

# **Business Plan for a Ukrainian Restaurant in Prague**

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Master thesis  
2018

 **Tomas Bata University in Zlín**  
Faculty of Management and Economics

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Tomas Bata University in Zlín  
Faculty of Management and Economics  
Department of Management and Marketing  
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## MASTER'S THESIS ASSIGNMENT

(PROJECT, ARTWORK, ARTISTIC PERFORMANCE)

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Thesis Guidelines:

### Introduction

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#### I. Theoretical part

- Determine theoretical background for a business plan.

#### II. Practical part

- Compile market research of the catering market in the Czech Republic and Prague.
- Prepare business plan for the restaurant.
- Perform risk, cost and time analysis of the plan.

### Conclusion

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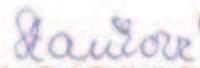
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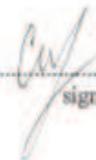
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## **ABSTRAKT**

Cílem této práce vytvořit a zmapovat obchodní plán ukrajinské restaurace a dále ověřit jeho efektivitu v praxi. Vzhledem k faktu, že poptávka v oblasti toho sektoru trhu je vysoká, sestavení úspěšného obchodního plánu je klíčem k úspěchu v prostředí velké konkurence.

Teoretická část práce se zaměřuje na obecné typy obchodních plánů, jejich hlavní rysy, kterými se vyznačují, a dále pak na rozbor analytických postupů potřebných k jejich uplatnění v praxi.

Druhá část se zabývá analýzou cateringového trhu a jeho trendy, které se panují ve světě a České republice, zejména v hlavní městě ČR Praze.

Třetí část obsahuje samotný obchodní plán, v němž byly uplatněny konkrétní analytické postupy, které jsou potřeba k vytvoření efektivního a konkurenceschopného obchodního plánu.

Klíčová slova: Business plan, Benchmarking, PESTEL analysis, SWOT analysis, Porter's five forces, Balanced Scorecard, Catering Market.

## **ABSTRACT**

The aim of the project is to create a business plan for the Ukrainian restaurant in Prague and understand whether it is profitable or not. Although the demand on the market is very high it can be challenging as there are a lot of players on the market.

The theoretical part is describing the structure and types of business plan with the specific focus on the different analytical tools for strategy development process. The second part analyses catering market and its trends on the global level as well as in Czech Republic and Prague. The third part is the business plane itself with the analysis of external and internal environment, will all activities and steps that should be done, risk and financial analysis.

Keywords: Business plan, Benchmarking, PESTEL analysis, SWOT analysis, Porter's five forces, Balanced Scorecard, Catering Market.

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## INTRODUCTION

It is very important before starting a new business to create a detailed business plan. As it helps to understand the clear situation on the market, to identify company's goals and objectives and ways how to achieve them. Business Plan can help to identify the competition on the market and its best players and best strategy. It can help to understand what costs are required, what will be the revenue sources, what distribution channels to use and what strategy to use to achieve the competitive position on the market.

My Master Thesis is about developing business plan for start-up of Ukrainian restaurant in Prague, Czech Republic. The industry of catering market is growing very fast attracting a lot of investors. But on the other hand, there already a lot of existing experienced companies on the market that may seem challenging.

The project is aimed to understand the current situation on the global market as well as in Czech Republic and Prague. And to identify weather it will be profitable to start a business or not. The clear understanding of market situation will help to create a suitable strategic plan.

The business plan will be structured with the analytical tools analysis such as: Banchmarking, PESTLE analysis, SWOT analysis, BSC and so on. There will be also analyzed marketing mix of the business, risks and financial analysis.

## **OBJECTIVES AND METHODS OF MASTER THESIS PROCESSING**

The main goal of my Master Thesis is to create a structured business plan of Ukraine restaurant in Prague, Czech Republic.

There are also following objectives:

- Complete the theoretical information about structure and types of business plan
- Do the marketing research of the catering industry in the Czech Republic and Prague.
- Prepare the business plan of the restaurant.
- Analyze the costs, timing and risks of the project.

During the preparation of the project were used the following tools and methods: Benchmarking, PESTEL analysis, SWOT (EFE/ IFE), Breakeven point, Porter's Five Forces analysis, Balanced Scorecard analysis.

## **I. THEORY**

## 1 BUSINESS PLAN

In a market economy, a business plan is a working tool used in all areas of entrepreneurship. The business plan describes the process of the functioning of the firm, shows how its managers are going to achieve their goals and objectives, primarily increasing the profitability of the work. A well - developed business plan helps a firm to grow, to win new positions in the market where it functions, to make long - term plans for its development, concepts to produce new goods and services and to choose rational ways of their implementation.

The business plan is a permanent document; it is systematically updated, changes are made related both sides: the ones that occurring within the organization, and changes in the market where the firm operates, as well as in the economy. The business plan links in-house analysis and macroeconomic analysis conducted by specialized scientific organizations. As a rule, it is made up of every enterprise, although the possibilities for preparing such documents may be different: a small company may engage specialist consultants to develop a business plan.

Thus, the business plan is not only an internal document of the firm, but it can also be used to attract investors and creditors. Before risking some capital, investors should be assured of the solvency of the project and are aware of its effectiveness. To achieve the greatest success in the market of goods and services, including international, it is necessary to plan competently and rationally through business planning.

### 1.1 Business plan types

Business plans are classified according to the following reasons: type - by main areas of activity in which the project exists; class - by composition, structure and its subject area; scale - by the size of the project itself, the number of participants and the degree of influence on the world around them; duration - on the duration of the project implementation period; complexity - for example, in terms of financial, technical or other complexity; aspect - by the nature of the project's subject area.

First classification of the business plan is by its type of activity. We can highlight technical type, organizational type, economic type, social and mixed. According to class classification there can be marked a multi-project (a complex project consisting of a number of mono-projects and requiring the use of multi-project management), a mega-project (targeted programs for the development of regions, industries and other entities, including a number of mono- and multi-projects).

Third classification is by its scale (size of the project). We can divide business plans by such scales: small, medium, large, very large projects. This division of projects is very subjective. The scale of projects can be viewed in a more concrete form - interstate, international, national, interregional and regional, intersectoral and sectoral, corporate, departmental, one enterprise projects.

We can also divide business plans by its durations. There can be short-term business plans (up to 3 years), medium-term (from 3 to 5 years), long-term (over 5 years).

According to the nature of the project's subject area we highlight these types: innovative, organizational, research, educational and mixed.

Most of business projects has investment-based character (cost). The amount of investment needed to implement a business project depends on all listed grounds for their classification (primarily, on the scale, duration and complexity of the project). The investment type usually includes projects in which the main task is to invest in various types of business for profit.

Business plans are developed for innovative, organizational, economic, social projects that have their own peculiarities both in the types of projects and in their aspects.

Innovative projects of research and development - the development of a new product, research in management and marketing, the development of a new software project. Characterized by the following features: the main objective of the project is clearly defined, but individual goals should be refined with the achievement of particular results; the deadline and duration of the project are determined in advance, preferably their exact observance; However, they should also be adjusted depending on the intermediate results obtained and the overall progress of the project; the planning of project costs often depends on the allocated appropriations and less on the actual progress of the project; The main limitations are related to the limited possibility of using capacities (equipment and specialists).

Organizational projects - reforming the enterprise, implementing the concept of a new management system, creating a new organization or holding an international forum. They are characterized by the following: the project objectives are predetermined, but the project results are quantitatively and qualitatively more difficult to determine than in the first two cases, since they are associated, as a rule, with the organizational improvement of the system; and duration of the project are set in advance; resources are provided as far as possible; project costs are recorded and monitored for efficiency, but require adjustments as the project progresses.

Economic projects - privatization of enterprises, the creation of an audit system, the introduction of a new tax system. They have their own characteristics: the main objectives are pre-planned, but require adjustments as the project progresses; the same applies to project terms; resources for the project are provided as necessary, as far as possible. Expenses are determined in advance, monitored for efficiency and refined as the project progresses.

This means that economic results must be achieved within a fixed time frame with established expenditures, and resources are provided as required.

Social projects - reforming the social security system, health care, social protection of the poor people, overcoming the consequences of natural and social shocks. Social projects have their own specifics: the goals are only outlined and should be corrected as intermediate results are achieved, quantitative and qualitative assessment of them is significantly hampered. The timing and duration of the project depend on probabilistic factors or are only outlined and subsequently subject to refinement. The costs of the project, as a rule, depend on budgetary allocations; resources are allocated as required within the framework of the possible.

## 1.2 Structure of a business plan

Business planning is the definition of the goals and ways to achieve them, through any planned and developed action programs that can be adjusted in the implementation process in accordance with changed circumstances. There is a trend of standardization of the basic requirements for business plans:

- A business plan is the first thing that a potential investor learns about a company, so it is necessary that the design of a business plan be consistent with the image of a successful company: it must be attractive, but not discreet;
- The details of business plan should be consistent with the objectives of the plan, but not include anything superfluous: a clear structure of the material and its clarity, brevity.
- The business plan should not include unimportant secondary information. It's better to put it into applications. Typically, investors request additional information, and the availability of applications increases the flexibility of the project. The scope of applications is not limited;
- Style of presentation: the simplicity of presentation and the absence of linguistic and terminological barriers, i.e. accessibility in learning and understanding. The business

plan should be understandable to a wide range of people, not just specialists, and not abound with technical details. It should also be convincing, laconic, to arouse the interest of partners. It should pay attention to the dual nature of the business plan. On the one hand, this is a serious analytical document, and on the other - a means of advertising;

- Reasonable dosing in the presentation of technology of the business proposal;
- Objective assessment of the difficulties facing the implementation of the business plan;
- The business plan should be an honest analysis based on realistic assumptions. Assumptions and forecasts should be justified and supported by references to sources of information, for example market surveys (surveys), industry statistics, economic and demographic studies, as well as the conclusions of individuals who will conduct business with this company. Few investors or creditors will take risks, based on unrealistic plans. The business plan shows investors and creditors the quality and depth of the company's leadership and notes the managerial ability to achieve the set goals;
- Accuracy of financial calculations;
- It should be discussed about the company's risks. Trust in the company can be seriously undermined if the existing risks and problems are not disclosed independently, but from the outside;
- Do not make unimportant or vague statements. For example, statements like "sales will double in the next year" or "a product line will be introduced" should be deleted and detailed explanations provided. Approvals must be specific and supported by marketing information and other data;
- The plan should be exhaustive and include discussion of the organizational strategy to achieve the company's advantages and overcome potential difficulties;
- Many investors like to read a one- or two-page summary of the business plan, which allows them to see important features and benefits of the project. There are also four vital blocks of key issues that are worked out in the business plan, which are especially carefully assessed by investors: management team, current and planned financial indicators, goods and services, marketing plan. It is necessary to prepare strong arguments in each of these sections;
- A business plan should be prepared considering the requirements and standards of organizations and persons who are supposed to submit this document.

There is no strict, regulated structure of the business plan. The most common variants of the business plan are:

First option:

1. Summary.
2. Company.
3. Products.
4. Sales market.
5. Competition.
6. Marketing.
7. Production.
8. Organization, management, cadres.
9. Finance.
10. Risk assessment and insurance.

Second option:

1. Business concept (summary).
2. Current situation and brief information about the company.
3. Characteristics of the business object.
4. Research and analysis of the market (markets and competition or business environment).
5. Organizational plan, including legal support.
6. Staff and management.
7. Production plan.
8. Plan of marketing actions.
9. Potential risks.
10. Financial plan and financial strategy.

Third option:

1. Summary.
2. Market analysis.
3. Description of the enterprise.
4. Marketing and sales.
5. Products (services).
6. Operations (supply chain, suppliers, advantages of the production system).

