the main objective – create the business plan and evaluate feasibility as well as all supplementary objective which help to achieve the main one.

However, the actual results of the implementation of this business will not be known until this plan will be executed and tested by the company in real world conditions.



## BIBLIOGRAPHY

- 1) AGCAS. *Travel agency manager : Job description*. [online]. 2010 [Accessed 2011-08-01]. Available from: <[http://www.prospects.ac.uk/travel\\_agency\\_manager\\_job\\_description.htm](http://www.prospects.ac.uk/travel_agency_manager_job_description.htm)>.
- 2) BENNINK, C. *Leading Cause of Death in the Travel Agency Business*. [online]. 2006 [Accessed 2011-01-18]. Available from: <http://www.travelagentsuccess.com/differentiation.htm>.
- 3) BOROVSÁ, V. *Podnikatelský plán výrobního podniku*. Brno: Vysoké učení technické v Brně, Fakulta podnikatelská, 2010. 121 p. Vedoucí diplomové práce doc. Ing. Alena Kocmanová, Ph.D.
- 4) ČEP, J. *Podnikatelský záměr*. Brno: Vysoké učení technické v Brně, Fakulta podnikatelská, 2010. 85 p. Vedoucí diplomové práce Ing. Josef Veselý, CSc.
- 5) CRAWFORD, S., STUCKI, L. Peer review and the changing research record. *J Am Soc Info Science*, 1990, vol. 41, p. 223-228.
- 6) CROUCH, S., HOUSDEN, M. *Marketing research for managers*. 3<sup>rd</sup> edition. Chartered Institute of Marketing Butterworth-Heinemann. 2003. 372 p. ISBN 0750654538.
- 7) ČTK. *Počet vysokoškolákov v budúcnosti klesne*. [online]. 2008 [Accessed 2011-08-02]. Available from: <[http://spravy.pravda.sk/pocet-vysokoskolakov-v-buducnosti-klesne-fis-/sk\\_domace.asp?c=A080113\\_192620\\_sk\\_domace\\_p12](http://spravy.pravda.sk/pocet-vysokoskolakov-v-buducnosti-klesne-fis-/sk_domace.asp?c=A080113_192620_sk_domace_p12)>.
- 8) CUGEREAN, J. *Podnikatelský záměr spoločnosti*. Brno: Vysoké učení technické v Brně, Fakulta podnikatelská, 2008. 90 p. Vedoucí diplomové práce Ing. Jiří Kříž, Ph.D.
- 9) DAM REALITY. *Kancelárske priestory*. [online]. 2011 [Accessed 2011-08-01]. Available from: <<http://www.damreality.sk/inpage/kancelarske-priestory/>>.
- 10) DOLÁKOVÁ, E. *Podnikatelský záměr CA Invia*. Brno: Vysoké učení technické v Brně, Fakulta Podnikatelská 2008. 90 p. Vedoucí diplomové práce Prof. Ing. Petr Němeček DrSc.
- 11) DOVOLENKA24.SK. *Naši partneri*. [online]. 2011, [Accessed 2011-08-15]. Available from: <[http://www.dovolenka24.sk/nasi\\_partneri.php](http://www.dovolenka24.sk/nasi_partneri.php)>.

- 12) FOCUS. *Smer by mohol vládnuť sám, KDH stratilo 4 percentá!*. [online]. 2011 [Accessed 2011-08-02]. Available from: <<http://ovolbach.topky.sk/c/2599/focus-smer-by-mohol-vladnut-sam--kdh-stratilo-4-percenta>>.
- 13) *Formy podnikania*. [online]. 2011 [Accessed 2011-08-02]. Available from <[http://www.akopodnikat.sk/index.php?option=com\\_content&task=category&sectionid=3&id=19&Itemid=34](http://www.akopodnikat.sk/index.php?option=com_content&task=category&sectionid=3&id=19&Itemid=34)>.
- 14) GODFREY-SMITH, P. *Theory and Reality: An introduction to the philosophy of science*. University of Chicago Press, 2003. 272 p. ISBN 0-226-30063-3.
- 15) HISRICH, R.D., PETERS, M.P. *Založení a řízení nového podniku*. 1. vyd. Praha:Victoria Publishing, 1996. 501 p. ISBN 80-85865-07-6.
- 16) *Hrubý domácí produkt (HDP) v rokoch 1993-2011 (mil. EUR)*. [online]. 2011 [Accessed 2011-01-18]. Available from: <<http://openiazoch.zoznam.sk/zivot/makro/ukazovatele.asp?iid=HDP&year=ALL>>.
- 17) INVIA.SK. *O nás*. [online]. 2011, [Accessed 2011-08-15]. Available from: <<http://o.invia.sk/>>.
- 18) JAKUBÍKOVÁ, D. *Marketing v cestovním ruchu*. Grada, 2009. 288 p. ISBN 9788024732473.
- 19) KORÁB V., MIHALISKO M. *Založení a řízení společnosti. Společnost s ručením omezeným, komanditní společnost, veřejná obchodní společnost*. Praha : Computer Press, 2005. 252 s. ISBN 80-251-0592-X.
- 20) KORŠŇÁK, Ľ. *Obchodníci sa netešia, Slováci mínajú málo*. [online]. 2011 [Accessed 2011-08-02]. Available from <<http://hnonline.sk/ekonomika/c1-52434960-obchodnici-sa-netesia-slovaci-minaju-malo>>.
- 21) KOTLER, P. *Marketing podle Kotlera*. Praha : Management Press, 2000, 260p. ISBN 8072610104.
- 22) LUKÁČOVÁ, M., PILINSKÁ, V., VAŇO, B. *Startnutie obyvateľstva – najväčšia demografická výzva pre 21. storočie*. [online]. 2003 [Accessed 2011-01-18]. Available from: <[www.infostat.sk/vdc/pdf/smolenice/lukacova.pps](http://www.infostat.sk/vdc/pdf/smolenice/lukacova.pps)>.
- 23) MAJEROVÁ, A. *Strategie podniku na vybraném podniku*. Brno : Masarykova univerzita, Ekonomicko-správní fakulta, 2009. 55 p. Vedoucí bakalářské práce Ing. Viliam Záthurecký, MBA.

