

# **A Business Plan for Setting Up a Bar**

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Bachelor's Thesis  
2021



**Tomas Bata University in Zlín**  
Faculty of Humanities

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Univerzita Tomáše Bati ve Zlíně

Fakulta humanitních studií

Ústav moderních jazyků a literatur

Akademický rok: 2020/2021

## ZADÁNÍ BAKALÁŘSKÉ PRÁCE

(projektu, uměleckého díla, uměleckého výkonu)

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Studijní program: **B7310 Filologie**  
Studijní obor: **Anglický jazyk pro manažerskou praxi**  
Forma studia: **Prezenční**  
Téma práce: **Podnikatelský plán na založení baru**

### Zásady pro vypracování

Zpracování literární rešerše k vybranému tématu  
Provedení analýzy relevantního trhu  
Sestavení podnikatelského plánu  
Posouzení rentability předloženého plánu  
Zhodnocení rizik a omezení navrženého plánu

Forma zpracování bakalářské práce: **Tištěná/elektronická**  
Jazyk zpracování: **Angličtina**

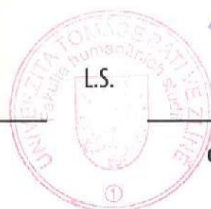
**Seznam doporučené literatury:**

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Vedoucí bakalářské práce: **Ing. Jiří Dokulil**  
Ústav krizového řízení

Datum zadání bakalářské práce: **9. listopadu 2020**  
Termín odevzdání bakalářské práce: **10. května 2021**

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## **ABSTRAKT**

Cílem této bakalářské práce je sestavení podnikatelského plánu baru s názvem Underground Bar. Bar je zaměřen na vyplnění díry na trhu, kterou představuje nedostatečný výběr míst, kam jít strávit večer. Bar bude nabízet typický sortiment alkoholických i nealkoholických nápojů. Práce je rozdělena na dvě části. První část je část teoretická, popisující základy podnikání, podnikatelské prostředí, druhy podniků a typy analýz, které se objevují v praktické části. Praktická část je zaměřena na podnikatelský záměr jako takový, přičemž se opírá o poznatky z teoretické části. Praktická část je vypracována na základě výsledku marketingového mixu, PEST, Porter a SWOT analýzy. Ve finančním plánu se objevují tři varianty vývoje, podle jejichž výsledků byl podnik vyhodnocen jako perspektivní.

Klíčová slova: podnikatelský plán, bar, podnikání, finanční plán, marketingový plán, analýza trhu

## **ABSTRACT**

Aim of this bachelor thesis is to compile a business plan for a bar called the Underground Bar. The bar is aiming at filling the gap in the market, represented by an insufficient choice of places to spend the night out. The bar will provide a typical range of goods of both alcoholic and non-alcoholic beverages. The thesis is divided into two parts. The first part is theoretical, describing the basics of entrepreneurship, business environment, types of businesses and types of analyses, that occur in the practical part. The practical part focuses on the business plan itself and is based on the findings from the theoretical part. Furthermore, it is based on the results of marketing mix, PEST analysis, Porter analysis and SWOT analysis. Three variants of development occur in the financial plan according to which the business is considered to be perspective.

Keywords: business plan, bar, entrepreneurship, financial plan, marketing plan, market analysis

## **ACKNOWLEDGEMENTS**

I would like to thank my supervisor Ing. Jiří Dokulil, for his tremendous amount of support and never-ending patience, his guidance and comments helped me to improve the quality of my work. Moreover, I would like to thank my girlfriend and my son, who support me immensely every day.

