

# **A Business Plan for the Cafe Pet Friend**

Simona Zelinová

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**Jméno a příjmení: Simona Zelinová**  
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**Ing. Jiří Dokulil**

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doc. Ing. Anežka Lengálová, Ph.D.  
*děkanka*



Mgr. Libor Marek, Ph.D.  
*ředitel ústavu*

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## **ABSTRAKT**

Bakalářská práce se zabývá zpracováním podnikatelského plánu pro kavárnu Pet Friend. Tato práce má dvě části a to teoretickou a praktickou. Teoretická část pojednává o teorii podnikání a sestavení podnikatelského plánu. Praktická část se zaměřuje na vypracování samotného podnikatelského plánu a zhodnocuje, zda je projekt realizovatelný.

Klíčová slova: podnikání, podnikatelský plán, kavárna, realizovatelnost

## **ABSTRACT**

The bachelor's thesis is focused on elaboration of the business plan for Pet Friend Cafe. Thesis has theoretical and analytical part. Theoretical part focus on theory of entrepreneurship and business plan. Practical part focus on elaboration of business plan and evaluates the feasibility of the business plan.

Keywords: entrepreneurship, business plan, cafe, feasibility

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

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## INTRODUCTION

I have chosen a business plan for cafe as my Bachelor thesis topic. I chose this topic because I like visiting new cafes in but unfortunately many of them are not open for dogs. The idea of free animal entry cafe came to my mind when I visited Cafe La Micina in Kroměříž. The Cafe has cats around and visitors may pet them if they want to. There is no place like this in Zlín and as big lover of dogs I would be glad to have this kind of place in town. The concept is not the same, there will not be puppies in Pet Friend Cafe but visitors may sit inside with their dog. Cafe has offer for dogs and interior is adjusted for dogs as well. The purpose of Pet Friend Cafe is to fill niche on market in Zlín. According to popularity of cat cafes in other towns, dog cafe is great opportunity and alternative to anyone who is allergic to cats or just want to experience something new. Although the concept is not the same, there are no puppies inside, cafe can offer treats and playground for dogs.

The objective of bachelor thesis is to compile a business plan for new cafe and evaluate feasibility of new business in Czech environment.

The Bachelor thesis has two parts – theoretical and analytical. Theoretical part focus on business environment and describes position of entrepreneur in Czech Republic. Second half of theoretical part deals with theory of business plan, it's structure and analyses which will be use in analytical part. Analytical part focus on author's business plan for cafe. Business plan is created by author's ideas and thoughts which were acquired while creating theoretical part. In the end author summarize bachelor thesis and state if the business plan may be successful or not.

## **I. THEORY**

## 1 BUSINESS ENVIRONMENT

The businesses can be differentiated in term of their size, type, legal status and other features. One thing which they have in common is that all businesses are focusing on same activity and that is transformation of inputs (finance, material, labour) to outputs (goods and services) which are needed by customers (Worthington, Britton 2009, 4). Businesses had mainly economical function in their beginnings. As a fundamental unit of modern world businesses were the source of jobs, centre of production and tax payers. Business created economic value and its innovations affected whole society. Countries without thriving businesses were and be poor. Businesses change society in many other aspects. Televisions and radios changed consumer life and increased the productivity of labour – working hours moved downwards. Thanks to technical innovations series assembly-line production started and because prices went down, articles started to be a part of people's life. The influence and social status make them important political subjects – they are employers but also tax payers. Some of these businesses had significant social status because of their job – e.g. matter of state defence (Geršlová 2012, 18-21).

Organizations can serve as a source of capital equipment or basic materials for another company. So-called transformation system shows, that outputs of one organization can be an input for another. That shows how complex whole business environment is and that opulence of one company is linked with another (Worthington, Britton 2009, 4-5).

### 1.1 Entrepreneurship

The enterprises can be considered as a driving force of the national economy. They offer goods and services for the customers and they are also important source of economic and social development. Business activities in Czech Republic have long history. Very first step was in 13<sup>th</sup> and 14<sup>th</sup> century. In this period craftsmen united themselves into guilds and some of them lasted until 19<sup>th</sup> century. Czechoslovak republic was one of the most developed industrial countries in the world until World War II. Then decline in business activity occurred, followed by liquidation of private small and medium enterprises Even though Czech economy took a long path from a centrally-planned economy to a market economy there are still barriers obstructing development of business activities which have not been overcome yet. The stabilization of business environment in Czech Republic has not been finished yet (Malach 2005, 492-495).

## 1.2 Entrepreneur

The point of entrepreneurship is to create new values which can be non-financial or financial form. For successful business is important the attitude of the person and also the knowledge of the processes which occurs in business. There is no “entrepreneur gen”– everything depends on the ability to learn and be eager for the business. We cannot learn the attitude for business, our opinions are shaped by our experiences. Even though we can learn about business, we must be eager for it to do it right. The knowledge of the processes is described in lot of publications and we can learn how to establish our company or how to analyze the market. The vision that entrepreneur is his own boss is also wrong. Even though we own the business there is another boss – our customers. If we do not satisfy their needs, our company can fall short of the profit. The entrepreneur applies enterprising approach and his social status is legally defined in Business register. (Srpová, Řehoř 2010, 19-21). The right to start a business is in Czech Republic protected by Charter of Fundamental Rights and Freedoms (Veber, Srpová et. al. 2005, 65). Specific legislation can be found in

- Civil Code
- Labour Code
- Business Corporation Act
- Trade Licencing Act (zacatek-podnikani.cz 2016).

### Starting an Enterprise

The 455/1991 Coll. says that any natural person who fulfill the general conditions may start a business. The conditions are:

- minimum age of 18 years,
- integrity,
- legal capacity (mpo.cz 2019).

The entrepreneurship is in the act 455/1991 Coll. defined as systematic activity pursued independently, in one’s name and on one’s account conducted for the purpose of earning profits and pursued under the terms and conditions (mpo.cz 2019).

That means:

- **systematic activity** – business must be done regularly, not occasionally
- **pursued independently** - natural person act personally and determine location of business and working hours, legal person act via executives
- **in one’s name** – natural person does his legal acts by his name and surname, legal person by company’s name
- **on one’s account for the purpose of earning profits** – business must be done with intention of profit

- **on one's responsibility** – natural person or legal person carries all risk for outcome of its business (Srpková, Řehoř 2010, 20).

An entrepreneur is a person who is registered in commercial register. It can be also the person who is authorized to conduct his business activities on the basis of trade or another licence under another statute (zakonyprolidi.cz 2019).

### **Trade Certificate**

While pursuing the trade certificate a person must notify the Trades Licensing Office appropriate to the residential address of natural person. The person must provide information about

- Personal data
- Name, scope and location of business
- Identification number (if there has been any).

Natural person must prove professional qualification, extract from judicial register, and extract from the criminal record. If the person meets all requirement, the trade certificate is issued within 15 days of the date of receipt (mpo.cz 2019).

### **Termination of a Trade**

According to Trade Licencing Act trade expires

- On entrepreneur death
- By cessation of existence of a legal person
- By expiry of period of time (if authorization was issued for certain period of time)
- If it is stipulated in a special law.

If entrepreneur wants to cancel business on his own initiative, he has to

- deliver application for annulment of trade license to Trade Licensing Office
- deliver tax return to Tax Office
- notify insurance company and Czech Social Security Administration.

Notice period for entrepreneur is 2 months if he has employees and redundancy payment three times the salary. The trade is canceled when application for annulment come into force (ipodnikatel 2011).

## 2 TYPES OF BUSINESSES

Businesses can be classified by size, legal status, sector or type of industry (Worthington, Britton 2009, 238). There are factors which affects establishment of new company and entrepreneur perceive just factors which affects his business in negative way for example market situation or business partners (Zemánek, Konečný 2012, 39-41).

### 2.1 Business of a Natural Person

The simplest and most popular form of business for those who wants to be their own boss and decide to turn their dream into a reality. Individual decides on the type for service or goods he/she wants to produce, what capital is needed, what is target market and many other aspects which must be considered while establishing enterprise. All profit accumulated from business belongs only to the owner. The losses from business are responsibility of the sole trades who has unlimited personal liability for debts of his/her business (Worthington, Britton 2009, 328). Entrepreneur do not need any initial capital and he has free hand in decision making process (Veber, Srpová et al. 2005, 68).

Business of a natural person is owned by one person. This type of business is mostly in the form of trade, in Czech language “živnost” (Synek 2015, 80). The Trade Licensing Act divides them into

- **Trades liable to notification** – based on notification if specified terms and conditions are met
- **Licensed trades** – based on a trade license (mpo.cz 2019).

The Act 455/1991 Coll. continues with classification of trades to notifiable trades considering

- **Crafts** – professional qualification is proven by a certificate of apprenticeship or another document which certifies completion of apprentice training or a document confirming completion of three years’ practical experience in trade.
- **Regulated trades** – professional qualification is regulated by special regulations.
- **Unregulated trades** – there are no professional or other qualifications required.