7. Management and ownership.
8. Sources and directions of financing.
9. Financial plan.

Fourth option:

1. Summary.
2. Location of the company.
3. Purpose of the activity (mission) of the firm.
4. Wednesday for business. Industry and the company being created (project).
5. Description of the type of activity (business).
6. Products (services).
7. Analysis of the market.
8. Competition and competitive advantage.
9. Organization of foreign trade activities of the firm.
10. Marketing plan strategy.
11. Forecasting sales.
12. Production plan.
13. Organizational plan and management.
14. Risk assessment.
15. Financial plan.
16. Financing strategy.

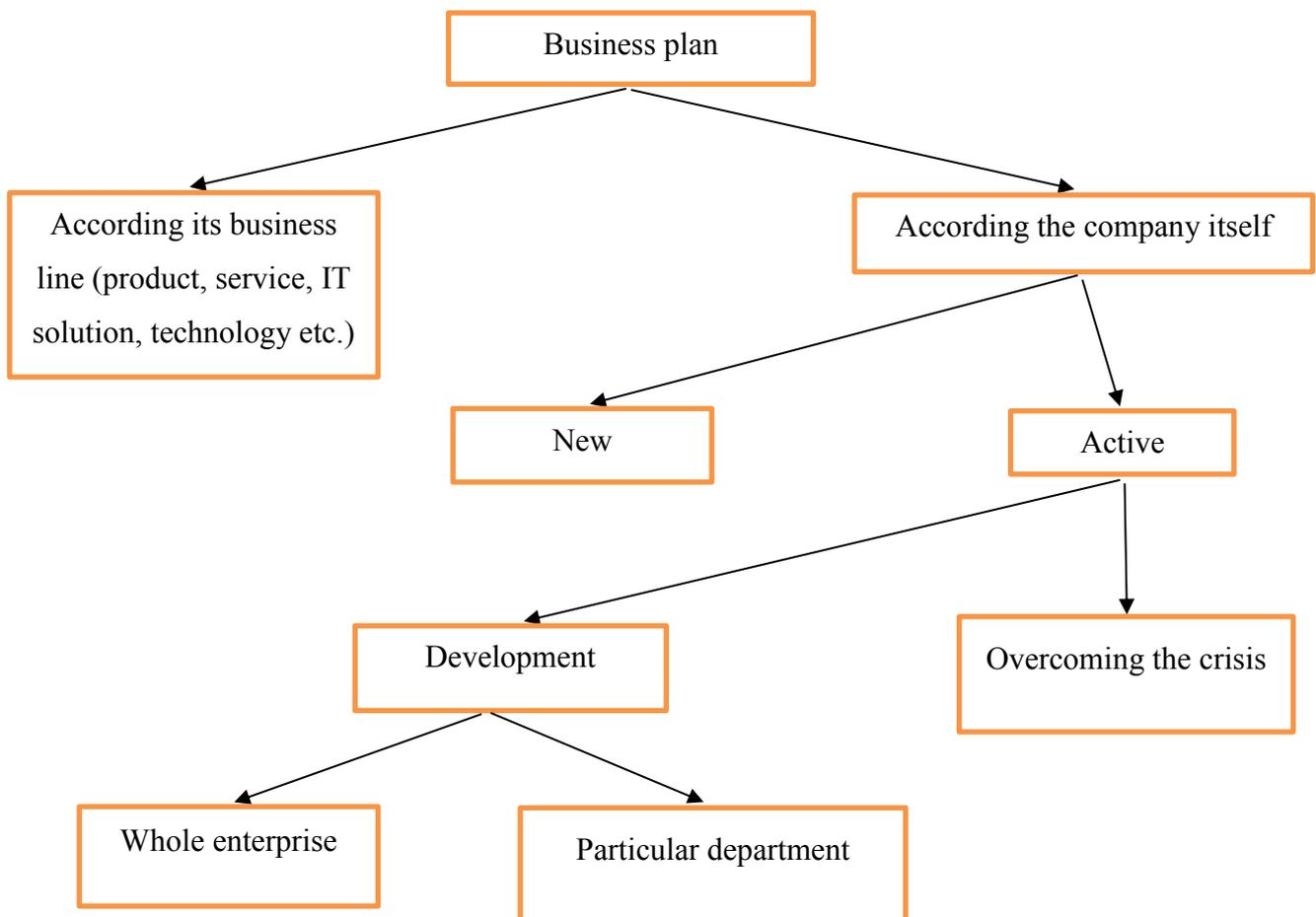
Despite the rather significant external differences between the various options for the structure of business plans, the composition and content of their main sections remains virtually unchanged.

The development of the plan is also completed with the preparation of a summary, which may include the following information:

- Goals and objectives of the business plan;
- The description of the enterprise, its specification and the previous history of its development;
- Brief information on the qualifications of management personnel;
- Advantages of products or services in the market and in the industry;
- Resources of the enterprise;
- Current financial condition of the enterprise;

- Long-term and short-term strategy of the enterprise, opportunities for growth in volumes of activity and revenues;
- The need for investments in the implementation of the business plan, the expected sources of financing and the procedure for repayment of borrowed funds;
- A description of the risks that can be expected by the enterprise;
- Economic feasibility and effectiveness of the business plan.

Classification of business plans for business objects is presented in Figure 1.



**Figure 1:** Classification of business plans for business objects

Within the framework of one organization, a general strategic business plan can be developed, including the entire set of objectives, and individual business plans for the above typology.

The factors that determine the volume, composition and structure of the business plan, the degree of its detailing, can also be attributed:

- specificity of the type of entrepreneurial activity;

- the size of the enterprise;
- the purpose of the business plan;
- general strategy of the enterprise;
- prospects for growth of the company;
- the size of the expected market;
- presence of competitors.

In addition, the business plan can be approved and implemented as an internal law for the company, and in other cases - have the status of evaluating, informative, variative, etc. In terms of scope of activities, a business plan can be a company-wide or plan for a branch, subsidiary or division. The status of the approved business plan is higher than the status of the current traditional annual plan and is the basis for making the last necessary changes and clarifications arising from the content of the business plan.

## 2 STRATEGY DEVELOPMENT TOOLS

In order to start the business, we need to analyze external and internal factors that may impact success of the business. We can use already existing tools to create detailed business plan.

### 2.1 Benchmarking

Benchmarking is the process of comparing activities with the best companies in the market and in the industry with the subsequent implementation of changes to achieve and maintain competitiveness. Benchmarking is joint or competitive. Various forms of social media are beginning to affect many business processes. In this sense, benchmarking is no exception.

Benchmarking can be considered as a process, an activity for long-term reflection of an entrepreneurial strategy, based on the best experience of partners and competitors at the sectoral, cross-sectoral, national and international levels.

Due to the need to use external factors that influence or can influence the behaviour of the firm and its products on the market, interaction with partners and competitors required a philosophy and function related to identifying, searching for the results of practice at partner firms, competitors and related industries, with the aim of using them at their own firms to increase productivity.

Benchmarking is close to the concept of marketing intelligence. However, marketing intelligence is the collection of confidential (semi-confidential) information about changing the external environment of marketing.

The use of benchmarking is multidirectional. And although from the mid-70's. it was carried out within the framework of competitive analysis, today benchmarking has successfully established itself as a way of evaluating strategies and objectives of work in comparison with leaders in its and related industries to guarantee a long-term market presence.

Benchmarking includes a set of tools that allow you to systematically find, evaluate all the merits of someone else's experience and organize their use in their work.

Benchmarking is aimed at studying business. Regarding innovation, it means studying the business of other enterprises or entrepreneurs to identify the basic characteristics for developing their innovation policies and specific types of innovations. When benchmarking, it is important to overcome the psychological complex of managers and specialists.

Psychological complexes mean:

- Satisfaction of the head of an economic entity with the achieved results;
- Unwillingness to risk cash; spend money on the acquisition of information, pay for consultations of analysts and experts, save all types of resources and money spent on marketing research, etc.;
- Fear that doing better than a competitor is very difficult or impossible because of the high costs of all resources, including money.

Benchmarking is of two types: general and functional.

Overall benchmarking is a comparison of the production and sales of this producer's products with the business performance of a sufficiently large number of producers or sellers of a similar product. Such a comparison allows us to outline clear lines of investment activity. The parameters used to compare product characteristics depend on the type of product.

Functional benchmarking means comparing the performance parameters of individual functions (for example, operations, processes, work methods, etc.) of the producer (seller) with similar parameters of the most successful enterprises (sellers) working in similar conditions.

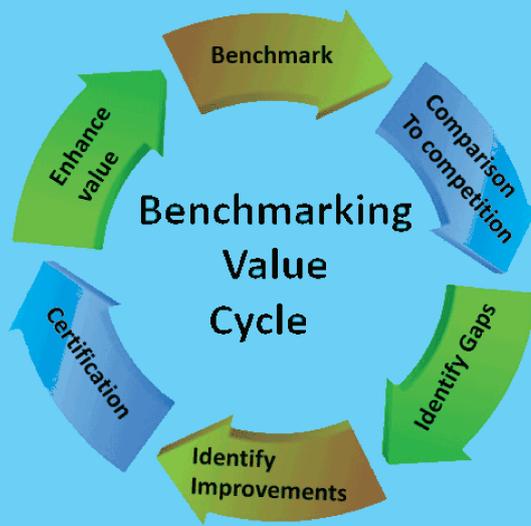
To implement benchmarking, a special working group is usually created.

The methodology of functional benchmarking consists of the following stages:

1. Selection of a specific function of the business of the manufacturer (seller).
2. Selection of comparison parameters for this business function. A single parameter or a group of parameters can be used. The only thing, i.e. unambiguous, the comparison function of the business function can be, for example, the profitability of the operation, the level of transaction costs, the duration of the active period of use of this function, the degree of risk, etc. A group of parameters is used when comparing such complex business functions as product quality management, cash management, etc.
3. Collect the necessary information about similar manufacturers.
4. Analysis of the information received.
5. Development of draft changes to this function.
6. Feasibility study of the proposed changes.
7. Implementation of changes in the practice of organizing this business.
8. Control over the progress of the business and final assessment of the quality of the change in this function.

This method depends on the correct organization of the information collection system in various areas in the open press, in the analysis of products, at exhibitions, in the position of a competitor in the market, the use of former employees of these firms etc.

Practice shows that the process of improvement is unlimited. Benchmarking is, we can say, the perpetual motion machine of the continuous process of continuous improvement of the company's activities.



**Figure 2:** Benchmarking Value Cycle.

## 2.2 PESTLE analysis

All companies must determine the external factors of their business environment that have or may have an impact on their operations. On the macro environment, the company cannot influence, cannot control them, but the consequences of the onset of these factors, it must understand and consider in the development of its strategy.

The most common tool for determining the macro-environment factors that can affect your company is PESTLE analysis. It helps to identify and evaluate environmental factors in 6 categories: P – Political, E – Economical, S – Social-Culture, T – Technological, L – Legal and E – Environmental/Ecological.

The main purpose of the PESTLE analysis tool is to identify factors that meet two criteria:

1. They are coming from outside the management of the company;
2. They have a certain level of impact on the company.

All factors should be carefully analysed and their possible impact on the company should be evaluated. Some factors acquire a local character. For example, the situation on the labor market in the regions differs from the situation in the city: the qualifications and motivation (ambition level) of people are different. Perhaps in different regions there are cultural differences associated with the attitude to work. All these factors need to be considered when developing a strategy.

To obtain the most complete picture of the influence of external factors on the company, experts in different functional divisions of the company should be included in the process of their determination.

PESTLE analysis is used in the development and revision of the strategy for the existing market; when launching a new product or service; to explore a new line of business or to launch sales in a new country or region.