- 24) MALACH A., a kol. *Jak podnikat po vstupu do EU*. Praha : Grada Publishing, 2005. 524 s. ISBN 80-247-0906-6.
- 25) MINISTERSTVO PRÁCE, SOCIÁLNÝCH VECÍ A RODINY SR. *Vývoj minimálnej mzdy a priemernej mzdy* [online]. 2011 [Accessed 2011-01-18]. Available from <<http://www.employment.gov.sk/index.php?SMC=1&id=15854>>.
- 26) NBS. *Interest Rates of the ECB*. [online]. 2011 [Accessed 2011-08-02]. Available from: <<http://www.nbs.sk/en/statistics/data-categories-of-sdds/interest-rates/interest-rates-of-the-ecb>>.
- 27) RESUME-RESOURCES. *Travel Agent Job Description*. [online]. 2009 [Accessed 1 August 2011]. Available from: <<http://www.resume-resource.com/resumeblog/travel-agent-job-description/667/>>.
- 28) SEDLÁČKOVÁ, H., BUCHTA, K. *Strategická analýza*. 2. přepracované a rozšířené vydání. Praha : C. H. Beck, 2006. 121 p. ISBN 80-7179-367-1.
- 29) SEINEROVÁ, J. *Založení nového podniku - hudební klub*. Brno: Vysoké učení technické v Brně, Fakulta podnikatelská, 2010. 107 p. Vedoucí diplomové práce prof. Ing. Vojtěch Koráb, Dr., MBA.
- 30) ŠMARDOVÁ, Z. *Podnikatelský záměr - cestovní kanceláře*. Brno: Vysoké učení
- 31) SRPOVÁ J., ŘEHOŘ V. a kol. *Základy podnikání*. Praha : Grada Publishing, 2010. 427s. ISBN 978-80-247-3339-5.
- 32) SYNEK, M. a kol. *Podniková ekonomika*. 4. přepracované a doplněné vydání. Praha : C. H. Beck, 2006, 475 p. ISBN: 8071798924.  
technické v Brně, Fakulta podnikatelská, 2009. 76 s. Vedoucí diplomové práce doc. Ing. Alena Kocmanová, Ph.D.
- 33) VEBER J., SRPOVÁ J. a kol. *Podnikání malé a střední firmy*. Praha : Grada Publishing, 2005, 304s. ISBN 80-247-1069-2.
- 34) *Vývoj nezamestnanosti*. [online]. 2011 [Accessed 2011-08-02]. Available from: <<http://www.finance.sk/hospodarstvo/trh-prace/vyvoj-nezamestnanosti/>>.
- 35) WORLD TOURISM ORGANISATION. *Definition of tourism* [online]. 2011 [Accessed 2011-01-18]. Available from: <<http://www.linkbc.ca/torc/downloads1/WTOdefinitiontourism.pdf>>.

