

A Business Plan for a Selected Company

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ABSTRAKT

Tato bakalářská práce se věnuje sestavení podnikatelského plánu pro vybranou společnost, konkrétně pro psí pekárnu Bernie's bakery. Cílem práce je sestavit podnikatelský plán a posoudit jeho rentabilitu. Bakalářská práce je rozdělena do dvou částí – teoretická část a praktická část. Teoretická část se zabývá základními pojmy spojenými s podnikáním, a dále samotnou strukturou podnikatelského plánu. Praktická část je zaměřena na realizaci plánu pomocí informací získaných v teoretické části. Praktická část popisuje například analýzu trhu, či finanční plán, který pomůže určit proveditelnost projektu.

Klíčová slova: Podnikatelský plán, podnikání, pekárna, rentabilita, analýza

ABSTRACT

This bachelor's thesis focuses on developing a business plan for a selected company, particularly Bernie's bakery. The thesis aims to develop a business plan and assess its profitability. The bachelor's thesis is divided into two parts - the theoretical part and the practical part. The theoretical part deals with the basic concepts associated with entrepreneurship, as well as the structure of the business plan itself. The practical part focuses on implementing the plan using the information obtained in the theoretical part. The practical part describes, for instance, a market analysis or a financial plan which will help to determine the plan's potential rentability.

Keywords: Business plan, entrepreneurship, bakery, rentability, analysis

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I hereby declare that the print version of my Bachelor's/Master's thesis and the electronic version of my thesis deposited in the IS/STAG system are identical.

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INTRODUCTION

This bachelor's thesis objective is to develop a business plan for a dog bakery and determine its potential rentability. This topic was chosen since the author herself is a dog owner and wanted to provide him the best care, meaning healthier alternatives of treats that are not loaded with dangerous toxins and chemicals. The owner will combine her two passions, dogs and baking, by starting her own business. Since there is no similar concept in Moravia, it is an excellent opportunity to fill a white space on the market.

Starting a business is facilitated by the current situation, where conditions have been simplified, and a sole proprietorship and an LLC can be established online. It reflects the record number of business entity incorporations in the Czech Republic in 2022 (Businessinfo.cz, 2023).

The bachelor's thesis is divided into two parts, theoretical and practical. In the theoretical part, the author dealt with concepts such as entrepreneurship, legal forms of businesses and lean canvas. A significant portion of the theoretical part was devoted to the individual components of the business plan. Individual components are then described in greater detail. The author used the knowledge she obtained in the theoretical part and transferred it to the practical part to create a business plan for Bernie's bakery.

The practical part of the thesis is divided into an outline of a business plan, market and competition analysis, and the components of a business plan, such as a marketing plan, financial plan, or risk evaluation. The outline of a business plan consists of a title page, company description, mission statement, legal form, company's location, and opening hours. Market and competition analysis deals with PEST analysis, Porter's five forces analysis, and its ideal customer. The business plan describes products and services in more depth. The SWOT analysis identifies the strengths and weaknesses of Bernie's bakery. Furthermore, the marketing mix, organizational structure, and production plan. Finally, the financial plan will help determine the company's profitability. The financial plan consists of initial costs, a balance sheet, variable and fixed costs, estimated revenues, an income statement, and the calculation of ROI.

I. THEORY

1 ENTREPRENEURSHIP

According to Srpová et al. (2020, 17), there are two ways to approach entrepreneurship. Either it can be defined as something unique and innovative. An entrepreneur is anyone who owns and manages a company; however, value and innovation are not essential. To put it briefly, entrepreneurship results in the creation of new companies and trades. Additionally, entrepreneurship helps the economy thrive and creates jobs. It might be argued that entrepreneurship meets people's unfulfilled wants. Business is a process through which demand and supply are balanced.

Synek (2015, 3) states that entrepreneurship can be defined by several essential features. The ultimate goal is to increase invested capital, meaning generating a profit, which is achieved by satisfying customers' needs. Along with this, the entrepreneur must face the risk and try to minimize it further.

1.1 Entrepreneur

An entrepreneur can be seen differently by different people. According to the new Civil Code, the term entrepreneur is defined *"Whoever independently carries out, on his account and responsibility, a gainful activity in a trade or similar manner to do so consistently for the purpose of making a profit (Act no.89/2012 Coll. §420).*

Furthermore, *"An entrepreneur is a person registered in the Commercial Register."* (Act no.89/2012 Coll. §421).

An entrepreneur is a person who establishes a new business venture. An individual who understands people's requirements develops new products, seeks the most efficient use of available resources, and provides job opportunities (Majduchová 2015, 21). Kozubíková (2017, 16) defines an entrepreneur as someone who carries out activities under his/her name and is registered in the Commercial Register. This implies that an entrepreneur always acts under his/her name or business name (Kozubíková 2017, 16). An entrepreneur can be a legal or natural person; the Civil Code regulates their status (Majduchová 2015, 22). Srpová et al. list the essential characteristics of each entrepreneur. One of the main characteristics of entering a business is self-confidence, which is closely linked to later success.

Furthermore, every entrepreneur should be proactive and initiative. This implies they gather knowledge proactively; they seek it out to anticipate situations and consider future issues and possibilities before they happen. It is also crucial to show perseverance; there is a lot of time and effort behind every company. Therefore, every entrepreneur should be resilient and hardworking, as most businesses are not successful for the first few months. It is also worth

mentioning other vital skills like patience and, as stated before, perseverance (Srpková et al. 2020, 31).

1.2 Enterprise

The term enterprise can be defined in a variety of ways. According to Srpková, an enterprise is an economic and legal entity that exists for the purpose of doing business (Srpková 2011, 35). An enterprise is also an economic entity seeking and exploiting business opportunities (Majduchová 2015, 24). Moreover, an entity that generates a significant part of the gross domestic product through its activities. Although an enterprise cannot be defined in one correct way, its essential features can be distinguished. These are legal subjectivity, economic independence, organizational structure, a combination of production factors, economy, financial balance, the principle of private ownership, the principle of autonomy and last but not least the principle of profitability (Kozubíková 2017, 14 - 15).

SME

The primary criteria for assessing the size of an enterprise include the number of employees, the annual turnover and the balance sheet. These primarily businesses with fewer than 250 employees have a balance sheet total of less than EUR 43 million and a turnover of less than EUR 50 million annually. Enterprises can be categorized into the following categories: medium enterprise, small enterprise and micro enterprise (Kozubíková 2017, 20):

- Medium enterprise – A medium enterprise has less than two hundred and fifty employees, a balance sheet total of less than EUR 43 million, and a turnover of less than EUR 50 million.
- Small enterprise – A small enterprise employs fewer than fifty employees and has an annual turnover and balance sheet total of less than EUR 10 million.
- Micro enterprise – A micro-enterprise has less than ten employees and a balance sheet of less than EUR 2 million.

2 LEGAL FORMS OF BUSINESSES IN THE CZECH REPUBLIC

One of the most critical aspects of entrepreneurial independence is choosing the legal form of a company. The entrepreneur should consider the aspects in which legal forms differ when selecting the form of business. These are the business risk, the tax aspects, the number of founders, the profit and loss participation, and many others (Kozubíková and Novák 2018, 16).

Two types of businesses can be categorized into singles or business units (Majduchová 2015, 25). An individual's business is referred to as a natural person's business. All other entities are legal persons (Šafrová Drážilová 2019, 191).

Determining whether we want to do business as a natural or legal person is essential. Therefore, the following questions need to be considered.

1. How many individuals will establish the company?
2. What are the risks in terms of liability and potential liabilities?
3. How are the finances?
4. What is the situation around the business?
5. What are the initial capital requirements?
6. Who has the authority/competency to set up a company?
7. What is the tax burden?

According to Šafrová Drážilová (2019, 192), the number of partners, the type of business, the risks and responsibilities involved, and the financing are some of the most important factors to consider when choosing a legal form. Srpová et al. add questions about capital, taxes, or company management authorization (Srpová et al. 2020, 164).

2.1 Natural Person

According to Novák and Kozubíková (2018, 15), natural individuals can conduct business in the Czech Republic as:

- sole traders (according to the provisions of the Trade Licensing Act);
- farmers (under the terms of the Agriculture Act);
- natural individuals conducting business under specific regulations (according to the terms of the relevant regulation - e.g., Act on Auditors, Act on Tax Consultancy and Chamber of Tax Consultants, Act on Advocacy, Act on Veterinary Care, Etc.).

Natural persons most often do business on the based on a trade license. The Trade Licensing Act divides trades into notifiable and permitted trades.

For the notifiable trade the requirements set by law are sufficient to meet, and the trade is created by notification. The notifiable trades are further divided into three categories. Each requires a different qualification:

- Craft trades – Craft trade requires an apprenticeship or other education related to the trade and also experience in the field. Such trades include locksmithing, carpentry or bricklaying, etc.
- Professional trades – For this trade proof of education and length of experience or a retraining certificate is required. For example, repairs and revisions of gas or electrical equipment.
- Unqualified trades – Professional competence is not required. The object of this business is the production, trade, and services that do not belong to the listed trades.

Regarding the permitted trades, the state must issue a business license. The Trade Licensing Office provides this so-called concession. The permit requires the individual to have the necessary education or to have completed a special course. This category includes areas where there is a risk of harm to health, for example, the manufacture of alcohol, weapons, ammunition or funeral services, travel agencies, or private detectives (Synek 2015, 80; Šafrová Drážilová 2019, 193).

A natural person is a citizen who acquires capacity and has rights and obligations by birth. Every child is born with this ability, and it ceases at death. The age of legal capacity is 18 years old. If a person fulfills the requirements of the Trade Licensing Act, the Trade Licensing Authority will grant them a business license based on an application. As a result, a natural person may begin conducting business activities on the date of the issue of a trade license (Majduchová 2015, 22). It is a single-person-owned firm that may or may not be listed in the Commercial Register. A sole proprietorship or a natural person's business can require little money to start and require less state regulation. On the other side, the negatives may include unlimited debt liability and a restricted life period according to the entrepreneur's life expectancy. A sole trade is any firm that fits the Act's requirements and is not exempt from its regulation (Kozubíková and Novák 2018, 16).

A natural person's business has several benefits. The benefits are the fast and relatively easy establishment, the ability to dispose of profits freely, simple administration, and taxation of profits only by personal income tax. On the contrary, there are disadvantages. In the worst scenario, the entrepreneur pays unlimited liability for his obligations, meaning he may lose his assets. Additionally, it is not possible to sell the company, and it is challenging to find an investor or secure a loan (Šafrová Drážilová 2019, 193).

Setting up a Trade

“A trade is a systematic activity carried on independently, on one’s own behalf, on one’s own responsibility, for profit and under the conditions laid down by this Act.” (Act no. 455/1991 Coll., §2).

Any natural person may commence a trade on the date of notification. This is done by filling in a registration form at the Trade Licensing Office. The following documents must be submitted:

- ID card to verify that the person is of legal age and capacity.
- Documents proving professional competence certificates or a degree.
- Proof of ownership of the property listed as the business location.