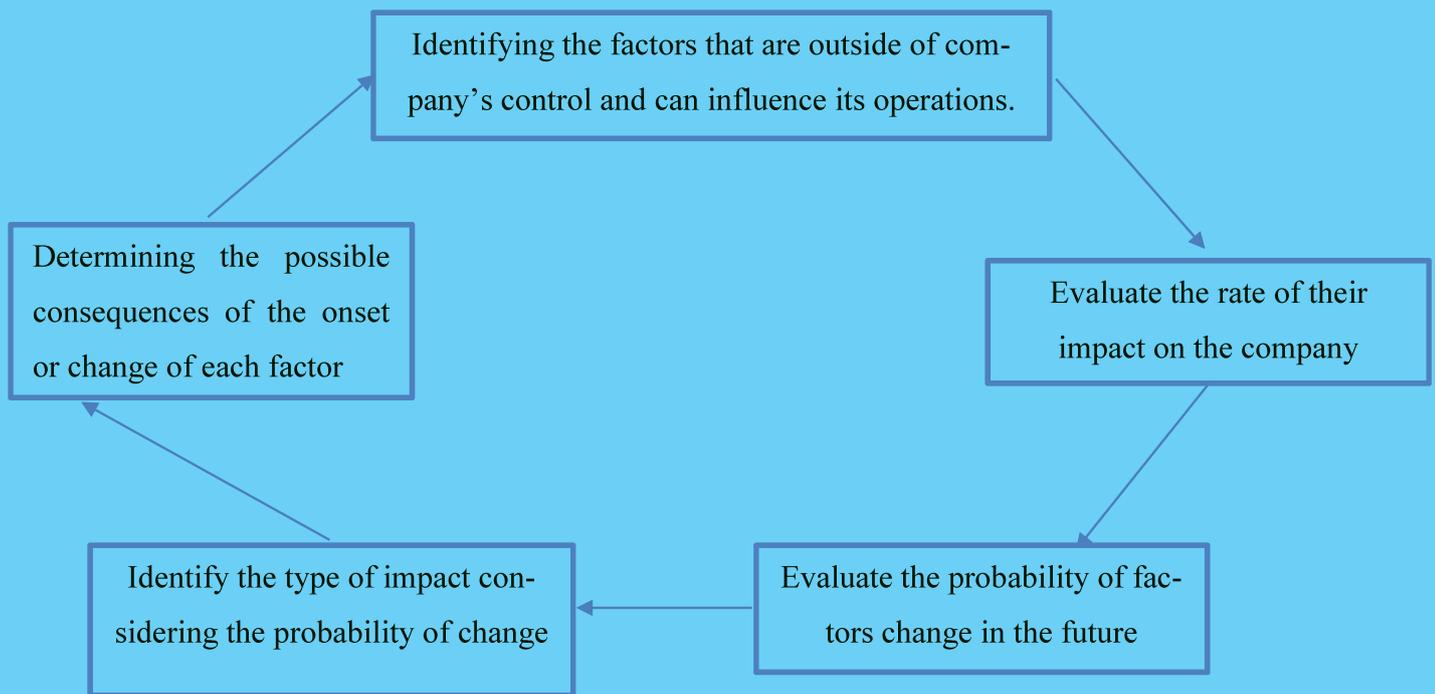
In all these cases, it is necessary to assess the potential impact of external factors on the company in two perspectives: how they affect the market, and how they affect the company's operations.

PESTLE analysis is a powerful tool for analysing the external environment, but it represents only one component of an extensive process of strategic analysis. Therefore, this tool should be used together with other strategic tools: strategic analysis of the client base, Benchmarking, SWOT analysis, etc.

The PESTLE analysis methodology is used to assess the key market trends of the industry, and PESTLE analysis results can be used in the next stages of strategic analysis for trends in changing consumer needs and behavior, for assessing competition. The purpose of the PESTLE analysis is to help the company identify important factors affecting its operations.

PESTLE analysis factors in combination with external microenvironment factors (consumer needs and behavior, competitors, etc.) and internal drivers can be classified as opportunities and threats for SWOT analysis. In fact, conducting SWOT-analysis of the company without pre-PESTLE analysis - it's pointless, because otherwise companies in the opportunities and threats of SWOT-analysis will put factors whose impact on the company was not previously estimated.

PESTLE analysis is a tool for long-term strategic management and is compiled for 3-5 years ahead, with an annual update of the data.



**Figure 3:** PESTLE analysis process

The result of the PESTLE analysis process will give you a better understanding of your surroundings. You will get a look at the "big picture", which will allow you to assess the potential risks that you may face in the future. PESTLE analysis can also be used to assess the influence (or influence measurement) that existing external factors will have.

The main task of PESTLE analysis is to audit the company's external environment, to study each factor to make strategic decisions at the next stages of the strategic process.

### 2.3 SWOT analysis

The SWOT analysis is a universal method of strategic management. The object of SWOT analysis can be any product, company, store, factory, country, educational institution and even a person. There are the following types of SWOT analysis:

- SWOT analysis of a firm or a manufacturing enterprise
- SWOT analysis of the activities of a state or non-profit organization
- SWOT analysis of the activities of an educational institution
- SWOT analysis of a specific territory: country, region, district or city
- SWOT analysis of a separate project, department
- SWOT analysis of a specific market or industry

- SWOT analysis of the competitiveness of a brand, product or service
- SWOT analysis of personality

Often companies carry out a SWOT analysis of not only their product, but also the products of competitors, since this tool very graphically systematizes all information about the internal and external environment of any organization.

The advantages of SWOT analysis are that it allows you to easily look at the position of a company, product or service in the industry, and therefore is the most popular tool in risk management and management decision-making.

The result of the SWOT analysis of the enterprise is an action plan indicating the timing of implementation, the priority of implementation and the necessary resources for implementation.

Frequency of SWOT analysis is recommended to be at least once a year as part of strategic planning and budgeting. SWOT analysis is very often the first step of business analysis when drawing up a marketing plan.

Explanation of abbreviations SWOT analysis: Strengths, Weaknesses, Opportunities and Threats.

1. **S= Strengths.** Strengths of the product or service. Such internal characteristics of the company that provide a competitive advantage on the market or a more advantageous position in comparison with competitors, in other words those areas in which the company's goods are more stable than competitors' ones. The value of strengths for the company in strategic planning: due to strengths, the company can increase sales, profits and market share, strengths provide a winning position of the product or service in comparison with competitors. Strengths need to be constantly strengthened, improved, used in communication with the consumer of the market.
2. **W=Weaknesses.** Weaknesses or shortcomings of goods or services. Such internal characteristics of the company, which hamper the growth of business, prevent the goods from leading on the market, are uncompetitive on the market. The significance of the company's weaknesses in strategic planning: the company's weaknesses hinder the growth of sales and profits, pull the company back. Due to weaknesses, the company may lose market share in the long term and lose competitiveness. It is necessary to track the areas in which the company is not strong enough, improve them, develop

special programs to minimize the risks of the impact of weaknesses on the company's efficiency.

3. **O=Opportunities.** The company's capabilities are favorable environmental factors that can influence business growth in the future. The importance of the market opportunities for the company in strategic planning: the opportunities of the market personify the sources of business growth. Opportunities need to analyze, evaluate and develop an action plan for their use with the involvement of the company's strengths.
4. **T=Threats.** The company's threats are negative factors of the external environment that can weaken the company's competitiveness in the market in the future and lead to a decrease in sales and loss of market share. The importance of market threats for the company in strategic planning: threats mean possible risks of the company in the future. Each threat should be evaluated in terms of the probability of occurrence in the short term, in terms of possible losses for the company. Against each threat, solutions should be proposed to minimize them.

The scheme of the SWOT analysis development is shown below.

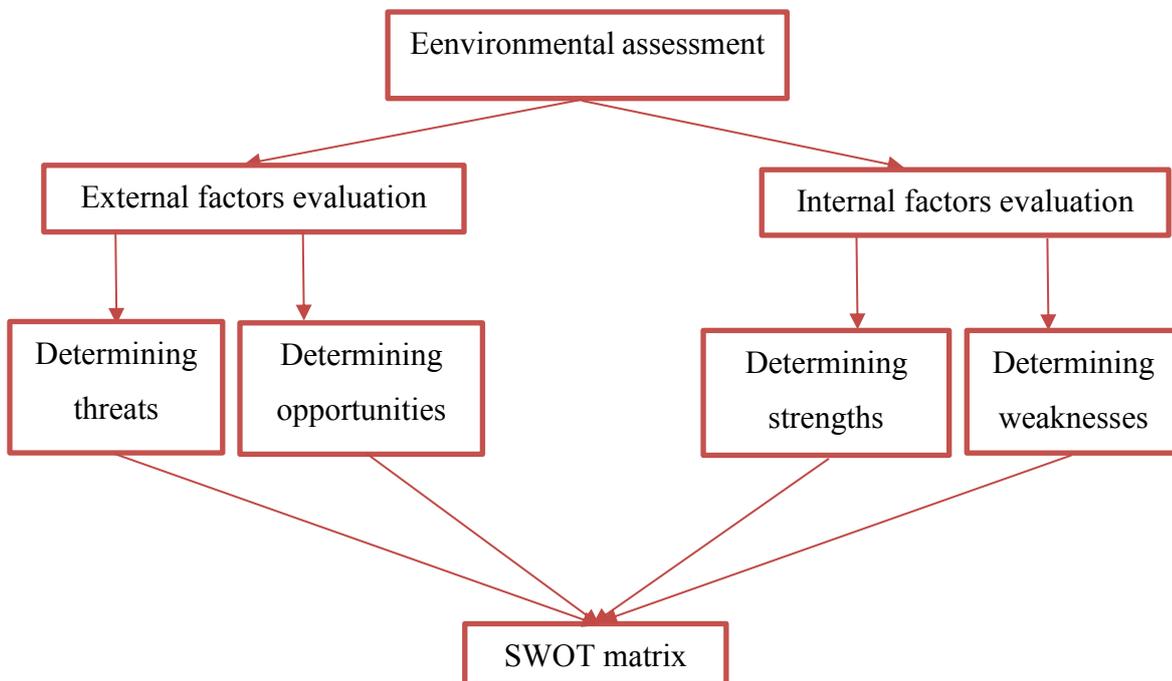


Figure 4: SWOT analysis development

This method of SWOT analysis allows you to evaluate fully and detailed the risks and opportunities of the company, to plan the marketing strategy of the product:

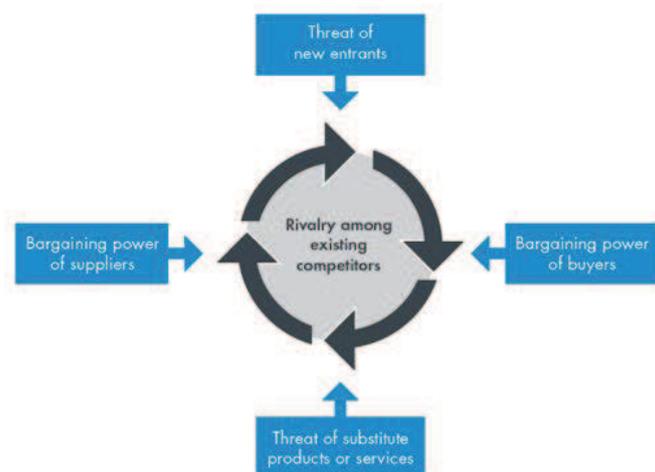
- The analysis of the surrounding market environment of goods or services is carried out, and external and internal factors are analysed.
- Based on the analysis, the strengths of business, the weak points of business, threats and market opportunities for business are formed.
- The received parameters are entered in the SWOT matrix for convenience of analysis
- Based on the SWOT matrix, conclusions are drawn about the necessary actions with an indication of implementation priorities and deadlines.