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

# CONTENTS

<b>INTRODUCTION</b> .....	<b>10</b>
<b>I THEORY</b> .....	<b>11</b>
<b>1 BUSINESS</b> .....	<b>12</b>
1.1 BUSINESS ENVIRONMENT.....	12
1.2 ENTREPRENEURSHIP .....	13
1.3 ENTREPRENEUR .....	16
<b>2 TYPES OF BUSINESSES</b> .....	<b>18</b>
2.1 BUSINESS OF NATURAL PERSON .....	18
2.2 BUSINESS OF LEGAL ENTITY .....	19
2.2.1 Partnership .....	19
2.2.2 Capital Company .....	20
2.2.3 Cooperative.....	22
<b>3 BUSINESS PLAN</b> .....	<b>23</b>
3.1 GOALS AND BENEFITS OF BUSINESS PLAN.....	23
3.2 CHAPTERS OF BUSINESS PLAN .....	23
3.2.1 Introduction.....	24
3.2.2 Executive summary .....	24
3.2.3 Environmental and Industry analysis .....	25
3.2.4 Business description .....	26
3.2.5 Marketing plan.....	26
3.2.6 Organizational plan .....	27
3.2.7 Financial plan.....	28
3.2.8 Risk assessment.....	28
<b>4 ANALYSES USED IN THE BUSINESS PLAN</b> .....	<b>29</b>
4.1 SWOT ANALYSIS .....	29
4.2 MARKETING MIX.....	30
4.3 PORTER ANALYSIS.....	30
4.4 PEST ANALYSIS .....	31
<b>II ANALYSIS</b> .....	<b>32</b>
<b>5 MARKET ANALYSIS</b> .....	<b>33</b>
5.1 PEST ANALYSIS .....	33
5.1.1 Political Environment.....	33
5.1.2 Economic Environment.....	34
5.1.3 Social Environment .....	34
5.1.4 Technological Environment.....	35
5.2 PORTER ANALYSIS .....	35
5.2.1 Bargaining Power of Buyers.....	35
5.2.2 Bargaining power of Suppliers .....	35
5.2.3 Threat of Entry.....	36
5.2.4 Threat of Substitutes.....	36
5.2.5 Competitive Rivalry Within Industry .....	36
<b>6 BUSINESS PLAN</b> .....	<b>38</b>



6.1	EXECUTIVE SUMMARY .....	38
6.2	DESCRIPTION OF THE COMPANY .....	39
6.3	SWOT ANALYSIS .....	39
6.3.1	Strengths.....	39
6.3.2	Weaknesses.....	40
6.3.3	Opportunities.....	40
6.3.4	Threats .....	40
6.4	MARKETING PLAN .....	40
6.4.1	Product .....	41
6.4.2	Price .....	41
6.4.3	Place .....	41
6.4.4	Promotion.....	42
6.5	ORGANIZATIONAL PLAN .....	42
6.6	FINANCIAL PLAN .....	43
6.6.1	Initial Expenses.....	43
6.6.2	Wages Costs.....	44
6.6.3	Fixed Costs.....	45
6.6.4	Variable Costs.....	45
6.7	EVALUATION OF PROFITABILITY .....	47
6.7.1	Gross Margins.....	47
6.7.2	Optimistic Forecast.....	48
6.7.3	Realistic Forecast.....	49
6.7.4	Pessimistic Forecast.....	49
6.8	RETURN OF INVESTMENT .....	50
6.8.1	Optimistic ROI.....	50
6.8.2	Realistic ROI.....	50
6.8.3	Pessimistic ROI .....	50
<b>7</b>	<b>ASSESSMENT OF RISKS .....</b>	<b>51</b>
	<b>CONCLUSION .....</b>	<b>52</b>
	<b>BIBLIOGRAPHY .....</b>	<b>53</b>
	<b>LIST OF FIGURES .....</b>	<b>54</b>
	<b>LIST OF TABLES .....</b>	<b>55</b>

## INTRODUCTION

The author of this work has chosen a business plan for a bar as his bachelor thesis topic. The author got the idea during his part-time job in a restaurant, because he overheard a group of young customers complaining about insufficient number of places to go to spend night out. Based on this information, the author decided to establish his own bar. As a young adult, the author focused on the needs of young adults to attract the biggest predicted customer base. The moment he decided to realize the business plan came when he encountered the premises, around which he frequently commuted, were vacant and available for rent. In order to assess whether it is a good idea, he had to assemble a business plan.

