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Business plan of a jazz bar in Saint Petersburg

Thesis 2013

Abstract

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Business plan of a jazz bar in Saint Petersburg, 47 pages, 2 appendices

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The object of the study was to investigate how to write a business plan and establish a company in Russia. A business plan is a modern business instrument, which is used in several purposes, e.g.: to help to get a financing from the investors, to categorize the entrepreneur's ideas, to analyze whether one's business idea is viable, to attract investors and to act as common course. In order to successfully attract investment and open a business in Russia without stagnations one should know the phases of business planning and certain issues (e.g. legal formats).

The thesis is comprised of theoretical research and empirical part. The theoretical framework covers basic issues on founding the company and the process of writing a business plan. The empirical part is a business plan itself. The case is a project of a jazz bar in Saint Petersburg.

The author is hoping that the thesis will be beneficial for the readers who are individuals who decide to open their businesses and students who consider writing a thesis on business plans or related topics.

Keywords: Company establishment, business planning, Jazz bar

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1 Introduction

This section presents the reasons why the author has chosen the topic; it also familiarizes the reader with the aims, limitations and the outline of the conducted work. Moreover it presents some of the informational background related to the topic, e.g. brief data about Saint Petersburg, short history of jazz bar culture and its particular development in Russia/Saint-Petersburg.

1.1 Justifications for the topic choice

The process of choosing the topic for the final thesis was rather long and painful. I was considering several options but by the end I chose the one I am writing about now - "Business Plan of a Jazz Bar in Saint Petersburg". Below I am going to justify my choice.

The tourism degree, which I took at the Saimaa University of Applied Sciences, gave me a diverse range of courses: accounting courses, management courses, specific tourism related courses, languages, courses on marketing and product development, giving me a broad knowledge as well. When the time to consider my thesis topic came I already had an idea that I would like to combine the knowledge I got during the three years of studies, refresh it and implement into one single project, which will show the results of my studies. That is how I got the idea to do a business plan. While writing a business plan there is a need to consider a broad range of various issues such as marketing, accounting issues, strategic management issues and etc. Therefore, I consider the work on this project as final refreshment of the knowledge I have gained. I also consider that the ability to write a business plan gives a person a competitive advantage like any additional knowledge broadens one's experience. The reason why I chose a Jazz bar as my enterprise is my personal interest in these kinds of establishments. I consider Saint Petersburg as the best place for a jazz bar in Russia due to the reputation of this city as an intellectual capital of the country. Close vicinity to Europe, higher income and educational level than the average in the country justify my choice.

1.2 The aims of the thesis

The aim of the thesis is to create a quality business plan of a small enterprise founded in Russia and find out what kind of factors are needed to establish and successfully conduct one (Having picked a jazz bar as an example). As business planning in SMEs has not been developed on such wide scale as in Europe and U.S, this thesis could serve as an auxiliary source for people willing to start their small business in this particular field by giving the example what kind of issues are important to consider while making a business plan.

1.3 Thesis limitations

A bachelor's thesis usually takes 40 - 70 pages of the work and is conducted with one person without much experience of writing scientific reports. Therefore it is important to limit one's work to adequate size to make the outcome of the high quality. In this work I will concentrate on the business plan itself and on theoretical aspects related to it. Financial planning is also limited, as one can never fully predict the market condition. I decided not to conduct any marketing research except the small one I have done for the thesis topic presentation as to make it really count it would be very time demanding and would distract me from the main purpose. As the appendix, an interview with a bar manager will be conducted in order to

1.4 Research methods

Due to the reasons described above the main part of the work to be done will be concentrated on desk research, divided into two parts: making a theoretical framework and writing a business plan itself. There will be a small field research - interviews with several jazz bar managers, the result of which will act as a supportive material.

1.5 Jazz bar culture in brief

Jazz is a music style, which was born at the beginning of the XX century in southern states of U.S.A. Jazz origins come from African-American communities. New Orleans is usually considered as a jazz capital of the world. Jazz represents a unique result of synthesis of the African and European cultures

and characterized by improvisation, syncopation, and usually a regular or forceful rhythm. Brass and woodwind instruments and piano are particularly associated with jazz, although guitar and occasionally violin are also used. Throughout its history different branches of jazz such as: swing, bebop, free jazz, acid jazz, gypsy jazz etc. have been born (oxforddictionaries.com). It is also considered as a father of such musical genres as funk and hip-hop. Being a truly "American" music jazz won the affection of millions of people all around the world. Nowadays in almost any big city on the planet there are venues where one can listen to jazz. A great number of jazz musicians contributed to the development of the genre. Some of the most influential were: Miles Davis, Charlie Parker, Duke Ellington, Louis Armstrong, Thelonious Monk and etc. Jazz is usually being played in jazz clubs but big masters sometimes give their concerts in philharmonics and concert halls. (Blumenthal 2007.)

Jazz club is a venue where the primary entertainment is the performance of live jazz music. Jazz clubs have been in large rooms in the eras of orchestral jazz and big band jazz and when its popularity as a dance music was common. With the transition to styles like Bebop and later, played by smaller numbers of musicians such as quartets and trios smaller clubs became practical. They can be rather small compared to other music venues, reflecting the intimate atmosphere of jazz concerts and long-term decline in interest in Jazz. (Wikipedia.org.)

1.6 Jazz in Saint Petersburg.

Saint Petersburg is a city situated in the North-West of Russia in the Neva River delta on the Eastern coast of the Gulf of Finland. The population of Saint Petersburg is about 5 million people. The city was founded in 1703 by Russian tsar Peter the I from the Romanoff dynasty. City had been a capital of the Russian state in periods of 1712-1727 and 1730 - 1918. Saint Petersburg was named Petrograd in period from 1914 to 1924. Under the soviet rule it was renamed to Leningrad. In 1991 the city had got its old name - Saint Petersburg. Saint Petersburg is unofficially called "an intellectual capital of Russia" - many famous scientists, composers, writers, engineers were living and working there. Many historically important events took place in Saint Petersburg - Decembrist revolt, October revolution and etc.

Jazz in Saint Petersburg is a cultural phenomenon supported by government. Saint Petersburg is the only city in Russia, which has a jazz philharmonic. The oldest jazz club in Russia called "Kvadrat"(the director of the club is David Goloshekin, acknowledged master who played on the one stage with Duke Ellington) founded in 1965 has also been actively supporting jazz traditions in the city. Nowadays there are several places in the city where one can hear jazz music such as bar the Hat, JFC club, bar 48 chairs and some others(Interview with Mr. Astafiev, historian).

2 THEORETICAL FRAMEWORK

2.1 Company establishment

2.1.1 Motivation

An Oxford University dictionary defines motivation as: "*a reason or reasons for acting or behaving in a particular way*". There is a great amount of research conducted considering this topic and many scientists have created theories on this topic.

A research says that there are about half of a million new businesses are born every year only in the USA. It would be difficult to count the exact number worldwide, but we can assume that the number is quite impressive. What motivates a person to start a business? According to Gareth Cotten's article, eight reasons why people start their own businesses (2010) there are following reasons: getting an income (having no job), increasing an income (people are not satisfied with their salaries), change in circumstances (the usual routine breaks and life sets you new target, such as a birth of a baby which creates a necessity for his mother to find a flexible work.), finding a purpose (business fulfills their desire to create and leave something behind them), lifestyle choices (business can fulfill one's desire to live a certain way), being in control of your own future and creating a true wealth and financial freedom. A connection with a famous Maslow pyramid (see figure 1) can be found.

Entrepreneurship can fulfill various needs of a human being: from the lowest ones (food, security, employment) to the highest such as: achievement, confidence, creativity and etc. Being such a diverse phenomena, entrepreneurship attracts people of all ages, sexes and nationalities.