Another classification of trades by trading activities is

- **Commercial trades** - Commercial trades are considered as purchase and sale of goods to end customer or resale to wholesale or catering activities. An entrepreneur is allowed to lease goods, to sell goods which does not require trade license and other practices mentioned in Article 34.
- **Manufacturing trades** - This trade is based upon trade authorization and entrepreneur has right to sell and repair the products if the nature of the trade is maintained,

to make machinery intended for manufacturing of final product or pursue a series of services which are related to provision of production of the final product.

- **Service-rendering trades** - Service is considered are maintenance and repair of items and other performances which are aimed to satisfy other needs. An entrepreneur offering services is authorized to provide snacks and non-alcoholic drinks if it is intended for direct consumption at the spot. (mpo.cz 2019).

The annual overview of entrepreneurs and trade licenses shows that in the end of 2018 there were in Czech Republic 3 743 413 trade licenses (mpo.cz 2019). Another overview on the website of Ministry of Industry and Trade is number of trade licenses according to professions in regions. In the end of year 2018 there were in Zlín region 194 215 trade licenses compared to Prague region with total 737 709 trade licenses (mpo.cz 2019).

## 2.2 Business of a Legal Entity

Typical feature of business of a legal entity is that there are one or more partners whom take part in the business. There are two types of business in Czech Republic and that is partnerships and capital companies (Synek 2015, 82).

### Partnerships

There are two types of partnerships and that is general partnership and limited partnership. Businesses are owned by one or more person and law assumes their personal involvement into business. The advantage of partnership over business of natural person is better access of capital (Mulačová, Mulač et al. 2013, 30-31).

#### *General Partnership*

This type of private company is owned by two partners, whom run the business with one name and part of this name have to be “veřejná obchodní společnost” or shortcut “v.o.s., alternatively “veř. obch. spol”. The company must be register at Business Register. Partners put money and other non-financial investment into the company and they are responsible for company’s liability with all their assets (Synek 2015, 81-82).

#### *Limited Partnership*

This type of company has legal form where is one or more partners responsible for liabilities of the business up to their contribution – so called limited partners, in Czech language “komanditista”. One or more partners are liable with all of the assets – so called general partners, in Czech language “komplementář”. The name of the business must have

“komanditní společnost” alternatively “k. s.” in its name (Srpková, Řehoř 2010, 72). Limited partners must contribute with 5000 Czech crowns in minimum and they cannot get out of the business (Srpková, Řehoř 2010, 74).

### **Capital companies**

The main difference between partnership and capital company is that capital companies' partners are liable only for their investments, not like partners of private companies. There are two types of capital companies in Czech Republic and that is Limited Liability Company and Joint Stock Company (Synek 2015, 82).

#### *Limited liability company*

First limited liability companies were established in 20<sup>th</sup> century – first law is from 1906. The company can be established by one or more natural or legal persons. The company must be registered at Business register with trademark “spol. s r. o.” or “s. r. o.”. The company is responsible for its liabilities with all assets; partners are responsible just into their amount of money they invested into the company (Synek 2015, 82). The minimum amount of contribution is 1 CZK unless the memorandum of association stipulates a higher amount. There can be different amount of contribution depending on different business shares (zakonyprolidi.cz 2019).

#### *Joint Stock Company*

A company whose registered capital is apportioned among a certain number of shares. The establishing requires the adoption of its articles of association and the person who adopted them is the founder. The registered capital must be at least 2000000 Czech crowns or 80 000 euros and in trade name must be included “akciová společnost” or “akc. spol” or “a.s.” (zakonyprolidi.cz 2019). Big disadvantage is that the process of establishment is more complicated, stock owners lack interest in the company, the state controls accounting books and the company is subject of taxation – firstly income tax and later the dividend tax (Synek 2015, 82-83).

#### *Cooperative*

The cooperative is a community of at least 3 persons which is established for the purpose of mutual support of its members or third parties or for the purpose of doing business. The trade name must include the word “družstvo”. A cooperative must set up a notice board. It

must be accessible to all members in registered office. Every cooperative must have these bodies: the members' meeting, the board of directors and an auditing committee (zakonyprolidi.cz 2019).

### **2.3 Other types of businesses**

There are other types of business organizations which have a legal aspect and that is franchising, licensing and joint venture (Worthington, Britton 2009, 261).

#### **Franchising**

Franchising is a pact where franchiser sells the right to the franchisee to market its product or service. Both of the sides have separate legal identity but the nature of the contract between them makes the relationship independent. Most known form of franchising is the "trade name franchise" where franchisee gets the help in a form of franchise package containing all the elements needed to set up and run a business plus, franchiser allows to sell the product or service. In exchange the franchisee gets brand name, promotional material and other types of support (e.g. Burger King). Another form of franchise is manufacturer/retailer (e.g. car dealers), manufacturer/wholesaler (e.g. Pepsi) and wholesaler/retailer franchise (Worthington, Britton 2009, 261).

#### **Licensing**

Licensing is non-equity agreement under which licensor in one country authorizes the licensee in another country to use its intellectual property (e.g. patent, know-how...). License right can be non-exclusive or exclusive and can be granted to government agencies, multinational companies alternatively individuals. Considering the threads of licenses, there is a possibility that licensee will dominate the market after the agreement ends or the owner loses the control over the production which can affect sales and product image. (Worthington, Britton 2009, 262).

#### **Joint Venture**

Joint venture is established by partners from similar business field in order to strengthen their position on market or to create new product or service without merging those businesses together. Both sides share their know-how, revenue and loss. This partnership exists for a particular period of time with specific objective. After meeting the objectives joint venture ends (managementmania.com 2015).

### 3 BUSINESS PLAN

Business plan is written document compiled by entrepreneur containing all important external and internal factors which are connected with entrepreneurship (Srpová, Řehoř 2010, 59). Main users of business plan are owners of business, managers (runs the business) and potential investors. Business plan helps us compare our plan with reality and if it differs, identify where, why and in what scale. It helps with planning of costs and get better terms from suppliers (Koráb 2007, 13-21). Business plan helps us get money from investors or on the other hand helps us to decide to proceed or stop. If there are analysis which shows that the idea will not work, we will be able to avoid starting the business (McKeever 2012, 9.) Business plan represents first image of our business to banks and investors. This document must persuade our grantors – by content and the way it is compiled (Wupperfeld 2003, 14). While compiling the business plan we should comply these principles:

- **comprehensive and brief**
- **innovative** – showing added value for the customer
- **logical and well-arranged**
- **truthful and real**
- **respecting risks** (Srpová, Řehoř 2010, 59).

The core of business plan are formulations of the business perspective, opportunities of development and risk expectations. The concept must be realistic and coherent, product should have unique selling proposition and the market should be big enough for our product (Wupperfeld 2003, 12).

Business plan is often judged by the way author express himself, therefore the plan should

- Keep the language simple
- Use adjectives wisely
- Tabulate wherever it is appropriate (Blackwell 2017, 5).

There are four aspects which must be covered if we want our business plan to succeed. It must properly show that

- The sufficient market exists
- The management is capable and sturdy
- The product or service is proper
- The finances are appropriate to meet requirements (Blackwell 2017, 161).

### 3.1 The Structure of the Business Plan

The structure of business plan will vary from business to business. According to Abrahams (2014, 51) basic structure is:

- The Executive Summary
- Company Description
- Industry Analysis and Trends
- Target Market
- The Competition
- Strategic Position and Risk Assessment
- Marketing Plan and Sales Strategy
- Operations
- Management and Organization
- The Financials
- The Appendix.

Although the content of business plan is individual for each business there are attributes which should be covered in every business plan. The attributes form universal base of business plans and refer to information about company, financial aspects and other business intentions (Zemánek, Konečný 2012, 42).

#### 3.1.1 The Executive Summary

The Summary is most important part and persuades the reader to spend his time on the business plan. It gives an opportunity to understand better our concept and whether or not read our plan. We must let the reader know that basic business concept makes sense, a clear-cut market exists, our projections are realistic and that the management is capable (Abrahams, 2014 54-55). Summary represents an abstract of whole business plan. The reads should get all information in short and concise form (Koráb 2007, 75). The summary is at the beginning of the plan but is written last. We must explain ourselves, the team and background, why it will succeed and other aspect. Whatever the key points are, they must be in the summary. The brief outline is:

- The business,
- The team,
- The proposal,
- Why it will succeed,
- Major risks and their minimising,
- What we want from the reader (Finch 2010, 23-24).

There are two types of summary – the synopsis summary or the narrative summary. The synopsis summary covers briefly all aspects of business plan. It is easy to prepare but it tends

to be rather dry. Furthermore, it tells what we ask in the way of financing. The narrative summary is about telling the story, communicating the necessary information. It is useful for businesses with new product or new operational techniques which need an explanation. We may place the topics in any order that will show our company in best way possible (Abrahams, 2014 55-56).