The aim of this thesis is to compile a business plan and subsequently assess its viability. For the purpose of obtaining vital information about the interest of customers, the author conducted informal research at his part-time job where he questioned the customers whether they would be interested in the idea of a new bar in Holešov. Vast majority of respondents agreed with the idea and thus the entrepreneur decided to write the business plan.

The thesis is divided into two parts, theoretical and analytical. The first part focuses on the theory of entrepreneurship, business analysis, environment, typology, structure and legislation of the Czech Republic. The analytical part is based on the findings of the theoretical part alongside authors own experience and ideas. The author focuses on the business plan for a bar in the analytical part of the work. The business plan contains all the necessary information needed for the evaluation of the profitability of the business. The financial plan at the end of the plan includes optimistic, realistic and pessimistic versions of forecasts based on predicted sales. Calculations of each versions profits and losses are accompanied by a return of investment calculation in order to assess the investment returns easily. Lastly the author mentions the risk assessment to summarize all possible threats. At the very end, the author summarizes the bachelor thesis and evaluates the profitability of the business plan.

## **I. THEORY**

## 1 BUSINESS

Business can be perceived as an activity performed in order to generate profit most commonly by producing or buying and subsequently selling goods and services. Every single business entity aims to create something with added value in order to satisfy human wants and needs. Certain characteristics are linked to the business process, including (Kopecký 2018):

- The will and effort to create added value in order to make profit.
- The purposeful usage of resources.
- Voluntarily taking over the risk and responsibility.

In order to run a successful business, an entrepreneur has to adequately examine the business environment.

### 1.1 Business Environment

Every business must inevitably determine the current situation on the market and the behaviour of corresponding factors. The environment is not entirely static, it is in fact constantly changing. Every single one of the factors is constantly on the move and it is entrepreneur's responsibility to learn from the past in order to avoid costly mistakes. Three main factors that affect the decisions of business are (Sloman 2007):

- The legal status of the business
- The organisation of business
- The aims of the business'

Entrepreneurial activity is to a large extent defined by its corresponding business environment. Entrepreneurs base their choice of business strategy and goals on the results of observation of the business environment. Two main types of the business environment can be distinguished (Kozubíková 2017):

1. Microenvironment contains all internal factors and affects the immediate proximity of the business itself. The most important factors are the business climate, business culture and other components that together compose the working conditions. Moreover, the business microenvironment also consists of the entrepreneur's abilities, such as his ability to lead, communicate and the art of defining his own business philosophy.
2. Macroenvironment on the other hand contains all external factors affecting the business from the outside. The main parts of the business macroenvironment are

suppliers, buyers and competition. The business is affected by the following factors in the macroenvironment (Červený 2014):

- a. Legislative
- b. Policy
- c. Economic
- d. Social
- e. Technological
- f. Ecological
- g. Cultural
- h. Ethical

## **Economic Environment**

Every business is significantly affected by the current and the future state of the economy.

Following factors are particularly important (Červený 2014):

1. The current stage of the state and world economy.
2. The political situation and its influence on the economy.
3. The economic policy of the state.
4. The monetary and the fiscal policy of the state.
5. The balance of payments of the state
6. The rate of inflation.
7. The situation on the capital market.

According to the Czech Statistical Office, in 2019, out of 2 892 452 active businesses 1 938 453 were private entrepreneurs in business under the Trade Act. The entrepreneurs generate 58% of the GDP of the European Union. In the Czech Republic it is approximately 48% of the GDP. In addition to that, small and medium businesses in the Czech Republic are responsible for over a half of the exported goods (Czech Statistical Office 2020).