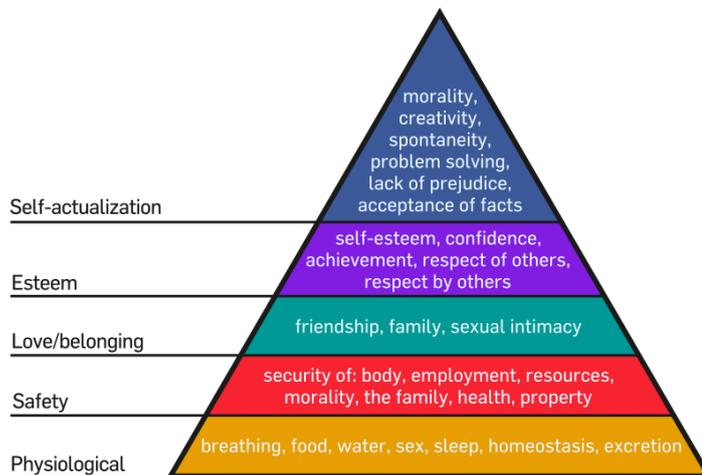


Figure 1. Maslow's pyramid of needs.

2.1.2 Business Idea

A person can have a business idea (in mind) before he decides to start a business or he can find it afterwards but business idea is a pillar of entrepreneurship. It is from what everything begins. The business idea is a concept, which can be turned into monetary value by selling it or implementing it in life.

While in the beginning, the business idea is a vague thought it should become a concrete description of future business throughout careful thinking and calibration. Business idea should answer on three crucial questions such as: "What?"(What is a company going to produce or sell?) "For whom?"(What is our target group) and "How?"(What finances, how much personnel, raw materials etc. the company needs?). Business idea is considered to be explained easily and accessibly, but it should contain details to be more precise and close to the reality.

As the modern world develops faster and faster, there is a hunt for new ideas. In his article for Forbes (2012), Alan Hall states that there is a method of gene-

rating a great idea: "Remarkable new product ideas are everywhere and there is a limitless supply of concepts waiting to be commercialized, launched and marketed. They are there to be seen and pursued by those who seek them. In fact, ideas are available to everyone, worldwide, and at any moment." Mr. Hall asserts that a great idea comes from the field about which a person possesses a high level of knowledge acquired by study, instruction and experience. "Many high achievers have benefited from lessons learned from earlier educational and prior career experiences that have become foundational underpinnings of understanding." He also states that it is important to be able to connect knowledge from different fields to create something new. In the end good timing, testing the idea and finally seeing if it is making money or not are as well considered crucial by Mr. Hall.

2.1.3 Start up capital

One of the first issues to consider whether to open a new business or not is the understanding where an entrepreneur can find enough funds for starting up. There can be different ways of financing one's business e.g. using the personal capital, taking a loan, finding investor or attracting state support.

If a businessman is seeking a dept capital from the traditional lender (banker), he is considered to be able to prove his ability to repay the loan with interest. The businessman presents his business plan to the loan officer ,who will in turn prepare the loan package, and presents one's business plan to the loan committee for approval.

Investors (venture capitalists or Angel investors) become equity (ownership) partners in one's company and have different expectations. They are willing to know that the invested money will result in a specified return on the investment. There are certain issues to consider in order to increase the chances of success with lenders and investors.(Pinson 2008, p. 3-4.)

To show the differences more visual, a table from Rhonda Abrams' book is given:

	Angel Investor	Venture Capitalist
Investment Criteria	Growth company	Extremely high-growth company
Source of investment dollars	Personal assets	Other people's money, institutional funds
Investment range	25,000-2,000,000 \$	2,000,000 + \$
Expected return	3-10 original investment	5-10 original investment
Typical stage of investment	Seed, start-up or early	High growth start-up and expansion
What they bring to the deal	Early funding and hands-on expertise	Large amounts of money, team building, industry specific strengths
Extent due diligence	Some to significant	Significant to huge amount
Will they replace founder as CEO	Less likely	More likely
Number of deals	<1-3 per year	15-18 per year

Table 1. Key differences between Angel Investors and Venture capitalists. (Abrams, p. 331)

Discussing business planning in his book "How to prepare a business plan", Edward Blackwell (2011, p.4-7) claims that brevity, logic, truth and figures are key issues to the successful plan in terms of attracting investment.

In his article for sba.gov (2010), Tim Berry claims that experienced team; believable exits, real growth prospects and real planning are the traits, which he would like to see in a project he invests in.

2.1.4 Sources of Finance in Russia

In Russia there are all instruments of financing small business, which exist in Europa or the USA. However, the level of development of those ones is significantly poorer.

Almost every bank in Russia offers loans to small businesses. The interest with which a new businessman can get a loan starts from 14.5% or 15% and can reach 22-25% annually which of course considerably differ from standard interests in developed European countries, e.g. Finland, Sweden, Germany, France

and etc. where the interests are 4-10 percent (Fintradeppp.com). Another possible source of financing is to seek the help of investor. Now, here the interest rate might differ significantly depending on which field an entrepreneur would like to start up, how much money does he need and another fact which is still very important in Russia - is there any personal relationship or common acquaintances between the investor and the entrepreneur. Depending on these factors the interest rate can be from 10 up to 70 percent. An entrepreneur can also hope to get a support from the government. This tendency is rather new but Russia is following Western countries where it is a standard procedure. There are programs in each region of Russia and usually they are conducted on a competitive basis: an entrepreneur leaves an application and an expert commission considers it. As there is always a certain quote, not everyone can get the subsidy. Among the possible types of state support are:

- Grants
- Educational programs
- Internships
- Preferential leasing
- Business incubator (possibility to rent an office for discounted prices)
- Preferential/free outsourcing (accounting/legal support)
- Preferential/free participation in fairs and exhibitions.

(lp-nalog.ru)

Another possible source of financing is obviously using one's own savings.

3 Business Planning

It is normal for a human being to feel a perplexity in a new environment. A newcomer entrepreneur is surrounded by thousands of new facts and features. In this situation, making a business plan would help to find the way out. According to Mckeever (2012, p. 8) "Business plan is a written statement that describes and analyzes one's business and gives detailed projection about its future. It also covers the financial aspects of starting or expanding a business".

Business plans are written in order to focus and categorize one's thoughts; analyze if one's business idea is worth it; improve the concept, attract investors and finally, keep a track how the results correspond with expectations.

Business plans usually consist of a variety of features, which can differ depending which framework a businessman uses.

Figure two below represents one of the possible business plan frameworks:



Figure 2. Business plan framework.

3.1 Executive summary

An executive summary introduces the business plan to a reader. It captures and presents succinctly the essence of the business plan and covers it in one to three pages. The summary is expected to provide the reviewers with a good understanding of the plan's concept, finances and metrics. On occasion, the executive summary may be used by itself as a means of gaining access to a reader. Some venture capitalists prefer to review a cover letter and summary document prior to receiving a complete business plan. While an executive summary appears at the beginning of the business plan, it should be written after the plan has been completed. (Bryan, Bornstein & Pruitt 2007, p.72.)

Depending on which types of business one is trying to enter, the necessity to write several summaries may appear. It would be beneficial for a businessman to be able to feel what excites or intrigues his audience and tailor his business plan in their favor.(Stephenson & Mintzer 2008, p. 121.)

There are two ways of approaching the executive summary: the synopsis summary and the narrative summary. Choosing between them depends on the type of a business and capabilities of a writer. A synopsis summary is the more straightforward of the two. It is easier to prepare and its main purpose is to relate the conclusions of each section in a brief way. Although it has doubtless advantages, the synopsis summary tends to be rather dry. Making a narrative summary usually means creating a story, which may contain some sort of excitement or drama in order to induce enthusiasm and excitement. Narrative summaries require more skillful writers and can be more successful while presenting the business that break new ground, either with a new product, a new market, or new operational techniques that require considerable explanation.(Abrams 2010, p.55.)

3.2 Description of the company

This section is the first that the businessman is supposed to write. It follows the executive summary and informs the reader of the basic details of one's business. A company description usually covers such issues as legal status, ownership, products or services, company mission, vision, short-term and long-term goals and milestones achieved to date.