## 2.4 Porter's five forces

The strategic model of analysis of the five forces of competition was described by Michael Porter in 1979. Michael Porter, using five structural units specific to each industry, described ways of forming a competitive advantage and long-term profitability of the goods, as well as the ways in which the company can maintain its profitability and remain competitive in the long run.

The competition theory of Michael Porter says that there are five driving forces on the market that determine the possible level of profit. Each power in Michael Porter's model represents a separate level of competitiveness of the product:

- Threat of new entrants
- Threat of substitutes
- Bargaining power of buyers
- Bargaining power of suppliers
- Industry rivalry



**Figure 5:** Porter's five forces

Michael Porter believed that these elements of the market are the driving forces of market competition, which is the name of the model - a model of the Porter's five forces of competition.

Competitive analysis of the industry by Michael Porter helps to determine the intensity and severity of competitive forces in the industry, to find a position in which the company will be maximally protected from the influence of competitive forces and will be able to exert influence on them.

The golden rule of the theory of the Porter's five forces is the following: the weaker the influence of competitive forces, the more opportunities for obtaining a high profit in the industry the company has. Conversely, the higher the influence of competitive forces, the higher the probability that no company will be able to provide high profitability from investment. And the average profitability of the industry is determined by the most influential competitive forces.

The model of the five forces is used most often in strategic management, and in marketing it is convenient for the following areas of work:

- Threats for growth of the company, found with the help of the model of Porter's five forces analysis will help with the SWOT analysis development.
- The model of the Porter's five forces helps in the compilation of detailed competitive analysis and analysis of the market.

## 2.5 Breakeven point (BEP)

In any business, it is important to calculate at what point the enterprise will completely cover losses and begin to bring real income. For this, the so-called break-even point is determined.

Break-even point shows the effectiveness of any commercial project, because the investor should know when the project will finally pay off, what is the level of risk for its investments. He must decide whether to invest in the project or not, and the break-even point calculation plays an important role in this case.

Break-even point (BEP) is the sales volume at which the entrepreneur's profit is zero. Profit is the difference between TR-total revenue and TC-total cost. Break-even point is measured in physical or monetary terms.

This indicator helps to determine how many products should be sold (work to perform, services render) to work at zero. Thus, in the break-even point, revenues cover expenses. If the breakeven point is exceeded, the enterprise makes a profit if the breakeven point is not reached - the enterprise incurs losses.

The importance of an enterprise BEP is in determining the financial stability of a company. For example, if the value of BEP increases, it shows that problems associated with making a profit exist. In addition, BEP is changing with the growth of the company itself, which is due to increased commodity turnover, the establishment of a sales network, price changes and other factors.

In general, the calculation of the breakeven point of the enterprise makes it possible:

- determine whether to invest in the project, given that it will pay off only at the next sales volume;
- Identify the problems at the enterprise associated with changing BEP over time;
- Calculate the value of changes in sales and product prices, that is, how much should the sales / production volume change if the price of the goods changes and vice versa;
- determine the value to which revenue can be lowered, so that it does not prove to be at a loss (if the actual revenue is greater than the estimated revenue).

Before you can find a breakeven point, you first need to understand which of the costs are permanent and which ones are variable, since they are mandatory components for the calculation, and it is important to divide them correctly.

Permanent includes: depreciation, basic and additional salaries of administrative and management personnel (with deductions), rent, etc.

Variables include: basic and additional materials, components, semi-finished products, fuel and energy for technological needs, basic and additional wages of the basic workers (with deductions), etc.

Constant costs do not depend on the volume of production and sales and practically do not change over time. The change in fixed costs can be influenced by the following factors: growth / decrease in capacity (productivity) of the enterprise, opening / closing of the production hall, increase / decrease in rent, inflation (depreciation of money), etc.

Variable costs depend on the volume of production and change along with the volume. Accordingly, the greater the volume of production and sales, the greater the amount of variable costs. Variable costs per unit of output do not change with a change in output. Variable costs per unit of output are conditionally-constant.

There are two formulas for calculating the break-even point - in natural and value terms. In order to calculate the break-even point in natural form, the following indicators should be used:

- FC-fixed cost;
- P – price of a unit (services, work);
- AVC-average variable cost.

Calculate the break-even point in physical terms, using the following formula:

$$\text{BEP}=\text{FC}/(\text{P}-\text{AVC})$$

In this case, the results of the calculation will be a critical volume of sales in physical form.

In order to calculate the break-even point in monetary terms, the following indicators should be used:

- FC – fixed cost
- TR– total revenue or P – price
- AVC – average variable cost

To begin with, it is necessary to calculate the margin earnings ratio (the share of marginal revenue in total revenue). This indicator is used in the calculation of the break-even point in

monetary terms, and the marginal revenue. Marginal revenue (MR) is the difference between revenue and variable costs.

$$\mathbf{MR=TR-VC}$$

Since the revenue per unit of output is the price ( $P = TR / Q$ , where  $Q$  is the sales volume), you can calculate the marginal revenue as the difference between the price and the variable costs per unit of output.

$$\mathbf{MR=P-AVC}$$

The margin ratio is calculated using the following formula:

$$\mathbf{KMR=MR/TR}$$

or (if MR is calculated based on the price):

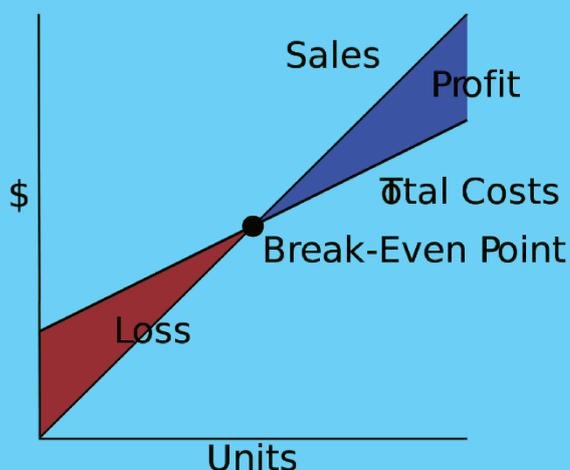
$$\mathbf{KMR = MR / P}$$

Both of the above formulas for calculating the marginal revenue ratio will lead to the same result.

The break-even point in monetary terms (this indicator is also called the "profitability threshold") calculates using the following formula:

$$\mathbf{BEP = FC / KMR}$$

In this case, the results of the calculation will result in a critical amount of revenue, at which the profit will be zero.



**Figure 6:** Breakeven point

## 2.6 Balanced Scorecard (BSC) analysis

The Balanced Scorecard (BSC) is developed by Harvard University professors Robert Kaplan and David Norton is the most effective and widely used worldwide commercial, state, industrial and non-commercial company concept of implementing the company's strategy through its decomposition to the level of operational management and Control based on Key Performance Indicators (KPIs).

The Balanced Scorecard (BSC) ensures the integration of financial and non-financial indicators, taking into account the cause-effect relationships between the resulting indicators and the factors under which they are formed. This allows for detailed monitoring of the company's activities in a strategic focus, increasing the efficiency and effectiveness of management decisions, controlling the most important financial and non-financial key performance indicators (KPIs) that are targeted to the company, and the degree of achievement of which determines the company's movement according to a given strategy.

As a result, the BSC is not only a system for measuring the effectiveness of the company's activities in a strategic focus, but a fully-functional company management system.

In the Balanced Scorecard, indicators measuring achievement of objectives (directly by the KPI) and indicators reflecting the processes that achieve these goals (operational indicators) should be distinguished. For example, to achieve the target value of the financial strength margin, it is necessary to achieve a certain level of productivity, which will reduce the fixed costs and reduce the break-even point value.

The concept of the BSC System assumes the construction of this kind of multifaceted links between KPI and operational, financial and non-financial indicators, strategic and operational levels of management, past and future results, and between internal and external aspects of the company. This is the "balance" in terms of the concept of the Balanced Scorecard.

Due to a balance of cause-effect relationships, the Balanced Scorecard (BSC) allows you to effectively manage a company by controlling a small amount of KPI (Key Performance Indicators).

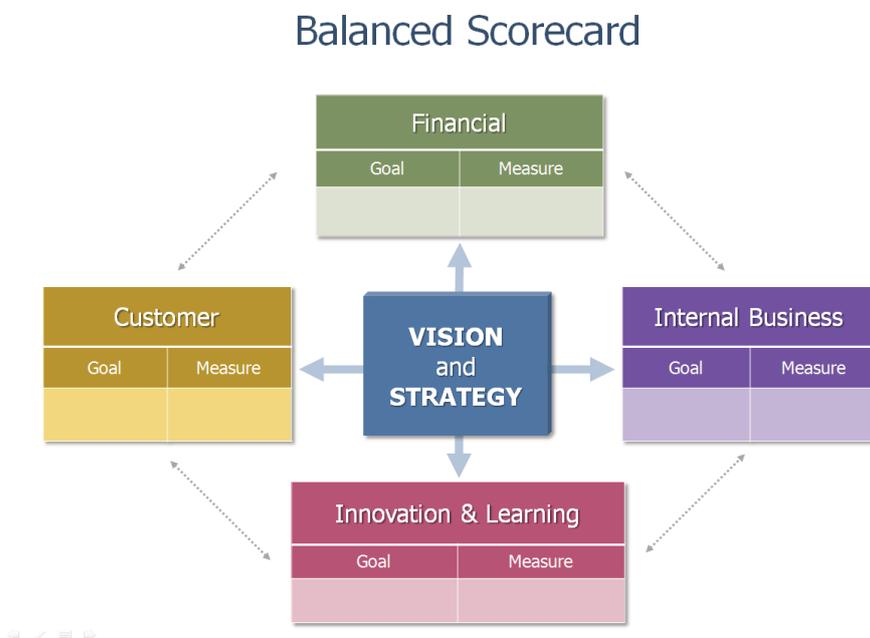
Traditional concepts of assessing the effectiveness of the company's activities are based on the measurement and monitoring of exclusively financial indicators that carry information about the events that have already occurred and do not reflect the possibilities of long-term

investments and the state of relations with customers. The Balanced Scorecard (BSC), while supporting the measurement of financial indicators, provides the management of non-financial indicators that reflect the company's progress toward creating its future value through investment in personnel, streamlining business processes and technologies, and relationships with customers and suppliers.

Such a broader view of management provides an objective picture of the company's condition, an analysis of the opportunities for internal and external development, as well as competitiveness.

The Balanced Scorecard System (BCS) defines four strategic zones reflecting the company's respective prospects:

- How do shareholders evaluate the company (financial perspective)?
- How customers evaluate the company (customer perspective)?
- What processes will provide the company with competitive advantages (the perspective of internal business processes)?
- Are there programs for innovation, development, motivation and growth (the prospect of learning and growth)?



**Figure 7:** Balanced Scorecard

Stages of BSC implementation:

- Definition of vision

- Defining strategic objectives
- SWOT analysis and definition of success factors
- Determination of indicators and their target values
- Determination of methods for calculating indicators
- Cause-effect chain of strategic objectives
- Cascading strategic objectives
- Strategic Action Plan
- Support, update and development of the Balanced Scorecard (BSC)

Benefits from using BSC:

- Deep understanding of business in all interrelations of internal and external processes
- Strategic focus of business activity of all departments and employees
- Increasing the pace of achieving strategic goals
- A focused concentrated allocation of all resources
- Evaluation of the effectiveness of management decisions within the company's strategy
- Understanding employees of the company's strategic goals and its personal tasks to achieve them
- Improving the cooperation of employees and departments
- Getting key business information in a generalized, systematic way, accessible for understanding
- The personal responsibility of the management and staff for the performance of the indicators assigned to them
- Increase motivation of employees due to clarity of personal goals and objectives

However, the effectiveness of implementing any KPI system directly depends on both the correct definition of Key Performance Indicators (KPIs) and the opportunities for their further use, which are provided through the automation of the Balanced Scorecard System (BSC) using high-technology software products.