## **1.2 Entrepreneurship**

Entrepreneurship can be described as the process of creating, launching, developing and maintaining a new business with intention to make a profit. The people conducting these businesses are labelled as entrepreneurs. Entrepreneurship theory and its history are widely regarded as irrelevant. Considerable number of entrepreneurs never study the business theory, on the other hand most of the successful entrepreneurs claim that the study of the theory and history helped them greatly to succeed. All of them however admit that the theoretical knowledge alone does not necessarily guarantee success. In order to succeed an

entrepreneur has to be knowledgeable, skilful, talented, and last but not least lucky (Srpová and Řehoř 2010).

Entrepreneurship as such is being studied with other disciplines including economics, sociology and economic history and therefore various perspectives on entrepreneurship exist. The study of entrepreneurship is nowadays divided into three main approaches:

1. The economic approach which is focused on the study of the entrepreneur's role in the economic development. Two main streams can be recognized in this approach with Joseph Alois Schumpeter and Israel Kirzner being their corresponding representatives. According to Schumpeter the entrepreneur is a unique person, more precisely an innovator, bringing change in the product or in the technological process. The entrepreneur is able to generate money through this change. Israel Kirzner on the other hand characterizes the entrepreneur as a speculator who is able to identify the supply and the demand and subsequently is capable of exploiting this information in his own benefit and thus generating profit.
2. The psychological approach which is focused on identifying the typical characteristics of the entrepreneur. This approach aimed to identify possibly successful entrepreneurs by aforementioned typical characteristics. However, the existence of these so-called "typical characteristics" has never been proven and this approach was therefore subjected to overwhelming criticism. On the other hand, this approach significantly contributed to the recognition of the entrepreneur's characteristics.
3. The socio-economic approach is focused mainly on the influence of the socio-economic environment on the success in business.

Even though the entrepreneurship is for some time a subject of a vast research, no clear definition of the concept has seen the light of the day. Based on the fundamentals of research and convention, three main concepts of the definition of entrepreneurship are recognized by an increasing number of authors (Srpová and Řehoř 2010).

1. Entrepreneurship as a process with its purpose being the creation of something new, an added value which can have both financial and non-financial form. The process of entrepreneurship is sequential and therefore it is appropriate to decompose the process into sub-parts. According to the theory of roles, the aforementioned roles of the entrepreneur are:
  - a. Owner
  - b. Administrator

- c. Manager
- d. Leader
- e. Producer
- f. Buyer and seller

Each and every role has its own desirable function and thus are assigned specific requirements regarding their execution accordingly.

2. Entrepreneurship as a method. Entrepreneurial approach has the character of a competency which is a specific manner or dimension of behaviour. In addition to that, it is a significant factor of economic and social development. Entrepreneurial approach possesses these characteristics:
  - a. The will and effort to create something extra, alias added value.
  - b. The independent search for the opportunities leading to the realization of this goal.
  - c. The input and efficient usage of resources, time and own name.
  - d. Voluntarily take over the responsibilities and adequate risk involved in the decision-making process.
3. Entrepreneurship as a value-based orientation is symbolically being labelled as “entrepreneurial spirit”, representing typical structure of values and attitudes. Two dimensions of aforementioned values and attitudes are typically recognized. The social dimension describes how the society appreciates entrepreneurs and entrepreneurships. Furthermore, it also describes how this attitude affects the decisions of the ruling class. The individual dimension mainly depicts the so-called entrepreneurial way of life whose typical characteristics are responsibility, risk-bearing and endurance against uncertainties.

### **Definition of the entrepreneurship according to the law**

Currently, the term entrepreneurship is not precisely described in any legal regulation of the Czech Republic. The following explanation is derived from the New Civil Code. The entrepreneurship is described by the Czech law as a continuous activity performed independently by an entrepreneur on his own behalf and on his own responsibility in order to gain profit. For a complete and unified understanding of the aforementioned definition it is beneficial to understand every single term used in the explanation as well (Srpová and Řehoř 2010):

- 1) The term continuity means that the activity has to be performed repeatedly and regularly.