### 3.1.2 Company Description

The aim of this chapter is to convey information about legal status, ownership or product and services. However, it can be simple there are some issues which requires thinking and planning. The most challenging is to develop a “mission statement”, which describes goals and objectives of our company. These topics should be discussed in this chapter of business plan (Adams 68-70).

#### *Company name*

While choosing the name we should think about what we want to communicate. Choosing right business name can be complicated and the more the name communicates to customer about the business the less we have to explain it. We should keep in mind that people like words which they understand or familiar name that brings up nice memories to them over made-up word an. The name of company should attract the kind of customer we would like to see in our business (entrepreneur.com 2019).

There is number of different “names” associated with business such as

- Own name
- Company name
- Subsidiary company name
- Domain name.

The number of names depend on kinds of businesses we are in or how we interact with the public. Name should meet our current need and should be flexible over years. Company’s competitive advantage can be that company has a legal right to website name and that it has secured the rights to the name (Abrahams 2014, 68-70).

#### *Statement of Mission*

Mission statement reflects company’s special niche and indicates what company is to employees, customers and others (entrepreneur.com 2003). Statement defines concept of business and we should summarize company’s philosophy and objectives in few sentences (Abrahams 2014, 70).

### *Legal Issues*

One of legal issues is the type of legal entity we choose for the business. It is often a sole proprietorship or a partnership. There are other legal issues to address in business plan e.g. trademarks, patent, copyrights or licensing (Abrahams 2014, 71).

### *Products and Services*

This chapter focus on description of the products and services which company offers (Abrahams 2014, 74). We should describe how our products or services differs from competition and if we are introducing new product or service, we have to describe them in detail otherwise readers may not be able to evaluate the business. This chapter should also cover every patent of trademark which company has (inc.com 2015).

### *Management*

Management part of business plan is one of most important factors which are used for evaluation of new business. This part should cover roles of each person in business and what is their role. It will help readers and author of business plan to evaluate the skills, experience and resources which management team needs (inc.com 2015).

### *Business Location*

If we did not secure yet business location, we can indicate general position of company. We should describe the location of headquarters and geographical are in which company serves (Abrahams 2014, 75).

### *Development Stage*

Development stage identify the accomplishments of the company. Starts with the date of company's founding and continues with indication of development – a seed company, a start-up etc. In this chapter we should identify how far our plans progressed (Abrahams 2014, 75-79)

### *Financial Status*

There are three parts of financial statement – income statement, balance sheet and cash flow. The income statement shows if we are making money and we need to gather data about gross revenue, sales and expenses. If it is a start-up company, we should find a statistic about businesses within our industry. Balance sheet helps investor to see what company owns and

what is the company worth. Cash flow monitors the flow of cash over certain period of time and shows how much money we have at the moment. There are two methods of cash flow, one focus on in and out cash of company and the other on how the funds are spent (entrepreneur.com 2019). The information about loans, investment or funding seeking should be covered in this chapter too (Abrahams 2014, 79).

### 3.1.3 Target Market

We need to identify the particular market segments we want to reach. These segments give us specific characteristics which identify our target market and definition of our target must fulfil these criteria:

- **Reachable** – definition and size must lead to effective and affordable ways to market to potential customer
- **Sizable** – large enough so business is profitable
- **Meaningful** – characteristics must relate to the decision to purchase
- **Definable** – specific characteristics which identify what potential customers have in common (Abrahams 2014, 105).

Market can be segmented in many ways, dividing market into groups of buyers who shares same attitude or pattern of behaviour. Businesses can focus their marketing efforts more effectively and efficiently if they segment their market (Worthington, Britton 2009, 151).

Market can be segmented by

- *Demographic Description* – basic, objective aspect of customer base. It is a definition of target market which relate to need, interest and ability of customer to purchase the product or service. This is useful when devising the marketing plan (Abrahams 2014, 105).
- *Geographic Description* – definition of primary geographic areas we intend to serve. It should be as concrete as possible and should indicate a particular city, region or country of the market. Also, we must identify the density of the area and the location e.g. mall (Abrahams 2014, 106).
- *Psychographic Description* – definition of current or previous customers by their interests, values, beliefs and other factors. It is a way to market same product to customer who otherwise seem very heterogeneous. It is analysis and grouping of different psychographic features every customer has (directivegroup.com 2019).

Abrahams (2018, 111) also mentions another two types of description:

- *Buying Sensitivities Description* – factors which are important for customer during buying process;
- *Purchasing Pattern Description* – particular buying patterns of customer (Abrahams 2014, 111).

The size of market determines the potential revenue generated by business. The implication of market size includes profitability, competitive advantage, consumer behaviour trends and business strategy (fieldboom.com). Market can be divided into two categories:

- *The addressable market* – the total revenue opportunity
- *The available market* – portion of addressable market for which we can compete (entrepreneur.com 2016).

### 3.1.4 The Competition

Honest evaluation of company can help us with giving the investors a sense of company's strengths. The analysis of competition helps us understand customer's needs (Abrahams 2014, 122).

The competition is considered every business which distributes same good or service to customer as our business. Their strengths and weaknesses should be analysed and evaluated by their profit, revenue and market share. Besides them there are other competitors which do not exist in present but might be competitors in the future (Wupperfeld 2003, 72). Important are competitors that control large percentage of market sales. They are defining standard features of product or service, influence the perception of customer and dedicate resources to maintain their market share. Their products may not have best price however they are important part of analysis. Competition can be intense in the future and company should be prepared for new competitors which will enter market (Abrahams 2014, 129-132).

### 3.1.5 Marketing Plan and Sales Strategy

Marketing covers every activity needed to reach permanent competitive advantage perceived by customer. Company needs good marketing concept because it will influence the future of business and only products and services developed by need of customer are successful on market. Whole business communication should be professional and should show features of products in best way possible while persuading customer to buy it. But marketing is not just about advertisement it is mental attitude which was created through competition surplus of demand and lack of customers (Wupperfeld 2003, 75).

Marketing plan must define

- Concept of awareness of our product or service
- The message which we want to convey about our product, service or company to our customers
- Methods of message delivery and its reinforcement
- Security of actual sales.

Although marketing and sales are connected, they are different activities. Marketing is about customer awareness and delivering the message while sales are direct action to obtain customer orders, moreover sales focus on telemarketing or ecommerce sales (Abrahams 2014, 158).

Sales strategy should describe two main components of sales system – the sales force and the sales process. Sales force are the people who come to direct contact with customer and determines whether the customer will purchase our product or service or not. These members are the sales team and we must plan how to use their skills and time efficiently. We should keep in mind how we will continue to motivate, train and supervise our sales force. Sale process identify the techniques used in presentations and project the level of results expected from sales force (Abrahams 2014, 175-176).

### **3.1.6 Operational Structure**

Chapter called operational structure explains everyday function of the company. The aim is to show that we understand operational necessities of our business and that business achieves maximum efficiency at the least cost (Abrahams 2014, 190-211). Therefore, this chapter includes information about location and accessibility for customers and suppliers (entrepreneurinsight.com.my 2019), as well as costs of utilities, production and its quality (Abrahams 2014, 194-195). Finch (2010, 61) claims that essential is to provide information about organizational structure and how whole organization works together. Last aspect we should pay attention to is financial control and contingency plan which do not have to be in business plan but it is an advantage to company's future (Abrahams 2014, 207-209).

### **3.1.7 Financial Analysis**

Primary function of financial analysis is to evaluate overall performance of the company. It is universally used technique for enterprises and proves that business plan is from economic point of view objective (Mulačová, Mulač et al. 2013, 147). According to Finch (2010, 90) there are parts which should be covered in financial part. Those parts are:

- Income statement,
- Cash flow,
- Ballance sheet.

Income statement indicates profit and costs of the company and refers to a certain period of time. According to law it is necessary for financial statement (idponikatel.cz 2012).

Cash flow is fundamental for liquidity management of the company and represents money which are in certain period of time in company. Main role of cash flow is to identify causes of changes in funds. There are three types of cash flow:

- Operating,
- Investment,
- Financing (Procházková, Jelínková 2018, 104-105).

Balance sheet is a statement of liabilities and assets of business (Finch 2010, 100). Balance sheet must balance as Finch (2010, 102) claims, the assets of the business must be completely financed by shareholders' funds and by borrowing. It provides information about economic and financial situation of company and about capital from which the assets were paid. Balance sheet is fundamental accounting statement and enable to find out if value of assets increases or not (Sedláček, 2003, 33-35).

### 3.1.8 Risk Evaluation

According to Finch (2010, 109) insertion of assumptions about risks in business plan raises that we are aware that there are risks to business plan. If we will pretend that there are no risks to business plan investors or business partners will not take business plan seriously. There are ways of dealing with risk, we can:

- Show that probability of something happening is small,
- Show that impact of event would not damage the business seriously.

Finch (2010, 110) states that are four types of risks in general and that

- Sales are low
- Margins are low
- Costs are high
- Major operational problem occurs.

