

# **A Business Plan for a Café**

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## **ABSTRAKT**

Tato bakalářská práce je zaměřena na sestavení podnikatelského plánu pro založení veganské kavárny v Přerově. Práce obsahuje dvě části, a to jak teoretickou, tak praktickou část. V teoretické části jsou osvětleny základní podnikatelské pojmy a také jsou popsány jednotlivé části podnikatelského plánu. Praktická část obsahuje vypracovaný plán pro založení kavárny. Na základě výstupů z jednotlivých analýz, zejména z analýzy trhu a z finanční analýzy, byl předložený podnikatelský záměr zhodnocen z hlediska praktické aplikovatelnosti.

Klíčová slova: podnikání, podnikatelský plán, kavárna, realizovatelnost, SWOT, PEST

## **ABSTRACT**

This bachelor thesis is focused on a business plan for establishing a vegan café in Přerov. The thesis contains two parts, both theoretical and analytical. The theoretical part explains the basic business concepts and also describes the particular parts of the business plan. The analytical part contains elaborated business plan for establishing a café. Based on the outputs of individual analysis, especially from the market analysis and financial analysis, the submitted business plan was evaluated from the point of view of practical applicability.

Keywords: entrepreneurship, business plan, café, feasibility, SWOT, PEST

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

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## INTRODUCTION

I have chosen a business plan for a café named “Kavárna U Veselé kravičky” as my thesis. This plan was selected according to the author’s interest in veganism and café itself and also because the author visited vegan cafés multiple times and was disappointed that there is no vegan café located in the Přerov district. The café is not only for vegans, but also for those, who feel love for animals or simply have a taste for vegan delicacy.

This bachelor thesis includes both theoretical and analytical part. The theoretical part is divided into two sections. The first section describes the basic business terms including entrepreneurship, entrepreneur and the types of businesses in the Czech Republic. The second section focuses on the business plan itself – principles of a business plan, benefits and goals and mainly the structure of a business plan. This structure specified in the theoretical part is used as a guidance for the analytical part of the thesis.

The analytical part concentrates on the creation of the business plan for a café. This business plan is based on the structure, which is described in the theoretical part. The specific chapters include title page, executive summary, company description, product or service description, market analysis, marketing plan, organizational plan, financial plan, risk evaluation, appendices and conclusion. Market Analysis consists of PEST analysis, Porter analysis and analysis of the target market.

The following chapters are marketing plan, organizational and financial analysis. A marketing plan comprises the SWOT analysis and marketing mix. Financial analysis contains of the calculation of the start-up costs, balance sheet, staff costs and fixed costs, calculation of expected revenues and the income statement which shows the result of the business plan and his feasibility. At the end of the bachelor’s thesis, there are assessed possible internal and external risks of the company which can influence the business.

The purpose of the café is to fill a niche in the market in the Přerov district as veganism is more popular every day. However, the primary purpose of this thesis is to create a business plan for a café and evaluate the feasibility of the mentioned concept.

## **I. THEORY**

## 1 ENTREPRENEURSHIP

The Civil Code defines carrying on a business like an activity performed by an entrepreneur to make a profit. The primary motive of every business is to earn money. The other motive is to satisfy customers' wants and needs. (Strouhal 2016, 7)

The development of transforming innovative ideas into viable lucrative businesses continues to be a dominant force in today's world economy. Successful entrepreneurship needs more than only luck and money. It is a cohesive system of planning, creativity and taking the risk. (Kuratko 2014, 3)

According to Synek and Kislíngerová (2015, 3-4), entrepreneurship is defined by these minor points:

- Main goal is to make profit
- Profit is achieved by satisfying customer needs – the main attention is given to customer's interest
- It is needed to enter the specific market and offer products and services there to meet wants and needs of customers
- Entering the market involve facing the risks, entrepreneurship is described also as minimizing the risk
- Any entrepreneurship demands capital, equity and sometimes also venture capital

### 1.1 Entrepreneur

The entrepreneur is someone who organizes a business to take a benefit and decides what product, how, and how much of a it will be produced. (Business Dictionary 2018)

The entrepreneur is defined in the New Civil Code of Czech Republic as: "A natural or legal person who independently carries out activity on his own account and responsibility with the intention to do so consistently for the purpose of profit." As well, "any person who is registered in the Commercial Register is an entrepreneur regardless of whether he or she operates a business." (Accontes 2013)

Good entrepreneur should also have these abilities and attributes:

- Self-confidence,
- Creativity,
- The ability to set new goals,
- The ability to coordinate business activities,
- The ability to learn from preceding experiences,

- The ability to secure finance property. (Veber and Srpová 2012, 15)

## 1.2 Establishing a Business

Before setting up a business, it is crucial to decide which kind of a business entity is appropriate. These criteria can be essential for the entrepreneur's decision:

- Capability of decision making
- Profit
- The amount of a registered capital
- Liability
- Number of founders
- Taxation
- Administrative complexity
- Others (Strouhal 2016, 12)

In the Czech Republic, the entrepreneurship can be divided into two groups: entrepreneurship of a natural person or a legal entity. (Veber et al. 2012, 68)

### 1.2.1 Business of Natural Person

A natural person is a very common form chosen to begin a business in the Czech Republic. The person has to acquire trade or other license to carry on a business. He or she also needs to meet certain conditions: minimum age of 18 years old, legal capacity, absence of a criminal record and special qualification, if needed by the Trades Licensing Act or other regulation. (Srpová and Řehoř 2010, 67; SFF 2018)

Srpová and Řehoř (2010, 69) also mention these aspects:

- Responsibility for all his/her obligations
- No need for registered capital
- Only couple of official acts have to be done to acquire the authorization for beginning a business

A natural person who wants to handle a business needs to form a trade. (Srpová and Řehoř 2010, 67) The Trade Act identifies two kinds of trades:

1. **Declared** (“*ohlašovací*”) trades are divided into:
  - Craft trades
  - Regulated trades
  - Free trades
2. **Licensed** (“*koncesované*”) trades – to obtain a licensed trade a person has to be granted by a special business license – concession (Business Info 2018)

### 1.2.2 Business of Legal Entity

The establishment of legal entity is more complex. All types of legal entity have to be registered in the Commercial register.

When choosing the legal form, the following factors have to be taken into consideration:

- Start-up capital
- Tax burden
- Control over the company
- Start-up costs
- The liability for the business’s liabilities (Staňková 2007, 78)

Veber and Srpová (2012, 70) also mention other factors:

- Number of persons – one person or more of them
- The field in which the business will be functioning
- The size of planned business activities
- Legal regulation

Register specify following types of legal entities:

- Partnership
- Capital Companies
- Cooperatives
- The European Company
- The European Economic Interest Grouping (Švarcová 2016, 68-70)

It is necessary for entrepreneurs to decide what type of legal entity is the most suitable for their business.

## *Partnership*

### **Limited Partnership**

Limited Partnership Companies use the abbreviation “kom. spol.” or “k. s.”. It has to be found by at least two members, at least one being a general partner and with one being a special partner. The general partner has unlimited liability and he/she is a statutory body. A special partner cannot act on behalf of the company. His/her liability is limited to the amount of his/her contribution.