- 36) WORLD TOURISM ORGANISATION. *Tourism Highlights* [online]. 2010 [Accessed 2011-01-18]. Available from: <[http://www.unwto.org/facts/eng/pdf/highlights/UNWTO\\_Highlights10\\_en\\_LR.pdf](http://www.unwto.org/facts/eng/pdf/highlights/UNWTO_Highlights10_en_LR.pdf)>.
- 37) WORLD TRAVEL & TOURISM COUNCIL. *Travel & Tourism Economic Impact: Executive Summary*. [online]. 2010 [Accessed 2011-01-18]. Available from: <[http://www.wttc.org/bin/pdf/original\\_pdf\\_file/2010\\_exec\\_summary\\_final.pdf](http://www.wttc.org/bin/pdf/original_pdf_file/2010_exec_summary_final.pdf)>.
- 38) WUPPERFELD, U. *Podnikatelský plán pro úspěšný start*. 1. vyd. Management Press. Praha, 2003. 160 p. ISBN 80-7261-075-9.
- 39) ZAJAZDY.SK. *O nás*. [online]. 2011, [Accessed 2011-08-15]. Available from: <<http://www.zajazdy.sk/informacie/o-nas/>>.
- 40) *Základné legislatívne podmienky podnikania v cestovnom ruchu*. [online]. 2005 [Accessed 2011-01-18]. Available from: <<http://www.economy.gov.sk/zakladne-legislativne/127575s>>.

## LIST OF TABLES AND FIGURES

Figure 1 SWOT analysis diagram.....	21
Figure 2 Diagram of Break-even point analysis .....	26
Figure 3 Components of Travel and Tourism Industry .....	33
Figure 4 Diagram of the strengths of Porter's Five Forces .....	35
Figure 5 Research results – Sex .....	39
Figure 6 Research results - Education level.....	39
Figure 7 Research results - Age .....	39
Figure 8 Research results - Have you have bought any product online?.....	40
Figure 9 Research results - Reasons for e-commerce .....	40
Figure 10 Research results - Consideration of online booking of holiday .....	41
Figure 11 Research results - Who is in charge of choosing holiday tour .....	41
Figure 12 Research results - Transportation type .....	42
Figure 13 Research results - Acceptable price.....	42
Figure 14 Research results - Wight of factors in decision making .....	43
Figure 15 Research results - Competition recognized by public .....	44
Figure 16 Relationship between resources, abilities, competitive advantage and key success factors .....	49
Figure 17 Result of SWOT analysis .....	52
Figure 18 Gantt chart .....	61
Figure 19 Break-even point chart .....	81
Figure 20 Break-even point analysis data table .....	82
Figure 21 Profit and Loss comparison chart.....	83
 Table 1 Relationship between 4 P's and 4 C's .....	 24
Table 2 List of tasks and processes.....	60
Table 3 Cash flow for last 4 months in year 2011 .....	76
Table 4 Cash flow in year 2012 .....	77
Table 5 Cash flow for years 2011 - 2016.....	78
Table 6 Comparison of Statements of Comprehensive Incomes for years 2011-2016 ..	79
Table 7 Comparison of Statement of financial position in years 2011 - 2016 .....	80
Table 8 Scenario analysis variables .....	83

## APPENDICES

### Appendix 1 – Development of GDP of Slovakia

Date	mil. EUR	% Change
12/1993	17 021,84	
12/1994	18 080,73	6,22
12/1995	26 110,34	44,41
12/1996	28 204,87	8,02
12/1997	29 393,22	4,21
12/1998	30 697,74	4,44
12/1999	30 704,37	0,02
12/2000	31 135,90	1,41
12/2001	32 191,46	3,39
12/2002	33 725,02	4,76
12/2003	35 331,61	4,76
12/2004	37 172,64	5,21
12/2005	39 612,99	6,56
12/2006	42 970,82	8,48
12/2007	47 449,74	10,42
12/2008	50 482,34	6,39
12/2009	48 068,00	-4,78