According to Abrahams (2018, 148) some risks are more important to different investors or to founder. Those risks are

- **Market risks** – there is no real market for product/service or market is not ready yet for it
- **Competitive risks** – new competitors on market
- **Technology risks** – depends on nature of the company, can be critical or unimportant
- **Product risks** – product will not be finished in time
- **Execution risks** – management is not sufficient enough to manage the growth and rollout
- **Capitalization risks** – underestimation costs or overestimated income (Abrahams 2014, 149).

### 3.1.9 The Appendices

Business plan may have detailed evidence to support it. We should consider whether the evidence needs to be included or not. If it could be significant to credibility, appendices should be in separated bound document.

The data which should be included in appendices are:

- Copies of patents
- Copies of leases
- Accounts in detail
- CVs
- Product brochures
- Technical description

Detailed data or evidence should not be in plan itself, it disrupts the story and makes document boring. Instead of it we should summarise what evidence says and refer to it (Finch 2010, 20-21).

## 4 ANALYSES USED IN BUSINESS PLAN

Every analysis used in business plan should provide only facts which are needed for formulation of business strategy (Červený et. al. 2014, 45). For the purpose of author's business plan will be used these analyses:

- PESTLE analysis
- PORTER analysis
- Marketing Mix
- SWOT analysis

### **PESTLE analysis**

PESTLE analysis is used to analyse macroenvironment of the company (Worthington, Britton 2010, 461). The aim of this analysis is to identify most relevant events or risks of each factor which can influence future of organisation. The name is acronym and stands for names of factors – Political, Economic, Social, Technological, Legal and Ecological. Simplified version of this analysis is PEST analysis which omits Legal and Ecological factors (managementmania.com 2015).

### **PORTER analysis**

The tool which uses five industry forces. These forces determine the level of competition in industry and its structure (strategicmanagementinsight.com 2013). These forces are current competition, potential competition, the power of buyers, the power of suppliers and the threat of substitute products (Worthington, Britton 2010, 383).

### **Marketing Mix**

Marketing mix is set of controllable variables which business may use to influence the buyer's response – the 4Ps:(Worthington, Britton 2010, 33).

- Product – product or service, design, brand, warranty, package and overall image it delivers;
- Price – price, discounts, payment condition;
- Place – how and where will be product or service sold, distribution channels, availability of product or services, supply, delivery
- Promotion – public relations, advertisement, sales promotion (Cooper, Lane 1999, 50-58).

Except the price which generates value the rest of Ps result is expenditure. Therefore, the price is significant factor of company's turnover and profit as well as influence on the demand for products (Worthington, Britton 2010, 33).

**SWOT analysis**

SWOT analysis is used mostly in marketing and it is part of strategic planning. It is based on research of internal and external factors of the company (mladypodnikatel.cz 2012).

Those factors are:

- Strengths
- Weaknesses
- Opportunities
- Threats (Worthington, Britton 2010, 470).

## **5 SUMMARY OF THE THEORETICAL PART**

Theoretical part is divided into two parts. First part explains business environment in Czech Republic and conditions which must be fulfilled to become an entrepreneur. Further chapters focus on division and description of the types of businesses – as a natural person and legal entity. Besides standard type of businesses, this part also includes information about special types of business – franchising, licensing and joint venture. Second part deals with theory of business plan - purpose, types, principles and structure. Author describes analyses will be use in analytical part. Then there is a description of particular parts of business plan which are used as guide in analytical part of thesis.

## **II. ANALYSIS**

## 6 A BUSINESS PLAN FOR A PET FRIEND CAFE

### 6.1 Title Page

<b>Name of the company:</b>	Pet Friend Cafe
<b>Legal form:</b>	Natural Person
<b>Address:</b>	Benešovo nábřeží 2732, 760 01 Zlín
<b>Date of Establishment:</b>	1 September 2019
<b>Owner:</b>	Simona Zelinová
<b>Founder:</b>	Simona Zelinová
<b>Founder address:</b>	Míškovice 158, 76582 Míškovice
<b>Phone:</b>	+420 123456789
<b>E-mail:</b>	petfriend@cafe.cz
<b>Website:</b>	www.petfriendcafe.cz
<b>Financing:</b>	founder savings in amount of 1,200,000 CZK

**About us:** Pet Friend Cafe is new coffee shop for animal lovers especially for dog lovers. We offer breakfast in the morning and during all day you can enjoy home-made cakes, juices, coffee and other delicious food. As a name of our company suggest – we are pet friendly which means you can come and enjoy a cake with your dog, cat even with a hamster. Besides cakes for our human guests we have special treats for our animal guests too. We have small garden in the back with dog obstacles and little pool for summer days. Everyone is welcome here – with or without a dog!

## 6.2 Executive summary

The business plan proposes the opening of new cafe Pet Friend for everyone who wants to enjoy coffee and snack with or without his dog. It is a gastronomic facility based on animal free entry founded by Simona Zelinová. The aim is to create a place for people with or without a dog where they can spend time while enjoying a cup of coffee. Her idea of dog entry free cafe came to her mind when she was in Kroměříž and visited the La Micina Cafe with many cats freely moving around the place. She was inspired by this place and because she is owner of a dog, she wanted to create a place for dog owners where they could spend an afternoon with their dog friend. New cafe is located close to centre of the city Zlín and is accessible for everyone by walk or means of transport.

The cafe has special offer for customers but also for dogs. Because cafe is opened all day the range of product its wide. Besides three types of coffee you can find small snacks like croissants, muffins, salads or paninis for customers and also special treats for dogs. The cafe will not be offering alcohol just fresh water with lemon and mint or fresh juices. Apart from this, there will be small open area where will be a playground for dogs. The cafe is particular about using just local ingredients and juices are made from local fruits.

The cafe will be established as business of natural person and will be financed by founder's savings with registered capital 1 200 000 CZK without loan.

## 6.3 Company Description

Pet Friend Cafe is new cafe located close to the centre of Zlín on Benešovo nábřeží. The location of cafe is near the MHD, train and bus station. This location is in the end of bicycle path and accessible for everyone by walk or means of transport.

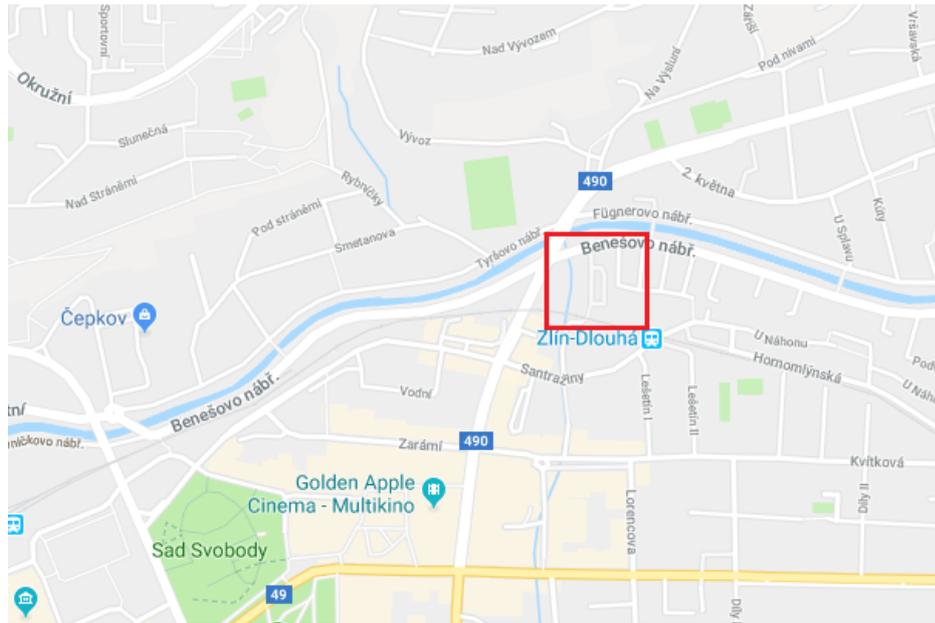


Figure 1 - The Location of Cafe (accessed from Maps by Google)

The Pet Friend Cafe will be established as a business of natural person because of the fact that the founder will be also owner and she want to make decision by herself and have business in her hands. The opening hours of cafe are in table below:

Monday	8:30 – 18:30
Tuesday	8:30 – 18:30
Wednesday	8:30 – 18:30
Thursday	8:30 – 18:30
Friday	8:30 – 18:30
Saturday	10:30 – 18:30
Sunday	10:00 – 16:00

Table 1 – Opening Hours of Pet Friend Cafe (author’s creation)

Regarding to range of products and service offered in Pet Friend Cafe, customers can choose besides from 3 types of coffee also from variety of cakes, croissants or muffins as well as treats for their dogs. As for the service, cafe will be adjusted for dogs – bowls with water, toys and outside in the back of cafe small playground with obstacles. It will be charge free but voluntarily customers can contribute on shelter in Vršava.

It is important to mention that owner of cafe do not assume the responsibility for damage caused by dog.