It is furthermore considered necessary to state the following in the registration form.

- Business headquarters
- Trade start date
- The trade’s termination date if you intend to operate the business for a fixed period

The fee for filling a trade registration or a concession is CZK 1,000, and each additional trade registered is CZK 500. If you meet all the conditions, the Trade Licensing Office will register your business in the Trade Register within five days. The trade license is established on the date of its registration in the Commercial Register (Srpová et al. 2020, 166 – 179).

The Trade Licensing Act determines what falls within the scope of trade. Even though it is a continuous business, it is not necessarily a continual activity. It may be seasonal or have interruptions. However, it must not be a spontaneous activity. Since the entrepreneur operates under his name, he controls all decisions. He operates independently and has no supervisor. An entrepreneur is also fully responsible for the fulfillment of their obligations and legal regulations.

2.2 Legal Person

If an entrepreneur chooses to do business as a legal entity, it is necessary to consider that it is administratively more demanding. The initial capital must be deposited to form the company (Srpová et al. 2020, 176). All business legal entities must be registered in the Commercial Register. They are developed on the day they are registered in the Commercial Register and can acquire rights and liabilities once established (Majduchová 2015, 23).

Three categories of legal entities are distinguished in the new Civil Code (Kozubíková and Novák 2018, 176):

- Foundations – Organizations are defined by the assets they allocate according to the law. Those include foundations and endowments.
- Constitution – Institutes that combine both human and asset approaches. They do not have members. They have employees. The law gives them no guidance on how to dispose of their property.
- Corporation – They are based on people such as members or shareholders. Including public and private corporations and cooperatives.

Law No. 90/2012 Coll. states that Business corporations include commercial companies and cooperatives. Business corporations include public companies and limited partnerships. These are referred to as partnerships. Further, a limited liability company and a joint stock company are referred to as capital companies/partnerships (Srpová et al. 2020, 176).

2.2.1 Limited Liability Company (s.r.o.; LLC)

The limited liability company is the most common commercial company in the Czech Republic. An advantage of this legal form is that the company's partners are not liable for liabilities with all their assets but only up to the number of outstanding deposits.

The following steps must be taken when establishing a limited liability company:

1. The first step is to draw up a memorandum of association or deed of foundation.
2. Furthermore, depositing the agreed amount of the share capital with the deposit administrator is necessary.
3. Obtain a trade license or other authorization to carry out the activity.
4. Lastly, register in the commercial register.

In conclusion, it is crucial to note that the Business Corporations Act and the Civil Code control all rights and obligations (Srpová et al. 2020, 176 -177).

A business can be founded by either a natural person or a legal entity, and the minimum capital is CZK 1 according to the Corporations Act. However, it is not feasible to establish a limited liability company with a share capital of less than a few thousand crowns (Šafrová Drážilová 2019, 194). Finally, the company should include in its business name a limited liability company or at least an abbreviation (Synek 2015, 82).

2.2.2 Joint – Stock Company (a.s.)

In this type of corporation, the share capital is divided into a certain number of shares with a specific nominal value. Unlike in a limited liability company, there is a minimum share capital of CZK 2,000,000 or EUR 80,000 (Šafrová Drážilová 2019, 197). Another contrast

is that there may only be one corporation founder, whether that founder is a natural or legal person. It is essential to note that the company is liable for its debts with all of its assets, but the shareholder is not (Synek 2015, 78). The supreme body of a joint-stock company is the general meeting of shareholders.

The great feature of a joint-stock company is the limited liability. The company's limitless lifespan and the ease of transferring ownership. However, its drawbacks include more challenging establishment, state supervision, and double income taxation (Synek 2015, 82 – 83).

Under the Constitutional Corporations Act/Business Corporation Act, it is possible to choose which bodies the corporation will be composed of. One of these bodies is the monistic management system of a joint stock company. One of the typical features of the monistic system is the absence of a separate controlling body. The controlling function is entrusted to the board of directors. The monistic method is more suited to smaller businesses, but its application for larger businesses is included. This method is employed globally including in European Union legislation governing European companies. The second body is the dualistic model, which consists of a board of directors and a board of supervisors. The fact that the board of directors is not elected at the company's general meeting puts it at a disadvantage in various ways. The joint stock company bodies must incorporate control and management responsibilities.

A dualistic system is characterized by strict separation and formalized procedures, while a concentration of both functions describes a monistic system.

Some of the main advantages of the monistic system are a more straightforward organization of the internal running of the company, easier financial management, and faster decision-making. In terms of the advantages of the dualistic system, organ separation or transparency can be added (Businessinfo.cz, 2021).

2.2.3 General Partnership (v.o.s.)

The company is a legal entity and is registered in the Commercial Register. It is an association of at least two business owners operating under a common name that must contain the term "veřejná obchodní společnost" or its abbreviation (Synek 2015, 81).

Unlike a limited liability or joint stock company, establishing a public company does not require a share capital. The company is established based on a memorandum of association, which determines the shares and legal relations of the shareholders. Furthermore, all partners are liable for the liabilities incurred with all their assets. Profits are divided equally between

the partners or according to the contract. It is also worth mentioning the main advantages of a public company. The joint liability is the main benefit, and another advantage is a better ability to meet the requirements for bonded and craft trades (Šafrová Drážilová 2019, 194 - 195).

2.2.4 Limited Partnership (k.s.)

Two or more partners may form a company. One or more of them are liable for the company's obligations (Synek 2015, 82). Limited partners are responsible for the partnership's liabilities to the extent of their unpaid contribution, whereas general partners are liable for all their assets and do not contribute any capital. The management of the company is under the control of the general partners. The profit is divided according to the memorandum of association or halfway between the company and the general partner. This is the "reward" of the general partner for pledging all his assets. The ability to combine limited and full responsibility is a limited partnership's main advantage (Šafrová Drážilová 2019, 194).

2.2.5 European Company (SE)

A type of corporation that must adhere to European Community criteria is referred to as a European company. The company must be set up following clearly outlined EU regulations. One of the key advantages of this legal form is the possibility to change the registered office within the European Union or create conditions for cooperation between companies from several EU countries. It is a joint stock company, and its establishment is challenging and time-consuming (Synek 2015, 85).

3 BUSINESS PLAN

As Abrams (2019, 4) says: *"The ultimate purpose of developing a business plan is to have a successful business."* Gattis (2010, 9) argues that a business plan is not only a formal document, but it becomes an entrepreneur roadmap. It is a process. It is primarily written for yourself; it needs to be about the market and your customers. Competition and information, you gathered about the industry are included. It should be a summary of your plans and the expected outcomes of your business. A business plan can help you with your business idea to decide if the initial thought is achievable. It is developed not only for seeking funding but to start a business and set your goals. It is written mainly for yourself. It can help you gain more experience in the field. Every business plan differs due to diverse situations and can be changed daily. The plan is never perfect and can never be finished. This is caused by changing market conditions, competitors, etc. (Shelton 2018, 22). Although it is a document that outlines the company's long-term goals and strategy, it needs to be updated regularly. It requires constant revision, and with this approach the business plan will remain relevant (Galai 2016, 4).

3.1 Lean Canvas

The main distinction between a business plan and a lean canvas is that the lean canvas focuses on fast opportunity discovery and innovation. In contrast, the businesses understand what the target market needs. Lean business uses several tools to quickly scan the market and analyze the needs of the customer (Ekonom.cz, 2014). The Lean Canvas is one of them. When designing a business model, including all parts of it is crucial. Alexander Osterwalder created a simple tool to capture the entire business model on a single sheet of paper a pre-printed structure of the most important areas. The user fills up the individual fields to record the business model to summarize the business plan's key points on a single page (Srpová et al. 2020, 77).

Maurya (2022, 3) claims that writing a thirty pages business plan might take weeks or even months. Everything still needs to be clarified in the early stages of business planning, yet another reason an entrepreneur decides against writing a business plan. Maurya (2022, 4) suggests creating a lean canvas that takes at most twenty minutes instead of a detailed business plan. A business plan, a new product release or simply a single feature may all be described using a lean canvas. According to Maurya (2022, 4), you should draw up a lean canvas in one sitting. He is also suggesting which areas should be filled in what order. Maurya suggests the following parts.

1. Customer Segments –This part has to be completed first. In this section the entrepreneur lists the target customers and users and ideal customer characteristics. Firstly, it is essential to try to identify your customers. Those are the ones who are going to purchase your products and services. The objective is to identify the early adopter rather than the typical consumer.
2. Problem and Existing alternatives – This is where you explain what difficulties your product or service will address for the consumer. It is required to list customer's top three problems.
3. Unique value proposition –The center of the lean canvas is the unique value proposition, one of the most crucial but occasionally challenging elements. This section answers the issue of what makes our product unique and why it is worth paying attention. Your unique value proposition must be special and different to set you apart from your competitors. It can be done by connecting to the customer's biggest problem, targeting early adopters, focusing on the outcomes or creating a high-concept pitch.
4. Solution – In this part the entrepreneur attempts to develop solutions using the list of problems as a guide. It is advised to create outline lists for each difficulty.
5. Channels – This section describes how the company communicates with customers through different channels. The key is finding the right channels as some may not apply to your start-up. Some examples of communication channels are direct sales, events, warm referrals or advertisements.
6. Revenue streams and Cost structure – Those two sections are used to model the viability of the business.
7. Key metrics – The last part of the lean canvas is critical metrics used to measure the business's performance. He advises listing three to five metrics to measure whether the business model works. Additionally, you should count how many people are using your products. Such metrics might include the number of trials or paid conversion rate.
8. Unfair advantage – It is considered something that cannot be easily copied or bought. Some examples of unfair advantage include a dream team, community, existing customers or personal authority (Maurya 2022, 3 – 22).

According to Abrams, Lean Canvas can be used by someone with several ideas that must be clarified before an actual plan is launched. It is also beneficial for businesses that want to innovate their business model. Abrams claims that already successful entrepreneurs may find

lean canvas more useful than start-up entrepreneurs since lean canvas does not substitute for actual business planning (Abrams 2019, 37).

3.2 Structure of a Business Plan

Every business plan is different due to different audiences. When creating a business plan, it is necessary to clarify how to reach customers, which market to sell your products to, and how many employees are needed. What is also essential is defining the competition and how to differentiate yourself from it. The structure of a business plan can differ a lot, and there is no one correct model. According to Srpová (2011, 14), the main points that should be included in a business plan are:

- Title page
- Table of contents
- Introduction
- Executive summary
- Description of the business opportunity
- Company and owners' objectives
- The potential mark
- Competitive analysis
- Marketing, and sales strategy
- Financial plan
- Project risks
- Project success assumptions
- Attachments

Despite that, based on Ekanem (2017), the structure could be slightly different.

- Cover sheet
- Table of contents
- executive summary
- Introduction
- Business strategy
- Marketing research
- Finance
- Operation management
- Human resources

- Risk analysis
- Growth and exit planning
- Conclusion

How detailed the business plan is depends on how complex your business is (Gattis 2010, 9).