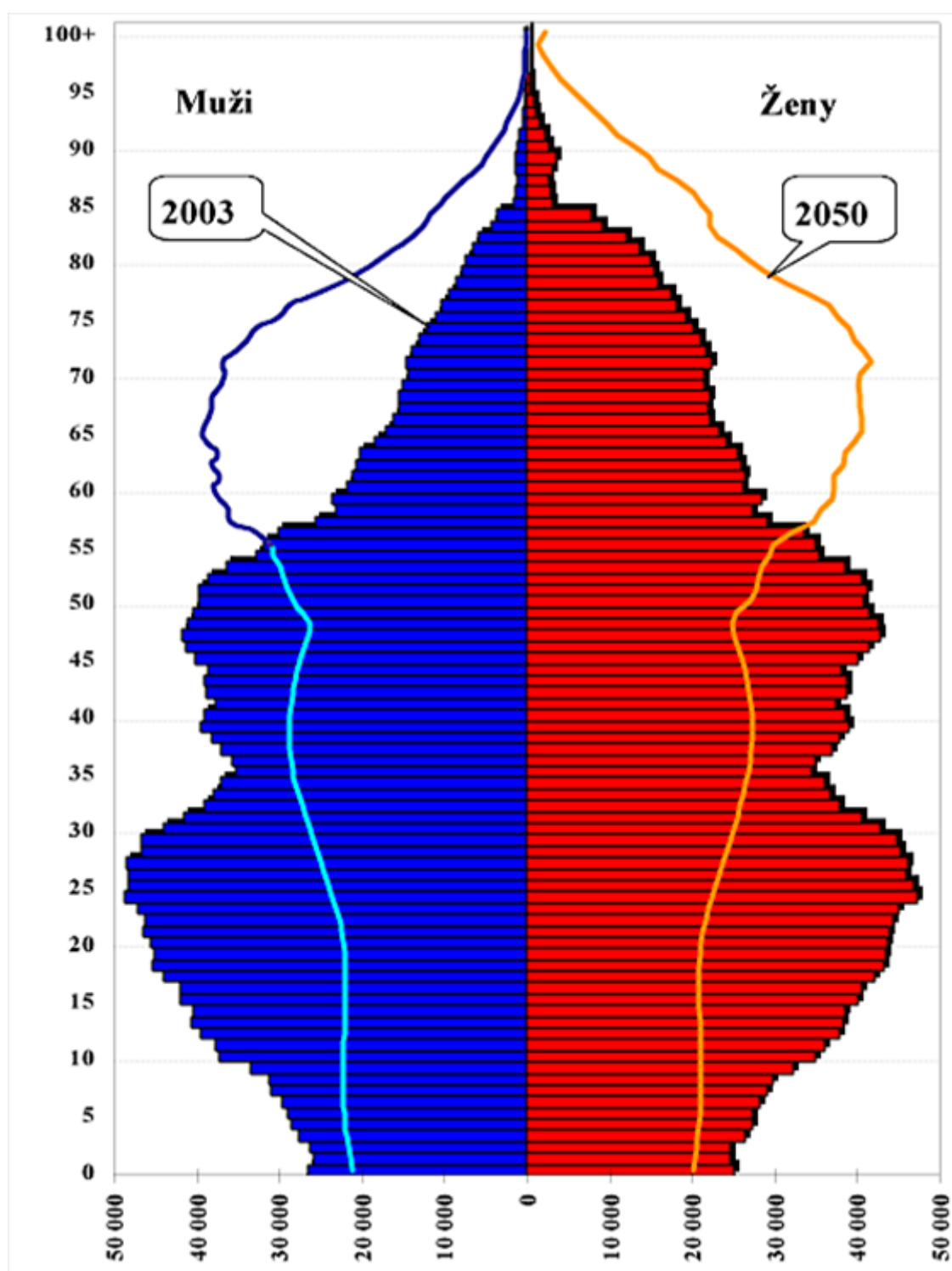
Source: *Hrubý domáci produkt (HDP) v rokoch 1993-2011 (mil. EUR), 2011*

## Appendix 2 – Development of salaries in Slovakia

Year	Minimum salary in €/month	Average salary in € /month	% change
1991	66,39	125,14	53,05
1992	73,03	150,80	48,43
1993	81,33	178,55	45,55
1994	81,33	208,92	38,93
1995	81,33	238,83	34,05
1996	89,62	270,66	33,11
1997	89,62	306,25	29,27
1998	99,58	332,04	29,99
1999	119,50	356,10	33,56
2000	132,76	379,41	34,99
	146,05	379,41	38,49
2001	163,31	410,44	39,78
2002	184,89	448,48	41,23
2003	201,82	476,83	42,33
2004	215,76	525,29	41,07
2005	229,04	573,39	39,94
2006	252,27	622,75	40,51
2007	268,87	668,72	40,21
2008	268,87	723,03	37,19
2009	295,50	744,50	39,69
2010	307,70	756,41*)	40,68

Source: MINISTERSTVO PRÁCE, SOCIÁLNYCH VECÍ A RODINY SR 2011.

### Appendix 3 – Demographic development in Slovakia



Source: LUKÁČOVÁ, PILINSKÁ, VAŇO, 2003.



## Appendix 4 – List of tour operators with available data

**Afrodita** – format Afrodita

<http://www.ckaafrodita.sk/export/export.php>

**Aquamarin** – format Web Creators

<http://www.aquamarin.sk/pre-predajcov/xml-data-na-stiahnutie.html>

**Best Choice** – format Best Choice

<http://bestchoice.sk/index.php?partneri>

**Hydrotour** – format Hydrotour

<http://www.hydrotour.sk/pre-predajcov.html>

**Fifo** – format Invia – Fifo

<http://www.fifo.sk/typo3temp/invia/full.xml>

**Lipa** – format Invia – Fifo

<http://www.cklipa.sk/typo3temp/invia/full.xml>

**Firo** – format Invia – Firo

[http://www.firotour.sk/buxus/project\\_scripts/export/xml\\_export\\_sellers.php](http://www.firotour.sk/buxus/project_scripts/export/xml_export_sellers.php)

[http://images.firotour.sk/firotour\\_xml\\_export\\_sellers.zip](http://images.firotour.sk/firotour_xml_export_sellers.zip)