## 2.7 Return on investment (ROI)

Return On Investment (ROI), one of the measures that is used to assess the effectiveness of investments or to compare the performance of several different investments. To calculate

ROI, the profit should be divided by investment costs, the result can be either a coefficient or a percentage.

ROI calculation formula:

$$\text{ROI} = \text{Net Income} / \text{Cost of Investment} * 100 \%$$

The limit value of the indicator is 100%. If the index is greater or equal to this value - the project can be considered successful and profitable, less than 100% - unprofitable.

To calculate the ROI as accurately as possible, the investor or the company manager must take into account each type of costs (marketing, advertising, promotion, etc.). Only in this case the result obtained can be considered reliable, and the forecasts made on the basis of its analysis are maximally plausible.

### 3 MARKETING PLAN AND STRATEGY

In the modern world, there is a steady trend of growth and development of enterprises in completely different spheres. Consequently, the level of competition is also increasing. To develop and optimize the business, you need to make maximum efforts, to develop an effective plan for implementing the desired tasks. A marketing strategy is a detailed plan for the maintenance and organization of the work process.

#### 3.1 Marketing strategy: types, development and analysis

The marketing strategy of the enterprise allows us to understand how to plan and implement all kinds of activities in the company aimed at implementing plans and tasks. It is worth remembering: marketing strategy is one of the parts of the company's overall strategic plan. The marketing strategy is related to issues aimed at increasing the sales and income of the enterprise. The marketing strategy, which can be developed by experienced specialists, allows us to learn more about the correct use of the resources available to the enterprise, to learn how to dynamically sell products for a long time.

The objectives of the marketing strategy are:

- a comprehensive study of the entire market;
- objective assessment of demand and needs;
- development of marketing strategy and development of methods that allow it to be implemented.

To plan a marketing strategy correctly, you need to clearly know some of the features:

1. Completing the formation of the marketing strategy, it is necessary to establish a number of general directions, according to which the enterprise should go further to strengthen and develop its business.
2. When choosing operational management decisions, the chief of the enterprise usually uses the complete information necessary in this case. When forming a marketing strategy, information should be used in a smaller amount.
3. Developing a marketing strategy, you do not need to exclude the possibility of new information and the need to change the decisions made. The initial goals of the mar-

keting strategy can be changed, adjusted, and these are normal phenomena characteristic of this process. The development of a marketing strategy from beginning to end should be cyclical.

4. The development of a marketing strategy can be accompanied by difficulties associated with transforming the solutions that have been obtained into digital benefits indicators. The evaluation system used can be adjusted. The basis is the total amount of spent finance.

There are several types of the marketing strategies known.

1. *The strategy of penetration to the market.* This marketing strategy is used by new companies that want to gain a foothold in the current market conditions. The strategy is also used by firms that have long established their positions in the market, now to take a number of unused and unexplored niches.
2. *Strategy of market development.* The strategy is used mainly to attract new customers. This goal of marketing strategy can be achieved by expanding the geography of product sales (geographic expansion strategy) or by attracting new client groups in the territory that has already been developed (the strategy of creating new markets).
3. *Development of a new product.* This marketing strategy is promising, but it is associated with certain risks. Before developing a new product / service, the company must be sure that there is a demand for the product. If there is no demand, its creation should be real. The company also has to assess the risks, reserves, competitiveness of product substitutes, issued by competing companies, comparing costs and expected profits.
4. *Power strategy.* This marketing strategy is used by medium and large companies. The strength of the companies applying that it is possible to increase the efficiency of production at a lower cost, in comparison with the process of producing goods in small batches that differ significantly from each other.
5. *Niche strategy.* It is used by specialized companies that produce non-standard, special products designed for specific customers. The firm can take high positions due to a certain category of customers will use irreplaceable, highly specialized goods.
6. *Adaptive strategy.* Here a large share belongs to the usual local range business. The marketing strategy is strong, since a small specialized enterprise is flexible, can better meet the small needs and needs of consumers in their volumes.

7. *Pioneer strategy.* Creates new segments or radically converts old ones. The goods are not just perfecting, but are looking for risky revolutionary solutions that are not always profitable even with a successful deal.

### 3.2 Marketing mix (4 Ps)

The marketing mix model or also the marketing complex is the main element of any business strategy. The model is simple and universal in use, and is a kind of check-list for the effective development of the product on the market.

Initially, the marketing complex consisted of four elements (4P), subsequently complicated and as a result went into the marketing mix of 5P and 7P (see picture 5).



**Figure 8:** Marketing mix (4 Ps)

The basic elements of "4P" are:

1. Product
2. Price
3. Place
4. Promotion

In various situations and industries, the following extensions occur:

5. Package

6. Purchase
7. People
8. Personnel
9. Process

In addition, the concept "4C" is also used, in which the emphasis is not so much on the product and its production, on the consumer himself and on the benefits, that he receives:

1. Consumer
2. Convenience
3. Cost
4. Communication

In addition, an alternative concept of "3C":

1. Company
2. Competitors
3. Clients

Initially the marketing mix included only 4 basic elements: the product, the price, the place of sale and the promotion of the goods. This marketing mix is called the base model 4P: product, price, place, promotion.

### **3.2.1 Product**

The product is what the company offers to the market and the consumer. The product can be either a physical product or a service. Product is the first, with which work begins on marketing mix. A successful product is always built on understanding and meeting the important needs of the target market.

Solutions that should be reflected in the marketing strategy at the "product" level:

- Symbolism of the brand: name, logo, corporate identity
- Product functionality is the necessary and unique properties of a product or service. In more details, the functionality of the product will help to understand the levels of the product - see Product

- The necessary level of product quality is from the point of view of the target market. The quality of the product must be built on the perception of consumers. (For example, for some consumers, the quality of bread is manifested through taste and smell, and for others, through the sort of wheat used to make bread.)
- Appearance of the product - style, design, packaging
- Variability or product range of the product
- Support and service level

### 3.2.2 Price

Price is an important element of the marketing mix, it effects the final profit from the sale of the goods. The price is determined based on the perceived value of the goods by the consumer, the cost of the product, the prices of competitors and the desired rate of return.

Solutions that can be reflected in the marketing strategy at the "price" level:

- Pricing strategy for entering the market
- Retail price - it is necessary to relate the selling price to the desired retail price, if the company is not the last link in the sales chain. (The selling price goes through a number of mark-ups before the target consumer reaches VAT, the margin of the wholesale link, the margin of the retail network, etc.)
- Pricing for various sales channels. Provides different price levels for different links of the sales chain, for different suppliers (for example, discounts for volume, bonuses for large wholesalers, etc.)
- Batch pricing provided for the simultaneous sale of several products of the company at a special price level
- Availability of seasonal discounts or promotions
- The policy regarding promo-events (conditions for granting discounts, maximum and minimum levels of discounts, the frequency of promotional events, etc.)
- The possibility of price discrimination

### 3.2.3 Place

The place of sale ensures the availability of the product for the target audience and means that the goods of the company must be present on the market in the right place (where the target consumer can see and buy it) at the right time (when the target consumer needs to buy it). In other words, the place of sale is the company's distribution model.

The decisions that can be reflected in the marketing strategy at the "place of sale" level:

- Markets on which it is planned to sell goods (including the strategy of geographical expansion)
- Distribution channels through which the goods are planned to be sold
- Type of distribution (exclusive, limited list of dealers or unlimited distribution)
- Terms of distribution of goods (discounts and bonuses for dealers, requirements for the laying out of goods for dealers and penalties, etc.)
- The conditions for laying out the goods and the laying rules (shelf level, target shelf share, number of facings on the shelf, duplication of facials, mandatory assortment, etc.)
- Inventory management and logistics (level of insurance stocks, requirements for expiration dates, etc.)

For a physical commodity distribution channels can be the following: hypermarkets, supermarkets, grocery stores near the house, markets, specialized stores; wholesalers or retailers; e-commerce; direct sales or network marketing; sale by catalogue, etc.)

### **3.2.4 Promotion**

In the context of marketing mix, promotion is understood as all marketing communications, which allow to attract the consumer's attention to the goods, to form knowledge about the product and its key characteristics, to form a need for purchase of goods and repeat purchases.

Promotion includes such marketing communications as: advertising, promotion in points of sales, search engine optimization, PR, direct marketing and others.

Solutions that can be reflected in the marketing strategy at the "promotion" level:

- Promotion strategy: pull or push
- The required marketing budget and SOV in the segment
- Target values of knowledge, consumption and brand loyalty among the target audience
- Participation in specialized events and shows
- Communication channels through which it is planned to contact the consumer
- Geography of communication
- PR strategy and event-marketing

- Brand Media Strategy
- Promo events during the year and promotions

## CONCLUSION

One of the objectives of the project was to determine the theory background for the business plan creation. After detailed research we can see that there should be a specific structure of a business plan for the clear understanding and easier perception.

In order to do the marketing research of the industry and competition on the market for the strategy development we will use some analytical tools as: Benchmarking, PESTLE analysis, SWOT analysis, Porter's five forces analysis and so on.

It is also important to create 4Ps during business plan development in order to create a vision of future business target audience and position on the market.

## **II. ANALYSIS**

## 4 ANALYSIS OF THE CATERING MARKET

The world market of public catering in recent years increasingly strive to develop a segment of healthy and vegetarian food, the largest turnover shows the large network facilities noted in the "World Food Market Survey."

As experts say, the main trend of the catering market this year can be called a gradual rejection of fatty and harmful food, and, consequently, a drop in the popularity of so-called fast-food establishments. Increasingly popular are the objects of fast food restaurant concept called fast-tailed - something between fast food and an ordinary restaurant.

If we talk about global trends, then this year there are several. Firstly, more and more popular in restaurants are recruiting dishes of their chicken meat and vegetarian dishes. Secondly, the segment of healthy food actively develops with the offer in restaurants of dishes from the germinated grains, for example, or the food prepared on pair. Thirdly, consumption of soups and drinks from fresh fruit is increasing. Another trend is the offer of bonuses to attract customers. Some restaurants as a gift increase the portion, some offer huge discounts for re-visiting their institution or for companies more than 3-4 people. The segment of premium class is actively developing - even fast food restaurants pay special attention to gourmets.

And finally, the latest trend is the rapid development of the fast-food restaurant concept, called fast-casual. This is a kind of transitional format between ordinary restaurants and fast food establishments. This segment includes sushi bars, and pizzerias and all kinds of restaurants of national cuisines, where they serve quickly, but the menu is varied and with a bias in healthy food.

According to experts, this format of catering establishments will become increasingly popular, gradually supplanting, replacing fast food establishments.

### 4.1 Analysis of catering market in Czech Republic

If we talk about the Czech catering market, then it is developing rapidly, according to a market review. Every year thousands of tourists coming to Czech Republic. According to Czech Statistical Office (CZSO), over 20 million people registered at tourist accommodations in the Czech Republic in 2017. This figure, which includes both domestic and international tourists, represents an increase of 9.1% compared with the previous year.

At the same time, there is a clear gradation in the Czech market - about half of its volume is divided between restaurants of different classes and cafes, the remaining half is for various kinds of coffee houses, canteens and snack bars. In regions, fast food restaurants are developing format - in the outback the fashion for healthy food has not yet reached.

It should be noted that there are still no clear requirements for the catering establishments type in Czech Republic. Therefore, usually the specialization of a catering establishment is determined based on its own positioning.

Given that public catering is traditionally considered one of the most profitable businesses around the world, in Czech Republic there is no shortage of foreign investors wishing to invest their money in the development of the restaurant business. Moreover, the presence of foreign investors on the Czech catering market is increasing year by year.