- 2) The term independency means that the entrepreneur personally decides where and for how long is he going to perform his activity. In regard to the legal actions, the term has two versions of the meaning depending on the legal status of the entrepreneur:
  - a) In the case that the entrepreneur is a natural person, the entrepreneur therefore operates on his own behalf.
  - b) In the case that the entrepreneur is a legal person, the entrepreneur therefore operates through statutory representative.
- 3) The term own behalf also differs in the meaning depending on the legal status of the entrepreneur:
  - a) Entrepreneur in the form of a natural person performs legal actions in his own name and surname.
  - b) Entrepreneur in the form of a legal person performs legal actions in the name of the company.
- 4) The term own responsibility defines that the entrepreneur, regardless of his legal status, bears all of the risk connected to the result of his activity.
- 5) The term gain profit specifies that the activity performed by the entrepreneur must be done so with intention to attain profit. Nevertheless, the profit does not have to be achieved.

### 1.3 Entrepreneur

The definition of an entrepreneur has many shapes depending on the point of view. The term entrepreneur means something different for economists, psychologists or politicians. According to the business science two different types of entrepreneur can be recognized (Srpková and Řehoř 2010):

1. The primary entrepreneur is always a natural person, the owner of the business.
2. In the case that the owner only administers the business, he then delegates his entrepreneurial roles and functions to the business, who operates as the secondary entrepreneur in the interest of the owner. The real functions and the roles of the secondary entrepreneur are performed by natural persons in the form of top management, board of directors, etc.

#### **Definition of the Entrepreneur according to the law**

According to the New Civil Code, the entrepreneur is a “person who, on his own account and responsibility, independently carries out a gainful activity in the form of a trade or in a



similar manner with the intention to do so consistently for profit”. In addition to that, the entrepreneur is also a person who is enlisted in the business register.

## 2 TYPES OF BUSINESSES

A business is every subject which performs economic activity regardless of its legal form. Furthermore, it is a basic element of the national economy. Businesses can be divided into two main groups based on who establishes the business. These two groups are labelled as business of a natural person and business of legal entities. Each of these types of businesses has certain specifics. This division however is not necessarily definite. Businesses also vary in size, sector they operate in, type of industry, scope, etc. (Vochozka, Mulač and collective 2012)

### 2.1 Business of Natural Person

The exact translation of the natural person is “fyzická osoba”, although if we take into consideration the business of a natural person in the Czech Republic, we encounter the term “osoba samostatně výdělečně činná”. A typical example of a natural person in the Czech Republic is a tradesman, professional football player, independent agriculturist, etc. In order to conduct business, the natural person has to acquire a trade or other license which allows certain business activity. In certain cases, the license is not sufficient and additional requirements have to be met in accordance to specific legal regulation.

Based on above-mentioned criteria, we are able to distinguish two types of trades of a natural person in the Czech Republic: (Srpková and Řehoř 2010)

1. Notifiable trades are created and operated on the basis of notice and as such are divided into three categories:
  - a. Craft trade has considerably specific requirements for its acquirement and operation. Natural person has to possess vocational certificate or graduation in the field or diploma in the field or a 6-year long experience in the field.
  - b. Qualified trade on the other hand has only one possible requirement which is to demonstrate competence according to the relevant annex of the Trade Law. In some specific cases a combination of education and practice is required.
  - c. Unqualified trade is not limited to any competence. The entrepreneur simply selects out of the list of 80 business activities which he will operate.
2. The licensed trade is created and operated on the base of the administrative decision. The requirements include the fulfilment of professional competence and also a positive statement of relevant government body.

According to the Trade Law, every natural person also needs to meet specific criteria for the acquirement of the trade license:

- 18 years of age
- Legal capacity
- Integrity
- Competence of craft if required

## 2.2 Business of Legal Entity

The legal entity is another type of entrepreneurship allowed by the legislative of the Czech Republic besides the natural person. The most common form of the legal entity is a trading company. In contrast to the natural person, the legal entity is created on the day of registration in the public register. Additionally, the legal entity is most frequently part of a business with multiple legal persons participating in the business whereas the natural person is predominantly the only entity participating in the business. Legal entities include: (Vochozka, Mulač and collective 2012)

- Corporations
- Foundations
- Institutes

Corporations are further divided into public (associations, regions, etc.) and private (trading companies and cooperatives). As Foundations and Institutes have non-profit nature, they will not be further described.