In case of Start-up Company, an entrepreneur might feel perplexed about some of the parts of the documents as legal format or address. Then it is advisable to write down one's intentions.(Abrams 2010, p.67.)

3.2.1 Company name

Choosing a name for a company can be a long and pain taking decision. "A bad beginning makes a bad ending" - Englishmen say and it is proved by business history. When choosing a name it would be advisable for a businessman to answer on these questions:

- How does the name look? – On the web, as part of a logo, on social media.
- What connotations does it evoke? – Is the name too corporate or not corporate enough? Does it reflect the business philosophy and culture? Does it appeal to the market?
- Is it unique? – Picking a name that has not been claimed by others, (online or offline) to avoid litigations and confusion is vital.

(Sba.gov.)

3.2.2 Company's goals, objectives and statement of mission.

A mission statement is a clear and short allegation of what one's company stands for and what it intends to achieve. A good tailored mission statement is supposed to answer these three simple and important questions:

- What does the company do?
- What customers does it serve?
- What makes it different from the competitors?

(Fiorem 2005, p. 38.)

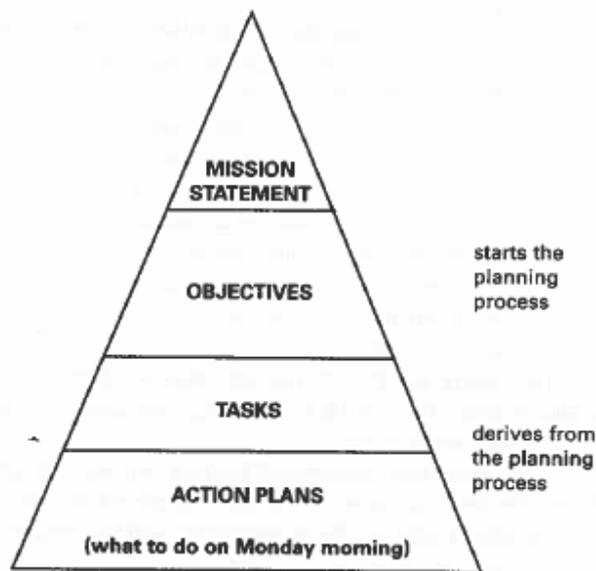
Showing the companies objectives and goals of the company is important in current section. Presenting them, a businessman can show to the investors his focus and understanding of the needs he desires to achieve. Goals establish where an entrepreneur intends to go and informs him when he reaches it. More careful definition of ones goals helps to focus on and achieve what is actually needed.

Objectives are the specific steps a company needs to take in order to reach each of the goals.

(Dummies.com.)

In their book "The business plan workbook" (2008, p.25) Collin Barrow, Paul Barrow and Robert Brown show a diagram (see below), which can describe the

relations between mission statement, goals and objectives. Although the names differ, the sense stays the same.



Note: Mission and objectives are 'what' statements; tasks and action plans are 'how to' statements.

Figure 3. The pyramid of goals

3.2.3 Company's Location

A company location is an important issue to mention in a company's description. While for some of the companies, the location of their office is not the crucial factor, success of the others (e.g. retail stores, hotel & restaurant field and etc.) is highly dependent on the place they are disposed.

In his article for about.com, Scott Allen advises to pay attention on these factors while choosing the location: convenience, safety, prestige, traffic, facility requirements, and zoning.

3.2.4 Legal Issues

There are several legal issues to handle depending on where the business is going to be founded and in which field. One of the first to handle is to choose a legal format for a company. Depending on the country, there are different legal formats for companies. I intend to write about possible legal formats in Russia.

In accordance with the civil code, the following are some of the most important types of legal entities:

- Joint stock companies (JSC). (Opened/closed). A joint stock company (JSC) is a company, whose authorized capital is divided into a definite number of shares; the owners of the JSC (the shareholders) do not bear liability for its obligations, but do accept the risks involved with losses connected to the JSC's activity within value of their shares. A registration on issuing shares and subsequently filing reports to the Federal Financial Markets Service is mandatory.
- Limited liability companies (LLC). Limited Liability Company is recognized as a company established by one or more persons, whose authorized capital is divided into participation interests, the size of which is stipulated by founding documents. Participants of the LLC do not bear liability by its obligations but bear the risk of losses connected with the company's activity within the cost of the contributions they have made. An LLC can be founded by either a person or group of people, or a Russian or foreign company. The number of participants in a LLC cannot exceed fifty. It is the most popular form for business activity in Russia.
- Additional liability companies. An additional liability company is a company with chartered capital divided into participatory shares as determined by company's founding documents. Participants primarily become responsible for the company's commitments to the extent of their contributions to the chartered capital. However, if these sums are insufficient, participants shall bear additional liability pro rata to each participant's contribution. The limits of such liability of participants are provided in the foundation documents.
- General partnerships. When two or more partners decide to set up a company that is co-owned, they shall form a partnership. General partnerships have general partners that can be involved in the management of the company. They are all equally liable for the company's obligations and are bound by the actions of all the other partners.
- Limited partnerships. As opposed to the general partnership, this type of company must have at least one general partner with the right to manage

the company and with full liability to the extent of his contribution. There must also be at least one limited partner who is not liable for the company's obligations. Both types of partnerships are set up on the basis of a signed agreement, where all rights and obligations of the partners are stipulated.

(Companyformationrussia.com)

(Establishing Business in Russia, Tim advisers)

Another possible option is sole proprietorship. This choice is particularly convenient for small businesses where an entrepreneur intends to work himself. The sole proprietorship is not considered as a legal entity (an individual has not done any step to incorporate his business) meaning that an individual entrepreneur is going to be personally liable for all business' obligations. The sole proprietor in Russia must define the scope of business he would like to get involved in, prepare the set of required documents for registering (copy of document confirming that an individual has a right to work in the Russian Federation, copy of document confirming the address of residence and etc. Depending the type of business an individual might need to get specific documents), and register in tax inspection office. (Nalog.ru.)

3.2.5 Products and services

This part of the plan can be relatively short, especially if a businessman is not planning to produce completely new or technologically difficult product or service. It is advisable to clearly identify and describe the nature of products or services one provides. However, there is no strong need to describe each of them, if they constitute a long list; categorizing them into groups would be enough. (Abrams 2010, p.72.)

3.3 Marketing

There are many aspects to cover in a marketing section. Depending on the business an entrepreneur intends to start, the number of issues discussed can vary. The most important issue to do in this section is to explain to the investor that a businessman understands core marketing issues, his marketing segment,

his competitors and how he is going attract people to his product/service.(Finch 2010, p.33.)

The first step is to define the message, which is going to be sent to the customers. Marketing experts from all over the world highlight the Four P's model, which describes what influences a customer to buy. Four P's consisted of:

- Product - the nature of the object or service itself
- Place - the level of convenience of the location and its look
- Promotion - number and quality of marketing activities conducted
- Price - the cost advantage

There are various theories developed after this one discussing the same phenomena e.g. 7 P's (physical evidence, people, process are added) or 4 C's - Consumer, Cost, Communication, and Convenience. Based on this theory and the theory of Five F's (a model describing what customers want, consists, i.e. functions, finances, freedom, feelings, future); an entrepreneur can decide how he is going to motivate the possible customers to buy his product/service (Marketing Mix. Wikipedia.org.)