3.2.1 Title Page

The title page is the first page of your business plan. According to Srpová (2011, 15), information such as the company's name, the author's name, the business plan's name, or the founding date can be found on the title page. However, according to Ekanem (2017), the title page should include the name of the business, the name of the directors and the address and telephone numbers of the companies and directors.

3.2.2 Table of Contents

It is essential to remember to put content in your business plan. The content makes it easier for the reader to find what he seeks. It should not be longer than one and a half pages - the first, second, and third-level headings (Srpová 2011, 15). The conclusions of Ekanem and Srpová are compatible.

3.2.3 Executive Summary

This is considered to be a significant section. Although the summary is placed at the beginning of the business plan, it must be written last. It is a one-page summary of your business plan. (Gattis 2010, 23).

It should be stated:

- The legal structure of a business
- The purpose and objectives of the business plan
- The owners' intentions
- What products will be provided
- Why are our products better than those of our competitors.
- Key personalities and their achievements
- Financial, organizational and operational plans
- Description of market

Include the entire business plan here to encourage readers to read the remainder since some only read the conclusion (Srpová 2011, 16). According to Shelton (2014, 26 - 70), the

executive summary should mainly contain brief statements defining your business. This part is crucial as it must include all the relevant information in just two pages. Because those may be the only pages, the reader looks at when deciding whether to continue reading.

3.2.4 Business Description

The business description should be mainly about the structure and strategy of the company. It is essential to outline the core activities of the business and how the company will make money (Sutton 2012, 71). Shelton suggests that this chapter should be one page at maximum. It is critical to include information such as your organization's mission statement, primary objectives, and legal structure (Shelton 2017, 73). The mission statement will likely be the most challenging and fundamental part of the company description. It describes the goals and objectives of the company in more depth. In addition, it helps the reader understand where you are headed in the future and what industry you operate in and draws a better picture of your business (Abrams 2019, 68). Other topics should be covered in this chapter as well.

- Company Name - The number and variety of names you can have depends on your business, the goods and services you offer, etc.

For example, you can use your own name, a legal or corporate name, a trademark, a model name, or a subsidiary name.

- Mission statement
- Legal issues
- Business location
- Development stage
- Financial status (2019, 67)

The company description may be thought of as a brief overview of your business. After reading it, the reader should understand what your company does, its legal status, and the types of goods and services it offers. As well as its management, location and how far you have come (Abrams 2019, 86).

3.2.5 Product and Service Description

This area will provide more thorough information about products and services to potential clients. It describes what the product or service is and who it is for in more detail (Srpková 2011, 16). You can be really specific, but on the other hand you don't have to list individual

products and give in-depth descriptions of each one. The key is to list at least the general categories of your products and services (Abrams 2019, 76).

Shelton (2017, 84) advises you to include your patents, copyrights or trademarks. According to Shelton, the advantage of having a patent is that it will protect your idea from the competition, and you will earn profits. Unfortunately, having a patent does not guarantee that competitors won't copy it.

Based on Sutton (2012, 70), people do not spend money on goods or services that do not benefit them or fulfill their wants. Therefore, it is essential to describe the problem you will be solving for them and persuade them that the good or service answers their needs. This part will focus mainly on the product's description, the product's and service's competitive advantage and the product's and service's utility for the customer (Srpová 2011, 16).

Shelton adds that it would be beneficial to mention the distribution channels, such as wholesale or retail (Shelton 2017, 83).

3.2.6 Market Analysis

The marketing analysis outlines the ideal consumer segment to target, along with details of their preferences, lifestyles, and behavior. Understanding the target market can help adjust prices, promotional tools, or distribution methods (Abrams 2019, 65). This chapter aims to create value for customers and build profitable customer relationships. Kotler and Armstrong argue that the company should fully understand the marketplace by researching customer needs and managing marketing information (Kotler, Armstrong 2016, 53). Meeting consumer desires and needs is crucial. Understanding who your customers are, what they want, how they act, and what they can afford is essential.

According to Abrams, instead of including everyone who might potentially be your customers and using your products and services, identify the particular market segments you wish to reach (Abrams 2019, 107). Market segmentation will help us to select the target market. It is essential to aim for the segment that will ensure profit. Secondly, it is crucial to determine what position you want to occupy in a given segment. It is essential to differentiate ourselves from the competition and get into the minds of our customers (Srpová 2011, 23). However, before dealing with segmentation, it is important to understand what sort of market we will target and what type of buying behavior is typical for that market (2019, 93). These segments give a detailed description of the components of the overall market. Provide a specific characteristic by which you can identify your target market (Šafrová Drášílová 2019, 107). Concerning identifying target markets, keep in mind demographics (age, income, sex,

race, religion, region), psychographics (needs, interests, lifestyle), and industrial demographic (location, net worth, sales). Sutton states that it is vital to ask questions, which is allegedly the only way to develop a target market. Example questions may be: What gender are you? What is your salary? What are your hobbies? Where do you live? (Sutton 2012, 99). The second step is to find out what customers have in common such as age, salary, hobbies, religion, nationality, or gender (Shelton 2014, 90).

According to Abrams, the definition of the target market must meet the specific criteria:

- Definable
- Meaningful
- Sizable
- Reachable

After determining your target market, you should analyze its size, trends, and competition (Abrams, 2019, 107).

An analysis that aims at revealing the future development of a company's external environment is called a SLEPT analysis, also referred to as a broader external environment analysis. The acronym SLEPT stands for the five environmental factors that the corporation must consider.

- S – social
- L – Legal
- E – Economic
- P – Political
- T – Technological

The analysis is frequently called a PEST analysis. However, the PEST analysis only considers political, economic, technical, and social variables as opposed to the SLEPT analysis, which covers five company areas. The market for goods and services is often the focus of external analyses (Červený 2014, 54). According to Šafrová Drážilová (2019, 69), when analyzing the macro environment, we encounter PEST analysis, which is the simplest and also sufficient for most companies.

3.2.7 Competitive Analysis

Shelton (2017, 94) explains that every business has competition, and the goal is to find who your competition is. According to Galai (2016, 46), a competitor is someone who provides similar or identical goods or substitutes for your goods and services.

Sutton states (2012, 119) that, when it comes to competition, placement is necessary to take into account. In other words, it is a technique of distinguishing ourselves from the competition. Try to highlight your unique product or service, mainly because it convinces customers to buy it.

According to Shelton (2017, 95), listing at least five competitors and their strengths and weaknesses can help identify competitors. Examples of both strengths and weaknesses include pricing, reputation, products and services, and focusing on what is accessible and outdated. Some businesses find it helpful to summarize their competitive analysis into a SWOT.

Šafrová Drážilová divides the company's surroundings into the three parts:

1. Megatrends
2. Macro-environment
3. Microenvironment

The microenvironment analysis can be processed using Porter's five competitive forces analysis. Porter's analysis assesses the degree of influence of each group on the market and the intensity of the threat posed by the firm. These concerns are existing and potential competitors, substitute providers, suppliers, and customers (Šafrová Drážilová 2019, 76, 77). Červený (2014, 76 - 77) states that Porter's analysis, which maps a firm's competitive position in the industry, helps formulate business strategy. This analysis is primarily based on the idea that the action of five factors shapes a company's competitive position and position within an industry.

1. Bargaining power of buyers
2. Bargaining power of suppliers
3. Threat of entry
4. Threat of substitutes
5. Competitive rivalry within the industry

Porter's Strategy should be implemented in two to three following steps. In the first step, threats such as strong customers or great competitive rivalry need to be identified.

In the second step, opportunities must be sought to eliminate the first step's threats. The second and third steps are irrelevant if no threats are found, and neither is the complete analysis.

Most importantly, Červený argues that Potter's analysis should be future-oriented and aim at the developments occurring in the targeted industry.

3.2.8 Industry Analysis

According to Abrams (2019, 88), every business is part of a broader industry. An industry consists of all firms providing comparable goods or services, supply, and distribution systems supporting such companies.

When preparing your industry analysis in your business plan, you should focus on the following:

- Description of the company
- Trends within the industry
- Strategic opportunities that exist in the industry.

The economic sector is a more general category that includes any industry or business.

The four general sectors are:

1. Service
2. Manufacturing
3. Retail
4. Distribution

However, your business may belong to more than one of these sectors. If your company operates in more than one industry, you should research each of these sectors and give particular weight to the most relevant to your business.

Comparing the growth rate of your industry with the growth of the gross domestic product, which measures the national economy, will give you an idea of the current state of your industry. Suppose information on the growth rate of your industry is difficult to obtain. In that case, you can estimate its approximate size and growth based on the rankings of the largest company in your industry.

It is also crucial to note that industries evolve significantly over time and do not stagnate.

The industry life cycle consists of four cycles.

1. New
2. Expanding
3. Stable
4. Decline

However, many stable industries do not show a decline. On the other side, specific sectors depend heavily on strong economies. It is essential to know how vulnerable your industry is to economic conditions. Some industries thrive when the economy is healthy, for instance, tourism. On the contrary, some industries perform better in poor economies, such as discount

department stores and used-car dealerships. Industries such as personal care products and low-cost businesses are immune to business cycles. In several industries, revenues vary based on holidays and are higher at certain times of the year than others. Technology development also affects every industry (Abrams 2019, 89 – 95).

The economic factor is another component that influences how well businesses perform. Some of the main factors are the economic cycle of the national and global economy, i.e., what stage the economy is currently in (depression, recession, etc.).

Furthermore, another factor may be, for example, the current political situation or the country's monetary policy. Additional examples of economic factors that Červený (2014, 63 - 64) mentions are economic policy, fiscal policy, inflation rate, or the level of government debt.

3.2.9 Marketing plan

Kotler explains (2016, 29) that marketing is not only about selling and advertising but rather about meeting customer needs. He also defines marketing as *“the process by which companies create value for customers and build strong customer relationships to capture value from customers.”*

According to Šafrová Drážilová (2019, 92), the most crucial factor is the customer. The company must be able to understand their needs and desires and satisfy them to the point where their success is ensured.

According to Abrams (2019, 185), a marketing plan should include information on increasing consumer awareness of your products and services.

The SWOT analysis serves as a situational analysis, i.e., finding out where we are and from where to build the marketing plan. Thus, it belongs at the beginning of the marketing plan. SWOT analysis is a stand-alone analytical tool aiming to pinpoint the company's strengths and weaknesses. According to Červený (2014 135), SWOT analysis is mainly aimed at summarizing the conclusions of the strategic analysis, but it can also be used as a stand-alone analysis. Generally, this analysis is used to link the factors of the external and internal environment of the company. It is divided into four parts - strengths, weaknesses, opportunities, and threats (Šafrová Drážilová 2019, 85). When using SWOT, certain principles must be followed. It should focus on strategic facts, so only the most critical data should be presented. Also, the conclusions of the SWOT analysis should be relevant, i.e., the analysis should be processed concerning its intended purpose. This implies that it shouldn't be used to address further problems.