Only special partners are beholden to contribution. General partners can also contribute, but it has to be laid down in the memorandum of association. (Business Info 2019)

The minimum amount of the registered capital is 5000 CZK. (Veber and Srpová 2012, 73)

### **General Commercial Partnership**

General Partnership Companies use the abbreviation “v.o.s.” This type of company is founded by at least two persons (natural person or legal entity). The maximum number of associates is not restricted. Their decision's rights are equal. Companions guarantee by all their property. Profit is divided equally as well as a loss. (Business Info 2019) Generally, there is no need for the registered capital etc. (Srpová and Řehoř 2010, 72)

This partnership can be established only by signing the partnership agreement (Srpová and Řehoř 2010, 70)

## *Capital Companies*

### **Limited Liability Company**

The most common one is Limited-Liability Company in the Czech Republic. They use abbreviation “s.r.o.” or “spol. s.r.o.” LLC can be established by one natural or legal person. The minimum registered capital is 1 CZK per one companion unless the partnership agreement proposes the higher sum. (Business Info 2019)

A company includes the meeting of shareholders, one or more executives and optionally supervisory board. Profit is separated between shareholders according to their shares – 1 CZK is 1 vote (the memorandum of association may determine otherwise). (Švarcová et al. 2016, 68, Business Info 2019)

### **Joint-Stock Company**

This type of a company has the abbreviations “akc. spol.” or “a. s.” The lowest number of shareholders is 1 natural or 1 legal person. The advantage of a joint-stock company is a possibility of including a large number of shareholders.

Synek and Kislingerová (2015, 82) characterize this company as a legal form where is the registered amount separated into a specific number of stocks which have particular nominal value. This legal form must have minimum 2 000 000 CZK or 80 000 EUR start-up capital. (Business Info 2019)

Three basic shareholder rights are associated with the holding of shares. The joint-stock company is responsible for breaching its obligations with all its property. The shareholder is not responsible for the liabilities of the joint-stock company. (Business Info 2019)

### **The European Company**

This term is also known as Societas Europaea (SE). It is basically capital company based on European law. First European company in the Czech Republic was founded in 2007. This type on company allows entrepreneurs doing a business in cooperation with other EU business entities. A European company must be established as a legal entity in the European Union. The name of the company must include the “SE” supplement. The capital EUR 120 000 is required to establish the European Company. This capital is then divided into stocks and each shareholder guarantees for liabilities up to the amount of the European Company’s capital. (iPodnikatel.cz 2011)

### **The European economic interest grouping**

In Czech it is “Evropské hospodářské zájmové sdružení” (EHZS). This legal form came into force in 2004 in the Czech Republic (the same day Czech Republic entered the European Union). The main objective of establishing this business is to unite entrepreneurs to have a cross-border partnership which is largely governed by European law standards. (Business Info 2014)

### ***Cooperatives***

Cooperatives (in Czech “družstvo”) shall have at least 3 members (natural person or legal entity). It does not require any minimum start-up capital. Its main goal is to bring mutual support to its members or third party or for a purpose of making a profit. (Švarcová et al. 2016, 71) Cooperative societies guarantee for its liabilities by all its assets. (Synek and Kislingerová 2015, 84) Members’ meeting, managing board and audit commission are the authorities of the cooperative. (Švarcová 2016, 71)



## 2 BUSINESS PLAN

McKeever states that a business plan is “a written statement that describes and analyzes your business and gives detailed projections about its future.” (2012, 6)

It is a written document describing all relevant business-related internal and external factors of the company (Srpková and Řehoř 2010, 59)

According to Rhonda Abrams (2014, 4), the main key in developing a business plan is having a successful and prospering business. She also claims that the entrepreneurs commonly get their inspiration from one of four sources: earlier work experience, education or training, hobbies or other interests and recognition of market opportunity or need for funds.

There are aims that should be reached in the longer period of time in business plan. These long-term goals may be used for the later control of the successful entrepreneurship – to compare what was planned and how the reality is close to the theory. (Červený et al. 2014, 1)

Before beginning to write a business plan, we should recognize exactly who the audience is and what we want as a feedback. Once we will decide who our audience is, we will need to use language that is appropriate to them. (Finch 2010, 2-4)

A business plan should be written briefly. We should focus on the key points that matter. The action words should be used as much as possible. These words say what we will do and when, and they are much more persuasive and powerful. (Finch 2010, 7)

### 2.1 Principles of a Business Plan

When developing a business plan, the entrepreneur should respect generally applicable principles. It is particularly useful when assessing the business plan by external entities which the entrepreneur wants to impress and increase his “rating”. (Veber and Srpková 2012, 96)

According to Blackwell (2011, 4-5) there are rules to follow in order to create a successful business plan:

- **Brevity** – the ideas should be expressed in simple and clear language
- **Logic** – the ideas have to follow one another in logical sequence
- **Truth** – entrepreneur should not overstate a business plan
- **Figures** – use numbers, words will not impress a banker

In agreement with Veber and Srpková (2012, 96-97) it is necessary to write a business plan according to these principles:

- **Clarity** – it is necessary to provide information in a clear and easy to read way
- **Briefness** – thoughts should be expressed briefly
- **Truthfulness and objectivity** – the truthfulness of the displayed data is obviousness
- **Consistency** – every little thing should be based on facts
- **Respecting risks** – risk identification

## 2.2 Benefits and Goals of Business Plans

McKeever (2016, 5-7) specifies five benefits of writing a business plan:

- Helps to get money
- Helps to choose to continue or stop
- Helps to improve a business idea
- Improves a chance of success
- Helps to keep on track

A business plan aims to provide complete information about a specific business. Subsequently, the entrepreneur is able to evaluate the business plan in terms of realization or profitability. A business plan is also used to acquire capital from for example banks or other investors. Therefore, the aim of a business plan may be to convince the investor or for obtaining a business loan. (Sutton 2012, 31)

## 2.3 Structure of a Business Plan

Structure of a business plan may differ according to the selected types of legal forms. The form of the business plan depends on if the business plan was written for already established company or for a startup. Thus, it is more appropriate to follow recommended structure in which parts are organized in coherent order.

According to Rhonda Abrams (Abrams 2014) and Ian Mackenzie (Mackenzie 2010) a business plan should contain following parts:

- Title page
- Executive summary
- Company description
- Product or service description
- Market Analysis
- Marketing plan
- Organizational plan
- Financial plan
- Risk evaluation
- Appendices
- Conclusion

### 2.3.1 Title page

The title page contains general information about a company such as: a name of a company and its logo (if there is any), name of the founder, date of founding, key personnel and address (Srpková et al. 2011, 15)

### 2.3.2 Executive summary

The most central part of the whole business plan is executive summary. The dominant key of this chapter is to attract the reader and motivate him to continue reading the different parts of a plan. As Abrams claims: “No matter how beneficial your product, how lucrative your market, or how innovative our manufacturing techniques, it is the executive summary, that persuades a reader.” (Abrams 2014, 53-54)

This part should involve the name and type of business, its legal form, brief description of the company and financial conditions. (Sutton 2012, 35-36)

It could be one part that may persuade investors or bankers who would like to finance into some exact business strategy. (Abrams 2014, 54)

A reader of a business plan has about five minutes to go through the executive summary. In agreement with Finch, the ideal length of the executive summary should be 1 A4 page long format. Finch claims that the optimal summary should consist of the information about the company, about the company's management, the founder's proposals and of course what the business wants from its readers (Finch 2010, 23-24)

### 2.3.3 Company description

The primary purpose of this part is to introduce company, company's goals and visions, legal issues, the location of the company, brief information about management, financial status and achieved milestones. Some companies can even have a mission statement. The Mission statement should specify goals, objectives and principles of a company. (Abrams 2014, 59-71)

### 2.3.4 Product or Service Description

According to Finch (2010, 28) it is crucial to know how to make the products unique from the competitors. This category shows in detail how the offered products or service works. (Vyge 2013, 117) The description of a product or service definite and unambiguous so that everyone can understand it. (Barrow 2012, 27) Channels of distribution should be mentioned as well. (Shelton 2017, 83) The length of this part depends on the type and range of products or services (Abrams 2014, 74)

### 2.3.5 Market Analysis

It is fundamental to choose different customer's segments on which the company will focus. Abrams (2014, 100) characterize criteria that are decisive for defining the target market:

- **Definable** – specific characteristics, what the customers have in common
- **Meaningful** – the characteristics must meaningfully concern of the decision to purchase
- **Sizable** – describe the right size of the market to profitably keep up the business
- **Reachable** – the prices of products should be affordable for the customers (Abrams 2014, 100)

After analyzing the target market, it is needed to focus on competition analysis. As there are always competitor on the market it is necessary to gain them and analyze their strengths and weaknesses like a price, location, accessibility and others This analysis needs to be done at it is helpful for understanding the company competitors' behavior. Competitors could make increase the advertising budget, they could copy a product or reduce a price of a product.