**Globtour** – format Invia – Globtour

<http://portal.globtour.sk/index.php?dir=xml/invia/>

**Jazzwelt** – format Invia – Globtour

<http://portal.jazzwelt.sk/index.php?dir=xml/invia/>

**Happy Tavel** – format Invia – Happy Travel

<http://www.happytravel.sk/export/export.php>

**Ruefa Reisen** – format Invia – Ruefa

<http://www.ruefa.sk/export/katalog.xml>

**Solvex** – format Invia – Solvex

<http://www.solvex.sk/ck/solvex/dovolenka/b2b/katalog.xml>

**Medina** – format Pear – Medina

<http://xml.medinatours.sk/>

**Satur** – format Pear – Satur

[http://rezweb.satur.sk/booking/satur\\_tablo.zip](http://rezweb.satur.sk/booking/satur_tablo.zip)

**Turancar** – format Pear – Turancar

[http://www.turancar.sk/Viliam\\_Turan\\_TURANCAR\\_Nitra\\_Zelezniciarska\\_13.zip](http://www.turancar.sk/Viliam_Turan_TURANCAR_Nitra_Zelezniciarska_13.zip)

[http://www.turancar.sk/buxus/docs/provizny\\_predajca/proviznyfoto2010.zip](http://www.turancar.sk/buxus/docs/provizny_predajca/proviznyfoto2010.zip)

## Appendix 5 – Questionnaire

Vaše pohlavie

- Muž
- Žena

Váš vek:

- Do 18 rokov
- 19 - 25 rokov
- 26 - 35 rokov
- 36 - 45 rokov
- 46 - 55 rokov
- 55 – 65 rokov
- 65 rokov a viac

Vaše najvyššie ukončené vzdelanie:

- Základné
- Stredné
- Vysokoškolské

Nakúpili ste niekedy tovar alebo službu prostredníctvom internetu?

- Áno
- Nie

Ak áno, prečo ste sa rozhodli pre nákup prostredníctvom internetu?

- Možnosť porovnať ceny jednotlivých predajcov / výrobcov
- Rýchlejšie vyhľadávanie a porovnávanie parametrov
- Ušetrenie času inak stráveného návštevou kamenných pobočiek
- Iné: .....

V prípade že ste v posledných rokoch plánovali dovolenku, zvažovali ste sa aj možnosť zarezervovať si zájazd on-line prostredníctvom internetu?

- Áno

- Nie

Kto sa vo vašej domácnosti / skupine najviac venuje výberu dovolenky?

- Muži
- Ženy

Ktoré on-line cestovné kancelárie / agentúry poznáte?

- .....
- .....
- .....

Akú dopravu ste zvolili na svoju poslednú dovolenku?