Furthermore, the analysis must be credible and objective (Shelton 2014,136). However, the last stage of the analysis is considered the most important. The evaluation involves weighing the strengths and weaknesses with the opportunities and threats. By combining the individual parts of the SWOT, businesses get four primary links that can be used as a basis (Šafrová Dráčilová 2019, 86; Červený 2014, 135 -136).

Abrams highlights (2019, 185) the components that should be included in every marketing plan.

- Sales force and sales
- The marketing methods you use
- The message you attempt to send the customer and the positioning of your company

Segmentation, Targeting and Positioning

As the marketing strategy states, dividing the market into individual segments is essential. Select the one that interests us the most. Those processes are called segmentation and targeting. Before segmentation, it is crucial to decide what kind of market the entrepreneur wants to appeal to, as well as the buying habits of that market. As a result, later on, it is easier to define our future customers who might be interested in our product or service. According to Srpová (2011, 22), selecting the target market, determining the product's market position, and choosing the marketing mix are the three concerns a marketing plan primarily addresses. Market segmentation is the beginning point for determining a company's target market. When choosing a segment, examining its size and purchasing power is critical, as these factors determine its value. The next step is determining which segment we want to be in. This refers to a product's position concerning other competing products (Šafrová Dráčilová 2019, 123).

According to Sutton (2012, 119), positioning separates a product or service from its competition by explaining how the product and service are unique and its unique advantage. It is how you persuade a customer to purchase your product or service. First and foremost, it is essential to address the differences, such as price, quality, features, or distribution. According to Shelton, the positioning section represents the company's position concerning its market, competitors, and industry trends.

If a suitable customer segment has already been selected, it is necessary to plan appropriate marketing tools to get the product or service offered to our customers.

According to Kotler and Armstrong (2016, 75), positioning is the process of getting a product to hold a distinct and desired position concerning rival products in the minds of the target customers.

Marketing mix

Once the market strategy has been determined, the marketing mix can be planned. According to Kotler and Armstrong (2016, 78), the marketing mix can be described as a set of tactical marketing tools that a firm combines to elicit a response in the desired market. The marketing mix is comprised of everything that will help the company succeed in meeting its objectives. The most widely used marketing mix concept is the 4Ps; its components are.

1. Product – A product is a combination of products and services a business offers to its target market.
2. Price – The price buyers must pay to purchase the product.
3. Place – It comprises the business operations that make the product accessible to the target markets.
4. Promotion – Refers to the steps taken to sell products to target customers and convey their benefits.

The 4P marketing mix approaches marketing from the perspective of the company rather than the customer, which can be better described by the 4C concept, which sets up the marketing mix from the customer's perspective, as follows (Šafrová Drážilová 2019, 123).

1. Customer solution
2. Customer cost
3. Convenience
4. Communication

The two approaches are virtually identical; the primary difference is how the marketing mix is perceived. The marketing mix is correctly set up when the product's characteristics have been appropriately selected, the product is offered at a price that customers are willing to pay, and the right customer segment has been chosen. Additionally, adequately set distribution channels that effectively communicate everything to the customer. It follows that all marketing mix components are interconnected and must be in harmony with each other. It is also crucial to note that the two overlap since one would only make sense with the other.

According to Šafrová Drážilová (2019, 124 - 125), the marketing mix has four primary links.

1. A product can only be promoted once its price, specification, and distribution method are known.
2. A properly established pricing is the only element of the marketing mix that generates profit.
3. Customers constantly weigh the value a product will provide them against the time and effort required to obtain it.
4. Price is the only short-term aspect as opposed to, for example, the product's nature or the distribution method.

3.2.10 Production Plan

Each manufacturer has its production process. The manufacturing process's primary focus is producing a raw material or component into a usable product that creates customer value (Abrams 2019, 200). According to Shelton (2017, 116), the production plan should specify how and where products are made, what is produced in-house, and what is purchased for sale. He further states that every business should explain its production techniques, costs, development, and customer service.

Červený (2014, 156 - 158) views production as a process that transforms an input product into a value-added output product that can later be sold on the market for a profit. Specifying what the business will purchase, its suppliers, and inventory management is vital. It is also necessary to mention how to deliver the final product to the customer, i.e., the size, method of packaging, and transport. One of the following key steps will be choosing which tasks the entrepreneur wants to do independently and for which jobs he wants to hire business partners. This activity is known as "Make or Buy."

It further determines the production factors, machinery, and equipment needed, which will vary depending on the business. There is a need to identify staff to ensure purchasing, production, and distribution, i.e., to figure out what kinds and how many staff the company requires to produce their product. The final step is determining the production, storage, and distribution capacity, which may be planned by calculating product demand.

3.2.11 Organizational Plan

According to Červený (2014,155), as far as the implementation of the business plan is concerned, the organizational plan must not be missing. As the name suggests, the primary input is the staff and the process, which includes, for example, the size of the organization or supporting processes. The next part is planning, a manner of planning and control

management. The organizational plan deals with the following main aspects; qualification structure, the number of employees, wages and motivation, and corporate culture, closely related to the organizational structure.

The organizational plan's first and most crucial step is determining the company's employees' qualification requirements, meaning selecting each individual's work, i.e., production workers, salespeople, or developers. Furthermore, deciding on the required staff capacity for individual activities in the company is necessary, i.e., how many workers or salespeople are needed.

Červený claims (2014, 156) that the anticipated staffing requirements are determined. The number of production staff is determined based on the projected production volume. Additionally, the number of engineers, developers, and laboratory workers is based on whether the business plan includes developing its products. The number of marketing employees primarily depends on the markets where the product will be offered, and the distribution channels employed.

3.2.12 Financial Plan

According to Červený (2014, 152), the purpose of a financial plan is to ensure that the business plan makes economic sense. The writers' views on what should be included in the financial plan differ. For example, Šafrová Drážilová argues (2019, 152) that the main parts of a financial plan should consist of financial statements and break-even analysis. On the other hand, Červený states (2014, 153) that a financial plan should include, in particular, a sales and revenue plan, an investment plan, a break-even analysis, and financial statements. According to Shelton (2017, 140), there are three primary financial statements: the income statement, the cash flow statement, and the balance sheet.

Srpová et al. (2020, 140) add that when deciding on finances in a start-up company, it is essential to be clear about capital, revenue, and start-up costs. According to them, not every company needs to prepare financial statements. A founding budget is sufficient for some companies.

1. Income statement

It is also referred to as a profit and loss statement. The income statement shows the company's profitability and the amount of money it will generate once all costs are covered—the total revenue generated over a given period, whether a month or a year. As Abrams points out, the income statement does not depict a company's net worth. A profit and loss statement should be made by gathering data on the company's sales and costs, and

the right way of reading it is from top to bottom. Sales are shown on the first line, and each line after that represents income deductions. The outcome should be company profit or possibly a loss (Abrams 2019, 292; Shelton 2017, 142).

2. Cash Flow Statement

As Abrams (2019, 293?) states, the cash flow statement is every business's most crucial financial assessment. The cash flow statement reveals how much money the company has in the bank; it does not show an overall company profit. Based on Růčková (2021, 36), cash flow compares revenue and expenses over a specific period to determine the actual financial situation. It answers how much money the company has generated and for what purposes it has used it.

According to the Accounting Act, medium and large enterprises are obliged to report a cash flow statement in the Czech Republic. The cash flow statement has three broad areas: cash flow from investments, cash flow from financing, and operations (Shelton 2017, 148).

3. Balance sheet

The balance sheet is an accounting statement that depicts the status of tangible and intangible fixed assets and their sources of financing, known as liabilities, at any given date. According to Abrams (2019, 316), the balance sheet is the least understood of the financial forms, capturing all of the company's assets minus its liabilities. If anything remains, it is the company's net worth. The balance sheet is always prepared on the last day of each year and is a fundamental overview of the enterprise's assets at the time of the financial statements. It is possible to obtain information in three basic areas: the company's property situation, financing sources, and financial position (Růčková 2021, 24). If assets and liabilities are equal, they are in balance.

Abrams also argues that entrepreneurs may not see the balance sheet as a financial tool; banks see it differently. It provides a complete picture of a company's value, meaning you can see the value of existing assets and equipment.

Costs are divided into variable and fixed, based on how much they depend on changes in production volume. Variable expenses change with changes in production volumes, including, for example, materials and wages. On the other hand, fixed costs remain the same regardless of changes in production volume, including, for example, interest on loans or rent (Synek 2015, 42 – 43).

Return on investment

According to Dráčilová (2019, 223) the ROI calculation is mainly essential for the presentation of the project to the investor, who is interested in how long it will take to get his money back. Return on investment can be expressed by dividing the total investment by the average annual return. From Srpová et al. (2020, 111) perspective, the ROI calculation is used to compare individual communication campaigns with each other. The following formula can be used for the calculation:

$$ROI = \frac{(\text{return} - \text{investment})}{\text{investment}} \times 100$$

3.2.13 Risk Analysis

As Abrams points out every business involves risk. Risk assessments should therefore help to prepare for and prevent threats. An evaluation of risk shows that the entrepreneur is willing to look at the situation. Abrams states that understanding the risks involved makes you more likely to encounter them. It is crucial to realize what kinds of risks businesses are facing. Certain risks could be more important for some entrepreneurs, and some might be acceptable. According to Abrams, the main types of risk include:

- Market Risk – Market risk implies that the market does not respond to your products and services. Either the market is not prepared or there is no demand. This type of risk is considered hard to overcome.
- Competitive Risk – When entering the market with new products and services, one should consider the behavior of the competition.
- Technology Risk – Be aware that the technological product's output might not be as envisioned. Facing technology risk means being able to improve technology quickly and effectively.
- Product Risk – This risk is comparable to technology risk; however, it doesn't involve any technology products or services. There are several potential risks associated with the product, some of which include: that it won't function, or it won't be completed on time.

Other types of risks that Abrams mentions include Execution risk, Capitalization risk, or Global Risk.

Abrams does not describe the outlining of risk as something negative; as some might see it, she argues that there would be no reward if there were no risks. Also, a risk analysis enables entrepreneurs to reduce potential threats better and reassures potential investors that he or she is aware of these risks (Abrams 2019, 154 – 156).

According to Morris (2017, 192), it is crucial to know where the risks lie and how to deal with them; therefore, every entrepreneur should approach such a risk systematically. First and foremost, it is necessary to identify those risks, then assess them. An entrepreneur needs to determine how big a problem he/she is facing and how much it may cost him/her in the future. Second, it is necessary to reduce the likelihood that the risk will materialize, and in the case that it does, it is crucial to reduce the amount of that risk. Last but not least, it is essential to develop a recovery strategy.

Based on Smejkal and Rais (2013, 27), a decline in the demand for goods or services typically triggers a crisis. In such a situation, he suggests using all existing resources and limiting the waste of resources. He also suggests ensuring sufficient cash flow, cost cutting, or preparing the company's future.