## 6.4 Organizational structure

The owner of Pet Friend Cafe is Simona Zelinová. She is responsible for running the cafe, facilities, marketing and employees working in cafe. Owner's responsibility will be making dog treats which will be sold in cafe. Because cafe is small place there will be 3 employees plus owner who will work there as well. Her wage will be based on company's profit. Cook and waitress will work full time, cleaner will work on the basis of work performance agreement.

Waitress or waiter will be responsible for the preparation of coffee, juices and for serving snacks to customers. She/he will be responsible also for refilling dog's bowls and smooth running of business when owner will not be present. The wage per month for waitress will be CZK 22 248.

Cook will be responsible for preparing salads and dough for muffins and croissants. The pastry should be prepared in the morning every day and salads should be prepared fresh after customer's order. The wage per month for cook will be CZK 22 248.

Cleaner will be cleaning the place every day at the end of opening hours. Besides emptying trash, cleaning restrooms and sweeping he/she have to disinfect dog bowls. The wage per hour for cleaner will be 85 CZK and 2,5 hours per day estimated. The figure shows a structure of relationship between owner and employees.

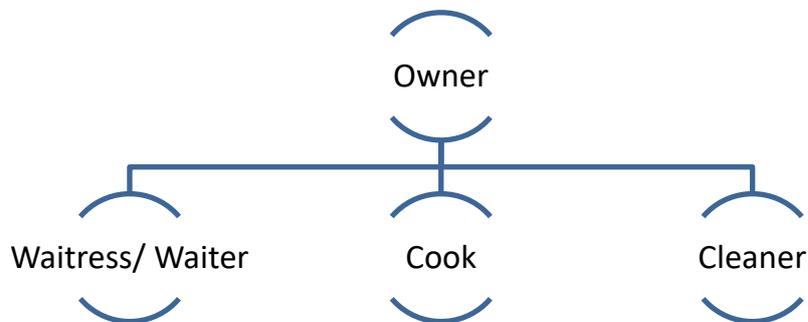


Figure 2 - Organizational Structure (authors creation)

## 6.5 Target Market and Competition Analysis

This chapter focus on market segmentation and analysis of possible competition using analyses mentioned in *Chapter 4 Analyses Used in Business Plan*.

### 6.5.1 PEST Analysis

PEST is an analysis which focus on political, economic, socio-cultural and technological environment which influence particular entrepreneurship.

#### Political Environment

Besides the conditions mentioned in Trade Licencing Act and Business Corporation Act there are other legal aspects which must be fulfilled as well. Because the legal form of business is business of natural person it is compulsory to pay social and health insurance. In 2019 the minimum for social insurance is 2388 CZK and for health insurance 2 208 CZK (finance.cz 2019). Then there are requirements of Czech Agriculture and Food Inspection Authority (szpi.gov.cz 2017) and required is also control and analysis system HACCP (itczlin.cz 2019).

#### Economic Environment

The main factor which influence the business is unemployment. According to the Czech Statistical Office the unemployment rate in Zlín region is 1,5% (CZSO 2019). That may influence buying behaviour of citizens because they will most likely spend money than save them. This fact may lower the revenues of the company. The average gross wage was in fourth quarter of 2018 in Zlín region 28 374 CZK compared to average gross wage in Czech Republic 33 840 CZK (CZSO 2019). This fact shows that Zlín region is economically weak and purchasing power is low. That will affect pricing of company's products.

#### Socio-cultural Environment

There are 74 947 inhabitants in Zlín with average age of 43 (CZSO 2019). Because the cafe focusses mostly on dog owners the presence of five dog training centres in Zlín shows that there is high possibility of the demand for the cafe. The advantage of company may be the possibility to stay with dog inside of cafe because that is not possible in any cafe in Zlín.

There are also eleven high schools and university which shows that there are many possible customers as well. The demand for healthier food is high nowadays and that can be the reason for customers to buy company's products.

### **Technological Environment**

One of the main factors is infrastructure in Zlín. Because town is close to highway it is beneficial for supply and suppliers the ingredients will be delivered in time and quickly.

Other technological factors are modern devices which can ease the production process and save the money and factors which influence the business such as digital representation on the internet (website, Instagram, Facebook etc.), wi-fi or efficient cash box.

### **6.5.2 Segmentation of customers**

Author defines three types of target customer:

#### **1) Dog owners**

Customers in this segment are open to new things. They are seeking new places where they can take their dog and lot of them are willing to spend money on their dog. This may be significant for the company because cafe offers dog treats which are not accessible in most pet shops.

#### **2) People looking for new experience**

These customers are seeking for new experience, new place where they can spend their time. The customer pay attention to design of interior as well as the mood of whole place. They may visit the place one time or they can become a regular customer. We have to impress them during their first visit otherwise they may not come back. The advantage may be a selection of coffee and fresh offer of salads and pastry.

#### **3) General public, students**

Biggest group of customers who are passing by during their way to school or work. They do not care about interior but the price and offer of the cafe. During their way to school or job they do not have time to spend an hour in cafe so there will be an offer of coffee to go for them with lower price than regular coffee.

### 6.5.3 SWOT Analysis

Evaluation of strengths, weaknesses, opportunities and threats of Pet Friend Cafe is listed below.

STRENGTHS	WEAKNESSES
Unique concept	Less experience in operating a business
Home-made products	No customer base
Location	
OPPORTUNITIES	THREATS
Gain regular customers	Low demand
Higher demand for products/service	Increase in the price of ingredients
	Changes in legislation
	Cafe competition in town

Table 2 – SWOT Analysis (authors creation)

#### Strengths

Company strengths are based on the unique concept of cafe. There is no cafe with same concept as Pet Friend Cafe where customer can freely enter with a dog. In addition to that there will be a playground for dogs which is not common and it is something unique. Another strength is home-made products. Although nowadays it is common to offer home-made product the cafe besides home-made pastry offers also 5 kinds of home-made dog treats. Home-made treats are rare because only place where customer can buy them are pet shops. Last strength is location because cafe is close to the centre of Zlín as well as to bus and train stops and cycle path.

#### Weaknesses

Major weakness is that owner does not have experience in operating the business. This may be difficult in first months of running the business especially in coordination of employees and financial control. Because the cafe is new on market in Zlín there is no customer base yet and along with large competition in town it may be hard to get new customers.

#### Opportunities

One of the opportunities is gaining regular customers. Because the cafe is the only one in Zlín which is open for dogs, it is an opportunity for the company to find new regular

customers among dog owners. As mentioned above, the home-made treats for dog may cause higher demand for them therefore it can raise public awareness of the cafe.

### **Threats**

As a very serious threat can be considered low demand in first months of cafe which can lead to financial problems. Another threat is a possibility that there will be new cafe with same concept as Pet Friend Cafe and that would cause a decline in customer and demand for our products. Prices of ingredients may increase because of inflation. Because company has to meet specific requirements mentioned in law there is possibility of change in legislation.

#### 6.5.4 PORTER Analysis

Author uses Porter analysis to analyse current competition, potential competition, the power of buyers and suppliers and the threat of substitute products.

##### **Current Competition**

There are a lot of pubs and restaurants nearby the Pet Friend Cafe but just one cafe. The biggest competition is Coctail Bar Terasa, which is popular among people. The bar is located in Golden Apple's parking house and is currently under reconstruction. They offer coffee, drinks, wine and also paninis and cakes.

Another competition is pub/bar Nový Svět. This place is unique because they organize lectures, workshops, concerts and other events depending on customers' wishes and promotes ecological thinking and relationship with nature. Their offer consists of beer, coffee, lemonades and alcohol.

There are 2 restaurants close to Pet Friend Cafe. First restaurant, U Máčů is popular pizzeria in town with large heated outside seating with free dog entry. They offer beer, wine, pizza, salads and during the season also grilled specialities. Second restaurant is La Strada 2. Their offer consists of pizza salads and pasta but they provide only take-home delivery services.

##### **Potential Competition**

Zlín is developing city with a lot of small cafes all around. Pet Friend Cafe must build up a base of regular customer because there is a threat of opening new similar company nearby. There is a threat of market entry barriers particularly financial issues for example with rent, costs of equipment etc., legal issues (hygiene requirements) and differentiation of products.

##### **The Power of Buyers**

The cafe is aimed to customers who are walking their dog and want to have a cup of coffee as well as the customers who are in rush and therefore there is a possibility to buy coffee to go. Because the main offer can be found at any competition it is important to have strong bond with customers. The communication with customer will be significant for cafe. The reasons of customers not to visit the competition may be same offer every day, high price and no special offers. Therefore, it is necessary to change the offer frequently and set the prices right.

### **The Power of Suppliers**

Main supplier of coffee and tea is company Oxalis. This company is stable on market and they are popular among citizens. Because they offer coffee as well as tea there is no need to have one supplier of coffee and one of tea. If there would be any difficulty with supply from their side there are a lot of retailers on market for example e-shop cajovydychanek.cz and coffeespot.cz. The rest of the ingredients needed for pastry will be supplied by wholesale company Makro or Lesko. Therefore, the cafe is not reliant on any particular supplier.