3.3.1 Basic concepts of marketing

Before starting a marketing campaign, an entrepreneur should ensure that he has a deep understanding of the main marketing concepts. The first most important issue to understand is that marketing must not be taken as a tool of selling to customers whatever an entrepreneur has decided to sell, but to satisfy their needs. When human beings feel a certain need there are two possible options of solving it: a) To look for an object that will satisfy it, b) To try to reduce the need. The concept of "want" is defined next. While people have basic needs, their wants can be absolutely diverse. Want is a possible form of need, which is influenced by various factors such as culture, education, family, character and etc. Therefore, while food is a need, a want can differ: foie gras, dumplings, Chinese noodle and etc. To satisfy their wants and needs, people buy products. A product can be a physical object or a service. The essential issue to know in this case is that a customer does not need a product itself - he needs it for its special characteristics, which can satisfy his needs. While mak-

ing a choice from the various products, which might satisfy a customer, he relies on his own perceptions of value that is defined by the difference between the values the customer gains from owning and using a product and the costs of obtaining the product. By raising their value through the better quality a company can achieve a customer's satisfaction. One of the possible ways of satisfying a need is to conduct exchange. Exchange can be described as the act of obtaining a desired object from someone by offering something in return. Global exchange is conducted through transactions, an act of trade between two parties on agreed upon conditions. A smart company builds long-term relationships via transactions. The concept of exchange leads to another one, which is the market, a set of actual and potential buyers of the product. The size of the market is dependent on the quantity of the people who have the same need and are ready to exchange certain resources they possess for the product. In the end, marketing is the process, which makes all the listed above phenomena work together. In other words, a process by which individuals and groups obtain what they need and want by creating and exchanging products and value with others. (Kotler 1999, p.14-16)

The located below, figure 4 visualizes given information.

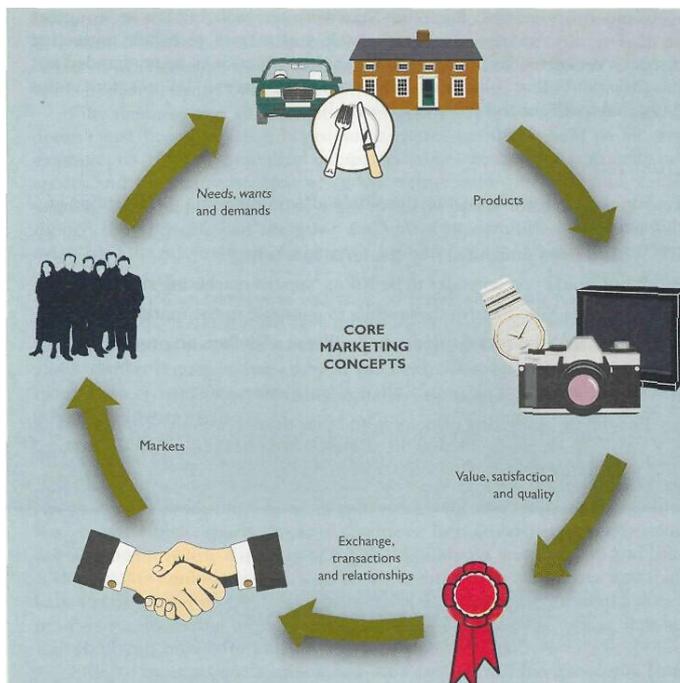


Figure 4. Core marketing concepts (Kotler 1999, p.8)

3.3.2 Customer segmentation

Customer segmentation is a process of dividing a market into different buying groups with close needs and wills by analyzing geographic, demographic, psychographic and behavioral factors (Kotler 1999, p.107.)

In her book " Successful business plan" (2010, p.126) Rhonda Abrams claims that to make a useful planning tool, the definition of a targeting market should contain this criterion:

- Definable. It has to be specific in finding what potential customers have in common.
- Meaningful. The characteristics must meaningfully relate to the decision to purchase.
- Sizable. The target market should be big enough to attract enough customers to sustain the business
- Reachable. Both the definition and size must lead to affordable and effective ways to market to the potential customers.

3.3.3 Competitor analysis

"If you know the enemy and know yourself, you need not fear the result of hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle."(The Art of War, Sun Tzu)

The marketing concept states that in order to be successful a company must ensure that their products or services create greater customer satisfaction than their competitors' products or services. Thus, a businessman should not simply adapt to the needs of targeted customers but gain a strong strategic advantage from the competitors by improving the service and distinguishing it from the competitors' services in customers' eyes. Therefore, in order to succeed, the company needs to know about its competitors. (Kotler 1999, p.506-507.)

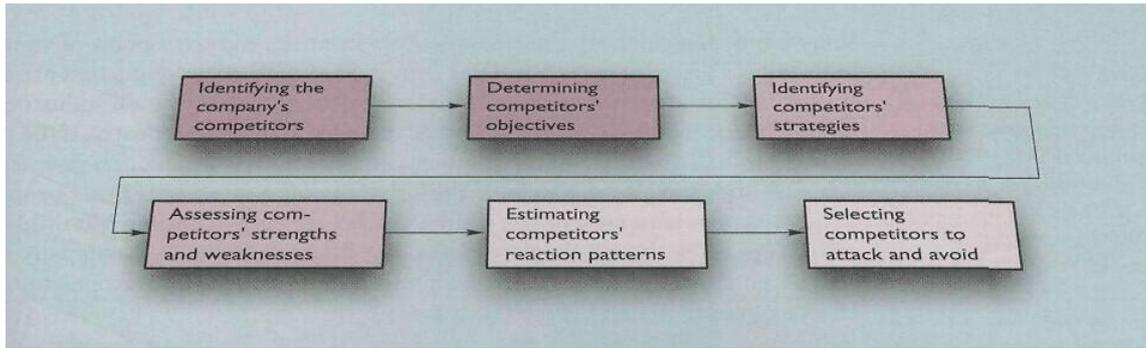


Figure 5. Steps in Analyzing competitors (Kotler, p.507)

These are some of the issues to be considered when studying the competitors' product/service features, prices, quality, location, customer service, image/ style/ design. If there is a possibility to get internal knowledge, paying attention to such issues as financial recourses, marketing budget, access to suppliers/ distribution, sales structure and certifications might be helpful.(Abrams 2010, p.118-119)

The figure five located above visualizes Philip Kotler's ideas of how the analysis of the competitors should be conducted.

3.3.4 Marketing research

A lot of information is needed for starting a business, especially if an entrepreneur is a newcomer. It is very unlikely to have all required data concerning the market place in the beginning. A marketing research serves to ensure that the businessman has ample amount of information on customers, consumers and the market to customize the marketing correctly in order to increase the chances of entering the field successfully.(Collin &Barrow 2008, p.105)

Nowadays, the marketing research techniques are quite developed and an entrepreneur can use both online and offline ones. To find out more about a market one can use following techniques:

- Questionnaires. A research instrument containing a certain amount of questions, which can be administered in paper or on-line. It is considered that the less intrusive questionnaires cause more valuable and trustworthy information.

- Focus groups. This is type of qualitative research in which a group of people are brought together and asked by professionals while researchers tape and observe their answers, comments on product ideas, packages, services and etc. The participants of focus groups are usually paid.
- Survey calls. While telephone surveys are quite often rejected fiercely, online surveys presented intelligently can be rather successful. Intrusive and less time-consuming way of conducting survey often brings constructive information quickly.(Pinson 2008, p.49-50.)

3.3.5 Marketing strategy

Once a businessman understands the customer needs and possible ways of gaining a competitor advantage he should think through how he is going to reach potential customers. There is a great number of different advertisement and adjacent features available. Depending on his business, an entrepreneur can choose whether he is using expensive, classic advertisement such as broadcast and print media advertisement, billboards or he would prefer using less expensive social media, online marketing. He should also decide whether to use professional services of marketing and a PR consultant or do everything by himself and his team. The entrepreneur who has a lack of money can try to do creative guerilla marketing or even not to do anything relying on word of mouth.

As almost any marketing vehicle cost money, it is advisable to carefully plan how to market one's product and make sure that it is affordable, reaches the target customer, multiple and mixed (use more than one method so customers get to know about the product from various sources.) (Abrams 2010, p.153-54.)

3.4 Operations

One has to know how the business is operated. A businessman should identify the main processes incorporated in his project and explain how he is going to conduct them to the investor. This section might contain information on buying raw materials, working with suppliers, selling, manufacturing, controlling measures, job responsibilities for the staff, dealing with insurances and other legal features etc. It is not necessary to be concrete and verbose on each of the op-

erations, but it is crucial to make investors feel that they are giving money to a person who knows how his business works.(Barrow& Brown 2008, p.181-232.)