In case that the entrepreneur decides to establish the business in the form of legal entity, he must take into account that the process of setting up such business will be administratively more demanding and complicated. For instance, every type of legal entity has to be registered in the business register which defines following legal entities, more precisely trading companies: partnerships, capital companies and cooperatives. (Srpová and Řehoř 2010)

### 2.2.1 Partnership

It is presumed that in case of the partnership, the entrepreneurs personally participate in business. In addition to that, they also divide all profits and share responsibility for company's liabilities. Czech legislation defines two forms of partnership. (Srpová and Řehoř 2010)

#### **General Commercial Partnership**

General Commercial Partnership is called “veřejná obchodní společnost” in the Czech Republic and is being most commonly abbreviated as “v.o.s.”. It is the simplest form of

partnership where all of the partners cover the liabilities of the company with all of their property collectively and equally.

General Commercial Partnership must be established by at least two partners and it does not matter whether they are natural person or legal entity. In addition to that, the establishing partners are not required to deposit a registered capital and all of the partners are allowed to represent the company independently. Moreover, the profit is shared amongst the partners equally. The eventual deposits of partners and restrictions regarding the representation of the company may be further adjusted in the Memorandum of Association.

### **Limited Partnership**

Limited Partnership is a form of partnership with some elements from the Limited Liability Company. In the Czech Republic, the limited partnership is called “komanditní společnost” and is most commonly abbreviated as “k.s.”. It is established by the article of association where it is stated how the profit will be shared and how the rights will be distributed. If the share of profit is not decided, it is then divided between limited partners proportionally according to the amount of deposit. General partners split their share equally. Limited Partnership is established either by at least two natural persons or at least two legal entities.

The partners in Limited Partnership do not have the same rights and responsibilities, therefore two types of partners exist. Additionally, each of the types has to be included in the Limited Partnership.

1. Limited partners guarantee the company’s liabilities up to the amount of their deposit. However, they are not allowed to intervene with the management of the company. On the other hand, they are allowed to monitor the company’s economy.
2. General partners have similar role as partners in the General Commercial Partnership as they guarantee with all their property and are in the control of the company. (Vochozka, Mulač and collective 2012)

### **2.2.2 Capital Company**

The founders of a capital company are required to deposit certain amount of money and their responsibilities towards the company are either limited or non-existent. They are not even required to participate in the entrepreneurship. The legislation of the Czech Republic defines two types of capital companies (Srpková and Řehoř 2010)

### **Limited Liability Company**

Limited Liability Company (further referred to as LLC) is the most common type of a company in the Czech Republic and is translated as “společnost s ručením omezeným” with

abbreviation “s.r.o.”. Both legal entities and natural persons are eligible to establish and operate the LLC yet one person is enough to establish the LLC. In order to establish the LLC, a several actions are required. Firstly, it is required to deposit a registered capital which is symbolic, and is set to be at least CZK 1. Secondly, the Memorandum of Association have to be written down in case that there is more than one founder. If there is only one founder, the deed of association has to be written down. Both of these options have to be written down by the notary. Thirdly, the entrepreneurs involved in the establishing process has to acquire the trade licence. And last but not least, the LLC has to be registered into the business register and in addition to that the LLC has to be reported to the Tax Office.