### **The Threat of Substitute Products**

The biggest threat are coffee capsules. Because of the popularity of coffee machines which make coffee out of capsules and instant coffee there is a threat that people will not be willing to spend their money on classic coffee from coffeemaker. On the other hand the „coffee culture“ is still very popular and that may lead to attractiveness of the company.

### **6.5.5 Marketing Plan**

It is essential to have a good marketing strategy. Marketing mix is compiled to achieve company's goals – profit and awareness about the company. As a part of marketing plan author uses Marketing Mix which is also known as 4Ps – product, place, price and promotion. Product and price will be firstly described in general thereafter author describes specific description of product and price for three target groups of customers mentioned in chapter 6.5.2. *Segmentation*.

**Product** - The Pet Friend Cafe offer variety of products for customers as well as for their dogs. There are 5 types of food for customers: croissants, muffins, cakes, paninis and salads. The taste of muffins and cakes may differ every day. Because a lot of people nowadays are seeking for healthy food, every week will be one kind of pastry gluten free. This decision is made in order to satisfy the needs of every customer. The drink list consists of three types of coffee which will be every month different, tea, jug of water with lemon, mint or other ingredient and soft drinks such as Coca Cola and Sprite. The cafe will not offer alcohol. Cafe will be providing coffee to go during whole day. Regarding to products for dogs there are five types of dog treats – pork nose, chicken bites, carrot cookies, apple biscuit and cheese cracker. Pork nose and chicken bites will

be from local butcher while other treats will be hand made by owner of cafe. In addition to this there will be free bowls of water for dogs and playground.

**Price** - The prices of product were chosen based on the prices of ingredients and in order to cover all the fixed and variable costs while maintain the profit. The prices of product were set up according to that. Following table show the price lists of food, drinks and dog treats.

<b>Food</b>	<b>Price</b>
Butter croissant	35 CZK
Muffin	35 CZK
Piece of cake	55 CZK
Panini	65 CZK
Our salad	90 CZK
<b>Drinks</b>	
Coffee	45 CZK
Coffee to go	30 CZK
Tea	30 CZK
Fresh juice	45 CZK
Jug of water	30 CZK
Coca Cola, Sprite	30 CZK
<b>Dog treats</b>	
Pork nose	30 CZK
Chicken bites	20 CZK
Carrot cookies	45 CZK
Apple biscuit	45 CZK
Cheese cracker	45 CZK

Table 3 – Price List of Offered Products (author's creation)

Mentioned in the beginning of this chapter author compiles specific description of two parts of marketing mix – *product* and *price* for each group of target customer.

### **Dog owners**

The group on which company focus the most. They are willing to spend money on their dog and they are open to new things. For this group author suggest specific promotion of company to target customers.

**Product** - The Cafe offers variety of products for dog owners. There are five types of dog treats – pork nose, chicken bites, carrot cookies, apple biscuit and cheese cracker. Pork nose and chicken bites will be from local butcher while other treats will be hand made by owner of cafe. In addition to this there will be free bowls of water for dogs.

Outside the Cafe there will be small playground for dogs. This service is free for customers, they may contribute on shelter in Vršava.

**Price** - The prices were chosen based on ingredients and in order to fix costs while maintain the profit. The prices of dog treats are in range from 20-45 CZK. This is reasonable price because regular dog treats offered in pet shops are more expensive and with preservatives and stains. This is company's advantages that it offers home-made dog treats without preservatives and stains.

**Specific promotion** – Because of specific type of customers, promotion of the company will be on places commonly used by dog owners – dog training centres, pet shops, shelter, at veterinarian office and dog trimming centres.

### **People looking for new experience**

This group of people pay attention to design of interior and the mood of whole place. The company must impress them during their first visit.

**Product** - The offer is wide and consists of butter croissant, muffin, piece of cake, panini and salad. All is home-made and fresh. The uniqueness is in the offer because it changes every day. Everyday there will be different flavour of muffins and cakes and different ingrediencies in panini and salad. As for the drinks, there are three types of coffee everyday – the offer of coffee changes weekly. The tea will remain the same with variety of 5 different flavours (black, green, herbal, rooibos and fruit tea).

**Price** - The prices of food are in range from 35-90 CZK. These prices are proportional to the fact that they are all home-made and freshly baked every morning. The prices of drinks differ from 25-45 CZK and can be compared to prices of competition.

### **General public, students**

Biggest group of people who do not care about interior nor offer of the cafe. They do not have time to spend an hour in cafe during their way to school or work.

**Product** - There is one main product for this group of people – coffee to go. Coffee to go will be made from 3 different flavours of coffee and it is on the customer which flavour he will choose. Because company offers pastry, there is an option to wrap it and customer can easily take it with himself/herself.

**Price** - The price of coffee to go is lower than regular coffee – CZK 30. The prices of pastry are the same, small box for pastry will be for free.

### **Place**

The Pet Friend Cafe is situated on Benešovo nábřeží close to the centre of Zlín. There are 3 bus stops as well as train stop. Cafe is easy to access via car or by walk and it is close to cycle path. The surroundings are calm which makes it nice place for coffee.

### **Promotion**

Because cafe is new business it is necessary to promote it. The promotion has to be planned and schedule it at least two months before the opening. Part of promotion will be on the internet and social networks such as Facebook and Instagram. Another way of promotion will be leaflets and ad in Rádio Zlín.

**Website** – website will serve as a presentation of cafe's offer and other information. Visitors will find there the address, photos of interior, products and also the offer for dogs – playground and dog treats. The design will be simple and easy to manage. In first months, founder will design the website in free web editor (e.g. wix.com) and after some time she will buy webhosting. Earmarked money for website in free web editor CZK 0, later for webhosting CZK 2000.

**Facebook** – on this social network will be created account and Facebook page with the name of the cafe – Pet Friend Cafe. The aim of Facebook page will be to inform about offers. Target group of people is adults between 18-45 years, living in Zlín and their interests are coffee, food and dogs. The posts will inform about coffee offer as well as food offer with attached picture of products or interior of cafe. Earmarked money for the Facebook page is 2000 CZK.

**Instagram** – this social network is more popular than Facebook nowadays so company will focus mostly on this social network. Cafe will share pictures from baking, interior as well as new offers or daily menu. It is possible to use so called “stories” to share actual situation in cafe as well as products or atmosphere. The account will have same name as Facebook page – Pet Friend Cafe so people can find it immediately. There will be also special hashtag #PFcafe so visitors can share their pictures from the place online. Earmarked money for the Instagram account is 1000 CZK.

**Leaflets** – leaflets will be available in pet shops, dog training places and in schools and university as well as in shelter and on bus stops. Besides the information about opening date and address there will be a coupon for one free coffee or one free dog treat if you will come during first week with dog and present the coupon. Customers will find leaflets with coupon in A5 format at TBU university, František Bartoš Regional Library, dog training centres, dog shelter and dog trimming centres. The number of leaflets for each place is 200 and leaflets will be available two weeks before opening of cafe. There will be also A3 format of leaflet without coupon which will be available in mentioned places. Unit price for one A5 leaflet is CZK 1,4 therefore the price for 1000 A5 leaflets (200 each place) will be CZK 1400. Unit price for one A3 leaflet is CZK 10 therefore the price for 10 A3 leaflets will be CZK 100.

**Rádio Zlín** – for the people who are busy and do not have time to check social media the cafe will invest in ad in Rádio Zlín. It is an opportunity to reach to the people of all ages and raise awareness about the cafe. The ad will be played every day from 6-9 o'clock, one week before opening of cafe. Earmarked money for the

ad in radio is 6000 CZK and the price was determined based on consultation with radio employee.

## 6.6 Financial Analysis

Financial analysis is key part of every business plan. The analysis has five parts:

- Initial Costs
- Labour Costs
- Fixed Costs
- Variable costs and Calculation of revenue
- Income Statement

The founder's registered capital which is invested by her is 1,200,000 CZK. This amount of money supposes to cover all initial costs of a business (initial costs, fixed costs and variable costs). All information is in CZK.

### 6.6.1 Initial Costs

Initial costs cover all costs which are necessary for opening the cafe. Author divides them into two tables. First table contains initial costs before opening the cafe. Big expense is reconstruction because the interior is outdated therefore the floor, walls and kitchen has to be rebuild. The garden needs adjustment and dog playground must be safe for dogs and customers. Another expense is HACCP analysis which will be provided by Institute for Testing and Certification in Zlín. Entrepreneur needs trade license to run business and give evidence of criminal record statement and certification of signatures.

Reconstruction	120 000
HACCP	2 000
Trade License	1 000
Certification of Signatures and Documents	300
Criminal Record Statement	100
<b>Initial Costs</b>	<b>123 400</b>

Table 4 – Initial Costs (author's creation)

The cafe and garden have to be equipped and furnished therefore there are other expenses for running the business. Besides the furniture and kitchen equipment cafe needs cash desk with EET system, computer and internet connection. Biggest expense will be dog playground with expense 20 000 CZK for fence and adjustments so the playground will be safe for dogs and customers.