(Shelton 2017, 94-95) The effective tool for that can be surely the Porter's five forces analysis:

### **Porter's five forces analysis**

This model helps to identify five main forces which can control a business:

- **Competitive rivalry** – describe the number and strength of the competitors, how many do the company have competitor, who are they and what is the quality of their products
- **Supplier power** – it depends on how easy it is for suppliers to raise prices. If there are more suppliers to choose, the easier it is to switch to a cheaper alternative. The position is stronger and the ability to charge more is shown when there are fewer suppliers. It can influence the profit of the company
- **Buyer power** – If the company has only few customers, they have more power. On the other hand, the company's power increases if it has many customers.
- **Threat of substitution** – customers can find a different way of doing what a company does. A substitution which is cheap and easy can weaken company's position and threaten company's profitability
- **Threat of new entry** – involve new possible start-ups, the easiness with which new competition can enter the market (MindTools 2019)

### **PEST Analysis**

PEST is an acronym for political, economic, social and technological external factors. The factors can affect activities of a company. These factors can set up both opportunities and threats for a company. The main objectives why to do PEST analysis are to identify the existing external factors and the factor which may change in the future and also to take advantage of changes (opportunities) or prevent them (threats) better than competitors. (Strategic Management Insight 2013)

#### **2.3.6 Marketing Plan**

Marketing plan is a part of business plan which defines the way how a business is going to reach customers. (Abrams 2014, 104) Before the entrepreneur begins to compile his/her marketing plan it is crucial to form a critical assessment of the business itself. (Record 2003, 46) SWOT analysis is extensively used for this purpose. Opportunities and threats focus on external environment which means that the entrepreneur does not have the ability to change

them. On the contrary, strengths and weaknesses focus on the internal environment which means that the entrepreneur has the power to change them. (Ferrell 2011, 120)

Srpová et al. (2011, 22) states that the following parts should be defined in order to create successful marketing strategy:

- Choosing the target market
- The determination of the product or service on the market
- Developing marketing mix

### **2.3.6.1 Marketing Mix**

Marketing mix links marketing tools which the company uses for the goal of modifying the offer on the basis of needs and wants of the target market (Kotler 2004, 105)

This most used variant is 4P and it consists of:

- **Product**

As a product we understand everything the company offers to customers to satisfy their needs. There are five product layers – the higher the product level, the higher is a satisfaction level and a higher value of a product for customer:

**Core benefit** – The basic purpose of the product for which customer buys it

**Generic product** – the core of the product with which there are joined its features, quality, brand, packaging, design which are necessary for its function and the ability to sell

**Expected product** – conditions and properties that customers expect when they buy a product

**Augmented product** – additional services that make the company different from the competitors and they exceed customer expectations

**Potential product** – all changes and extensions that can affect the product in the future (CGMA 2019)

- **Price**

It is value which the company get in exchange for a product. If the price of the product is too high, nobody buys it. On the other hand, if the price is low, the business starts to lose. Therefore, we must choose the right pricing strategy to make the business work.

(mbaskool 2019) Price is the source of company's revenue so the price should be able to cover expenses and also make a profit. It can be also defined as the amount of money which is customer willing to pay for the product or service. The factors on which the price is based: costs, demand, product life cycle state or competitors. (Srpová and Řehoř 2010, 206-207)

- **Place**

Place or in other words distribution shows the way a product has to proceed from manufacturer to end-user. On the other hand, the company can sell its product directly to the customers. It is important to find out if the entrepreneur provides selling alone or if there is a supplier (Srpová, Svobodová et al. 2011, 26)

- **Promotion**

The well-known part of promotion is advertisement – social media, newspapers, radio, leaflets etc. Other tools are for example sales promotion, public relations, direct marketing and personal sale. (Srpová, Svobodová et al. 2011, 26)

Advertising is done mostly via mass media, leaflets or billboards. On the other hand, sales promotion involves coupons or loyalty programs. Direct marketing is made especially via telephone, e-mail or fax. It helps to quickly obtain customer feedback. Personal selling comprises fairs and exhibitions or business meetings. (Srpová 2010, 219-223)

### **2.3.6.2 SWOT Analysis**

This analysis is a smart tool which goal is to characterize key issues which influence a company. It consists of: Strengths, weaknesses, opportunities and threats. Strengths and weaknesses analysis display the internal analysis on the company. On the other hand, opportunities and threats analysis present the external analysis of the company. (Srpová and Řehoř 2010, 132)

### **2.3.7 Organizational Plan**

The organizational plan should deal with the people who run the company and also the structure of management team in the company. The most important person in start-up companies is the founder. The organizational plan should also cover the salaries of the employees. (Abrams 2014, 230-231) This section of the business plan manages company's organizational structure, information about ownership of the company and characterization of employees. (Pinson 2008, 32)

### **2.3.8 Financial Plan**

A financial part is one of the most important components of the business plan. It should persuade potential investors that this project has a future. The financial plan transforms the previous parts into numbers. (Srpová et al. 2011, 28)

According to Srpová and Řehoř (2010) and Staňková (2007), the financial plan should include at least the following parts:

- **Balance sheet**

It is one of the crucial financial documents which shows the financial status of the company. This section informs readers of business plan about the company's total assets and liabilities. (Finch 2010, 100) Total assets should be equal to the sum of total liabilities and equities. (Shelton 2017, 151) The company's assets should be covered by the financial sources of the company – the liabilities (Finch 2010, 100)

- **Income statement**

The income statement is also known as the profit and loss statement. The income statement targets on the four key components: revenue, expenses, gains and losses. (Investopedia 2019)

- **Cash Flow**

Cash Flow describes money which is going in and flowing out of the business. The amount of money coming into the company is named income and the amount of money which is going out is identified as expenses. The positive cash flow appears when the income is higher than the expenses. The negative cash flow proceeds when the expenses are higher than income. (McKeever 2010, 122)

The goal is to make sure that the firm has enough funds to establish the business and also if the company could manage it.



### 2.3.9 Risk Evaluation

Every entrepreneur deals with some risks connected with doing business. Potential risks can be prevented by a risk assessment. Among risk factors there can be also changes in customer behavior, competitor's change of behavior, legislative changes or technological progress. (Srpková and Řehoř 2010, 66) Abrams identifies several types of risks:

- Market risk – it can be lack of interest in a product
- Competitive risk – a threat that a new competitor enters the market
- Technology risk – there could be a possibility that a product will not work as well as it was planned
- Product risk – a possibility of its delayed finalization
- Capitalization risk – underestimation of costs or overestimation of incomes, it can be prevented by having enough budget
- Execution risk – associated with management, incompetence to introduce new product/service well
- Global risk – unexpected activities happening in international businesses

(Abrams 2014, 148-149)

### 2.3.10 The Appendices

The appendices consist of documents like for example: extract from The Business Register, photographs, CV of important people from the management team, balance sheet, certificates etc. (Srpková and Řehoř 2010, 66)

### **3 SUMMARY OF THE THEORETICAL PART**

In a theoretical part, the author characterizes the term entrepreneurship. Then this part also describes the entrepreneur. Moreover, the theoretical part consists of the types of entrepreneurships of natural person and entrepreneurships of legal entity, which comprise the definitions of Limited Partnership, General Partnership, Limited Liability Company, Joint-Stock Company. Apart from these legal forms, there also exist Cooperatives, European company or the European economic interest grouping. Another chapter of the theoretical part is the characterization of what business plan is, its main principles, its benefits and goals and the most important part is the business plan structure and which part should business plan include.