In his book on how to write a business plan (2010, p.47-48), Bryan Finch recommends an entrepreneur to use this simple framework:

- Describing processes
- Demonstrating control
- Highlighting differences
- Showing experience

3.5 Human resources

In the end, it is all about people. In most businesses, customers meet with employees and it does depend a lot on the staff whether the customer is going to be back or not. It is advisable to add this part to a business plan, especially if an entrepreneur is planning to organize the business with several levels of influence: top management-middle management-junior employees.

A good explanation of how many people with certain qualities does a businessman needs can be another sign for the investor that future entrepreneur understands what he is doing well. If a project has a team already it would be useful to represent its key members: their educational background, previous successes, strengths. (Abrams 2010, p.215-218.)

If an entrepreneur would not go beyond several basic sentences such as: "We need about five to seven employees, I will think how much I should pay them later", it would not impress anybody. A good business plan would contain a precise analysis of how many employees the venue needs, being based on the size of the venue, number of customers, jobs that are supposed to be done; which skills a businessman is expecting from his future staff; is he going to use only contract workers or some freelancers, full-time or part-time staff. The next step would be to calculate the labor costs, the salary a certain employee will receive, total amount of the salaries, which bonus system for employees a company is going to use if there will be one. Another issues, which should be mentioned, area description of staff recruitment, staff training, working condi-

tions, and what opportunities the employees are going to have in one's company.(Human resources needs in the business plan. About.com.)

3.6 Financial information

A financial plan is a crucial aspect of any business plan, because often it is one of the only parts investors watch carefully. It is supposed to reflect every decision one has made previously in a monetary (numeric) way. If one has not been careful enough in forming the financial plan, he would not be able to control his expenses properly. Being rather frightening to some people, the financial plan is a great instrument of monitoring the success of the business. A businessman can decide whether he is going to deal with it himself or ask somebody else to do that. In any case, an entrepreneur should have a working understanding of a financial statement to have better control of his company. While preparing a financial plan, an entrepreneur can use professional help, but he still has to cooperate closely with the accountant to have a deep understanding of the processes.

While creating a financial plan there are several issues to decide, one of them is to choose whether to use cash-basis accounting or accrual-basis accounting. The first one means that income and expenses are entered in the books at the time money actually changes hands. With accrual-basis accounting income and expenses are counted by the time they are actually transacted. This accounting form is more difficult to conduct and can be more confusing, especially for the beginners, but it gives a better sense of overall profitability. However, most of the small companies use cash-basis accounting.

There are numerous financial forms an entrepreneur can include in his business plan such as income statement, cash-flow projections, balance sheet, breakeven analysis, sources and use of funds, start-up costs, assumption sheet. First three forms are the most important ones, but others are also considered significant. These forms help the entrepreneur to answer numerous questions, e.g.: "How much revenue should I have to break even; how much money do I spend on advertisement; what are my gross and net profits; what is the most profitable month in my company, what is the least; what product brings the biggest money

to my company etc." Analyzing this data gives a businessman a clear understanding of his business and therefore gives him a possibility to make strategy on the basis of sheer facts.(Abrams 2010,p.267-273.)

3.7 Strategic management models

During the years of the development of business as a science economists have created various models for analysing a business and its potential. Nowadays such frameworks as Porter's 5 forces, six forces model, Porter's four corners model, resource-based view and etc. are used in the companies all around the world. These models help to analyse various business aspects in order to modify the company's strategy. In this subsection I will tell about two most famous models namely: SWOT and Porter's five forces.

3.7.1 SWOT

Albert S. Humphrey introduced a SWOT analysis while he was working for Stanford Research Institute. SWOT is a simple yet powerful model, which helps to understand one's business deeper. SWOT consists of 4 elements:

- Strengths (characteristics giving advantage to the business over competitors)
- Weaknesses (characteristics that place the team at a disadvantage position to others)
- Opportunities (Issues, which could be exploited for the advantage of the company)
- Threats (Issues, which can be dangerous for the business development in the future.

There are multiple questions to answer to get the full image of each of these four elements. A good SWOT analysis will give an investor a more clear understanding of the project and also will tell more about an entrepreneur, whether he is a skillful businessman or a dreamer. Therefore, it is advisable to use more of verifiable statements and to be 100 percent honest with one's self. Used in a personal context, it helps person develop his career in a way that takes best advantage of one's talents, abilities and opportunities. (Mindtools.com)

Figure 6 below illustrates an example of SWOT analysis describing a company.

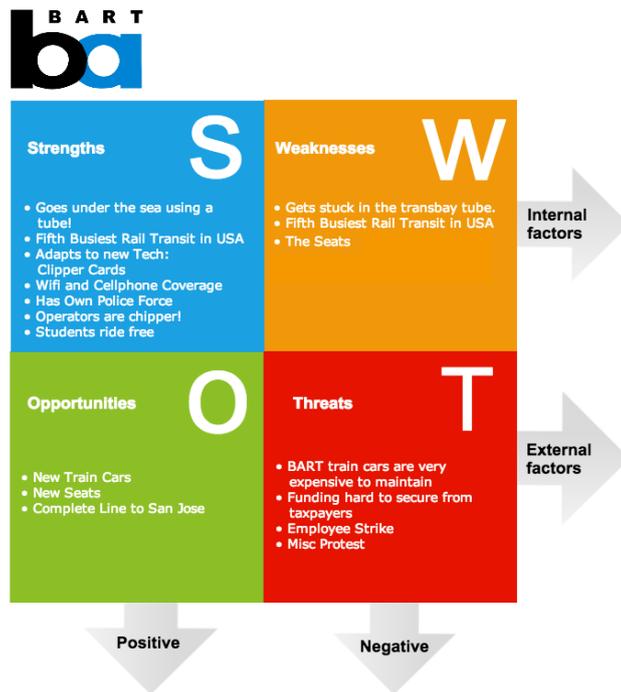


Figure 6. Example of SWOT analysis, (www.gliffy.com)

3.7.2 Porter's five forces

This model was introduced in Harvard University in 1979 by young economis-tassociate professor, Michael E. Porter, in his first article for the Harvard busi-ness review. This article has made a revolutionary impact to the study of com-petitive strategy for corporations, regions, nations, and, more recently, health care and philanthropy.

In his article, Michael E. Porter claims that there are five factors that together determine the competition's nature within an industry: threat of new entrants to a market, bargaining power of suppliers, bargaining power of customers ("buy-ers") threat of substitute products, and degree of competitive rivalry. In order to understand who the real competitors are one should not think narrow. Having developed this model, Mr. Porter pointed out to all managers who work in stra-tegic field the importance of expanding their approach in a competition analy-sis(Hbr.org).See figure 7 below for visualization.



Figure 7. Porter's 5 forces model.

3.8 Appendices

The business plan may have a lot of detailed evidence to support it. It is said that detailed information adds credibility to the business plan. However, it is advisable not to put it inside the business plan to make it easier and more interesting to read. Appendices can even be collected in a separate document if the business plan has significant size itself. Summarizing and explaining the evidence while referring to it is the best way to deal with appendices. Basically, there are two types of documents, that should be put into the business plan as an appendix a) something that persuades the reader of one's case, b) proof of entrepreneur's words in the plan. This sort of data can include: CV's of key employees, copies of patents, copyright evidence of trademark registrations, copies of leases, detailed accounts, market research reports, relevant photographs, technical descriptions, product brochures etc.(Finch, p.20-21.)

3.9 Realising a business plan (making it to work)

When a business plan has been finished it is time to use it for the purposes it had been created for: attracting investment or guiding company development.

Once an entrepreneur is going to start circulating his business plan among investors there are special issues to make sure of in advance.

Before printing the business plan out, it is highly recommendable to double-check the language. Precise, clear and non-abstract choice of words is going to please investors. It is advisable not to overload each page with the information to make it look cleaner. In some cases, even using the service of the designer could be done to make an outstanding business plan in order to impress the investors.