Cash desk with EET system	8 000
Internet	459
Wi-Fi Router	549
Computer	8 000
Furniture - 4 tables + 8 chairs	15 000
Lights	7 000
Dishes	3 000
Cutlery	2 000
Coffee cups	2 000
Kettle	700
Coffee Machine	10 000
Kitchen Robot	5 000
Oven	15 000
Small kitchen fridge	3 000
Beverage fridge	3 500
Sanitary Products	6 000
Dog bowl – 3x	240
Dog toys – 5x	350
Dog Playground – obstacles, fence	20 000
<b>Equipment</b>	<b>109 798</b>

Table 5 – The Costs of Equipment (author's creation)

Total initial costs are 233 198 CZK. The money should cover all expenses connected with starting the business. Author counts with possibility that expenses may increase during the reconstruction because the prices of craftsmen may be higher.

Initial Costs	123 400
Equipment	109 798
<b>Total</b>	<b>233 198</b>

Table 6 – Initial Costs in Total (author's creation)

### 6.6.2 Labour Costs

As mentioned in chapter 6.4 *Organizational Structure*, there are three employees and one employer. The numbers are rounded to the nearest whole number.

	Gross Wage	Health Insurance	Social Insurance	Super-Gross Wage	Total Expenses
Waiter	22 248	1 001	1 446	29 812	<b>29 812</b>
Cook	22 248	1 001	1 446	29 812	<b>29 812</b>
Cleaner	4 920	x	x	x	<b>4 920</b>

Table 7 – Labour Costs (author's creation)

### 6.6.3 Fixed costs

Fixed costs are paid monthly by owner and include super-gross wage, energies, rent, insurance, internet and promotion. Total fixed costs per month are 107 003 CZK.

Fixed Costs	Per Month	Per Year
Super-Gross Wage	59 624	715 488
Cleaner's Wage	4 920	59 040
Energies	6 000	72 000
Rent	20 500	246 000
Insurance	3 000	36 000
Promotion	12 500	150 000
Internet	459	5 508
<b>Total</b>	<b>107 003</b>	<b>1 284 036</b>

Table 8 – Fixed Costs (author's creation)

### 6.6.4 Variable Costs and Calculation of Revenue

The tables below show the calculation of variable costs, sales margin and the selling price of product and drinks for customer as well as dog treats which will be offered in Pet Friend Cafe. Regarding to offer for customers and production cost differs. In order to make profit the sales margin is in range from 25 CZK to 40 CZK.

Product	Variable Cost	Sales Margin	Selling Price
Butter Croissant	10 CZK	25 CZK	35 CZK
Muffin	10 CZK	25 CZK	35 CZK
Piece of Cake	30 CZK	25 CZK	55 CZK
Panini	35 CZK	30 CZK	65 CZK
Our Salad	50 CZK	40 CZK	90 CZK

Table 9 – Production Costs of Products (author's creation)

The offer of drinks is wide, the sales margin for drinks differ from 15 CZK to 25 CZK. Tea, coffee and soft drinks are from wholesale and their sales margin is from 15 to 25 CZK. Biggest sales margin is for coffee because Cafe wants to offer best quality coffee and fresh juice which is made from fresh fruit.

Product	Variable Cost	Sales Margin	Selling Price
Coffee	20 CZK	25 CZK	45 CZK
Coffee to go	15 CZK	15 CZK	30 CZK
Tea	10 CZK	20 CZK	30 CZK
Fresh Juice	20 CZK	25 CZK	45 CZK
Jug of water	10 CZK	20 CZK	30 CZK
Coca Cola, Sprite	15 CZK	15 CZK	30 CZK

Table 10 – Production Costs of Drinks (author’s creation)

An offer of dog treats and its sales margin is in range from 15 CZK to 30 CZK. A pork nose and chicken bites are from wholesale therefore the margin is 15 CZK. The rest of dog treats are home-made and has 30 CZK sales margin.

Dog Treat	Variable Cost	Sales Margin	Selling Price
Pork Nose	15 CZK	15 CZK	30 CZK
Chicken Bite	10 CZK	15 CZK	25 CZK
Carrot Cookie	10 CZK	30 CZK	45 CZK
Apple Biscuit	10 CZK	30 CZK	45 CZK
Cheese Cracker	10 CZK	30 CZK	45 CZK

Table 11 – Production Costs of Dog Treats (author’s creation)

### Calculation of Revenue - Products

Because Pet Friend Cafe is new company, founder prepared three types of forecasts which predicts amount of sold products, revenue and contribution to the fixed costs. The amount of sold products was established based on discussion with owner of one small cafe in town. There are two products on line in table, variable costs as well as revenues were calculated separately for both products and add together in calculation.

Variable costs as well as revenues were calculated separately for both products on line in the table.

	<b>Optimistic (per day)</b>	<b>Realistic (per day)</b>	<b>Pessimistic (per day)</b>
Croissant, muffin	50	25	5
Cake	20	10	2
Panini	20	10	2
Salad	10	5	1
Variable costs	2 800	1 400	280
Variable costs per month	84 000	42 000	8 400
Variable costs per year	1 008 000	504 000	100 800
Revenues	6 800	3 400	680
Revenues per month	204 000	102 000	20 400
Revenues per year	2 448 000	1 224 000	244 880
Contribution to the Fixed Costs per day	4 000	2 000	400
<b>Contribution to the Fixed Costs per month</b>	<b>120 000</b>	<b>60 000</b>	<b>12 000</b>
<b>Contribution of the Fixed Costs per year</b>	<b>1 440 000</b>	<b>720 000</b>	<b>144 000</b>

Table 12 – Prediction of Sold Products (author's creation)

**Croissants, muffins** – optimistic prediction is that it will be sold 50 croissants and muffins per day which means 1 500 pieces sold per month and expenses for production will be 45 000 CZK per month. Realistic prediction is that it will be sold 25 croissants and muffins per day, 750 pieces will be sold per month. The production expenses will be 22 500 CZK. Pessimistic

prediction it that it will be sold 5 croissants and muffins per day, 150 per month. Production expenses for pessimistic prediction are 4 500 CZK.

**Cake** – optimistic prediction is that it will be sold 20 pieces of cake per day which means 600 pieces of cake per month. Expenses for production will be 18 000 CZK. Realistic prediction is 10 pieces of cake per day, 300 per month. Production expenses are 9 000 CZK. Pessimistic prediction is 2 pieces of cake per say, 60 per month and expenses are 1800 CZK.

**Panini** - optimistic prediction is that it will be sold 20 paninis per day which means 600 paninis per month. Expenses for production will be 18 000 CZK. Realistic prediction is 10 paninis per day, 300 per month. Production expenses are 9 000 CZK. Pessimistic prediction are 2 paninis per day, 60 per month and expenses are 1800 CZK.

**Salad** – optimistic prediction is 10 salads per day, 300 salad per month and expenses are 9 000 CZK. Realistic prediction is that it will be sold 5 salad per day that means 150 salad per month and expenses 4 500 CZK.

Overall monthly revenues and costs are calculated according to three different forecasts mention in Table 11.

**Optimistic prediction** – variable costs per month is 84 000 CZK, revenues per month is 204 000 CZK and contribution to the fixed costs per month is 120 000 CZK.

**Realistic prediction** – variable costs per month is 42 000 CZK, revenues per month is 102 000 CZK and contribution to the fixed costs per month is 60 000 CZK.

**Pessimistic prediction** – variable costs per month is 8 400 CZK, revenues per month is 20 400 CZK and contribution to the fixed costs per month is 12 000 CZK.

### Calculation of Revenue – Drinks

Cafe offers seven types of drinks. Besides soft drinks such as Coca Cola and Sprite, there is also coffee, coffee to go, tea, jug of water and fresh juice. The amount of sold drinks was established based on discussion with owner of one small cafe in town.

Variable costs as well as revenues were calculated separately for all drinks on each line in the table.

	<b>Optimistic (per day)</b>	<b>Realistic (per day)</b>	<b>Pessimistic (per day)</b>
Tea, Jug of water, Coffee to go	50	30	10
Coca Cola, Sprite	20	15	5
Fresh juice, Coffee	30	15	5
Variable costs	3 350	2 100	700
Variable costs per month	100 500	63 000	21 000
Variable costs per year	1 206 000	756 000	252 000
Revenues	8 400	4 950	1 650
Revenues per month	252 000	148 500	49 500
Revenues per year	3 024 000	1 782 000	594 000
Contribution to the Fixed Costs per day	5 050	2 850	950
<b>Contribution to the Fixed Costs per month</b>	<b>151 500</b>	<b>85 500</b>	<b>28 500</b>
<b>Contribution of the Fixed Costs per year</b>	<b>1 818 00</b>	<b>1 026 000</b>	<b>342 000</b>

Table 13 – Calculation of Sold Drinks (author's creation)

**Tea, jug of water, coffee to go** – optimistic prediction is 50 drinks per day, 1500 drinks per month and monthly expenses 45 000 CZK. Realistic prediction is 30 drinks per day, monthly 900 drinks and expenses 27 000 CZK per month. Pessimistic prediction is 10 drinks per day, 300 per month and expenses 9000CZK per month.