The author defines the business plan structure according to which the analytical part is processed. The specific parts of the business plan are title page, executive summary, company description, product or service description, market analysis, marketing plan, organizational plan, financial plan, risk evaluation, appendices and conclusion.

## **II. ANALYSIS**

## 4 A BUSINESS PLAN FOR A CAFÉ



*Figure 1 - Logo of the company (own creation)*

### 4.1 Title page

<b>Name of the company:</b>	Kavárna U Veselé kravičky
<b>Legal form:</b>	Natural Person
<b>Residence of the company:</b>	Čechova 929/26, 750 02, Přerov
<b>Date:</b>	1.9. 2019
<b>Founded by:</b>	Johana Sládková
<b>E-mail address:</b>	Johana.sladkova@yahoo.com
<b>Telephone:</b>	+420 724 355 465
<b>Financing:</b>	founder's savings in the amount 700 000 CZK

## 4.2 Executive Summary

A company Kavárna U Veselé kravičky is established by Johana Sládková. The owner decided to do business as a natural person. The café is located in Přerov. The main goal of the café is to raise the quality of coffee offered in Přerov and to make people more aware of vegan options. It is not only for vegans, but also for those, who feel love for animals or simply have a taste for vegan delicacy. The popularity of vegan café with vegan meals is increasing in Czech Republic. They are situated mainly in more populated cities such as Prague, Brno or Ostrava. The company U Veselé kravičky would like to bring the concept of a vegan café in Přerov as there are not any.

The menu of the company will consist of high-quality coffee from brand named La Boheme Café. Besides coffee, the customers could also get homemade lemonades, smoothies or hot teas. On the top of that, the café offers breakfasts and brunch every day, desserts and snacks throughout the whole day.

The most significant advantage of the café is, as mentioned above, that no other vegan café is situated in Přerov district. On the other hand, there are many cafés that are popular between customers. In the same square, where the café will be located, there are two cafés located nearby.

The registered capital of the company is 700 000 CZK. It will be financed by the owner. The registered capital includes owner's savings.

## 4.3 Company description

The company Kavárna U Veselé kravičky is a vegan café which means there will be only plant-based products. The main goal is to offer high-quality coffee prepared by trained baristas.

The café operates in the largest mall in the city of Přerov. Having café located in the mall is a great way to bring customers in. It is a great spot for all the customers.

This section will be divided into several parts. It will describe legal form, company's vision and key objective, location and opening hours.

### 4.3.1 Legal Form

The company Kavárna U Veselé kravičky is owned by a natural person – Johana Sládková. Reasons for choosing the entrepreneurship of natural person are: lower tax rate (only 15% for natural person in comparison with legal entity with 19% tax rate) and easier administration (tax record). This form is determined by the Trade Licensing Act No.

455/1991 Coll., Part C, Restaurant services. (Business Center 2019) It is a craft trade where a responsible representative may be appointed. It can be the owner himself or any other person meeting the requirements for professional competence: evidence of education in the field, in a related field or 6 years experiences. (Otevření 2019) A company will have a responsible representative that meets these conditions – full-time worker Dominik Metelka who has graduated from the Hotel school and also has a culinary certificate.

### 4.3.2 Key objectives of the company

- Fill the niche market in Přerov
- Offer quality coffee and meals
- Satisfy the needs and wishes of customers
- Professional and well-trained staff

The vision of the company is to provide the best services. Firstly, we would like to raise the quality of offered coffee in Přerov. Secondly, we would like to make people more aware of existing vegan possibilities.

### 4.3.3 Location

The café will be located in Přerov, more specifically in shopping center Galerie Přerov on the address: Čechova 26. This shopping center offers many services such as hairdresser, shoes and clothes shops, supermarket and restaurant. It is a place of a high circulation of people.



Figure 2 - Location (accessed from Maps by Google)

#### 4.3.4 Opening hours

The café is opened every day. Opening hours had to be in agreement with the opening hours of the shopping mall. The shopping mall is opened every day from 7:30 till 22:00. The owner chooses own opening hours - café will be opened every day, Monday – Friday: 8:00 – 20:00 and Saturday – Sunday: 10:00 – 22:00.



OPENING HOURS	
Mon:	8:00 – 20:00
Tue:	8:00 – 20:00
Wed:	8:00 – 20:00
Thu:	8:00 – 20:00
Fri:	8:00 – 20:00
Sat:	10:00 – 22:00
Sun:	10:00 – 22:00

*Figure 3 - Opening hours (own creation)*

## 4.4 Products description

In the pleasant atmosphere of the café there is a possibility to relax from everyday life and enjoy excellent coffee, breakfast, brunch, desserts or even snacks.

### 4.4.1 Breakfast and Brunch

There will be lots of options available for breakfast/brunch:

## BREAKFAST/BRUNCH

MON-FRI: 8:00 – 12:00

SAT-SUN: 10:00 – 13:00

- Waffles w/ chocolate cream sauce and bananas (GF available) **119,-**
- Sliced avocado w/ homemade hummus, tomatoes, mushrooms, chilli, coriander and olive oil served on local sourdough bread (GF available) **129,-**
- Acai superfood bowl w/ bananas, strawberries, chia seeds, coconut and granola **129,-**
- Homemade granola w/ white soya yoghurt and seasonal fruit **99,-**
- Pancakes w/ cashew, blueberry, cinnamon and agave (GF available) **109,-**

*Table 1 - Breakfast/ Brunch menu with prices (own creation)*

We will try to satisfy every customer the best we can. A lot of people have celiac disease, so we will also have some options in our menu – gluten free bread, pancakes or waffles. Breakfast will be also served as a brunch. It will be served from Mon-Fri from 8:00 till 12:00 and Sat-Sun from 10:00 till 13:00.

### 4.4.2 Coffee and Drinks

The Coffee La Boheme Café will be served in the café Kavárna U Veselé Kravičky. Guests will be able to choose from two types of coffee each day – Guatemala, Nicaragua, El Salvador, Mexico or even Brazil. The coffee will be always prepared from fresh coffee beans. It will be served in cups with the company's logo.

To please guests who do not drink coffee, the café will also offer wide range of lemonades, teas, smoothies or even white and red wine.



**COFFEE**

▪ Espresso 8g	39,-
▪ Double Espresso 16g	55,-
▪ Cappuccino	60,-
▪ Latte	70,-
▪ Flat White	75,-
▪ Batch Brew	55,-

w/ almond, cashew, coconut or soya milk

**HOMEMADE LEMONADE (0,5 l)** 45,-

/According to the current offer/

**HOT TEAS /tea leaves/**

▪ Jasmine Tea	60,-
▪ Rooibos Vanilla	60,-
▪ Fresh mint tea	60,-
▪ Earl Grey Premium Blatt	60,-
▪ Chamomile tea	60,-
▪ Fruit tea	50,-

/According to the current offer/

**SMOOTHIES 0,4 l** 60,-

/According to the current offer/

**SOFT DRINKS**

Coca Cola 0,25 l	35,-
Sprite 0,25 l	35,-
Fanta 0,25 l	35,-
Juices – various tastes	40,-
Bonaqua – sparkling water 0,25 l	30,-
Bonaqua – still water 0,25 l	30,-

**BEER**

Pilsner Urquell 0,33 l	40,-
BIRELL Semi-dark	30,-

**WINE****White wine**

Chardonnay 1dl	45,-
Riesling 1dl	45,-

**Red wine**

Cabernet Sauvignon 1dl	45,-
Pinot Noir 1dl	45,-

Table 2 - Drink menu with prices (own creation)

#### 4.4.3 Snacks

The customers can order also small snacks offered throughout the whole day after the breakfast/brunch finishes. The offer includes hummus tortilla, nachos with guacamole and salsa, toasted banana bread and also gluten-free options like club sandwich or seitan bagel.