The Czechs mostly visit restaurants twice a day. First one is at noon for lunch, and the second is to celebrate something or meet with friends. Traditionally, Czechs eat the biggest meal of the day at noon and people working in the cities go to restaurants for lunch almost every day. Considering this fact most companies offer meal vouchers as additional benefits and almost all restaurants offer a daily menu, the cost of which is about 100 CZK.

Catering market in Czech Republic experienced quick growth after 2016 that is connected with growing GDP and lower unemployment. This situation led to an increase in consumers' confidence and motivated them to spend more on leisure. Also there was an increase in tourist coming to Czech Republic, especially to the capital city – Prague during last years (see table 1). And this number is keep on growing sharply. The highest amount of tourists are from: Germany, Slovakia, Poland and Russia.

Rank	Country	2015	2016	2017
	Total	8,686,726	9,288,013	10,175,963
1	 Germany	1,749,276	1,879,754	1,954,833
2	 Slovakia	564,496	645,788	688,490
3	 Poland	467,285	543,247	578,465
4	 Russia	432,768	406,410	551,191

5	 United States	507,376	511,629	539,023
6	 China	285,404	354,799	491,648
7	 United Kingdom	441,516	470,643	470,576
8	 South Korea	N/A	322,108	417,438
9	 Italy	371,686	368,851	392,861
10	 Austria	268,961	283,608	292,420

**Table 1:** Number of visitors coming to Czech Republic by nation

However, in as well 2016, there was the introduction of electronic evidence of income (EET), which was launched in December 2016 for most categories of consumers catering. Businesses had to invest in the purchase or modernization of cash registers and the establishment of Internet connections. The costs were significant for many small businesses, and the compensation in the form of VAT decreased to 15% for public catering products was not considered as receiving equal adjustments.

Mainly the major players on the market are remaining from fast food operators. Leading player on the Czech market is remaining McDonalds and AmRest group, both belongs to fast food area. However, the trend for health food is starting to increase on Czech market as well as it is already popular in some other countries. There are a lot of new restaurants as well as fast food positioning on healthy food mainly.

The independent restaurants also contributed strongly to the market growth during last years. However, during 2016 a lot of foodservices were closed due to law change with implementation of EET. Individual restaurants were more impacted by these changes as they typically have poorer infrastructure than chained ones and needed to take more investment.

Catering market of Czech Republic will keep on growing due to forecasts and consumers' willingness to spend money will drive this market.

## 4.2 Analysis of catering market in Prague

Prague catering market is developing very sharply. There always opening new restaurants and bars but the demand is still very high. If you will go to the restaurants in the evening

even during work days it is very high probability that all tables will be booked, especially in the popular places. What is making catering market attractive for foreign investors.

There is no clear establishment for catering requirements in Prague. There are a lot of different foodservice from the cheapest ones to the very expensive ones. But most of the restaurants and bars are oriented on the medium pricing. Considering that there is no particular type of the restaurant popular on the market, businessmen are trying to find the available niche for starting their business. However, we can highlight that franchising fast food is still having leading positions on the catering market.

As were already mentioned above there are some new modern trends that are getting popularity in Prague as well. One of these trends is healthy fresh food. There were some new Salad restaurant opened recently including: Green factory, Green Salad Day, UGO salaterie and so on. Another trend is so-called fast-casual that is mixed of fast food and restaurant. There are already some fast-casual food services in Prague like Running sushi.

The entry barriers on the market are not so high, that results in a big competition on the market.

### 4.3 Benchmarking

Benchmarking is the process of comparing activities with the best companies in the market and in the industry with the subsequent implementation of changes to achieve and maintain competitiveness. Benchmarking is joint or competitive. Various forms of social media are beginning to affect many business processes. In this sense, benchmarking is no exception.

For the restaurant business it is important to create a benchmarking of direct competitors who serves similar food and has similar positioning as yours, but also we should consider that there are also restaurant that can be a substitutes (indirect competitors).

#### 4.3.1 Direct competition

As our direct competitors we can consider restaurants that serve Ukrainian cuisine or/and other Slavic cuisine (including Russian, Slovak and so on.). The closest and most dangerous competitors for us are Loft No. 8, Havlíčkova restaurace, bistro Váleček and Restaurace Kompot.

1. *Loft No. 8*. Type of cuisine: Ukrainian, Mediterranean, Oriental. Average Cost: 500 Kč for two people (approx.) for dinner menu with alcohol, 240 Kč for two people

(approx.) for lunch menu, 30 Kč for a pint of beer (approx.). This restaurant has very good location in the city center on the touristic area. Also the service is on the high level, but the prices are higher comparing with other competitors. As we can see from table 2 Loft No. 8 is the best player on the market serving Ukrainian cuisine.

2. *Havlíčková restaurace*. They are serving Czech, Ukrainian, Russian and Slovak cuisine. Average Cost: 850 Kč for two people (approx.) for dinner menu with alcohol, 400 Kč for two people (approx.) for lunch menu, 38 Kč for a pint of beer (approx.). The prices in this restaurant are quite higher than in Loft but the service and food is not much better. It is located in the city center as well that gives an opportunity to target on tourists as well.
3. *Bistro Valeček*. Is not located in the city center and it is main advantage on the market low prices (approx. 420 Kč for two). However, they are not offering lunch menu and they can lose some customers during the lunch time as they can eat for the same price at the higher level restaurant.
4. *Restaurace Kompot*. Almost the same prices as in Loft but a bit higher. Location in the very populated area close to city center. And they are offering Russian, Ukrainian and also Italian cuisine.

Benchmarking (direct competition)					
	Our business	Loft No. 8	Havlíčková restaurace	bistro Váleček	Restaurace Kompot
Quality of service	6	8	7	5	7
Level of price	7	5	4	8	7
Communication	9	9	8	5	8
Locations	7	9	8	4	6
Brand	1	8	5	6	8
Marketing	9	8	6	5	8
Experience on the market	1	5	4	6	7
<b>Total</b>	<b>40</b>	<b>52</b>	<b>40</b>	<b>39</b>	<b>51</b>

**Table 2:** Benchmarking (direct competition)

After analyzing our direct competitors, we can see that the best players on the market are Loft No. 8 and Restaurace Kompot. We can say that they are quite similar in marketing strategy and positioning and both are very successful.

### 4.3.2 Indirect competition

To have a complex picture of the restaurant market in Prague we will analyze our indirect competitors. These restaurant has similar medium prices and are mostly located close to city center but they are having different cuisines.

Benchmarking (indirect competition)									
	Our business	Marina Grosseto Ristorante	Bruxx	Dish	Potrefená Husa	Pizza Coliseum	Planet Sushi	Kobe	T.G.I. Friday's
Quality of service	7	9	8	7	5	6	9	8	8
Level of price	7	4	5	6	7	7	5	5	7
Communication	9	7	7	8	8	8	6	7	6
Locations	5	8	7	6	9	9	7	9	8
Brand	1	8	7	5	9	9	7	6	9
Marketing	9	7	8	8	7	7	6	6	7
Experience on the market	1	6	7	4	8	8	5	6	7
<b>Total</b>	<b>39</b>	<b>49</b>	<b>49</b>	<b>44</b>	<b>53</b>	<b>54</b>	<b>45</b>	<b>47</b>	<b>52</b>

**Table 3:** Benchmarking (indirect competition)

As we can see from the table 3 the best players on the market are Pizza Coliseum and Potrefena Husa. Both restaurants have several locations in different city areas. First one is Italian restaurant and second one is mostly Czech and European cuisine. They got this position on the market mostly due to their big experience and multiple locations in popular city areas. Also they already got quite strong brand and are well-known in Prague and some other cities in Czech Republic.

## 4.4 PESTLE analysis

In order to understand external factors that may have an impact on our business we will develop PESTLE analysis. For the main factors will be taken: Migration, Internal political issues, Demand on restaurants, Economic situation, Inflation, Purchasing Power, Unemployment rate, Competitors, Catering market, Consumer confidence index, Employment law, General taxation issues, Trends on catering market, Population level, Consumer attitudes and opinions and Environmental policy.

As it was already mentioned the most common tool for determining the macro-environment factors that can affect your company is PESTLE analysis. It helps to identify and evaluate environmental factors in 6 categories: P – Political, E – Economical, S – Social-Culture, T – Technological, L – Legal and E – Environmental/Ecological.

We will evaluate a potential impact of each factor. It can be H – High, M – Medium and L – Low. Also will be determined a time frame of the particular factor's impact on the business. Time frame is divided as: 0-6 months, 6-12 months, 12-24 months and more than 24 months. As well will be identified the type of impact (positive, negative or stable). Also it will be identified if this impact is growing or decreasing or remaining the same. And finally we will find out the importance of this factor for our business.

PESTEL ANALYSIS						
PESTEL factor	Note	Potential impact	Implication			
			Time frame	Type	Impact	Relative importance
<b>POLITICAL FACTORS</b>						
Migration	The main countries imigratin are Ukraine, Slovakia, Vietnam, Poland, Russia, Germany, Moldova and Bulgaria in the year 2017. Total number of legal immigrants is about 493,441 as on December 2016. The number of illegal immigrants, mostly labour migrants, is estimated at between 40,000 and 350,000.	M	6 - 12	+	<	Critical importance
Internal political issues	Supporting energy saing technologies, improvement of information to cutomers.	L	24+	+	=	Unknown
<b>ECONOMIC FACTORS</b>						
Demand on restarants	Demand is rising sharply, mainly is due to improving economic conditions and growing purchasing power.	H	0 - 6	+	<	Critical importance
Economic situation	The Czech Republic has developed an advanced high-income social market economy and social policies that support a welfare state. Since the 1990s, the country has become the most stable and prosperous of the post-Communist states of Europe.	L	6 - 12	+	=	Unknown
Inflation	The avarage inflation rate in 2017 year - 2.45 %	L	24+	=	=	Un-important
Purchasing power	As of 2016, the Czech GDP per capita at purchasing power parity is \$32,622, and \$18,020 at nominal value.	M	6 - 12	+	<	Critical importance
Unemployment rate	As of July 2016, the unemployment rate in the Czech Republic was the second lowest in the EU.	M	12 - 24	+	=	Unknown
Competitors	There a lot of competitors on the market with big experience and strong marketing but demand is very high and low entry barriers gives an oportunity to enter the market.	M	6 - 12	=	>	Critical importance
Catering market	Cataring market in Czech Republic is developing repidly with a lot of new world trends. Market has a lot of players with almost equal market share as the entry barriers are not so high. The research shows that market is very profitable and atracts a lot of foreigners.	M	0 - 12	+	<	Critical importance
Consumer confidance index	Czech Republic Consumer Confidence Indicator is at a current level of 3.60, up from 1.80 last month and up from -0.90 one year ago. This is a change of 100.0% from last month and -500.0% from one year ago.	L	6 - 12	+	=	Unknown

General taxation issues	Personal income tax is paid by employees and small businesses or so called self-employers. The personal income tax rate is a flat rate of 15% (22% for incomes over c. 1.2 million Czech crowns). Employers are obliged to deduct tax advances under a payroll deduction scheme. Self-employers pay tax advances by themselves and file an income tax return every year to settle any differences between the amount due and amount advanced. It is possible to claim a tax exemption for a dependent child, dependent spouse etc. A joint tax return of married couple is not possible in the Czech Republic since 2008.	L	0 - 6	-	>	Unknown
<b>SOCIAL FACTORS</b>						
Trend in catering market	There are a lot of new world trends on the market and most popular in Czech Republic becoming: health food trend, vegetarian, fast-casual.	L	0 - 6	+	=	Unknown
Population level	With an estimated population of 10,623,897 at April 2018, compared to 9.3 million at the beginning of the 20th century.	L	12 - 24	+	=	Critical importance
Consumer attitudes and opinions	Czech consumers on catering market can be divided on the two parts: one is mostly eat healthy food or vegetarians and second one is that likes fast-food and fat food. First type is mostly immigrants and they are in minority, that is why it is more profitable to position on the second type of consumers. However, this year the trend on healthy food is growing more and more rapidly.	L	6 - 12	=	=	Unknown
<b>ENVIRONMENTAL FACTORS</b>						
Environmental policy	Protection and sustainable use of resources, Climate protection and improvement of ambient air quality, Protection of nature and landscape, Safe environment.	L	24+	=	=	Unimportant

**Table 4:** PESTLE analysis

### 4.5 SWOT analysis

SWOT-analysis is a method of strategic planning, which consists in revealing the factors of the internal and external environment of the organization and dividing them into four categories:

- Strengths,
- Weaknesses,
- Opportunities,
- Threats.