- Autobusom
- Vlastným autom
- Lietadlom

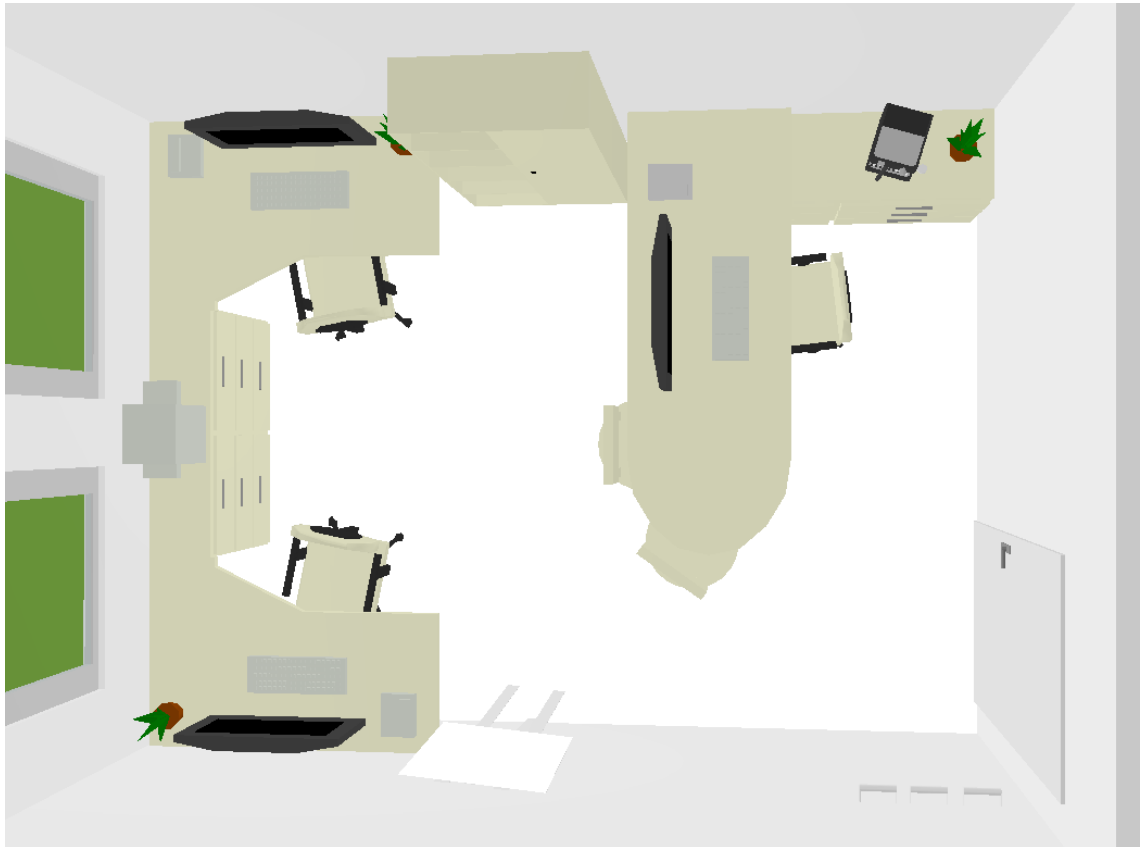
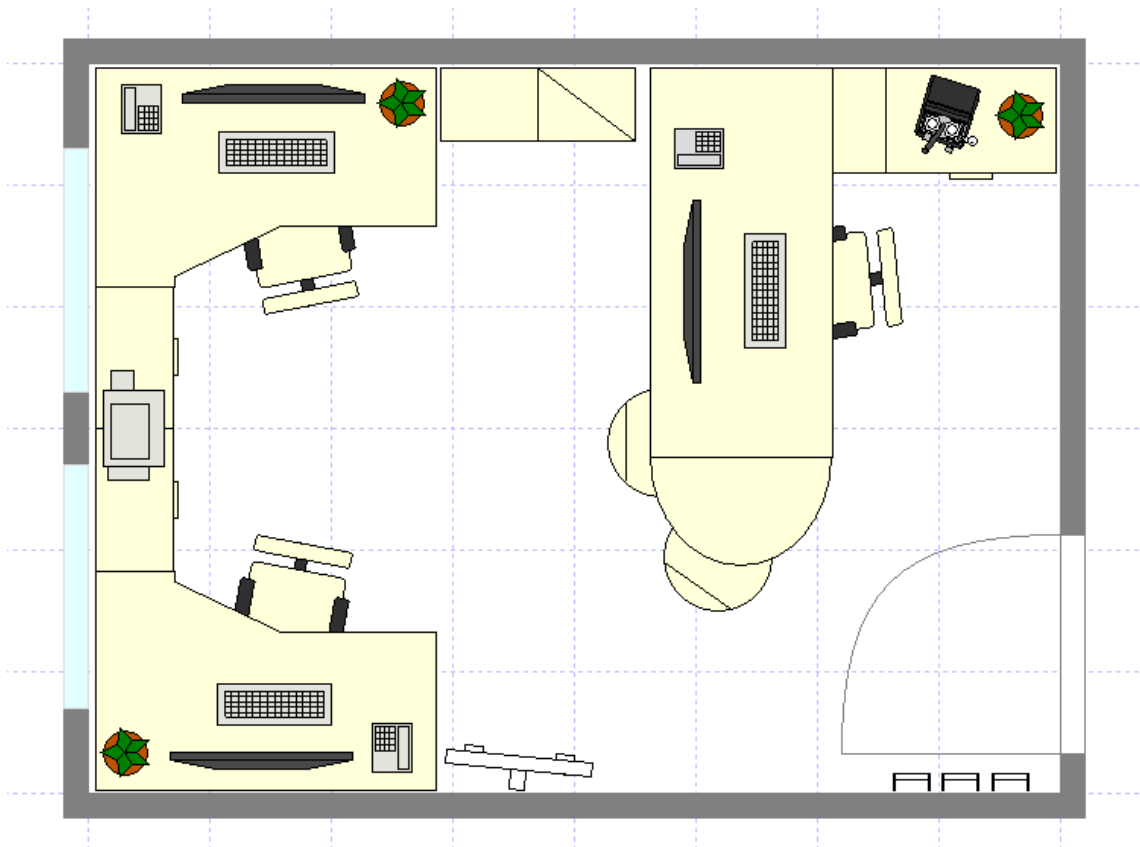
Koľko ste ochotní investovať do letnej dovolenky (za osobu vrátane dopravy a všetkých príplatkov)

- Do 500 EUR
- 500 - 1000 EUR
- 1000 - 1500 EUR
- 1500 a viac EUR

Ako sa jednotlivé faktory sa podieľajú na rozhodnutí o Vašej dovolenke.