**Coca Cola, Sprite** – optimistic prediction is 20 soft drinks per day, 600 per month and monthly expenses 18 000 CZK. Realistic prediction is 15 soft drinks per day, 450 per month

and expenses 13 500 CZK per month. Pessimistic prediction is 5 soft drinks a day, 150 per month and expenses per month 4 500 CZK.

**Fresh juice, coffee** – optimistic prediction is 30 drinks per day, 900 per month and expenses 27 000 monthly. Realistic prediction is 15 drinks per day, 450 per month and expenses 13 500 CZK per month. Pessimistic prediction is 5 drinks a day, 150 per month and expenses per month 4 500 CZK.

Overall monthly revenues and costs are calculated according to forecasts mention in Table 12.

**Optimistic prediction** – variable costs per month is 100 500 CZK, revenues per month is 252 000 CZK and contribution to the fixed costs per month is 151 500 CZK.

**Realistic prediction** – variable costs per month is 63 000 CZK, revenues per month is 148 500 CZK and contribution to the fixed costs per month is 85 500 CZK.

**Pessimistic prediction** – variable costs per month is 21 000 CZK, revenues per month is 49 500 CZK and contribution to the fixed costs per month is 28 500 CZK.

### Calculation of Revenue – Dog treats

Because cafe offer dog treats author prepared another forecast for dog treats which predicts amount of sold products, revenue and contribution to the fixed costs. There are five different dog treats with range from 25 – 45 CZK. Variable costs as well as revenues were calculated separately for all dog treats on each line in the table.

	<b>Optimistic (per day)</b>	<b>Realistic (per day)</b>	<b>Pessimistic (per day)</b>
Chicken bite	50	20	5
Pork nose	40	20	5
Carrot cookie, Apple biscuit, Cheese cracker	20	10	2
Variable costs	1 500	700	160
Variable costs per month	45 000	21 000	4 800
Variable costs per year	540 000	252 000	57 600
Revenues	5 150	2 450	545
Revenues per month	154 500	73 500	16 350
Revenues per year	1 854 000	882 000	196 200
Contribution to the Fixed Costs per day	3 650	1 750	385
<b>Contribution to the Fixed Costs per month</b>	<b>109 500</b>	<b>52 500</b>	<b>11 550</b>
<b>Contribution to the Fixed Costs per year</b>	<b>1 314 000</b>	<b>630 000</b>	<b>138 660</b>

Table 14 – Calculation of Sold Dog Treats (author's creation)

**Chicken bite** – optimistic prediction is 50 pieces per day, 1500 monthly and expenses 45 000 CZK. Realistic prediction is 20 pieces of chicken bite per day, 600 per month and expenses 18 000 CZK. Pessimistic prediction is 5 pieces a day and 150 pieces monthly, expenses per month are 4 500 CZK.

**Pork nose** – optimistic prediction is 40 pieces per day, 1200 pieces per month and expenses 36 000 CZK per month. Realistic prediction is 20 pieces per day, 600 per month

and expenses 18 000 CZK. Pessimistic prediction is 5 pieces a day and 150 pieces monthly, monthly expenses are 4500 CZK.

**Carrot cookie, apple biscuit, cheese cracker** – optimistic prediction is 10 pieces per day, 300 pieces per month and expenses 9000 CZK. Realistic prediction is 20 pieces per day, 600 pieces monthly and expenses per month 18 000 CZK. Pessimistic prediction is 2 pieces per day, 60 pieces monthly and expenses 1 800 CZK.

Overall monthly revenues and costs are calculated according to Table 13.

**Optimistic prediction** – variable costs per month is 45 000 CZK, revenues per month is 154 500 CZK and contribution to the fixed costs per month is 109 500 CZK.

**Realistic prediction** - variable costs per month is 21 000 CZK, revenues per month is 73 500 CZK and contribution to the fixed costs per month is 52 500 CZK.

**Pessimistic prediction** - variable costs per month is 4 800 CZK, revenues per month is 16 350 CZK and contribution to the fixed costs per month is 11 550 CZK.

### 6.6.5 Income Statement

Income statement has been calculated according to the three predictions from previous chapter. Fixed costs are costs connected with wages, energies, rent, insurance, promotion and internet. Variable costs were calculated according to Tables 11-13. Formation expenses are expenses connected with starting the business (reconstruction, trade licence, HACCP etc.) and equipment of Cafe. Following table shows yearly estimated income of Pet Friend Cafe.

	<b>Optimistic</b>	<b>Realistic</b>	<b>Pessimistic</b>
Fixed Costs	1 284 036	1 284 036	1 284 036
Variable Costs	2 754 000	1 512 000	410 400
Formation Expenses	233 198	233 198	233 198
Revenue	7 326 000	3 888 000	1 034 880
EBT	3 054 766	858 766	-892 754
15% tax	458 215	128 815	x
<b>EAT</b>	<b>2 596 551</b>	<b>729 951</b>	<b>x</b>

Table 15 – Yearly Forecast of Income Statement (author's creation)

Optimistic prediction shows that yearly earnings after taxes are 2 596 551 CZK. Realistic prediction is 729 951 CZK after taxes. Pessimistic prediction shows that revenues cannot cover costs of Cafe therefore EBT is -892 754 CZK. Because EBT is negative number, 15% tax and EAT cannot be calculated. The calculation shows that the Cafe might be successful in future and that the business plan has potential.

## 6.7 Risk Evaluation

While establishing the company we have to think about risks that may occur during business and evaluate them. The risks can be divided into internal risks which we can affect and external risks which we cannot affected.

Regarding to internal risks, there is a possibility that lack of experience together with certain failures may lead to situation in which employees will not be motivated enough to stay in company and they will rather leave their position.

As for external risks which cannot be controlled there are several possibilities. Robbery or other criminal activity is risk which can be prevent by insurance against theft and by installing cameras and alarm in cafe. Another risk is economic changes – low wages with unemployment may cause low demand because people will rather safe money than spend them. Another problem can be considered increase in price of ingredients which may lead to higher costs therefore products will have to be more expensive.

Change in legislation is another external risk – for example change in taxes or in hygiene regulation. If this situation happens, the advantage is that all entrepreneurs and competition will be affected equally. Another external risk can be considered competition in town. Increase in competition may lead to lower profit or if there would be established company with same concept (cafe with dog treats). There are also natural disasters which are not predictable nor we cannot anticipate them. We can not determine the right way of prevention; the only possibility is to have insurance against natural disasters.

Following table shows probability of risks, its prevention and their impact on company's possible loss.

	<b>Probability</b>	<b>Loss</b>	<b>Prevention</b>
<b>Criminal activity</b>	medium	high	camera, alarm, insurance against theft
<b>Lack of experience</b>	high	high	training of staff
<b>Competition in town</b>	high	high	coupons, customer satisfaction survey

Table 16 – Risk Evaluation (author's creation)

## CONCLUSION

The aim of this bachelor thesis was to compile a business plan for a new cafe named “Pet Friend Cafe”. In order to create and understand the theory of the business plan author worked with relevant literature and online sources. From these sources author compiled a theoretical part.

First part of bachelor thesis is divided on two sections, first starts with basic description of entrepreneurship in general and later describes entrepreneurship in Czech Republic. Then author describes legal forms under which it is possible to conduct business in Czech Republic and their basic features which are stated in the Business Corporation Act. Because author decided to do business as natural person, part of thesis focus on business of natural person and its description. Second section of theoretical part focus on theory of business plan and its structure which is relevant to create successful business plan. In the end of this part author states analyses which will be used in analytical part as well as their description. This structure author follows in second part of bachelor thesis when she creates business plan for cafe. Analytical part of bachelor thesis begins with a title page an executive summary, continues with description of company, operational structure and marketing plan. Author analyses internal and external factors using SWOT analysis and competition using Porter’s Five Force analysis. Last important part is financial analysis where authors calculates initial and labour costs as well as fixed and labour costs. Last part of financial analysis is calculation of revenues and income statement of company. In the end author evaluates all risks which may occur during business and divides them into internal and external. To internal risks author suggest ways of prevention of the risks.

By authors research the entry on market in Zlín is difficult. It is not because of requirements from government or because of lack of premises for new companies but because of big competition in town. There are cafes on every corner which may lead to low demand for new cafe. Because of lowest wages in country together with low buying purchasing power cafe may not success in long-term competition. There is one risk mentioned before and that is competition, we can prevent this by customer satisfaction survey.

Author in the beginning stated the objective of thesis to compile a business plan for cafe and evaluate the feasibility of it. Based on research and analyses the business plan for cafe is feasible and can be successful in future.

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## LIST OF ABBREVIATIONS

EET	Elektronická evidence tržeb
HACCP	Hazard Analysis and Critical Control Points
PEST	Political, Economic, Social, Technological environment analysis
SWOT	Strenghts, Weaknessess, Opportunities, Threats

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