### SNACKS

**MON-FRI FROM 12:00**

**SAT-SUN FROM 13:00**

- Hummus tortilla w/ tahini hummus, cucumber, carrot, arugula and baked cauliflower **99,-**
  - Nachos w/ guacamole and salsa (GF available) **59,-**
  - Club sandwich w/ tofu, tomatoes, avocado and romaine lettuce (GF available) **89,-**

*Table 3 - Snacks menu with prices (own creation)*

#### 4.4.4 Desserts

In addition, the café will offer homemade desserts. These desserts will be in the café only couple times in a month. The café management will let guests know about new dessert via social networks. There will be offered mostly carrot cake, cheesecake, muffins, cupcakes, chocolate cake, mole cake and even more.

#### 4.4.5 To-go Coffee Cups

People can buy reusable cups for coffee or other drinks at the café. These cups can be used multiple times. These cups are standard in size and can therefore be used, for example, with a coffee machine at home or elsewhere.

## 4.5 Market Analysis

Market analysis comprises PEST analysis, competitive analysis and also the analysis of target market. PEST analysis identifies macro-environmental factors that have an impact on the company. Porter's five forces model is used to analyze competition.

### 4.5.1 PEST Analysis

PEST stands for the Political, Economic, Socio-cultural and Technological environment that are close to a certain business.

#### Political environment

The legal form of the business is a natural person, therefore the income tax which is needed to be paid is only 15 %. It is compulsory for the natural person to pay the social and health insurance. In 2019, the minimum amount of health insurance reserves is 2208 CZK per month and the minimum amount of social insurance reserves is 2388 CZK per month. (Finance.cz 2019)

To start a business, there are many steps which the founder of the company has to go through in order to create a successful business. There are pointed out some of them:

- “Registration for health and social insurance payment
- Obtaining the health card
- Obtaining the environmental department opinion
- Obtaining the opinion of the Department of Hygiene of the Labor Department
- Personal income tax registration
- Obtaining the Trades Licensing at the Trades Licensing Office”
- Etc. (Hovorka 2017)

There are also some controls over the business operation in Czech Republic, for instance:

- “Czech Agriculture and Food Inspection Authority
- The State Veterinary Administration
- State Hygiene Station
- Health insurance Authority
- Czech Social Security Administration
- Fire protection checks”
- Etc. (Hovorka 2017)

**Economic environment**

Economic environment in Přerov could be analyzed according to the unemployment. There are 1474 people without work. Most of them are over 50 years of age. The unemployment rate from March 2019 is 4,1 %. (ČSÚ 2019)

It is essential to say that an unemployment rate could influence the buying behavior of customers. Unemployed population is probably going to save money instead of buying goods. This saving money of unemployed population may also cause decreasing the revenues of the company.

Considering wages in the Czech Republic, the rate of minimal wage is now 13 350 CZK or 79,80 CZK/hour. (ČSÚ 2019) Customers, who have only minimal wage would not be willing to spend their money in café.

**Socio-cultural environment**

As the company is planned to be located in the shopping center, which is a great locality, it could have a great potential. In Přerov, there is about 42 900 inhabitants. (Místopisy 2019)

It is also one of the important railway junctions in the country. As the railway station is about 7 minutes by walk, the travelers who are waiting for another train or bus could shorten their waiting in the café.

Also, there are eleven secondary schools and one college in Přerov. These students are possible customers. Young people like to try new things and they like food trends among which veganism belongs in today's world. In these days there is a boom of vegan products. Additionally, another market opportunity could be that there is a higher number of women than a number of men in the city. (Místopisy 2019).

**Technological environment**

The business named Kavárna U Veselé kravičky is only a small company. Therefore, there is no need to invest a lot in the technologies. Every year many new and better coffee machines are coming out, however, it does not have to mean a better quality of coffee. On the other hand, it is needed to know how trends evolve in the preparation of coffee. Similarly, a café cannot exist without Wi-Fi connection.

Distribution is an essential part in case of successful business, it is beneficial for the company to reside in Přerov because the city is one of the major traffic hubs.

#### 4.5.2 Competition analysis

For the aim of competition analysis of the company Kavárna U Veselé kravičky, there is used Porter analysis to check out the competition in Přerov. Porter analysis outline the Competitive Rivalry, Supplier Power, Buyer Power, Threat of Substitution and Threat of New Entry. Porter's five Forces is a powerful tool for understanding the awareness of the business environment and for analyzing own strategy's potential profitability. (Marci Martin 2018)

##### Competitive Rivalry

Přerov is not a big city, so many competitors are located in the center of the city. Among the most competitive business concerns in the cafés field are:

- **BAZAR Caffè**

The address: Smetanova 375/10, 750 02, Přerov

Products and services: coffee, desserts, soft drinks

Opening hours: Mon-Fri: 7:00-19:00

Sat-Sun: 9:00-17:00

- **Delikana Eiscafe**

The address: Čechova 929/26, 750 02, Přerov

Products and service: Coffee, lemonades, desserts, pancakes

Opening hours: Mon-Sat: 7:30-21:00

Sun: 9:00-20:00

- **Kakaový Oko**

The address: Mostní 53/13. 750 02, Přerov

Products and services: Coffee, lemonades, sometimes also desserts

Opening hours: Mon-Fri: 8:30-20:00

Sat: Closed

Sun: 14:00-18:00

- **In Café**

The address: Žerotínovo nám. 1864/41, 750 02, Přerov

Products and services: Coffee, lemonades, beverages

Opening hours: Mon-Thu: 8:00-20:00

Fri: 8:00-22:00

Sat: 10:00-21:00

Sun: 10:00-20:00

First two of them are located close to the company Kavárna U Veselé kravičky. Delikana eiscafe is based in the same center as the café and therefore can become our biggest competitor. The biggest advantage over Delikana Eiscafe and also BAZAR Caffè is the quality of coffee that will be served in the coffee shop. From mentioned cafés, three of the four cafés do not serve breakfast. The only competitor which serves breakfast is Delikana Eiscafe, but there are no snacks available in the afternoon except desserts.

### **Supplier Power**

Many suppliers of coffee are available on the Czech market, similarly to suppliers of groceries or any other ingredients. Therefore, the influence of suppliers does not represent a significant risk and in the case of unsatisfactory contract terms, deteriorated quality of delivered products it should not be a problem to replace a supplier.

### **Buyer Power**

It is not easy to predict the strength of the company future buyers. Especially in the beginnings of business, the café struggles with the competitive cafés. Even though the café has many competitors in Přerov, the biggest competitive advantage of the café is in a form of café that is unfamiliar to people in this city. There is currently no other vegan café in Přerov. As veganism is a growing trend and has more and more supporters, it is almost certain, that the number of customers will be rising. It is important to create a strong bond with customers. The ability to communicate with customers will be one of the main criteria in selecting employees. The reasons that can make a customer go to competition are for instance the same offer of products and no innovation. Therefore, it is necessary to constantly renew the offer.

### **Threat of Substitution**

The biggest substitution product of coffee is instant coffee and currently also coffee capsules that are a boom nowadays but none of these substitutes cannot replace quality coffee. Another substitute can be tea, which is also provided in tearooms. However, tea rooms do not offer additional snacks that our café has. In addition, there is only one tearoom in Přerov.