We will create our SWOT analysis based on Benchmarking and PESTEL analysis that were already developed. Benchmarking will be a source for Internal factors evaluation (IFE): Strength and Weaknesses. And PESTEL analysis will be a source for creating External factors evaluation (EFE): Opportunities and Threats.

#### 4.5.1 Internal factors evaluation (IFE)

In the table 5 is shown first part of SWOT analysis is Internal factors evaluation. We can see that among our Strengths are: first of all our Communication channels with customers that will be described in more details below; also we will put lower prices compare to our competitors – both, internal and external; as well we are planning to locate our restaurant closer to the city center that we can attract tourists as well; and our last strength is marketing as we are planning to invest more capital and efforts to the marketing in order to become more well-known on the market.

Regarding our weak sides, it is: quality of service as our competitors have well trained personnel and we cannot compete with them in the beginning, however it might change with the time as we will gain more experience; second weakness is our experience on the market as our competitors are operation on the catering market for several years already and most of them have several locations; and the last weakness is our brand because we are just entering the market and presenting us to the customers, but we should take into consideration that it will take time for the people to know about us.

<b>STRENGTHS</b>			
<b>Internal Factors</b>	<b>Weight</b>	<b>Rating</b>	<b>Total</b>
Communication	0.2	4	0.8
Level of price	0.1	3	0.3
Locations	0.05	3	0.15
Marketing	0.2	4	0.8
<b>WEAKNESSES</b>			
<b>Internal Factors</b>	<b>Weight</b>	<b>Rating</b>	<b>Total</b>
Quality of service	0.25	2	0.5
Experience on the market	0.05	1	0.05
Brand	0.15	1	0.15
<b>TOTAL SCORE</b>	<b>1</b>		<b>2.75</b>

**Table 5:** Internal factors evaluation (IFE)

#### 4.5.2 External factors evaluation (EFE)

The second part of SWOT analysis is External factors evaluation (EFE) that is result of PESTEL analysis. We can see our Opportunities and Threats in the table 6. Among the Opportunities that we can take to increase our Strengths and reduce Weaknesses are:

1. *Demand on the restaurants* in Prague is keep on growing rapidly and it is not fully satisfied.
2. *Migration*. The biggest group of immigrants in Prague are Ukrainians that is our main target audience as we will serve Ukrainian cuisine.
3. *Purchasing power* of the people is increasing and make them spend more and the leisure including restaurants.
4. *Unemployment rate* of Czech Republic is the lowest in Europe that also shows that more people will go to the restaurants as they have a job.
5. *Trend in catering market*. We can take an opportunity from new trends on the market and use them in planning the menu of our restaurant.
6. *Population level* is increasing that means there will be increase in demand.
7. *Internal political issues*. Czech Republic has stable political situation, however, it will not influence our business strongly, it is better for doing business in the country will stable political and economic situation.

On the other hands there are some Threats on the market described below:

1. *Employment law* is quite complicated that may cause and additional expenses for consultation with specialists.
2. *General taxation issues*. The taxes for entrepreneurs are quite high for doing business in Czech Republic compare to other countries in Europe.
3. *Competitors*. There are a lot of players on the market, however, the demand is very high and it reduces the threat of competition.

<b>OPPORTUNITIES</b>			
<b>External Factors</b>	<b>Weight</b>	<b>Rating</b>	<b>Total</b>
Demand on restaurants	0.15	4	0.6
Migration	0.08	3	0.24
Purchasing power	0.06	3	0.18
Unemployment rate	0.05	3	0.15
Trend in catering market	0.1	3	0.3
Inflation	0.03	2.5	0.075
Economic situation	0.1	4	0.4
Consumer confidence index	0.1	3	0.3
Cataring market	0.1	2.5	0.25

Trand in cataring market	0.02	2.5	0.05
Population level	0.05	3	0.15
Internal political issius	0.01	2.5	0.025
<b>THREATS</b>			
<b>External Factors</b>	<b>Weight</b>	<b>Rating</b>	<b>Total</b>
Employment law	0.02	2	0.04
General taxation issues	0.1	2	0.2
Competitors	0.05	1	0.05
<b>TOTAL SCORE</b>	<b>1</b>		<b>2.97</b>

**Table 6:** External factors evaluation (EFE)

#### 4.6 Porter's five forces

"Analysis of Porter's five forces" includes three forces of "horizontal" competition: the threat of substitutes, the threat of new entrants, industry rivalry; and two forces of "vertical" competition: bargaining power of suppliers and bargaining power of buyers.

##### *The threat of substitutes*

Taking for consideration catering market in Prague we can see that threat of substitutes is quite high as customers have big choice where to go. However, as we will serve Ukrainian cuisine and if our customer is intending to try Ukrainian food he will not have very big choice. But if the customer wants just to go to any restaurant the threat of substitution is very high.

##### *The threat of new entrants*

As was already mentioned the entry barriers are not so high that shows in the fact that there are a lot of players on the market and the threat of new entrants is very high. However, it does not mean in this case that it will negatively impact the business if there will be new player on the market. It will have strong influence in case of new entrant of our direct substitute (for example restaurant of Russian or Ukrainian cuisine) or it will have close location to ours.

*Industry rivalry*

Restaurant industry is quite competitive due to many players on the market, but if we considering huge flow of tourists the restaurants that are close to the sightseeing are having big advantage among others. We can say that industry rivalry in Prague is not very high in the city centre, however, in the areas that are far from city centre where there are a lot of tourists, it is very high. Restaurants in such areas should put more efforts to the marketing.

*Bargaining power of suppliers*

Bargaining power of suppliers is not very strong in the catering market as it does not require a lot of costs to switch from one supplier to another. The goal is to buy what is the best from each supplier and provide a good quality of food. Mostly supplier will be chosen according to the price it offers. However, some suppliers can have an advantage on that market. For example, the supplier of organic food as there are not so many similar suppliers.

*Bargaining power of buyers*

If the customers are more powerful, they tendency to bargain increases, especially the price sensitive customers, and as the result the prices might be forcefully reduced. Nowadays, customers are better informed about the offers and food quality due to internet and social media where they can check the reviews of the restaurant. That is why it is so important to put more efforts on the social media marketing, digital marketing, internet marketing and so on.

## 5 BUSINESS PLAN OF UKRAINIAN RESTAURANT IN PRAGUE

The idea is to open Ukrainian restaurant in Prague as there are not so many restaurants offering Ukrainian cuisine. However, there are a lot of immigrants from Ukraine.

### 5.1 Marketing Mix

#### *Product:*

Our product is the food and service that we provide to the customers of our restaurant. The restaurant will be called “Khutorianochka” and will be designed in Ukrainian style. All the waiters and waitresses will wear traditional Ukrainian dresses. The food will be from Ukrainian and Russian cuisine. The average cost for one person will be 250 CZK and during lunch 110 CZK.

#### *Price:*

The average cost for one person will be 250 CZK and during lunch 110 CZK. The average cost for the beer/soft drinks will be 30 CZK. It is medium Prague prices a bit lower than average. We will position ourselves as medium class restaurant.

#### *Place:*

For the location we will choose area around city center. It will be Prague 2 or Prague 4. The cost for the rent will be about 27 000 CZK per month.

#### *Promotion:*

We will promote our restaurant mostly on the social media, including: Facebook page, VKontakte page (popular social media among Russian speakers), Instagram page, Youtube channel and so on. Also, we will put an advertisement on the local TV and Radio.

### 5.2 Action Plan

According to IFE and EFE score, we can see that we have competitive advantage on real estate market, but our main threat is that there are already a lot of players on the market that have strong brands. We need to get the message across to people. We can choose aggressive strategy to achieve that. That means our first step will be to focus on advertisement.

For having a restaurant in Prague it is also important to find a good location as it can attract tourist to visit the restaurant as well. But as far as rent in the city center is too high, we will

find a location somewhere in Prague 2 or Prague 4. It is still a touristic area but the price for the rent is quite lower. We can choose one available place Vyšehradská St., Praha 2.



As were mentioned above the restaurant will be in Ukrainian style, serving traditional dishes from Ukrainian and Russian cuisine. We will make a point on that as there only restaurants on the market offering Ukrainian cuisine but they do not position themselves as traditional Ukrainian restaurant.



We also would like to make a paragraph with healthy meals from bio grocery considering the new trend of healthy lifestyle and healthy food. We will also offer a delivery of full day ration food for the people on the diet. All meals will be calculated with advised amount of calories and nutrition for the people on the diet. For this idea it will be necessary to hire a professional but I suggest this is a good idea as a lot of people who wants to loose weight does not have enough time to cook healthy food.

According to the pricing policy it will be targeting middle class category of people. The prices will be close to medium prices in Prague's restaurants. It will be 250 CZK per person for a meal.

Our target audience will be middle classed people, tourists, people who wants to eat healthy, Russian speakers (as we will offer their traditional meals).

In order to attract more clients we will do following steps:

1. Online promotion:
  - Social media promotion: create the page on Facebook, Instagram, Vkontakte, Odnoklassniki. We will post there news about our restaurant and upcoming events. Also we will be posting picture of the food and form the events. We will pay for the commercial on Facebook and Instagram that will be 3500 CZK per month.
  - We will create the website of our restaurant. Where we can also post some important information about upcoming events and posting interesting pictures.
  - Trip advisor. Strive to have positive reviews on Trip Advisor based on the quality of service, food and drinks.
  - Pay to google for premium lead, for the online searches to lead to our restaurant. (3000 CZK per month)
  - Food bloggers out search. Promote the restaurant through the food bloggers.
2. We will participate in food festivals that are often in Prague
3. Leaflets in the area where the restaurant will be placed. In order to inform the people leaving around and tourists about our restaurant. (500 CZK for leaflets).
4. We will place our menu at the entrance. In order people will be aware that we do not have very high prices in our restaurant.
5. Delivery. We will have a food delivery to the home or to the office and it will be free of charge if ordering on more than 500 CZK.
6. Organize national and traditional Ukrainian parties.
7. Negotiate with the offices provide them with special lunch offers.
8. Organize team-buildings or some celebrations for the companies.
9. Make special offers for the birthday's celebration and weddings.

## 6 FINANCIAL AND RISK ANALYSIS OF PROJECT IMPLEMENTATION

In order to identify if it will be profitable to open restaurant in Prague we need to make some calculation of costs and our sources of revenues. After we will calculate BEP of the project implementation and identify possible risks and how to avoid them.

### 6.1 Cost analysis and sources of revenue

First year we will have more costs than in the future as there some additional costs for purchasing equipment, dishes, clothes and so on.