3.2.14 Appendix

According to Abrams (2019, 334), in the appendix, you should provide information you reached in the plan and reinforce material already in the plan. Additionally, you may provide detailed information like market research, technology, or location

Several items that should be included in your appendix, according to McKeever (2018, 211), are as follows:

- Sketches of Company Signs or Logos
- Financial Statements
- Plans for Construction Work
- Copies of Lease Agreements
- Key Employees' Resumes
- List of What Will Be Purchased
- Prints Related to Your Business

Abrams adds:

- Photos
- Work Schedule
- Marketing Material
- Manufacturing and Technical Information
- List of Locations (Abrams 2019, 335)

As Shelton advises, the appendix material should be readable and well organized. He also states that an appendix is unnecessary, and only a few business plans have one. Moreover, he compares the appendix to a file cabinet (Shelton 2017, 168).

II. ANALYSIS

4 OUTLINE OF A BUSINESS PLAN

4.1 Title page

Name of the company: Bernie's Bakery

Legal form: Natural person

Location: Olomouc

Owner: Karolína Hovancová

Telephone: + 420 601 601 560

Logo:



Figure 1: Bernie's bakery logo (own creation according to Pinterest and Google)

4.2 Executive Summary

Bernie's bakery is a dog bakery that offers homemade treats and other goodies made from quality ingredients that are locally imported. The bakery provides a wide range of treats for pet owners to choose from, as well as birthday cakes for dogs. The aim is to present a healthier option of goods that will enrich a dog's daily diet.

The main offer includes treats made of meat, vegetables, and fruit; birthday cakes that the customer may customize; and, last but not least, the so-called puppuccino.

The bakery will be located in the center of Olomouc and will be aimed mainly at people living in the Olomouc region and its surroundings. Young adults and pet owners seeking healthier options are the company's primary target markets.

Since there is no similar concept in the Olomouc region, Bernie's bakery fills a perfectly white space on the market. Furthermore, indirect competition only can be found in the Olomouc region, but neither franchise offers homemade treats or dog birthday cakes.

Karolína Hovancová, the founder of Bernie's bakery, will run the business together with the help of one other employee.

As far as finances are concerned, the registered capital will be CZK 500,000. In terms of Bernie's bakery's profitability, in the first year, from an optimistic point of view, the profit will be CZK 343,998. The expected return on investment is 68,80%.

4.3 Company Description

Bernie's Bakery is a dog bakery that offers high-quality goods for your pets. Our homemade treats are produced with high-quality ingredients, where the customer knows every component of the product they purchase. This company will sell various goods, including birthday cakes for dogs and treats made from dried meat, vegetables, fruit, or other baked goods. Additionally, the business will provide unique holidays or season-related offers, such as Christmas or Halloween-themed items. The company will be based in Olomouc, and since there is little to no competition, it perfectly fills the market hole. The name Bernie's Bakery is inspired by the breed of Bernese Mountain Dog, as the owner of the company owns one, hence the original idea.

4.3.1 Mission statement

Bernie's Bakery's goal is to provide homemade, high-quality products that enrich the dog's diets. It is essential for our company that the products we offer are always made from fresh ingredients. That is why we decided to work with small businesses in the Olomouc region and supply from them. Another objective is to create a community of satisfied customers who will be happy to return. By making birthday cakes for our four-legged customers, we will attempt to make their day memorable.

4.3.2 Legal form

The company's owner will be Karolína Hovancová, and she will operate as a natural person. According to findings from the theoretical part, it is a form of business suitable for the sole proprietorship, has a fast and easy establishment, requires little money to start, and the state has less regulation. It is a business suitable for start-up entrepreneurs. They must pay an income tax of 15% and are liable for liabilities with all their assets.

4.3.3 Location

The core of this company's concept is based on customer interactions to establish it as a brick-and-mortar store located in the center of Olomouc, depending on the availability of free space for rent. Rental prices for non-residential space in the center of Olomouc start at about CZK 10,000 per month. In addition to having a physical location, Bernie's Bakery may eventually have an online store. The owner believes that the heart of Olomouc is the best location since it is frequently busy with people, has many stores, cafés, and restaurants, and is close to a park where people often walk their dogs.

4.3.4 Opening hours

Depending on customer demand and buying power, the opening hours might change over time. Initially, the store will be open from 10 am to 6 pm, Monday through Friday. The store may be open on Saturdays from 9 am to noon if the store is very busy. However, it is typically closed on weekends.

Table 1: Opening hours (own creation)

Opening hours	
Monday	10:00 – 18:00
Tuesday	10:00 – 18:00
Wednesday	10:00 – 18:00
Thursday	10:00 – 18:00
Friday	10:00 – 18:00
Saturday	Closed
Sunday	Closed

5 MARKET AND COMPETITION ANALYSIS

Understanding what sort of market our company will target regarding age, income, location, interests, and lifestyle is crucial. Bernie's Bakery will be located in Olomouc, so our target group will be mainly people living in and outside of Olomouc. When discussing the possibility of having an online store, the target audience will expand in terms of location. Furthermore, our target group is people of all ages, mainly dog owners, whose interests are primarily the care of their dogs and they want to enrich their dogs' diet. According to the Czech Statistical Office (2023), the population of Olomouc is 233,783, as counted in 2022. One of the last major surveys conducted in 2019 showed that 40% of the Czech population owns a dog; this number increased during the pandemic (Enviweb.cz, 2021).

5.1 The ideal customer

Regardless of gender, most of our clients will be pet owners. Our bakery would solve the problem of a shortage of homemade dog treats. Most of the food offered in local pet stores is full of chemicals. Pedigree treats are considered one of the market's most well-known pet food brands and were found to have artificial colors and chemicals used frequently in all of their recipes. These are considered really harmful to dogs (Labrador, 2022). It is crucial that the customer is informed about all the ingredients our treats contain. Therefore, the bakery will provide only the best for the customer's furry friend. In particular, only dog-safe ingredients, homemade goodies from high-quality ingredients imported from local businesses, and all our treats will be grain free. Among the flours that our bakery will use are mainly coconut or oat flour.

5.2 PEST Analysis

PEST is an analysis that aims to reveal the company's external environment. This approach was chosen to identify risks that might have adverse political, economic, technological, or social effects while implementing an entrepreneurial concept.

1. Political and legislative factors

Act No. 455/1991 Coll. on Trade Licensing regulates the obligations of entrepreneurs. Every legal or natural person conducting business in the Czech Republic must comply with these obligations. A natural person conducting business must respect the legal framework and the business sector's related stability and policy coherence. Furthermore, tax and other regulations, the influence of EU legislation, or local ordinances. When setting up a trade, it is necessary to register at the Trade Licensing Office, where the individual will also report

the business with the tax office, the Czech Social Security Administration, and the health insurance company. Establishing a business can now also be done online via the JRF form. The administrative fee for setting up a trade is CZK 1,000. The personal income tax rate has been 15% and 23% for higher incomes. In addition, registration for health insurance as a self-employed person must be made within eight calendar days of the start of the activity. As of January 2023, the minimum advance payment for health insurance is CZK 2,722. An individual is also obliged to pay advance payments for social insurance of CZK 2,944 if the entrepreneur starts the business as the main activity. The entrepreneur may register as a VAT payer in the course of business (Finance 2022; Pokorná, 2021; ČSOB, 2023).

According to the Central Inspection and Testing Institute for Agriculture, every manufacturer of pet food or dog treats is also subject to approval by the locally competent regional veterinary administration. Every feed and compound feed producer for domestic or farm animals must be registered. Registration can be submitted via data box, electronically, or by post. The individual fills in the form and pays the fee of CZK 5,000 (ÚKZÚZ, 2023).

2. Economic factors

According to CNB, the national economy's gross domestic product for 2021 was \$281.8 billion; GDP for 2022 grew by 2.4%. (Ministry of Finance of the Czech Republic, 2023; CZSO, 2023). The inflation rate in the Czech Republic is currently 15.1% as of 11 January 2023, according to the Czech Statistical Office. Furthermore, the Labour Office of the Czech Republic recorded that as of 31.12.2022, the unemployment rate rose to 3.7%, more than the previous year (Labour Office of the Czech Republic, 2023). The minimum wage in the Czech Republic as of 2023 is CZK 17,300. The average salary in 2022 was CZK 38 911. According to the MPSV expectations, it will increase to CZK 40,324 in 2023. (MoLSA, 2023).

The CNB's interest rate is 7%. The CNB has indicated that it may cut interest rates in the fourth quarter of this year (CNB, 2023). According to the Czech Statistical Office, the average gross monthly wage in the Olomouc Region exceeded CZK 36,000 in 2022 (CZSO, 2022). According to these data, the Olomouc region's average wage is lower than the national average, indicating lower purchasing power in our area. Regarding the unemployment rate, the Labour Office's figures from 2022 show that 2.9% of unemployed people are in the Olomouc Region (Labour Office of the Czech Republic, 2022).

3. Socio-cultural factors

Despite the personal and economic-financial issues, the pet industry continues to grow, especially during a pandemic when everyone seems to have acquired a furry family member.

According to Ostřejšová (2021), the pandemic was an excellent opportunity to get a dog. People started working from home and were more time flexible. It was an ideal moment for people thinking about getting a dog for a long time.

There are around two million dogs in the Czech Republic, according to FEDIAF figures. Statista (2022) data showed that 42% of households in the Czech Republic own at least one dog, placing them third in Europe for pet ownership.

According to data compiled by the data.brno (2021), the city of Brno, conducted statistics that more than 24,000 registered dogs live in Brno. According to current data, there are about 90,000 dogs in Prague, which is 4,000 more than in 2020. However, these statistics are not always accurate as a particular part of the dog population is not officially reported. Based on these figures, it might seem that the number of dogs in the Czech Republic is still increasing, but Statista (2022) showed that the population of household dogs in the Czech Republic decreased. While in 2010, there were over three million dogs in the Czech Republic, this number has been decreasing, and in 2022 was around 2.2 million.

4. Technological factors

Concerning transport infrastructure, according to the information portal of the Olomouc Region, road and rail transport is vital for Olomouc. Regarding road transport, there is a comfortable transport connection to Brno, Prague, and Lipník nad Bečvou and a seamless connection to Ostrava and Bohumín. The international motorway ensures the connection of Moravia with Poland and Austria. Olomouc is also a critical railway junction. Furthermore, the public transport system includes trains, buses, and trams, including low-floor vehicles for people with disabilities. As indicated, our bakery will purchase raw materials from local suppliers. Thus, the problem of obtaining raw materials from distant areas as quickly as possible is optional.

From a business perspective, there is no need for heavy machinery. The business's technology could include equipment required for running the business, including a fridge or freezer for storing treats and cakes. For the actual manufacture of the treats, our bakery will use a heated oven or food drier. Furthermore, a POS system and a receipt printer are needed to run the store. We will also accept debit and credit card payments.

5.3 Competitive analysis

Porter's Five Competitive Forces Analysis will analyze Bernie's Bakery's competition to help map the firm's competitive position.