### **Threat of New Entry**

The threat of new competitors entering the market can be expected as entry barriers to the industry are relatively low. There is no need for complicated legislation to establish a café as a self-employed person. The absence of practice or education in the field can be replaced by a responsible person, even the initial investment is not insurmountable for many entrepreneurs.

### 4.5.3 Target Market

The firm Kavárna u Veselé kravičky lies on Čechova street which is the street connecting city Přerov with bus and train station. In addition, the café is located in the shopping center. Near the café there are four secondary schools which is a great opportunity. The aim of the café is to attract both young customers and also middle-aged customers. The café defines three basic groups of target customers:

**SEGMENT 1** – customers in the age from 15-20 years old – students

**SEGMENT 2** - customers in the age from 21 – 39 years old - families

**SEGMENT 3** – customers in the age 40 and more

**Segment 1** - These customers are young, and they look for new things and new tastes. They seek modern and healthy food. Many guests in this segment are vegetarian, vegans or they have special diet. The most popular food in this segment could be avocado bread or acai bowl. Both of them are really popular nowadays.

**Segment 2** – Mostly families with children are in this segment. Women and their children like to sit in a café where they can have a cup of coffee and something good to eat. Women also like to eat healthier than men, so we can offer them for example a hummus tortilla or granola with soya yoghurt and fruit. For men there is a club sandwich in the menu, children love pancakes for breakfast and with lemonade or delicious smoothie the business cannot step beside.

**Segment 3** – Customers who are in this segment are over forty years old. These customers like homemade products and the products which they know. In this case we can provide them with pancakes or waffles.

## 4.6 Marketing Plan

In order to succeed in the market, it is crucial to have a good marketing strategy. The marketing plan contains a tool called 4P which describes the product, price, place and its promotion. The marketing plan introduces also the SWOT analysis that is dealing with strengths, weaknesses, opportunities and threats.

### 4.6.1 SWOT Analysis

It is necessary to know and discover strengths, weaknesses, opportunities and threats. For this reason, SWOT analysis is a part of marketing plan.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>▪ Trained staff</li> <li>▪ High-quality coffee</li> <li>▪ Homemade meals, lemonades and smoothies</li> <li>▪ Location</li> </ul>	<ul style="list-style-type: none"> <li>▪ New on the market</li> <li>▪ No experience with running a business</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>▪ Filling market niche of vegan cafés</li> <li>▪ Word of mouth</li> <li>▪ No vegan café in the district</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lack of interest from customers</li> <li>▪ New competitors will appear</li> <li>▪ Rising price of rent</li> <li>▪ Strong current competitors</li> </ul>

*Table 4 - SWOT Analysis (own creation)*

### Strengths

Strengths reveal the reasons why the customers should choose the company Kavárna U Veselé kravičky instead of competitors. Thanks to the trained and kind staff the customers get high-quality coffee with a smile. Most of the products that are served are homemade and from fresh ingredients. Another strength of the café is its location in the shopping mall where many people spend their time with shopping. The business premises for the shop are newly reconstructed.



**Weaknesses**

The first weakness is being new on the market which can be improved with time. Moreover, the owner does not have any experience with running a business.

**Opportunities**

As the café would be the first vegan café in the city, it would fill the market niche and become aware among people. If the guests would like the place, the quality of coffee and meals, the phenomenon called word of mouth will hopefully succeed. People will be spreading their experiences with the cozy place, coffee, service or meals among others. The café came with a new concept of connecting café with plant-based products, there is no other café like that in the district.

**Threats**

The most significant threat are strong competitors who are on the market for longer time and they have regular customers. One of the threats for the café may occur when a new competitor with a similar idea appears on the market. On the list is also lack of interest from customers and rising price of rent.

**4.6.2 Marketing mix**

A part of the marketing plan is also a marketing mix consisting of 4Ps – product, price, place and promotion.

**Product**

The business Kavárna U Veselé kravičky offers café beverages such as coffee, tea, homemade lemonades, smoothies, wine, beer and non-alcoholic beverages. The menu also presents meals served for breakfast, brunch, desserts and some snacks served during the whole day.

For breakfast and brunch, guests can enjoy waffles with chocolate and banana, or homemade hummus with tomatoes, mushrooms, chilli and coriander served on local bread. Other option that guests can try are pancakes with cashew, blueberries, cinnamon and agave syrup. When breakfast and brunch are over, there are other snacks that are served for the rest of the day, for instance nachos with salsa and guacamole. A lot of people have celiac disease, so we also have gluten-free options in our menu – gluten free bread, pancakes, waffles, toasts. With these great offers, people can savor a great coffee from La Boheme Café company, homemade lemonade or smoothie according to actual offer.

## Price

The pricing strategy of the café is based on the prices variable and fixed costs and also the competitors. There are two cafés nearby and both of them have similar pricing strategy. The prices should be set appropriately but on the other hand it is important to remember that the prices must cover the costs of the café along with gaining a profit. Pricing strategy should obtain another factor which is to know how much money customers are willing to pay for the products.

Below is a list of prices of the products:

**Breakfast/brunch prices: from 99 CZK – 129 CZK**

**Snacks: from 59 CZK – 99 CZK**

**Coffee: from 39 CZK – 75 CZK**

**Teas: from 50 CZK – 60 CZK**

**Homemade lemonade: 45 CZK**

**Smoothies: 60 CZK**

**Soft drinks: 30 CZK – 40 CZK**

**Beer: 30 CZK – 40 CZK**

**Wine: 45 CZK**

## Place

The café is located in the shopping mall named Galerie Přerov. It is a strategically great place for running a business. Hundreds of people pass by the café every day. All the supplies for kitchen will be from the wholesale. The nearest wholesale is Macro in Olomouc. All the food has to be consumed in the café. On the other hand, customers could buy coffee, tea, smoothie or lemonade in to-go coffee cups. The distribution channel leads directly to customers.

## Promotion

Promotion is very important for every business and it has to start before opening the café. The café Kavárna U Veselé kravičky selects these types of promotions channels: social media, leaflets, website, word of mouth and loyalty cards.

- **Social media** – Many people use social media every day. The café would have its own Facebook page and its own profile on Instagram. Customers can rate the café or write there their reviews or proposals. Instagram account shares the photographs of café offer and the news happening in the café. Many people on these websites have

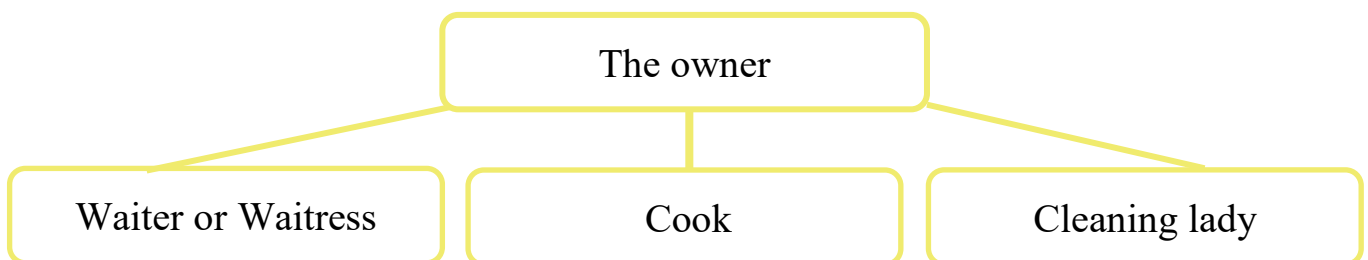
a lot of advertisement according to what they are searching for or where do they live. That is why we are going to use this promotion. The advertisement on the Instagram and also on Facebook page costs around 115 CZK per day. We will use this promotion when starting a business.