It is essential to prepare well for presenting the plan. Rehearsing in front of the mirror or a small audience helps to feel better before the big day. Some of the investors would expect an electronic presentation. A power point presentation should contain all-important issues of the plan however it should be short. The size of 12 slides using bulleted points is the appropriate one. (Abrams 2010, p.318-325.)

3.10 Confidentiality

The business plan is a document full of specific information therefore it can reveal a lot about the company. Consulting with a lawyer about security and confidentiality issues would ensure the serenity of an entrepreneur. It is advisable to carefully choose and research people to whom the plan will be shown and make sure their reputation is not tarnished. During the presentation, a businessman always can always keep records of the copies of the business plan in order to be able to react adequately if he finds out that his business plan was distributed to the third persons without his agreement. In special occasions, an entrepreneur can even ask investors to sign a non-disclosure agreement (NDA) to guarantee confidentiality. However, it is said that professional investors usually do not sign a NDA, as it is an essential part of their business to respect the confidentiality of the entrepreneur and not letting down their reputation. Ask-

ing venture capitalists to sign NDA would be considered as a sign of unprofessionalism and non-acquaintance with the field. After all, it is worth to say that hardly ever a newcomer is taking something completely innovative to the market thence the success is usually determined by how the business is handled, e.g. by daily operation excellence. Therefore, in most cases, there is no need to be over concerned about the confidentiality. (Abrams 2010, p.318)

4 BUSINESS PLAN OF A JAZZ BAR IN SAINT-PETERSBURG

This section presents the practical part of the work - business plan for a jazz bar in Saint Petersburg. An author does not plan to open a jazz bar in near future and creates the plan for the learning purposes. However, to make it more relevant, realistic numbers are used and it will be shown to investors, professionals in creating business plans and bar owners in order to evaluate its quality.

4.1 Business idea

The jazz bar will be opened in January 2014 in the central part of the city. The business idea is to move away from a traditional concept of jazz bar to a place, which would not only attract lovers of jazz but also hip public and foreigners visiting the city. Making a hip bar is a crucial idea because nowadays Russia has a boom in the HoReCa industry and people start to be interested in more qualitative means of entertainment. Various types of music are going to be presented in the bar though there would be several confines. Such genres such jazz, soul, blues, funk, instrumental, and mild electronic music are going to be presented. The main idea is to introduce that vibrant and moving atmosphere which jazz bars used to have and lack now. I would like to bring the idea that jazz is not only music but also a dance. While famous bands and musicians are going to be invited for peak days, small ones and students are going to be invited for weekdays in order to give performing experience to young musicians and familiarize the public with new faces. The premises are going to be rented, as the entrepreneur does not have sufficient funds to buy them. The size of the bar is going to be average but there will be a stage, which can accommodate a band with a pianist. The bar would not have many sitting places, as we would like our guests to dance. However, during the more traditional concerts seats will be

organized. The brand (the name, logo and atmosphere which we would like to stick to) is under development yet, but we hope to find a solution, which would synthesize both the feel of clubs in NYS and New Orleans during the jazz age, sensation from the beat generation movement, with a modern understanding of design to make people feel comfortable. Though the bar is going to be located in the central part of the city, however we are not going to locate ourselves in the main streets, as it is very costly. We are also not going to use the traditional means of marketing but new media and creating a strong brand in order to provoke word of mouth.

4.2 Products and services

During nighttime we are going to serve drinks and small snacks, which could be consumed right at the bar table. We also have quality bar where a guest can enjoy drinks. However, during the rush hours only simplified drinks are going to be served in order not to create long queues. During daytime we will serve coffee and small meals (sandwiches, burgers, salads) cooked in the premises. Guests would be able to read, work or discuss news. The other service we are going to offer is organizing concerts as it was mentioned before.

The pricing policy is going to be average as we would like to attract many people and will try to make profits on quantities. As our business idea is not unique or original we would like to build out competitive advantage through creating quality in every aspect from sound of the music to the barmen's communications skills.

4.3 Objectives

The objectives are as follows:

- Create a bar which is going to make a difference
- Actively familiarize an audience with good musicians and new musical genres related to the concept we have chosen
- Return founding costs after one year of operation
- Increase revenues each year of 10% at least each year. (first three years)

4.4 Legal format

Sole proprietorship is the most popular form of business in the bar/restaurant field in Russia. That is why this form will be chosen. It has rather low and democratic taxation, and it requires less paper work (which sometimes can take a lot of time due to the high level of bureaucracy in Russia). However it requires more risks taking that a sole proprietor is responsible for all obligations personally.

4.5 Marketing

4.5.1 Target Market

Our probable target market is rather diverse due to the fact that we would like to create a place popular on two aspects: music and atmosphere. Therefore we expect to have jazz lovers, students, intellectuals, hipsters, foreigners and all people who are following what is happening in the music and bar culture of the city. We are expecting to attract these segments by different means:

- Jazz lovers - good jazz music, old and new bands.
- Students - average priced drinks, crowded place, low price of the tickets.
- Intellectuals - a good place to drink a cup of coffee during the day and to work, "intelligent" music in the evening.
- Hipsters - popular place (we expect to be mentioned in such media as afisha, timeout, lookatme - the key hipster media in Russia).
- Foreigners - quality music and place with friendly staff speaking English.

4.5.2 Competitor analysis

As it was decided to make both a good bar and a musical venue we are expecting to compete with various places. In a global way, we are competing with any place where our customer can go instead of visiting us. The list of segments we are going to compete with is as follows:

- Jazz bars (jazz bar 48 chairs, Dom7, JFC, the Hat)
- Jazz Philharmonic and jazz club Kvadrat

- Good quality bars (Mishka, Manneken Pi, Dead Poets, Chronicles, Büro etc.)
- Restaurants
- Other musical venues (Ulitka, Fidel, Belgrad, etc.)
- Cinema
- Parks
- Other entertainment people might choose in stead of visiting us

A more profound analysis of several bars I considered as our potential competitors is carried out now.

JFC

JFC is a bar, which has 10+ years history. It is located in the center of the city near metro Chernishevskaya. Many famous musicians were performing on the club scene, e.g. Igor Butman (jazz musician number 1 in Russia), Lenny White, Eddie Gomez, Andrew Kondakov (art-director of JFC), and Courtney Pine. The club area is near 100 square meters. There are 12 tables (40 seats), standing is allowed. The working hours are from 19:00 to 23:00. Concert programs finish at 22:00. The club offers various music genres close to jazz such as: bebop, acid, funk, Latin-American music, and ethnic. A special feature of the club is that everyday they have live performances. There is no kitchen so they offer guests just small snacks such as peanuts and crackers. The club works rather actively on the Internet. They have a website with an old design but it is quite informative. They also have a group in VK that comprises over 7000 subscribers, which is rather impressive result. The group seems to have only an informative character as there are no active discussions and people do not comment the posts.(Jfc-club.spb.ru), (Club's group in VK).

Summary:

- Strengths: Brand name, connections with musicians all around the world, central location, experienced management, live music every

day, developed website and VK group, group of regular customers, positive reviews on the Internet, great atmosphere.

- Weaknesses: Small opening hours, no kitchen, narrow target market, poor design, no smoke policy (+ or - ?)

The Hat

The bar was opened in 2012 on Belinskogo Street, which is also situated right in the city center. The music played is only jazz. The co-founders of the bar are Billy Novak - a famous Russian jazzman and Sid Fisher - a famous barman. The bar is rather small and does not have a menu. To get what one wants one must talk with barman. There is no kitchen but a guest can get classical American sandwich with the filling of his choice. A bar does not have strict concert programmes or timetables. Concerts start usually at 11 pm. The founders tried to create an atmosphere of the New Yorkjam-set pools of the 40-50s. The prices are rather affordable. Throughout one and half years of being opened many famous musicians have visited the bar e.g Bill Charlap, Nino Katamadze, and Mark Gross. (village.ru), (bar's group in VK).