- Cena
- Krajina
- Služby (kategória hotela)
- Termín
- Typ dopravy

## Appendix 6 – Office layout example



## Appendix 7 – Cash Flow statements for years 2013 – 2016

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y 2013
Number of orders	17	22	17	13	17	22	26	26	22	17	13	15	227
Sales [€]	20 400	26 400	20 400	15 600	20 400	26 400	31 200	31 200	26 400	20 400	15 600	18 000	272 400
Payments to suppliers [€]	18 564	24 024	18 564	14 196	18 564	24 024	28 392	28 392	24 024	18 564	14 196	16 380	247 884
<b>Cash inflow [€]</b>	<b>1 836</b>	<b>2 376</b>	<b>1 836</b>	<b>1 404</b>	<b>1 836</b>	<b>2 376</b>	<b>2 808</b>	<b>2 808</b>	<b>2 376</b>	<b>1 836</b>	<b>1 404</b>	<b>1 620</b>	<b>24 516</b>
Salary of FTE [€]	386	386	386	386	386	386	386	386	386	386	386	398	
Bonuses [€]	184	238	184	140	184	238	281	281	238	184	140	162	
Tax payments [€]	199	218	199	184	199	218	233	233	218	199	184	196	
Total cost of FTE [€]	769	842	769	711	769	842	901	901	842	769	711	756	9 583
Total cost of PTE [€]	0	0	0	0	0	0	0	0	0	946	274	0	1 220
Marketing [€]	1 150	920	690	460	345	345	345	345	345	345	345	1 323	6 958
Rent [€]	85	85	85	85	85	85	85	85	85	85	85	85	1 020
Telephone [€]	34	44	34	26	34	44	52	52	44	34	26	30	454
Internet [€]	20	20	20	20	20	20	20	20	20	20	20	20	240
Debt re-payment [€]	282	282	282	282	282	282	282	282	282	282	282	282	3 389
Tax pre-payments and clr. [€]	0	0	201	0	0	0	0	0	0	0	0	0	201
<b>Expenses Total [€]</b>	<b>2 341</b>	<b>2 194</b>	<b>2 082</b>	<b>1 584</b>	<b>1 536</b>	<b>1 619</b>	<b>1 685</b>	<b>1 685</b>	<b>1 619</b>	<b>2 482</b>	<b>1 743</b>	<b>2 496</b>	<b>23 064</b>
<b>Cash Flow [€]</b>	<b>-505</b>	<b>182</b>	<b>-246</b>	<b>-180</b>	<b>300</b>	<b>757</b>	<b>1 123</b>	<b>1 123</b>	<b>757</b>	<b>-646</b>	<b>-339</b>	<b>-876</b>	<b>1 452</b>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y 2014
Number of orders	20	25	20	15	20	25	30	30	25	20	15	17	262
Sales [€]	24 000	30 000	24 000	18 000	24 000	30 000	36 000	36 000	30 000	24 000	18 000	20 400	314 400
Payments to suppliers [€]	21 840	27 300	21 840	16 380	21 840	27 300	32 760	32 760	27 300	21 840	16 380	18 564	286 104
<b>Cash inflow [€]</b>	<b>2 160</b>	<b>2 700</b>	<b>2 160</b>	<b>1 620</b>	<b>2 160</b>	<b>2 700</b>	<b>3 240</b>	<b>3 240</b>	<b>2 700</b>	<b>2 160</b>	<b>1 620</b>	<b>1 836</b>	<b>28 296</b>
Salary of FTE [€]	398	398	398	398	398	398	398	398	398	398	398	410	
Bonuses [€]	216	270	216	162	216	270	324	324	270	216	162	184	
Tax payments [€]	215	234	215	196	215	234	253	253	234	215	196	208	
Total cost of FTE [€]	829	902	829	756	829	902	974	974	902	829	756	801	10 281
Total cost of PTE [€]	0	0	0	0	0	0	0	0	0	709	205	0	915
Marketing [€]	1 323	1 058	794	529	397	397	397	397	397	397	397	1 521	8 001
Rent [€]	85	85	85	85	85	85	85	85	85	85	85	85	1 020
Telephone [€]	40	50	40	30	40	50	60	60	50	40	30	34	524
Internet [€]	20	20	20	20	20	20	20	20	20	20	20	20	240
Tax pre-payments and clr. [€]	0	0	832	0	0	166	0	0	166	0	0	166	1 332
<b>Expenses Total [€]</b>	<b>2 296</b>	<b>2 115</b>	<b>2 600</b>	<b>1 420</b>	<b>1 370</b>	<b>1 620</b>	<b>1 536</b>	<b>1 536</b>	<b>1 620</b>	<b>2 080</b>	<b>1 493</b>	<b>2 627</b>	<b>22 313</b>