- **Leaflets** – The owner creates leaflets, which inform about the new café, its location, opening hours and there is a name of a Facebook page added. These leaflets are spread to nearby mailboxes. Total price for 1000 pieces is 1426 CZK according to the website [onlineprinters.cz](http://onlineprinters.cz).
- **Website** – The café runs a website. The website consists of important information, menu, opening hour and location of the café. Furthermore, there is a section with contacts, Facebook and Instagram. The website includes photographs of coffee, meals and other products.
- **Public transport** – Placing the advertisement on a bus. The price for this kind of advertisement in Přerov is around 4500 CZK per month. We will use this type of advertisement when starting a business.
- **Word of mouth** – This phenomenon is a very strong promotion of the company. Customers share the experience on the Facebook or even face-to-face with another person. This promotion is free but depends completely on customers. Therefore, the staff has to be professional and kind.
- **Loyalty cards** – A loyalty card is a great way to keep regular customers. The café offers loyalty cards which means that every customer earns a stamp for every ordered coffee, and every sixth coffee is for free. The owner decides to print 1000 loyalty cards. The price for one card is 0,767 CZK. Total amount of these cards is 767 CZK according to the website [onlineprinters.cz](http://onlineprinters.cz)

## 4.7 Organizational plan

Operational structure of the café includes one owner and four employees. The superior person is only the owner Johana Sládková herself. There will be three full-time employees and one part-time employee. Full-time employees with the owner will be working long week and short week schedule - five working days in a long week and two days in short week and in total, they will have 168 hours per month. There will always work 2 persons on the shift. Cook works in the kitchen preparing breakfast, brunch and snacks. Waiter or waitress makes a coffee, lemonades and smoothies and he also serve customers professionally. All employees need to be professional and have a previous experience in café or a barista certificate. The gross wage for cook and waiter/waitress is 18 480 CZK.

The last person who works in the café is a cleaning lady. She is a part-time employee and she works only two hours at the end of the day. She is responsible for the clean-up at the end of the opening hours. This clean-up consists of emptying the trash, cleaning up the restroom and sweeping and mopping the floor. Wage per hour is 90 CZK.



*Figure 4 - Organizational Structure (own creation)*

## 4.8 Financial Plan

The financial plan is a decisive part of every business plan. All of the following sections are involved in the financial plan: start-up costs, balance sheet, calculation of staff and fixed costs, calculation of expected revenues and the income statement. The total sum invested into this business by the founder is 700 000 CZK from founder's own savings.

### 4.8.1 Start-up costs

Start-up costs involves all the important costs which are crucial for opening the café. These costs include kitchen equipment, coffee maker or even licenses. These start-up costs will be

financed from the owner's investment into the business (700 000 CZK). On the basis of an internal regulation, the limit for a depreciation of assets is set at 60 000 CZK.

Below can be seen prices for establishment of a café and for equipment and machinery of the café:

<b>Finances for the establishment of a café</b>	
<b>Trade license</b>	<b>1000</b>
<b>Promotion</b>	<b>13 593</b>
Public transport advertisement	4500
Leaflets	1426
Loyalty cards	767
Social media advertisement	6900
<b>Equipment and machinery of the café (CZK)</b>	<b>214 431</b>
Coffee machine	50 000
Smoothie maker	1600
Kitchen refrigerator	20 000
Beverage refrigerator	15 000
Contact grill	7000
Kitchen robot	12 999
Dishwasher	6990
Oven	15 000
EET Cashdesk	5000
Mugs, cups, glasses, plates, spoons etc.	20 000
Furniture (6 tables, 16 chairs)	35 452
Lights	8000
Decoration	15 000
Wi-Fi router	590
Loudspeakers	1800
<b>TOTAL</b>	<b>229 024</b>

*Table 5 - Finances, equipment and machinery of the café (own creation)*

### 4.8.2 Simplified balance sheet

The start-up balance sheet describes the assets (long-term and current assets) on the left side and the liabilities (equity capital and borrowed capital) on the right side. Long-term assets consist of the costs of buying equipment. Current assets include cash, money on a bank account and money in inventory. The registered capital is covered by owner's savings. The owner will invest 700 000 CZK.

ASSETS		LIABILITIES	
<b>Fixed assets</b>	<b>0</b>	<b>Equity</b>	<b>700 000</b>
		Registered capital	700 000
<b>Current assets</b>	<b>700 000</b>	<b>Liabilities</b>	<b>0</b>
Cash	50 000		
Bank account	650 000		
<b>TOTAL</b>	<b>700 000</b>	<b>TOTAL</b>	<b>700 000</b>

*Table 6 - simplified balance sheet (own creation)*

### 4.8.3 Calculation of Staff Costs and Fixed Costs

The following chapter calculates staff costs and fixed costs.

#### 4.8.3.1 Staff Costs

In a company there are four employees and one employer – the owner. Three full-time employees and the owner work the long week short week schedule, five working days in long week and two working days in short week. There will always working two employees on the shift – one of them is the waiter/waitress and the other one is a cook who will be preparing breakfasts and brunch in the morning, snacks in the afternoon. Waiter and cook will work 12 hours a working day. It means that the gross wage is 18 480 CZK.

Cleaning lady supposes to work only two hours a day. Her wage is 90 CZK. She is employed on “Dohoda o provedení práce” (DPP), and the wage is 5040 CZK. This type of agreement enables to work up to 10 000 CZK without the necessity of paying insurance.

<b>STAFF COSTS (CZK)</b>					
<b>Employee</b>	<b>Gross wage/month</b>	<b>Social insurance (25%)</b>	<b>Health insurance (9%)</b>	<b>Salary + Social and Health Insurance</b>	<b>Annual salary</b>
<b>3x full-time employee</b>	55 440	13 860	4989	74 289	891 468
<b>1x part-time cleaning lady</b>	5040	0	0	5040	60 480
<b>Total</b>	60 480	13 860	4989	79 329	951 948

*Table 7 – Staff Costs (own creation)*

#### 4.8.3.2 Fixed Costs

The following table involves costs which are paid regularly every month. These fixed costs include rent, internet and mobile services, energies, insurance and wages.

<b>TYPE OF COST</b>	<b>MONTHLY</b>	<b>ANNUALLY</b>
Rent	25 000	300 000
Internet and mobile services	1200	14 400
Energies	8000	96 000
Insurance	3500	42 000
Wages	79 329	951 948
<b>TOTAL</b>	<b>117 029</b>	<b>1 404 348</b>

*Table 8 – Fixed costs (own creation)*

#### 4.8.4 Expected revenues

The table below shows the production costs of the products, the selling price and also the sales margin. Prices are set after communication with suppliers. As it is a business plan for a café, coffee is one of the most sold products. People also like to eat something, and therefore it breakfast/brunch products and snacks are also calculated as expected revenues.

<i>Type of Coffee</i>	<i>Variable Costs</i>	<i>Selling price</i>	<i>Sales margin</i>
<b><i>Espresso</i></b>	9 CZK	39 CZK	30 CZK
<b><i>Double Espresso</i></b>	18 CZK	55 CZK	37 CZK
<b><i>Cappuccino</i></b>	16 CZK	60 CZK	44 CZK
<b><i>Latte</i></b>	18 CZK	70 CZK	52 CZK
<b><i>Flat White</i></b>	20 CZK	80 CZK	60 CZK
<b><i>Batch Brew</i></b>	9 CZK	55 CZK	46 CZK

*Table 9 - Production Costs 1 (own creation)*

<i>Products</i>	<i>Variable Costs</i>	<i>Selling price</i>	<i>Sales margin</i>
<b><i>Waffles</i></b>	35 CZK	119 CZK	84 CZK
<b><i>Avocado bread</i></b>	50 CZK	129 CZK	79 CZK
<b><i>Acai bowl</i></b>	45 CZK	129 CZK	84 CZK
<b><i>Granola</i></b>	40 CZK	99 CZK	59 CZK
<b><i>Pancakes</i></b>	35 CZK	109 CZK	74 CZK
<b><i>Hummus Tortilla</i></b>	45 CZK	99 CZK	54 CZK
<b><i>Nachos</i></b>	20 CZK	59 CZK	39 CZK
<b><i>Club sandwich</i></b>	40 CZK	89 CZK	49 CZK

*Table 10 - Production Costs 2 (own creation)*

The table on the next page shows three different scenarios of the predicted amount of sold products – optimistic, realistic and pessimistic. The café has a total of sixteen seats.