5.4 Porter's Five Forces Analysis

Competitive rivalry within the industry

Olomouc is a relatively large city with more than 99 thousand residents and their dogs living along with them. However, there is no a brick and mortar store like Bernie's Bakery located in Olomouc. You can only find chains like Super Zoo or Pet Center here, but neither of these stores offers homemade pet products. These businesses can therefore be regarded as indirect competitors as they operate in the same market. Nonetheless, a few small businesses and online stores similar to Bernie's Bakery might be considered competitors in the Czech Republic.

Boneapetit.cz

Bone Appetit is a dog bakery located in Liberec. They operate as a brick-and-mortar store together with an online store. Like Bernie's bakery, they offer homemade baked treats, dried treats from meat and vegetables, and dog cakes. Their birthday cakes are only available for pickup at the store; delivery is not an option. They also provide, for example, Christmas sweets for dogs or gluten-free treats. In addition to their homemade treats, this bakery offers products from other brands, such as Yoggies, especially kibble and wet food. Together with other accessories, they provide dog cosmetics. It is necessary to underline that they have a wide selection of homemade treats from which everyone can choose. Regarding the pricing policy of their products, the average price for a 30g pack of homemade biscuits with meat is CZK 30. Furthermore, the price for meat products is higher, and it is around CZK 55, and more for a 50g pack. One of the drawbacks may be that the bakery only offers 30g packs of treats which may be misleading to some and make it look cheaper. Cake prices are individual and depend on the specific request. Small cakes cost around CZK 350, medium cakes around CZK 900, and large cakes around CZK 1,300. Another downside might be the unreasonably high price of large cakes, which encourages consumers to purchase smaller cakes for less money. The company advertises itself through social media, especially Instagram and Facebook (boneapetit.cz).

- **Zollydogbakery.cz**

Zolly dog bakery is an online store located in Prague. There is no physical location, which may be one of their downsides. Like Bernie's bakery, they offer homemade treats and dog birthday cakes. They have a slightly wider selection of items on their menu than Bernie's Bakery, including sushi, burgers, and donuts. They offer 18 different kinds of treats that are dried at low temperatures, both vegetable and meat.

Along with all this, they offer products from other brands, especially wet food. In addition, they provide an extensive range of dog toys and lick mats.

Furthermore, you may find dog cosmetics or antlers for dogs in their online store. A wide range of products they offer might benefit clients who wish to shop along with the treats for additional goods they provide on their e-shop without visiting other online shops. There is no option for cakes and other sweets delivery across the Czech Republic.

However, Zolly Dog Bakery does provide its delivery service within Prague for CZK 250 and above, which might be favorable for those living in Prague. The price range of their dried treats and cakes is slightly pricier. Dried snack treats of 100g cost around CZK 139 and above. A 250g pack goes for at least CZK 289 and above. The price of their cake ranges from CZK 450 to CZK 890; criteria such as the size of the cake, filling, or decoration play a role here. The bakery uses social media, particularly Instagram and Facebook, to promote itself. They will soon hit 10,000 followers on Instagram, which will help the company promote itself through social media and reach a wider audience (zollydogbakery.cz).

Bargain power of buyers

As mentioned in the previous chapters, more and more people are getting a dog. Nowadays, every dog owner wants to provide their pet the best care possible, meaning the best quality ingredients without chemicals, and are thus willing to pay extra. Since there is no similar store in the Olomouc region, Bernie's bakery has an excellent opportunity to gain new customers. None of our competitors distribute birthday cakes across the Czech Republic via post or other methods. Bernie's bakery benefits significantly from this fact. Customers could always purchase treats from our rivals through their online store, but delivery may be expensive. The likelihood of little or zero product demand is always a possibility.

Bargain power of suppliers

The main component of the Haná region is crop and livestock production. In the Olomouc Region are around 328 companies, merchants, and institutions. Thus, there are plenty of possibilities if it becomes necessary to switch food imports.

As already mentioned, it is crucial to us that every product is made from high-quality and fresh ingredients. Therefore, we have decided to support local small businesses. One of our leading suppliers of fruit, vegetables, and eggs will be the MEZI POLI garden, a concept on the outskirts of Olomouc. Regarding meat supply, Bernie's bakery will source from Medlov farm, which offers customers quality meat products.

Threat of new entrants

A similar business may enter the field as patents or trademarks do not burden this sector. However, according to the Central Inspection and Testing Institute for Agriculture, the regional veterinary administration must approve every pet food or dog treats manufacturer. As there is no similar concept in the Olomouc region, new competitors may enter the industry offering the same products at comparable prices.

Threat of substitute products or services

The biggest threat is if a similar concept like Bernie's bakery appeared in Olomouc, offering similar products at lower prices. So far, such business has yet to emerge in Olomouc. One of the risks that Bernie's bakery faces is that customers can order treats from other online shops considered competitors.

Another possibility is that consumers will be willing to pay less for homemade treats and purchase a more affordable variety from retail chains like Pet Center or Super Zoo. Some of the treats from these types of chains could be loaded with colors and chemical additives. These chains are considered to be indirect competition. See the introduction to Porter's analysis.

6 BUSINESS PLAN

In this chapter, the findings from the market analysis will be capitalized on and transformed into a concrete business plan.

6.1 Product and service description

The bakery primarily aims to create high-quality products that enrich dogs' diets. In the earlier chapters, we learned that only large chains like Pet Center and Zoo Hit could be found in the Olomouc region, with no concept similar to Bernie's bakery. In today's modern world, where everyone wants to eat healthily, dog owners desire the same for their dogs. Therefore, all the products will be made from scratch using quality local ingredients. Given that we are located in the Haná region, one of the primary agricultural producing areas, there are several options to get top-notch regional raw materials. Small businesses in the Olomouc region will be our primary source of supplies.

Bernie's bakery offer

The main offer will include biscuits and other baked treats produced from meat and vegetables, which can be given to the dog as a treat or reward during training. Additionally, our bakery will sell treats made from dried meat, particularly chicken, beef, and rabbit, to improve the daily diet of dogs. The meat will be sourced from local butcheries. One of Bernie's Bakery's main offerings will be birthday cakes for dogs, but they will only be available at least two days in advance (depending on order availability). There will be two sizes of cakes to choose from small and medium. Customers can also select two meat fillings within the cake: chicken or beef. Our daily offer will include the so-called puppuccino for dogs, which is only milk foam in a cup rather than actual coffee.

Finally, we will provide a seasonal offer, including a Valentine's Day, Halloween, or Christmas edition of treats. This offer will always last for that particular season only or while stocks last.

In conclusion, it is crucial to mention that all treats will contain only dog-safe ingredients.

6.2 Marketing plan

SWOT analysis is a situational analysis tool. The marketing mix builds on the conclusions of the situational analysis and further uses them through a set of tactical tools.

6.2.1 SWOT analysis

SWOT analysis will identify the strengths and weaknesses of Bernie’s bakery.

Table 2: SWOT analysis (own creation)

Strengths	Weaknesses
<ul style="list-style-type: none"> • Homemade products • High quality ingredients • Unique concept • Convenient location • Form of a physical store • Near park where people frequently walk their dogs 	<ul style="list-style-type: none"> • Lack of experience and risk of failure • No online store yet
Opportunities	Threats
<ul style="list-style-type: none"> • Possibility of having an online store • Nowadays, owning a dog is seen as leading a healthy lifestyle. • Minimal competition • The positive impact of Covid on Czechs' perception of a dog ownership 	<ul style="list-style-type: none"> • Lack of customers • Occurrence of competition in the same region • The rise of costs due to inflation, etc. • No place to rent in the city center • People will stop celebrate their dogs’ birthdays • Due to cost savings, the store will be closed on the weekends.

Strengths

The most significant advantages are the quality ingredients and homemade products that Bernie’s Bakery offers. As there is no alternative sub-concept in the Olomouc region, there also lacks competition.

Another benefit is the location of the store, which will be in Olomouc’s city center, where hundreds of people walk their dogs daily in the nearby park. The center can be reached both by public transport and by car.

Weaknesses

Regarding the weaknesses, it is essential to consider that the owner has no prior business experience, so there is a risk that something may go wrong. However, because people learn by doing, learning from failures is crucial. The fact that Bernie's bakery does not yet have an online store can be considered a weakness. Thus, the customer range is limited to Olomouc and its surroundings.

Opportunities

Opportunities include the possibility of having an online store in the future, thus expanding the customer network throughout the Czech Republic. If the bakery secures regular customers with a demand for its products, it is possible to extend the offer with new products. There is no similar business to Bernie's bakery in the Olomouc region, so it will perfectly fill the market gap.

The fact that many individuals acquired dogs as a result of Covid will be beneficial for the bakery. Another opportunity is the rise in dog ownership related to individuals living healthier lifestyles.

Threats

Due to the current economic crisis and the associated rising inflation, the commensurate purchasing power decline is the biggest threat. Other threats include the possibility that Bernie's bakery will not have enough customers and little demand for its products. This may lead to the business not thriving and, more importantly, not making a profit.

Another threat would be if a similar business appeared in the area offering similar products at better prices and thus competing with Bernie's Bakery.

The threat would be if no spaces were available for rent, as the company owner would want the bakery to be situated in the center of Olomouc. The bakery will be closed over the weekend to save money, but this decision may be risky.

Nowadays, just as you celebrate the birthdays of your loved ones, people celebrate the birthdays of their four-legged friends. A threat to the dog bakery would be if people stopped celebrating their dogs' birthdays, as birthday cakes for dogs are one of their main products.

6.3 Target market

The types of Bernie's bakery customers can vary considerably. In all cases, our customers will be mainly dog owners. Whether teenagers or people of more advanced age, they have one thing in common: the love for their pets and the desire to treat them to the best.

- 1.) Segment – young adults between the ages of 20 – 35.

For high schoolers is not a priority to spend their money from a part-time job on their dogs' diet. Therefore, we decided to target young adults with sufficient income to provide for their dogs. Additionally, the owner decided to focus on young adults since people in their forties and fifties belong to a completely different generation and cannot comprehend contemporary culture, in which young people treat their dogs more like a kid and consider celebrating their dog's birthdays unimportant. Thus, young adults are more likely to appreciate our offer of birthday cakes for their pets.

2.) Segment – pet owners looking for healthier alternatives

Given that most treats or kibble sold in big chains contain a significant amount of wheat, one possible consumer would be a dog owner whose dog is allergic to wheat. Our products are grain-free; our primary flours are coconut and oat. Another aspect is that nowadays, people are often more concerned with the dog's food composition and if it includes dangerous ingredients. As a result, they may choose among goodies from Bernie's Bakery, where the ingredients are known in advance. We would also like to reach owners who have so far shopped in large chains since the pricing of Bernie's bakery treats is not much different from that of their indirect competitors. Thus, people may want to switch to a healthier alternative of treats.

6.4 Marketing mix

The 4Ps will be used to define the marketing mix.

Product

As described in the description of products and services, Bernie's bakery will offer a variety of goods. The main offerings include baked treats from meat and veggie, then products from dried meat, veg, and fruit. These treats can further serve as a reward during training or enrich the dog's daily diet. Birthday cakes for dogs are another staple of Bernie's Bakery, and customers may customize them by choosing the cake's size and fillings.