<b>Cash Flow [€]</b>	<b>-136</b>	<b>585</b>	<b>-440</b>	<b>200</b>	<b>790</b>	<b>1 080</b>	<b>1 704</b>	<b>1 704</b>	<b>1 080</b>	<b>80</b>	<b>127</b>	<b>-791</b>	<b>5 983</b>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y 2015
Number of orders	23	29	23	17	23	29	35	35	29	23	17	20	303
Sales [€]	27 600	34 800	27 600	20 400	27 600	34 800	42 000	42 000	34 800	27 600	20 400	24 000	363 600
Payments to suppliers [€]	25 116	31 668	25 116	18 564	25 116	31 668	38 220	38 220	31 668	25 116	18 564	21 840	330 876
<b>Cash inflow [€]</b>	<b>2 484</b>	<b>3 132</b>	<b>2 484</b>	<b>1 836</b>	<b>2 484</b>	<b>3 132</b>	<b>3 780</b>	<b>3 780</b>	<b>3 132</b>	<b>2 484</b>	<b>1 836</b>	<b>2 160</b>	<b>32 724</b>
Salary of FTE [€]	410	410	410	410	410	410	410	410	410	410	410	422	
Bonuses [€]	248	313	248	184	248	313	378	378	313	248	184	216	
Tax payments [€]	230	253	230	208	230	253	276	276	253	230	208	223	
Total cost of FTE [€]	889	976	889	801	889	976	1 063	1 063	976	889	801	861	11 073
Total cost of PTE [€]	0	0	0	0	0	0	0	0	0	532	154	0	686
Marketing [€]	1 521	1 217	913	608	456	456	456	456	456	456	456	1 749	9 201
Rent [€]	85	85	85	85	85	85	85	85	85	85	85	85	1 020
Telephone [€]	46	58	46	34	46	58	70	70	58	46	34	40	606
Internet [€]	20	20	20	20	20	20	20	20	20	20	20	20	240
Tax pre-payments and clr. [€]	0	0	787	0	0	291	0	0	291	0	0	291	1 659
<b>Expenses Total [€]</b>	<b>2 560</b>	<b>2 356</b>	<b>2 739</b>	<b>1 548</b>	<b>1 496</b>	<b>1 886</b>	<b>1 695</b>	<b>1 695</b>	<b>1 886</b>	<b>2 028</b>	<b>1 550</b>	<b>3 046</b>	<b>24 485</b>
<b>Cash Flow [€]</b>	<b>-76</b>	<b>776</b>	<b>-255</b>	<b>288</b>	<b>988</b>	<b>1 246</b>	<b>2 085</b>	<b>2 085</b>	<b>1 246</b>	<b>456</b>	<b>286</b>	<b>-886</b>	<b>8 239</b>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y 2016
Number of orders	26	33	26	20	26	33	40	40	33	26	20	23	346
Sales [€]	31 200	39 600	31 200	24 000	31 200	39 600	48 000	48 000	39 600	31 200	24 000	27 600	<b>415 200</b>
Payments to suppliers [€]	28 392	36 036	28 392	21 840	28 392	36 036	43 680	43 680	36 036	28 392	21 840	25 116	377 832
<b>Cash inflow [€]</b>	<b>2 808</b>	<b>3 564</b>	<b>2 808</b>	<b>2 160</b>	<b>2 808</b>	<b>3 564</b>	<b>4 320</b>	<b>4 320</b>	<b>3 564</b>	<b>2 808</b>	<b>2 160</b>	<b>2 484</b>	<b>37 368</b>
Salary of FTE [€]	422	422	422	422	422	422	422	422	422	422	422	422	
Bonuses [€]	281	356	281	216	281	356	432	432	356	281	216	248	
Tax payments [€]	246	272	246	223	246	272	299	299	272	246	223	235	
Total cost of FTE [€]	949	1 051	949	861	949	1 051	1 153	1 153	1 051	949	861	905	11 882
Total cost of PTE [€]	0	0	0	0	0	0	0	0	0	399	115	0	514
Marketing [€]	1 749	1 399	1 049	700	525	525	525	525	525	525	525	2 011	10 581
Rent [€]	85	85	85	85	85	85	85	85	85	85	85	85	1 020
Telephone [€]	52	66	52	40	52	66	80	80	66	52	40	46	692
Internet [€]	20	20	20	20	20	20	20	20	20	20	20	20	240
Tax pre-payments and clr. [€]	0	0	936	0	0	420	0	0	420	0	0	420	2 196
<b>Expenses Total [€]</b>	<b>2 855</b>	<b>2 621</b>	<b>3 092</b>	<b>1 706</b>	<b>1 631</b>	<b>2 166</b>	<b>1 863</b>	<b>1 863</b>	<b>2 166</b>	<b>2 030</b>	<b>1 647</b>	<b>3 487</b>	<b>27 126</b>
<b>Cash Flow [€]</b>	<b>-47</b>	<b>943</b>	<b>-284</b>	<b>454</b>	<b>1 177</b>	<b>1 398</b>	<b>2 457</b>	<b>2 457</b>	<b>1 398</b>	<b>778</b>	<b>513</b>	<b>-1 003</b>	<b>10 242</b>