The optimistic scenario is that when 16 guests come in the morning for breakfast at the time of opening, then every hour, eight customers leave and new eight customers come. That means a total of 112 people a day.

The realistic scenario is that when 8 guests come in the morning for breakfast at the time of opening and then every hour, four customers leave and new four come in. That correspond with 56 customers a day.



The pessimistic scenario count with 4 guests arriving in the morning at the time of opening and then every hour, two of the guests leave and new two take place. It is 28 customers a day.

<i>Predicted sold products</i>	<b>Optimistic</b>	<b>Realistic</b>	<b>Pessimistic</b>
<i>Espresso</i>	20 per day	11 per day	5 per day
<i>Double Espresso</i>	15 per day	7 per day	4 per day
<i>Cappuccino</i>	32 per day	16 per day	8 per day
<i>Latte</i>	25 per day	12 per day	6 per day
<i>Flat White</i>	10 per day	5 per day	3 per day
<i>Bach Brew</i>	10 per day	5 per day	3 per day
<i>Waffles</i>	20 per day	11 per day	5 per day
<i>Avocado bread</i>	20 per day	11 per day	5 per day
<i>Acai bowl</i>	15 per day	7 per day	4 per day
<i>Granola bowl</i>	10 per day	5 per day	3 per day
<i>Pancakes</i>	20 per day	11 per day	5 per day
<i>Hummus Tortilla</i>	12 per day	6 per day	3 per day
<i>Nachos</i>	15 per day	7 per day	4 per day
<i>Club sandwich</i>	10 per day	5 per day	3 per day
<i>Variable costs</i>	6417 CZK	3287 CZK	1675 CZK
<i>Revenues</i>	19 123 CZK	10 118 CZK	5118 CZK
<i>Profit per day</i>	12 706 CZK	6779 CZK	3443 CZK
<i>Variable costs per month</i>	<b>192 510 CZK</b>	<b>98 610 CZK</b>	<b>50 250 CZK</b>
<i>Revenues per month</i>	<b>573 690 CZK</b>	<b>301 980 CZK</b>	<b>153 540 CZK</b>
<i>Profit per month</i>	<b>381 180 CZK</b>	<b>203 370 CZK</b>	<b>103 290 CZK</b>

Table 11- Predicted sold products (own creation)

Coffee is the main product of the café and is therefore included in the revenue calculation with breakfast and brunch products and snacks. Every type of coffee has a different price. The realistic scenario shows 56 cups of coffee sold per one day. It is approximately 1680 cups of coffee per one month.

#### 4.8.5 Income Statement

Income statement has been suggested according to the realistic scenario.

<i>Income Statement</i>	<i>Monthly</i>	<i>Yearly</i>
<b>Revenues</b>	301 980	3 623 760
<b>Variable Costs</b>	98 610	1 183 320
<b>Fixed Costs</b>	117 029	1 404 348
<b>EBT</b>	86 341	1 036 092
<b>Tax 15%</b>	12 951	155 414
<b>EAT</b>	<b>73 390</b>	<b>880 678</b>

*Table 12 - Income statement (own creation)*

Costs are deducted from the company's revenues to develop EBT (Earnings Before Taxes). The founder of the company is a natural person therefore it is crucial to deduct the personal income tax which is the amount of 15% in the Czech Republic from the EBT. The result of the income statement is to calculate EAT (Earnings After Taxes).

As a result, the company Kavárna U Veselé kravičky generates profit in the amount of 73 390 CZK per month and approximately 880 678 CZK per year. The tables above show that the business plan has potential and is profitable.

## **4.9 Risk Evaluation**

Setting up a new company is always risky. All entrepreneurs should involve a section dedicated to the evaluation of risks in the business plan to show that they know about them. There are possible risks that might affect the café.

### **4.9.1 Internal risks**

#### **Bad choice of employees**

To choose the right employees is very important, the employees of the company Kavárna U Veselé kravičky are chosen carefully on the basis of their skills, attitude and personal qualities.

#### **Damage caused to property**

The company will insure the property and equipment of the café against vandalism, burglary and natural disaster.

### **4.9.2 External risks**

#### **Lack of interest by customers**

There is a possibility that customers will not be interested in the concept of the vegan café. The company use a strong marketing strategy to prevent from these kinds of risks. The owner wants to be active on social media like Facebook or Instagram. Minimalization is possible through continuous market monitoring and use of promotion elements. The attention has to be paid also to customers complaints directly in the café or on social networks.

#### **Legal factors**

The state could pass a law which would make it more complicated to run the business. The owner must keep the eye on new laws and be sure that the café is prepared for them.

#### **New vegan café in the district**

There is the still present risk of a new competitor entering the market. Elimination is partly possible with expanding the offer or reviewing pricing policy.

## CONCLUSION

This bachelor thesis aimed to establish a business plan for company Kavárna U Veselé kravičky. The thesis is divided into two parts, the theoretical and analytical part.

The theoretical part dealt with basic terms connected with entrepreneurship and entrepreneur. This chapter then proceeded with the types of the legal forms and I decided to create a business of a natural person – sole proprietorship. Then I described the business plan itself – the definition, main principles, benefits and goals. The main point of this section was to characterize the individual components of a business plan. At the end, there is a summary of the overall theoretical part.

The very first step when writing the business plan was to come out with some attractive business idea. The idea is a result of a growing trend of customers seeking for healthy and delicious meatless and non-dairy meal and café.

The analytical and main part of the thesis is focused on setting up the business plan for a café itself by using the information from the recommended literature and practical knowledge. The business plan was based on the information mentioned in the theoretical part. The business plan of a company Kavárna U Veselé kravičky begun with a title page and an executive summary, followed by description of the company and product. It focused on the market analysis, target market and competition analysis, marketing plan and organizational plan and risk evaluation. Marketing analysis consists of PEST analysis, Porter's five forces model and of defining the target market. The marketing plan was formed with the help of marketing mix and SWOT analysis, which consist of the information about the company's product, price, place, promotion and also strengths, weaknesses, opportunities and threats. Also, a financial plan which comprises calculation of start-up costs, fixed and staff costs, simplified balance sheet, expected revenues and income statement, was developed in the business plan. Thereafter, some risks which can influence the whole business, had to be evaluated, such as lack of customers, competition or damage caused to property.

In the introduction I mentioned that the main purpose of this bachelor thesis is to create a business plan for a café and evaluate its feasibility. Based on the analysis and calculation of revenues, the business plan appears to be feasible and viable.

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**LIST OF ABBREVIATIONS**

a.s.	Akciová společnost
Akc. spol.	Akciová společnost
CZK	Czech koruna
DPP	Dohoda o provedení práce
EAT	Earnings after taxes
EBT	Earnings before taxes
EET	Elektronická evidence tržeb
EU	European Union
EUR	EURO
EHZS	Evropské hospodářské zájmové sdružení
Kom. spol.	Komanditní společnost
k.s.	Komanditní společnost
LLC	Limited Liability Company
PEST	Political, economic, social, technological factors
SE	Societas Europaea
Spol. s.r.o.	Společnost s ručením omezeným
s.r.o.	Společnost s ručením omezeným
SWOT	Strengths, weaknesses, opportunities, threats
v.o.s.	Veřejná obchodní společnost

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