Summary:

- Strengths: Strong connections, founders are famous, democratic pricing policy, rather long opening hours (20:00 - 3:00), developed active group in VK, positive reviews on the Internet.
- Weakness: No website.

Mishka

Mishka is a trendy DJ bar, which was founded by several people who had never owned a bar before 2011. I decided to write about it because it has one of the most noticeable promotion companies on the Internet - the model we are hoping to have as well. The bar is located in the central part of the city as the two previous ones, next to Nevsky Street. The bar is situated in a rather small basement, which could accommodate 50-80 people. There are two halls - one with a bar table and dance floor another one with a kitchen.

There are sandwiches, burgers and salads in the menu. The drinks menu is rather diverse however more expensive than in other students places. The bar is opened seven days a week, until 2:00 am during the weekdays and Sundays and until 6:00 during Fridays and Saturdays. Famous DJ's or media persons are usually responsible for the music. The public mostly consists of youth, students, hipsters and foreigners. The most significant issue is Mishka's PR campaigns. Almost every important media portals and magazines have written about the bar. The owners also use Facebook (3500 likes), VK (over 10000 people in the group) and Twitter (over 500 readers) to inform the public about the news.

Summary:

- Strengths: Strong name, very strong Internet marketing, very high occupancy rate, kitchen, good music, and trendy public.
- Weaknesses: negative reviews are found as well as positive, narrow target market (the crowd is rather special and not for everyone).

4.5.3 Marketing tools

Having analysed the experiences of other successful bars and musical venues opened in Saint Petersburg and Moscow lately, I have figured out that the traditional means of advertisement (such as billboards, TV advertisement, Spam, and promoters.) are not effective in our case as due to their costliness and irritation. That is why we decided to concentrate on digital marketing, mostly on SMM. Today a client is an active user of social networks and he is more demanding and mistrustful. More and more people check the information about the company in the services of which they are going to use on the Internet. Every big company communicates with their customers actively in social networks. For us, as a small organization SMM would be the best marketing tool. Groups in VK and Facebook will be created (Facebook is mostly well spread in Moscow, however there is a tendency that many companies in Russia use both social networks). We are going to actively share with community the news of our venue and related interesting posts. In our segment it is very important to be talked about it in media, to make a venue really popular. That is why we hope to

be mentioned in such publications as Lookatme media (the Village), Afisha, 2do2go, Trip Advisor, Time out, www.jazz.ru, groups in VK and FB about interesting venues in Saint Petersburg, jazz and music related groups. The readers of these media are our potential customers so we would like to notify them about our existence. We are going to thoroughly analyze each of our segment groups and select media we would like to work with for each of segments. We hope that we would need to use agents of our influence or spam as it contradicts with our philosophy. Another tool we would like to use is word of mouth. Being rather a big city Saint Petersburg has rather cozy nightlife and everybody knows each other. Through providing great quality we expect to be marketed by our own customers. To conclude, we are not going to spend a lot on the marketing however we are going to work close with the Internet. This kind of marketing is said to be very effective yet uncostly in the field we have chosen.

4.6 Operations

4.6.1 Location

Ideal location would be in middle-sized premises (around 120-150 square meters) on the first floor of uninhabited house in the central part of the city, yet not in the biggest streets like Nevsky, Liteyniy str, on Sadovaya str. and etc. The premises can accommodate a bar table, a scene, a dance floor and area with seats (around 40). Part of the tables will be imposed for the later night.

4.6.2 Equipment and machinery needed

A good coffee machine, bar table with all needed equipment, music equipment, soundproofing system (optional), refrigerator, and microwave will be needed.

4.6.3 Production Plans

The sandwiches and burgers have to be made out of semi manufactures, as according to sanitary norms for HoReCa companies, there should be special premises of certain sizes if a company is willing to cook food out of natural products. There will be several types of sandwiches and burgers plus salads.

The drink menu will be situated on the chalkboard at the back of the bar. No menus will be printed. The cocktail menu will be developed later as it is rather time-consuming process. The costs of shots start from one hundred rubles (2.5 Euros) and long drinks starting from 200 rubles - 5 Euros. The menu will vary according to the season. For the day guests there will be offered coffee, sandwiches and desserts, which are going to be bought outside and not baked inside the bar.

4.7 Staff requirements

A bar is going to work from 11:00 till 2:00 am during weekdays and Sundays and till 6 - 7 am in the morning on Fridays and Saturdays. Therefore we need a significant number of staff. One barman-waiter is needed during the day (11 - 20:00) as this period is going to be rather calm. During the night we will need two barmen, one barback (two during Fridays and Saturdays) also working as a waiter, one hostess-waitress, two securities. As the barmen and waitresses usually work two after two in summary we will need around 8 people in a team. However, in the beginning we will consider that 4 people is enough plus the owner. The owner will manage the project and help at the bar if needed. If the bar develops successfully a bar manager will be hired. There won't be any art-directors or PR managers hired. However, an owner will consult bar owners, designers and investors considering the chosen model. The important issue to mention is that I would like to have my friends or people, which I know working in a bar. Unfortunately managers face the problems of stealing money through different ways such as using lower priced liquor and charging for call brands, undercharge the customers or giving free liquor in hope of a large tip, serving and collecting while register is read between shift changes, pouring wine by the glass and ringing in a bottle sale (alcoholcontrols.com.)

4.8 Company strategy

A strategic planning is a very important activity and the last decades of developing businesses have especially proved its significance. In large corporations there are even departments that are responsible for strategic development. However as I plan to open a small business - a bar I do not consider a strategic

plan as a crucial one so I would like to limit it to a couple of several statements. However, due to the fact that the competition in our field is huge (when 5 forces model is considered we have a high level of each of the five factors), it is very important for us to know where we are and where we will be. Our mission is to create an entertainment facility, which combines jazz with modern music and provides guests with quality drinks, snacks and unique atmosphere. Our main values are striving for quality in every aspect, best hospitality we can offer to any guest, love and passion for music and honesty. I will assure that each our employee of the bar understands those statements and applies them in his duties.

The bar is the place where people come to rest and have a good time. As I have noticed, I feel myself best when I see that the person who serves me do not just smile because he was told to do so but because he loves his work and he is having a good time. That is why my final goal will be to create a venue where guests, musicians and staff enjoy their time. All that is possible only if I primarily and my employees secondarily do their work passionately and honestly.

4.9 Financial Plan

4.9.1 Start-up capital

NEED FOR CAPITAL		Euros
Investments		
Facilities		9500
	Rent (first two months)	8000
	Reparation	1500
Equipment and Machinery		10600
	Bar table	400
	Coffee machine	1000
	Tableware	550
	Glassware	500
	Blanders	0
	Dishwasher	800
	Bar equipment	500
	Icemaker	500
	Fridge x 3	1000
	Beer tower	150
	Juicer	400

	Musical system	4500
	Piano	0
	Other musical instruments	0
	Cash machine	300
Interior Decorating		3000
	Furnishing	2000
	Light	0
	Others	1000
Marketing		100
Staff Salary	2months	2800
	Bartender x2	1600
	Barback-waitress x2	1200
Licensing		3500
	Alcohol license	2500
	Sanitary license	1000
	Cash register license	0
	State fire supervision li- cense	0
	Food trade permission	0
Working capital		3000
TOTAL NEED FOR CAPITAL		32500

SOURCES OF MONEY

Loan Capital		25000
	Loan from the investor	20000
	Loan from friends	5000
Owner's Capital		7500
	Owner's own investment	5500
	Owner's equipment	2000
TOTAL MONEY COLLECTED		32500

As the table shows, we need 32,500 Euros to open the venue. Twenty thousand Euros I expect to get from a private investor. Getting funding from the banks is unfortunately disadvantageously as the interest rates are too high. I also cannot expect a state help due to the type of business I have chosen. Therefore, choosing to seek the help of an investor seems to me the best option. I expect to agree with the investor on 15% of the profit as I expect to find investor through personal connections.