In addition, the bakery will offer seasonal offerings, including Valentine's Day, Halloween, or Christmas edition treats. This offer will always be valid for that season only. Dogs are welcome to visit our store daily for a so-called puppuccino, milk foam instead of real coffee, which we will offer for a symbolic price.

The main idea is that everything is made from quality ingredients without added substances. The treats contain superfoods that may prevent cancer, diabetes, or heart disease.

Price

The pricing reflects the fact that the products are homemade and produced with locally imported high-quality ingredients. This price range is set according to the competitors' products, and is a competitor-oriented price. Nevertheless, the price range must be suitable for the Olomouc region.

Table 3: Price ranges of Bernie's bakery (own creation)

Main offer	Price range
Birthday cake (small)	CZK 350 – 700
Birthday cake (medium)	CZK 350 – 700
Treats (100g)	CZK 110 – 150
Puppucino	CZK 20

Birthday cakes range in price from CZK 350 to 700, depending on the cake's size, filling, and decorations. Depending on the ingredients of the treats, the price ranges from CZK 110 to 150 per 100g pack.

Place

Depending on rental space availability, Bernie's bakery will be situated in the center of Olomouc. The decision was made since there is a large park in the city's heart where people frequently walk their dogs. Additionally, the city center is very crowded due to the abundance of cafés, restaurants, and stores.

Concerning transport, there is the possibility of public transport, both tram and bus. As Olomouc is a small city, locals may commute by foot. Also, there are plenty of parking spaces in the city center for those who commute from the surrounding villages.

The shop will also serve as a pickup location for customers who have ordered cakes. Those can be purchased in-store, web, or through our Instagram account.

Promotion

As this is a new concept shop, it was decided to allocate more resources to present the business. Since the campaign seeks to reach people of all ages, online advertising was chosen, especially on the web and social networks. Regarding the older age bracket, we target them with word of mouth and event marketing.

- **Social media**

Nowadays, one of the best ways to reach people is through social networks, mainly via Facebook, Instagram, or TikTok. Owing to this, the bakery's owner has decided that social media would be the primary means of promotion, with each platform reaching a different

age group. The owner then decided to pay to promote the Facebook page and Instagram account to maximize its audience.

- **Facebook, Instagram, TikTok**

Bernie's Bakery will have both a Facebook page and Instagram account that people may subscribe to or follow to stay updated on recent posts and upcoming events. The bakery will also have a TikTok profile as it is one of the most successful networks with the largest reach in recent years. On all platforms, Bernie's bakery will post the latest news, the process of making treats, or their satisfied dog customers. The posts on Facebook and Instagram will be identical since some users can only follow us on one of these platforms. We will either employ posts, stories, or reels. As far as TikTok is concerned, since it is a different platform type, we will only post short videos here. However, those may also be found on Instagram or Facebook. It is necessary to add that the owner herself will manage all platforms.

Our decision to work with influencers in the future stems from the fact that paying for advertising posters is no longer economical when one person can perform more promotion for the business. On any platform, these influencers will advertise Bernie's Bakery products. We are mainly looking for dog owners concerned about their pets' diets.

The owner will promote the website and social networks through Facebook groups, for example, on the Olomoučáci group with more than 45 thousand members. This type of advertising will be completely free. Additionally, Bernie's Bakery and the Instagram account Kam Zajíť Olomouc, which gives tips on new businesses in Olomouc, have agreed to collaborate and promote the bakery through their Instagram account.

- **Website**

On Bernie's bakery website, customers may obtain information about the company, the bakery's selection of goods, or contact information. A solo web with a planned graphic design will be used to develop the website. As far as the visual aspect of the website is concerned, everything will be very minimalistic and transparent.

- **Word of mouth**

Although word-of-mouth advertising is free, it can nonetheless have a negative impact on a business. Therefore, it is necessary to insist on the highest quality products so that customers leave satisfied and can give positive recommendations to family or friends. Word of mouth goes hand in hand with event marketing, through which you build customer relationships.

- **Event marketing**

Prague events, such as Dog Fest or For Pets, occur yearly. Attending those would be an excellent opportunity for Bernie's Bakery to promote its goods and attract new clients. However, participating in such an event could be expensive for a newly established business.

Bernie's bakery will offer a free sample with every purchase beginning on the day of the bakery's grand opening and lasting a whole week. In the future, Bernie's Bakery hopes to have further events or workshops to attract new customers and strengthen relationships with current ones.

6.5 Organizational structure

The business operations will be handled by the owner herself, as well as the baking process of the treats and cakes.

Furthermore, the bakery will have one additional full-time employee whose responsibilities will include the store's day-to-day operations, handling the cash register, and occasionally helping the owner in the kitchen when preparing cakes or treats.

The owner would be open to hiring part-time kitchen staff if there was a significant demand in the future and she could not handle it herself.

The employee's working hours will be in accordance with the bakery's operating hours. The bakery will be open from 10 am to 6 pm, Monday through Friday.

The employee's gross wage will be CZK 25,000. The owner will pay health insurance of CZK 2,250 and social insurance of CZK 6,200 per month. The monthly cost of the employee is CZK 33,450.

The owner will pay health insurance for himself of CZK 2,722 and social insurance of CZK 2,944. The owner will pay a premium for himself in the total amount of CZK 5,666.

Table 4: Cost of labour (own creation)

Cost of labour (in CZK)	
Gross wage of employee	25,000
Health insurance (9%)	2,250
Social insurance (24,8%)	6,200
Total monthly cost of employee	33,450

6.6 Production plan

Regarding the actual manufacture of the products, every single product will be handmade.

As for making treats out of jerky, the meat will be cleaned, sliced, and placed in the dehydrator for 6 to 24 hours (depending on the product), then placed in the oven for 10 minutes. Most of the meat used to make the dry treats is either beef, chicken, salmon, or rabbit. Dried hearts, liver, and kidneys will also be on the menu. Special offers include dried rabbit and pig ears, pigs' snout, pig skin, or chicken feet. Dried treats include fruit or vegetables. The production process is the same as for meat products. All dried products will be stored in a cool place.

The manufacturing process for the baked treats will vary slightly depending on the product. The preparation of the cakes will be slightly more complicated. Customers can choose two sizes, small and medium, and a cake filling. Therefore, the cakes will only be available at least two days in advance, as each cake will take at least two hours to prepare, as the body of the cake must be baked in the oven, the icing made, and the cake decorated. The cakes will be kept in the refrigerator until the customer is ready to pick them up.

As the bakery will purchase a box of products each month from the supplier MEZI POLI, the monthly cost of the vegetables and fruits will be around CZK 480. Later, these fruits and veggies will be utilized to create cake filling, baked goods, or dried fruit and vegetable treats. In addition, free-range eggs are available from the same provider and cost CZK 70 for ten pieces. The owner will take an average of 30 eggs per month, but this may vary depending on the number of monthly orders of treats and cakes. The monthly cost of eggs is, therefore, CZK 210. The monthly cost of meat will vary monthly, depending on the number of orders.

6.7 Financial Plan

This part transforms the information from the previous business plan chapters into financial form. This chapter's objective is to assess the profitability of Bernie's Bakery.

6.7.1 The initial costs

The initial costs associated with opening the dog bakery are shown in Table 5 below.

The table is grouped into the following parts: machinery, shop equipment, and promotion, also including fees required to conduct business and trade license. Therefore, the total price of the initial costs is CZK 181,100. The owner is looking for premises for rent where a kitchen will already be present. Thus, not all kitchen appliances are listed here.

Table 5: Initial costs of Bernie's bakery (own creation)

Initial costs of Bernie's bakery (in CZK)	
Trade license	1,000
Registration fee	5,000
Refrigerator (2 pieces, 10,000 CZK per one)	20,000
Freezer	5,000
Oven with stove	15,000
Dishwasher	10,000
Large food dryer	25,000
Cash register	7,000
Cake cooling rack	850
Cookie cutters	1,500
Cake moulds (10 pieces, 5 large ones CZK 200 per one, 5 small ones CZK 150 per one)	1,750
Kitchen tools	10,000
Sales counter	8,000
Decorations	10,000
Lightening	15,000
Website design	15,000
Facebook advertising	1,000
Collaboration with an influencer	30,000
Total initial costs	181,100

According to the Central Inspection and Testing Institute of Agriculture, every manufacturer of dog food or dog treats is also subject to the approval of the locally competent regional veterinary administration, which implies that every manufacturer must be registered. The registration fee is CZK 5,000.

The owner decided to invest CZK 1,000 in the first month to advertise the bakery through Facebook. The statistics indicate that this investment should reach 500 to 1,600 users daily. The owner also intends to promote the bakery on Facebook groups, which are free; thus, this investment could be sufficient.

When collaborating with an influencer, it is hard to estimate in advance how much money will be needed. According to Business of Apps statistics, the number of followers and their

reach play the most significant role in the payout. The payout for collaborating with a micro-influencer with 10,000 to 100,000 followers is between USD 100 and USD 500. For a mid-influencer with 100,000 to 500,000 followers, the pay-out ranges from USD 500 to USD 5,000. The owner selected to work with her preferred influencer, who has between 200,000 and 300,000 followers. As a result, the associated payment is CZK 30,000 (Artyom Dogtiev, 2023).

6.7.2 Balance sheet

The share capital will be CZK 500,000. The share capital consists of cash in the bank account and a financial reserve of CZK 100,000. Trade licenses worth CZK 6,000. Furthermore, fixed assets worth CZK 114,100. The owner's savings and a loan from the family make up the capital. The owner will try to raise more money in the future through crowdfunding. Therefore, the owner will not apply for a bank loan.

Table 6: Balance sheet of Bernie's bakery (own creation)

Assets (in CZK)		Liabilities (in CZK)	
Current assets	379,900	Current liabilities	0
Bank account	379,900	x	x
Non- current assets	114,100	Equity	500,000
x	x	Registered capital	500,000
Other assets	6,000	Other liabilities	0
Initial expenses	6,000	x	x
Total assets	500,000	Total liabilities	500,000

6.7.3 Operating costs of Bernie's bakery

Whether sales or manufacturing quantities rise or fall, fixed costs remain the same. In contrast, variable costs are costs where the volume increases with the production volume.

Fixed costs (expenses)

Fixed costs are ongoing expenses necessary for the business's operation: rent, electricity and water consumption, telephone bill, health and social insurance, and website hosting. The employee's wage is the most significant portion.