We will be renting already fully equipped restaurant in order to spent less for the initial investment

Activities	Cost (CZK)
<b>Rent</b>	27 000
<b>Wages (for 5 waiters; 3 kitchen workers; 2 cleaning ladies; security; 2 administrators; marketing manager; accountant)</b>	300 000
<b>Taxes</b>	220 000
<b>Clothes, dishes, glasses, cups and so on</b>	30 000
<b>Utility costs + Internet</b>	8 000
<b>Legal consultancy</b>	5 000
<b>Grocery + Alcohol and Drinks</b>	30 000
<b>Marketing</b>	20 000
<b>Total</b>	<b>640 000</b>

**Table 7:** Costs for the first month

Activities	Cost (CZK)
<b>Rent</b>	27 000

<b>Wages (for 5 waiters; 3 kitchen workers; 2 cleaning ladies; security; 2 administrators; marketing manager; accountant)</b>	300 000
<b>Taxes + Insurance</b>	220 000
<b>Utility costs + Internet</b>	8 000
<b>Grocery + Alcohol and Drinks</b>	30 000
<b>Marketing</b>	10 000
<b>Total</b>	<b>595 000</b>

**Table 8:** Costs for the second month

According to the statistics in Prague we can say that during the first month we will have about 1200 visitors per month (40 per day), taking into account crowded location that is close to the city center. For the next months number of the visitors will grow due to our strong marketing campaign.

## 6.2 Breakeven point and ROI

The breakeven point is the time when the total costs and revenue are equal to each other. After this point, the company will be in profit.

Month	Cost	Revenue	Calculation	Profit/Loss	ROI
1	<b>640 000</b>	300 000	300 000 - <b>640 000</b>	-340 000	- 0,53
2	<b>595 000</b>	338 000	338 000 - <b>595 000</b>	-257 000	- 0,43
3	<b>595 000</b>	375 000	375 000 - <b>595 000</b>	-220 000	- 0,37
4	<b>595 000</b>	450 000	450 000 - <b>595 000</b>	-145 000	- 0,24
5	<b>595 000</b>	488 000	488 000 - <b>595 000</b>	-107 000	- 0,18
6	<b>595 000</b>	525 000	525 000 - <b>595 000</b>	-70 000	- 0,12
7	<b>595 000</b>	600 000	600 000 - <b>595 000</b>	5 000	0,008
8	<b>595 000</b>	638 000	638 000 - <b>595 000</b>	43 000	0,07
9	<b>595 000</b>	675 000	675 000 - <b>595 000</b>	80 000	0,13

<b>10</b>	<b>595 000</b>	715 000	715 000 - <b>595 000</b>	120 000	0,20
<b>11</b>	<b>595 000</b>	750 000	750 000 - <b>595 000</b>	155 000	0,26
<b>12</b>	<b>595 000</b>	800 000	800 000 - <b>595 000</b>	205 000	0,34
<b>total</b>	<b>7 185 000</b>	<b>6 654 000</b>		<b>-531 000</b>	<b>-0,07</b>

**Table 9:** BEP calculation

In order to be in profit we need to have around 80 visitors per day in average, considering that average bill is 250 CZK. However even if we see that after 7 months we will have a profit if we calculate it for the whole year we will be still in loss.

### 6.3. Risk analysis

Risk management is the process of making and executing management decisions, overcoming possible project consequences caused by its implementation.

Entrepreneurial activity is closely related to the notion of risk. For a successful existence on a market, the entrepreneur needs to decide on the introduction of technical innovations and on bold, non-trivial actions, and this increases the risk. Therefore, it is necessary to properly assess the degree of risk and be able to manage risk in order to achieve more effective results in the market.

In the table 10 I have evaluated the probabilities, importance, score and rating of the risks that may impact on restaurant business. The probability of each risk is from 0 to 1, where 0 means no probability and 1 is very high probability. Importance of the risk is evaluated from 1 to 4, where 1 is unimportant or very low importance, 2 is low importance, 3 – important and 4 means high importance.

<b>RISK</b>	<b>PROBABILITY</b>	<b>IMPORTANCE</b>	<b>SCORE</b>	<b>RATING</b>
Financial risk	0,5	3	1,5	5
<b>Legal risk</b>	<b>0,6</b>	<b>4</b>	<b>2,4</b>	<b>1</b>
<b>Increasing tax cost</b>	<b>0,4</b>	<b>4</b>	<b>1,6</b>	<b>4</b>
Increasing utility cost	0,3	2	0,6	10
<b>Unable to pay to suppliers</b>	<b>0,7</b>	<b>3</b>	<b>2,1</b>	<b>2</b>
<b>Bad reviews</b>	<b>0,7</b>	<b>3</b>	<b>2,1</b>	<b>2</b>

<b>Insufficient amount of customers per month</b>	<b>0,5</b>	<b>4</b>	<b>2,0</b>	<b>3</b>
Problems with electricity	0,5	2	1	7
Fire	0,3	3	0,9	8
Insufficient amount of grocery and supplies	0,6	1	0,6	10
Thefts	0,2	4	0,8	9
Dirty kitchen	0,4	3	1,2	6

**Table 10:** Risk analysis

The analysis of each risk and how to avoid them is shown below:

1. *Financial risk* means that there will be insufficient amount of capital to cover the costs. In order to avoid this risk, we should pay attention on the number of satisfied clients and on how to reduce costs by implementing new solutions and technologies.
2. *Legal risk* is the risk connected with law and legal aspects of the business. On the first stages of the business it will be necessary to consult with the lawyer to have all documentation in order to avoid such risk in the future.
3. *Increasing tax costs*. It can lead to the unexpected spends that can cause the losses and change in BEP. In order to avoid this risk there should be some planned budget for these unexpected costs.
4. *Increasing utility costs* is similar to previous risk as it will also lead to the same circumstances. And we can also avoid this risk by planning in advance some extra budget, but for long term perspective we can implement some energy saving technologies.
5. *Unable to pay to the suppliers*. Suppliers are very important aspect in our business as they are providing us with fresh grocery and drinks for our customers. We should make strong relationship with the suppliers negotiating the terms for us that will help us to avoid such risk. We can agree on special payment terms if we can get a discount and delay in payment and choose the best supplier who will provide the best conditions for us.
6. *Bad reviews*. You never can be 100 % secured from the bad reviews. The most important is not ignoring them, but answer to everyone. We need to show that we care

about our customers. Sometimes we can change the situation and convert bad reviews into positive ones and to show to people that we can solve the problem. In such cases bad reviews can be a benefit.

7. *Insufficient amount of customers per month.* It is very common situation for the beginning of business as it is still not known among customers. That is why it is important to launch strong marketing campaign in the beginning to let people know about us. This situation may occur also in decline, after some period of time, and it is very important to keep people interested in our service by creating some discounts, special offers, shows and so on.
8. *Problems with electricity.* It can always happen as a lot of electrical equipment is used on the kitchen. If this situation will happen we can create a special dish that can be served cold and cooked without electricity and put candles on the tables that can also transfer this situation to the beneficial for us.
9. *Fire.* It is common risk for most of the business but more probable for us as we are working with fire at the kitchen. To avoid problems with fire we should follow all the instructions given by state and create a safety program.
10. *Insufficient amount of grocery and supplies.* That can happen in two cases: if there is a high flow of customers, what is actually good for us but they can be unsatisfied if they will not be able to order some dishes from the menu.
11. *Thefts.* All thieves know that there is usually some cash at the restaurants. That is why it makes it attractive for them. We can avoid risk of robbery by implementing safety system with alarms.
12. *Dirty kitchen.* It is important to clean the kitchen at the restaurant everyday as it can lead to very serious problems as infection, rats or insects and so on. Avoid this risk is simply always keep the kitchen clean.

After analyzing the risks, we figured out that the most crucial for us are Legal risk, Increasing tax costs, if we are unable to pay to the suppliers, bad reviews and insufficient amount of customers per day.

## 7 SETTING WHOLE STRATEGY USING BALANCED SCORECARD METHOD

Balanced scorecard (BSC) is a tool for strategic performance management, a partially standardized form of reporting that allows managers to track the execution of tasks of employees, as well as the consequences of execution or non-performance.

The goal we would like to achieve is: to become the preferred choice of the customers when it comes to the restaurant selection in Prague.

In order to achieve this goal we will have to set small objectives in 4 areas:

1. Finance
2. Customer
3. Learning and growth
4. Processes

For the first, financial area we can set following objectives:

- Increase profit
- Reduce costs
- Higher turnover
- Minimization of cost for not satisfied customers
- Reduce business risk

For the perspective of the customers' satisfaction our objectives are:

- Higher market share
- Customers loyalty
- Faster service
- Customers satisfaction
- Attract more new customers

At the learning and growth area:

- Increase of workers' skills,
- Employees trained in foreign languages,
- Psychological skills.

And our objectives in the process improvement will be:

- Reduce number of customers in the queue

- Efficient time management
- Efficient operation

The development of BSC model is shown on the Scheme 9 below.

Finance		
Objectives	Activities	Scale
Increase profit	Increase number of the customers per day	Net Profit
Reduce costs	More efficient operations	Total cost
Higher turnover	Increase number of customers	Volume of satisfied clients
Minimization of cost for not satisfied customers	Customers satisfaction	Cost of not satisfied clients
Reduce business risk	Analysis of deals	Profitability

Learning and growth		
Objectives	Activities	Scale
Increase of workers' skills	Training	Number of trained staff
Employees trained in foreign languages	Language courses for employees	Number of trained workers in other languages
Psychological skills	Psychological training	Number of satisfied customers

Customer		
Objectives	Activities	Scale
Higher market share	Building brand awareness	Market share
Customers loyalty	Benefits for returned customers	Number of returned customers
Faster service	Implementation of efficient soft-wars	Average time in service
Customers satisfaction	Additional service	Number of positive feedbacks
Attract more new customers	Find new partners	Number of new customers

To become the preferred choice of the customers when it comes to the restaurant selection in Prague

Processes		
Objectives	Activities	Scale
Reduce number of customers in the queue	Train waiters	Number of customers in the queue
Efficient time management	Decrease time spend for each customer	Average time spend for each customer
Efficient operation	Implementation of ERP system	Time spend for each operation

Figure 9: BSC matrix

## CONCLUSION

The goal of the project was to develop clear business plan of the Ukrainian restaurant in Prague, Czech Republic. The tools that were used are: Benchmarking, PESTLE analysis, SWOT analysis (IFE and EFE), Porter's five forces, BSC analysis.

The marketing analysis showed that there are several new trends developing on the global market, that are slowly penetrating Czech Republic and especially Prague. These main trends are healthy food and fast-casual. However, the strongest leaders on the market are still from fast food providers.

The marketing research also showed that, although, there are a lot of players on the market and some of restaurants are offering Ukrainian cuisine, but there is no specialized Ukrainian restaurant that is opening a niche for us.

In order to be successful, we need to creating strong marketing campaign not to attract only tourists but also people who are constantly leaving in Prague. We will need to have about 60 customers per day in order to be in profitable. However, I think it is real number due our location at the sightseen area.

There are also planned some actions to be made in the marketing strategy in order to be known among Prague citizens. Also the detailed vision of the restaurant design is formulated together with target group and positioning on the market.

The project was also submitted to cost and risk analysis, Breakeven Point was calculated as well and it shows that restaurant will start to give profit after 7 month.

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## LIST OF ABBREVIATIONS

AMA	American Marketing Association
BSC	Balanced Scorecard
BEP	Breakeven point
CZK	Czech Crowns
EUR	euro
KPI	Key Performance Indicators
SWOT	Strength Weaknesses Opportunities and Threats
PESTEL	Political, Economic, Social, Technological, Legal, Environmental

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## **APPENDICES**

Appendix I: HOUSEHOLD EXPENDITURE ON CATERING SERVICES IN CZECH REPUBLIC FROM 2006 TO 2015, BASED ON VOLUME (IN MILLION EUROS)

**APPENDIX P I: HOUSEHOLD EXPENDITURE ON CATERING SERVICES IN CZECH REPUBLIC FROM 2006 TO 2015, BASED ON VOLUME (IN MILLION EUROS)**