4.9.2 Projected financial statement analysis

	Year 1		Year 2		Year 3	
	Euro	%	Euro	%	Euro	%
Revenue	450000		520000		594400	
Drinks	250000		280000		322000	
Food	140000		168000		193200	
Concert tickets	60000		72000		79200	
Variable Expenses	344725	77%	432390	83%	470064	79%
Tax (6%)	27000		31200		35664	
Percent to musicians	24000		28800		31680	
Honorarium to musicians	40000		60000		60000	
Purchases						
Alcohol	75000		84000		96600	
Food	42000		50400		57960	
Others	5000		5000		6000	
Salaries to barmen	20000		25000		28000	
Salaries to waitress	16000		20000		22000	
Salaries to security	25000		30000		30000	
Salaries to cleaning ladies	12500		14000		14000	
PR manager	12000		12000		14000	
Accountant	12000		12000		12000	
Manager assistant	0		16000		16000	
Employees pension (31 % to the Gov.)	30225		39990		42160	
Crockery	4000		4000		4000	
Sales margin	105275	23%	87610	17%	124336	21%
Fixed Costs	63819,8	14%	66819,8	13%	68819,8	12%
Rent	48000		48000		48000	
Utilities	15000		18000		20000	
Owner's						
Pension payments	746,6		746,6		746,6	
Medical insurance payments	73,2		73,2		73,2	
Gross Margin	41455,2	9%	20790,2	4%	55516,2	9%
Other Expenses						
Loan payment	6700		6700		6700	
Percent to Investor (15%)	6218,28		3118,53		8327,43	
Profit	28536,92	6%	10971,67	2%	40488,77	7%

The numbers presented are approximate and may be different from the real results. Salaries to the staff are less in the beginning due to the fact that we will increase the number of our staff year by year.

Some of the numbers are explained in the following table with our estimations:

	Year 1	Year 2	Year 3
Drinks			
Yearly revenue	250000	280000	322000
Monthly revenue	20833	23333	26833
Daily revenue	718,4	804,6	925,3
Average check for drinks (day)	5	5,2	5,3
Estimated guests buying drinks (day)	44	48	58
Estimated revenue (day)	218,8	250	305,2
Average check for drinks (night)	8	10	10
Estimated guests buying drinks (night)	63	55	62
Estimated revenue (night)	500	554,6	620
Food			
Yearly revenue	140000	168000	193200
Monthly revenue	11666,7	14000	16100
Daily revenue	402,3	482,8	555,2
Average check for snacks (day)	5,75	6	6,2
Estimated guests buying snacks (day)	40	47	52
Estimated revenue (day)	230	280	325,2
Average check for snacks (night)	5,75	6	6,2
Estimated guests buying snacks (night)	30	34	37
Estimated revenue (night)	172,5	202,8	230
Concert			
Yearly revenue	60000	72000	79200
Monthly revenue	5000	6000	6600
Daily revenue	178,6	214,285714 3	235,714285 7
Av. Price for the ticket	6	6,2	6,5
Estimated guests	30	35	36

4.10 SWOT-analysis

Strengths	Weaknesses
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Owner's education	Lack of experience in the field
Working concept	Tight competition in the field
Friendly and English-speaking staff	Moderate interest to the jazz music in Russia
High quality of the food and drinks	Economic crisis is still on
Democratic prices	Lack of knowledge of Saint-Petersburg
Mixture of the quality music	
Opportunities	Threats
Adding kitchen	Lack of customers
Inviting famous musicians and media persons	Bad reviews in media
Cooperation with other venues	Competition
Inviting famous barmen	Problems with licenses
Organizing events and catering	Staff's stealing

5 Conclusions

The present thesis comprised two parts: theoretical and empirical. The theoretical part discussed business planning (focusing on SME's) and covered it comprehensively. The empirical part in its turn is a business plan of a jazz bar in Saint Petersburg drafted using real market prices.

Personally, I enjoyed writing this academic work primarily for the diversity of issues I had to study. As I explained in the introduction I expected that I would have a chance to refresh my knowledge about issues of various fields - and so it happened. I found working on a marketing strategy and financial plan especially challenging and interesting, as they were the areas I paid attention most of all. Moreover, I had to research several new issues for me in business planning and I even had to study the history of jazz. Conducting the interview with the bar manager was also the interesting part, which hopefully gives some answers and practical advice for future readers. Nevertheless, I should admit that

the topic, which I have chosen, was rather broad. Therefore I often felt that I just could not cover every single important detail. A thesis about business plan might contain much more material. However, I expect that this work is going to be helpful for those who decide to start their business in Russia or write a thesis-business plan.

A business plan is a crucial instrument (yet not the only one) for the businessman regardless how big the scope of his enterprise is. It does not just help to obtain a needed investment, but also encourages an entrepreneur to structure all his thoughts in one single document and makes him capable of comparing his results with the ones he has set. Business planning itself is an area about which many books have been written. Yet due to its vast area of coverage it lacks specific publications. Hence while working on the thesis I have faced the complexity of searching and collecting information from different sources. Sometimes there was lack of information, sometimes it was contradictory. Some areas were not discussed at all. Publishing specific books about business planning in the HoReCa field with real estimate instrument would definitely come beneficial to the new entrepreneurs.

The last advice is however not about a business model - it is about attitude. In my opinion, the determining success factor is striving for the quality in everything one does. During the research I conducted I learned many stories of famous businessmen and the key factor of their success was always perseverance and a will to make their product better.

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Appendix I

Interview with Mr Alexander Gotfrid, art-director of bar Sol, Yaroslavl.

Interviewer: Good day Mr Gotfrid! Thank you for participating in this interview! Please tell me a bit about yourself

Mr Gotfrid: Good day! My name is Alexander Gotfried; I am from the North of Russia I have been working in a field for 12 years already.

Interviewer: How did you enter the field?

Mr Gotfrid: By accident! A friend invited to work in a bar - so I went and stayed. After I have spent 7 years working as a barman I have become a bar manager, after several years I went to Yaroslavl where I became art-director.

Interviewer: Tell us about this venue.

Mr Gotfrid: This is called Соль (Salt) and it has 3 venues inside - bar, cafe and a terrace. We are making a special venue for certain public - we won't accept everyone. There is no place such this yet in town (quiet, intelligent could be the adjectives fit for the venue) so we hope we are going to succeed. However our target market is rather small: around 1000 people.

Interviewer: Out of 600000 people living in Yaroslavl?

Mr Gotfrid: Yep, the bar culture is just developing in Russian province.

Interviewer: There are so many bars closing today. What is the biggest reason for that?

Mr Gotfrid: The owners and management! People open bars just for fun, as a supplementary business while it requires a lot of time. Because they don't know how to manage them, bars do not succeed.

Interviewer: What is the recipe of the success in this field?

Mr Gotfrid: Well, I guess there is no precise one. The most important is to know the work of every position to be able to plan the work of the bar correctly. Moreover, you never know when you would have to stand behind the bar; there always may be a force majeure. Another issue is to ensure that everything what you do is of high quality. Reputation in this business is everything. If your venue is popular and you would set a bar of quality lower you would keep making money for some time but it would

stop. Another thing is not to spend a lot of money on furniture and design but to work on the atmosphere.

Interviewer: Is not it related?

Mr Gotfrid: It is, but you can make a bar with great atmosphere for lower money - therefore make it profitable faster and then spend more if you want to.

Interviewer: How much does it cost to open a bar?

Mr Gotfrid: It depends on the region and of course on your concept. However, I believe that you can open a bar in Moscow for 2 - 2.5 million roubles. In Saint Petersburg the prices may be lower. They may be much lower in the regions.

Interviewer: What are your 3 advices for people willing to open a bar?

Mr Gotfrid: Don't rush it, think of your concept and get enough experience, make sure you have enough connections, do not spend too much money and MAKE it! Ooops, more than 3.

Interviewer: Thank you very much for your time.

Mr Gotfrid: Thank you!