Table 7: Fixed costs (expenses) of Bernie's bakery (own creation)

Fixed costs (expenses) (in CZK)		
Price in CZK	Monthly	Annually
Rent	18,000	216,000

Energy and water consumption	5,000	60,000
Telephone	500	6,000
Wage of full-time employee	33,450	401,400
Owner's health and social insurance	5,666	67,992
Webhosting	50	600
Total fixed costs	62,666	751,992

Variable costs (expenses)

Total variable costs are outlined in Table 9 from a pessimistic and optimistic scenario. The optimistic scenario assumes the company will thrive, i.e., sell off all its stocks. On the other hand, the pessimistic scenario considers the possibility that the business won't be successful. The number of packages, cups, and boxes the bakery will need has been calculated based on estimated revenues. This suggests that depending on the number of cakes sold in a given month, the same number of boxes will be needed. The same applies to the treat packs and the cups for the puppuccino. Still, it is necessary to note that this will differ monthly due to the goods demanded.

As previously stated, the owner would be willing to hire a part-time employee if there was a strong demand for the goods. The amount of part-time employee's salary is unknown as it will depend on the number of hours worked each month, which might vary. For this reason, this figure is not included in the table.

Table 8: *Monthly stocks of Bernie's bakery (own creation)*

Monthly stocks (pieces)		
Number of paper bags for treats	Number of paper cups	Number of paper boxes for cakes
Optimistic scenario		
550	440	100
Pessimistic scenario		
198	176	66

The number of paper bags in the optimistic scenario will be 550. Calculated as daily sales of product times the number of days per month the store will be open. Specifically, 25 packs of treats sold per day times 22 days.

Table 9: Variable costs (expenses) of Bernie's bakery (own creation)

Variable costs (expenses) (in CZK)				
Price in CZK	Monthly costs optimistic scenario	Monthly costs pessimistic scenario	Annually costs optimistic scenario	Annually costs pessimistic scenario
Supplies	62,069	20,710	744,828	248,520
Paper bags for treats (CZK 7,25 per one)	3,988	1,436	47,856	17,232
Paper cups (CZK 1,5 per one)	660	264	7,920	3,168
Paper boxes for cakes (CZK 10 per one)	2,200	660	26,400	7,920
Total variable costs	68,917	23,070	827,004	276,840

The monthly cost price was calculated as daily sales of product times the number of days the bakery will be open times the price per unit. Specifically, from an optimistic perspective, 25 bags of treats sold per day times 22 days times 7,25 CZK is the price per bag.

6.7.4 Estimated revenues

The estimated revenues are shown in Tables 10 and 11 from an optimistic and pessimistic perspective. It should be noted, nevertheless, that daily revenue fluctuations are possible.

Table 10: Estimated revenues in pessimistic scenario (own creation)

Pessimistic scenario				
Product	Daily sales of products	Average price of the product	Revenues per day (in CZK)	Revenues per month (in CZK)
Medium cake	1	700	700	15,400
Small cake	2	350	700	15,400

Bag of treats (100g)	9	130	1,170	25,740
Puppucino	8	20	160	3,520
Total Estimated revenues per day				2,730
Total Estimated revenues per month				60,060

The estimated revenues for the pessimistic and optimistic scenarios were determined based on the anticipated daily income and multiplied by 22, the number of days the bakery would be open each month. For opening hours, see Table 1 opening hours.

The pessimistic scenario's estimated daily revenue was calculated to meet the monthly fixed expenses.

Table 11: Estimated revenues in optimistic scenario (own creation)

Optimistic scenario				
Product	Daily sales of products	Average price of the product	Revenues per day (in CZK)	Revenues per month (in CZK)
Medium cake	3	700	2,100	46,200
Small cake	7	350	2,450	53,900
Bag of treats (100g)	25	130	3,250	71,500
Puppucino	20	20	400	8,800
Total Estimated revenues per day				8,200
Total Estimated revenues per month				180,400

The estimated revenues for the optimistic scenario were calculated as three times the pessimistic scenario.

6.7.5 Income statement

Together with the balance sheet, the income statement is one of the critical parts of the financial plan as it indicates whether the company is profitable or losing money. The income statement from the optimistic and pessimistic scenarios is shown in Table 12 and Table 13.

Table 12: Income statement for pessimistic scenario (own creation)

Income statement in the first year (in CZK)			
Pessimistic scenario			
	First month	Second month	Annually

Revenues	60,060	60,060	720,720
Fixed costs	62,666	62,666	751,992
Variable costs	23,070	23,070	276,840
Initial costs	181,100	0	181,100
EBT	- 206,776	- 25,676	- 489,212
TAX			
EAT			- 489,212

In Table 12, in the first month, the initial expenses have been deducted; hence from a pessimistic scenario, the company would be loss-making in the first year.

Table 13: Income statement for optimistic scenario (own creation)

Income statement in the first year (in CZK)			
Optimistic scenario			
	First month	Second month	Annually
Revenues	180,400	180,400	2,164,800
Fixed costs	62,666	62,666	751,992
Variable costs	68,917	68,917	827,004
Initial costs	181,100	0	181,100
EBT	- 132,283	48,817	404,704
TAX			60,706
EAT			343,998

In Table 13, it can be seen that only the first month is negative, and this is again due to initial costs. In the second month, the firm will no longer be in negative figures and hence profitable. Net profit at the end of the first year will be CZK 343,998.

Earnings before taxes, or EBT, was calculated in all situations by subtracting revenues from all costs, including variable, fixed, and initial costs in the year's first month. EAT stands for earnings after taxes, from which we derive net profit.

Income statements were only generated for the first year, but based on this data, it may be assumed, from an optimistic perspective, that the profit would increase in the following years.

6.7.6 Return on Investment

ROI is computed as net profit divided by the original investment times one hundred.

$$ROI = \frac{343,998}{500,000} \times 100 = 68,80\%$$

The return on investment is calculated here from an optimistic scenario. Since the profit from the pessimistic scenario was negative through the initial expenditure incurred in the first month, the return on investment was not calculated from this perspective.

A positive ROI result means the initial investment will be paid back, and, at the very best, a profit will be generated.

6.8 Risk evaluation

This chapter has already been briefly covered in the SWOT analysis. Starting a new business is associated with a certain risk. If one decides to start a business, one must accept that failure is probable. Many different types of risk may occur, as was previously stated. The size and type of risk can vary significantly based on the industry the company operates in. However, the main types of risks include market, competitive, technology, or product risks.

Market risk is the first possible risk for Bernie's Bakery. There will be no demand for our products since the market might not be ready. This type of risk might be reduced by marketing tools such as event marketing or word of mouth by providing customers with the best possible experience and preventing these marketing tools from suddenly backfiring and harming the bakery.

Another major threat would be if new competitors entered the market. For instance, if a similar concept emerged in the Olomouc region that offered consumers products of the same quality at a lower price. As previously stated, there is a risk that our potential customers would rather shop at our indirect competitors, Super Zoo and Pet Center. Although Bernie's Bakery has no direct rivals in Olomouc, customers can order through our competitors' online stores. Since visiting a store might not be as convenient as shopping online, this fact might be shifted by using effective marketing strategies and giving customers a positive shopping experience.

The bakery may escape the technology risk since it won't employ heavy machinery.

Product risk is another risk that Bernie's Bakery can encounter. This risk is related to the possibility that the bakery won't finish a birthday cake order in time, or the customer won't be satisfied with our products.

The present economic situation may also pose concerns for Bernie's Bakery. Through rising interest rates, people are being forced to consider their expenditures more to be able to repay their debts. As a result, people could stop purchasing items like birthday cakes for dogs or

limited-edition treats that aren't necessary for living. At present, when the central bank is using its tools to reduce inflation to persuade individuals to cut down on their spending to decrease the amount of inflationary money in circulation and, ultimately, inflation, the middle class will be worst affected by the present crisis. As a result, demand for Bernie's bakery's goods may decline. Till the central bank resolves the inflation problem.

There is a need to be wary of the possible arrival of a pandemic. Bernie's bakery would convert to an online store if such a circumstance were to occur and companies were to shut down once more, as they did during the Covid era. It is clear from previous chapters that there has been a massive increase in the acquisition of pets as far as the Covid pandemic is concerned, which is only beneficial for Bernie's bakery.

Table 14 shows the individual risks and their measures.

Table 14: Types of risks (own creation)

Type of risk	Possible Solution
1. Little demand for products (market risk)	Grand opening, free samples, workshops, word of mouth, well-chosen advertising
2. The occurrence of competitors in the same area	Loyalty cards, building customers relationships
3. The threat of the bakery not finishing the order on time (product risk)	Allowing sufficient time for each order
4. Pandemic	The shop could function as a dispensary, switch to digital ordering, the possibility of having an online shop
5. Online shopping is more convenient than shopping in-store	Provide clients with a positive shopping experience so they would be happy to return, the possibility of having an online shop
6. Indirect competition	Provide customers with healthier product alternatives at a similar price

Well-chosen advertising, particularly on social media, can minimize the risk of low demand. A free sample with your first purchase or a discount on your next purchase might be adequate. Giving customers the best shopping experience or offering them loyalty cards might help develop strong customer relationships. This technique might also be applied to reduce risk number 5.

The bakery will always allow adequate time for each order to prevent the risk of missing one.

In the case of another pandemic and a potential retail shutdown, the store might serve as a dispensary. And switch to digital ordering via the website or Instagram. Having an online shop in the future could reduce risks 4 and 5. The benefits of having an online store are: We could reach more people. Furthermore, people could shop from the comfort of their own homes. Alternatively, it could be one of the possible solutions in case of a pandemic. Bernie's bakery's prices are similar to their indirect competitors. Thus, people may want to switch to a healthier alternative of treats.

CONCLUSION

This bachelor's thesis' primary goal was to develop a business plan for a selected company and determine if it would be feasible. The business's concept is a dog bakery called Bernie's bakery, which is located in the Olomouc region.

The thesis is divided into two parts, theoretical and practical. The theoretical part deals with entrepreneurship, legal forms of business, lean canvas, and individual aspects of a business plan.

The practical part was developed based on the knowledge gathered from the theoretical part. The practical part was then divided into the following areas: The outline of the business plan consisting of a title page, company description, mission statement, legal form, location, and opening hours. Furthermore, the market and competition analysis dealt with PEST analysis, Porter's five forces analysis, and the ideal customer.

The thesis was further subdivided into the components of a business plan: marketing plan, financial plan, organizational plan, production plan, and finally, risk assessment. The marketing plan comprises a swot analysis, marketing mix, and the company's target market. Lastly, a financial plan helped assess the company's profitability. The financial plan has been prepared regarding optimistic and pessimistic scenarios, accounting for variable costs, estimated revenues, income statements, and return on investment.

The calculation's outcome revealed that the bakery would only have been profitable in the first year from an optimistic scenario; the business would not generate profit from a pessimistic scenario. It is crucial to emphasize that this results from the high initial costs. In the first year, the net profit is estimated to be CZK 343,998 in an optimistic scenario.

The author would like to draw attention to the possibility that less business experience may have influenced the conclusions of the analyses. However, it was compensated by studying current literature, information about the development of the business environment, and regular consultations with the thesis supervisor.

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LIST OF ABBREVIATIONS

CZK	Czech Crown
EAT	Earnings after taxes
EBT	Earnings before taxes
EUR	Euro
GDP	Gross Domestic Product
ROI	Return on investments
USD	United States dollar
VAT	Value Added tax

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