The LLC guarantees its liabilities with all its assets, whereas the partners guarantee the company’s liabilities jointly and indistinguishably up to the sum of unpaid deposits portions of all partners according to the status of registration in the business register. The highest administration body of the company is general meeting. (Vochozka, Mulač and collective 2012)

### **Joint Stock Company**

Joint Stock Company (further referred to as JSC) is known in the Czech Republic as “akciová společnost” and is being abbreviated as “a.s.”. The JSC can be established either by one legal entity alone or either by one or multiple natural persons. The registered capital is set to be at least CZK 2,000,000 and in case of the initial public offering, the registered capital is required to be at least CZK 20,000,000. The JSC guarantees with all its assets whereas the shareholders are not responsible for any of the company’s liabilities. (Vochozka, Mulač and collective 2012)

Since 2014, two types of inner structure of the JSC are possible in the Czech Republic. The inner structure of the administrative body can be either monistic or dualistic. Monistic system is represented by the Board of Directors which, if not agreed upon differently, has three members. The Board of Directors is chosen by the General Meeting. The Board of Directors chooses from its members their chairmen who then informs the General Meeting about the activity of the Board of Directors. Dualistic system is represented by the Board of Directors and the Supervisory Board. In both of these systems, the highest administration body of the company is the General Meeting which consists of all the shareholders. (Vávrová 2020)

### 2.2.3 Cooperative

While cooperatives are in many ways similar to the trading companies, the crucial difference lies in the purpose of these legal entities. The trading companies are most often established and operated in order to generate profit whereas the cooperatives are focused on supporting its members usually by securing their economic interests. According to the currently valid legislation, the cooperative is allowed to engage in business activity. The cooperative is by definition a community of unclosed number of persons established in order to do business or to secure economic, social and other needs of their members. The members of the cooperative do not guarantee the cooperative's liabilities, the cooperative alone guarantees its liabilities. (Srpová and Řehoř 2010)

### **3 BUSINESS PLAN**

In order to assess the viability of the business idea, the entrepreneur has to assemble a business plan. It is a written document which describes all the essential internal and external factors connected to the business activity. The business plan may be perceived as a sort of guide which provides answers to the elementary questions: “Where are we?”, “Where do we want to be?” and “How will we get there?”. (Srpová and Řehoř 2010)

Nevertheless, new businesses are not necessarily the only subjects that create the business plan. Even already running businesses often write down a business plan in order to expand their business. On the other hand, the business plan can be also useful when the business is preparing to get rid of a part of itself. In other words, the business plan is a written conception of the business which helps the entrepreneur in the beginning of the business and also in the later development. Moreover, the business plan can be used to assess the success of the business – to compare what has been planned with the reality. (Červený 2014)

#### **3.1 Goals and benefits of business plan**

The business plan should serve the entrepreneur for internal purposes, yet in reality, it is commonly compiled in this complex manner only after it is required by the bank or a future investor or partner.

The business plan serves the company as a planning tool during its beginning and later on in the decision-making process regarding important changes which might have long-term consequences on its functioning. Some entrepreneurs even give a brief summary to their employees so that they can identify themselves with the company’s goals.

The external subjects utilize the business plan in order to assess the company’s ability to implement their projects. This approach is commonly used by financial entities, such as banks. In order to acquire necessary capital, a well-written business plan is a necessity. (Srpová and Řehoř 2010)

#### **3.2 Chapters of business plan**

Every single business plan inevitably varies from the others depending on the target audience. All business plans however serve the same purpose. Firstly, the business plan provides comprehensive and concise picture of a new venture to any potential investor and secondly, the business plan helps the entrepreneur to clarify his vision of the business. Since any kind of “universal business plan outline” does not exist, the following outline is only meant to be perceived as a sort of guide. On the other hand, all of the items represent crucial

elements of the plan and as such shall be inevitably addressed by the entrepreneur. (Hisrich, Peters and Shepherd 2017)

### **3.2.1 Introduction**

The introductory page provides a brief summary of the contents of the business plan. This page describes the basic concept of the entrepreneur's idea which helps the investor in deciding whether or not to invest into the business without having to read all the way through. Thus, the introductory page should contain: (Hisrich, Peters and Shepherd 2017)

- Name and location (address) of the company.
- Name of the entrepreneur (in case that more than one entrepreneur is involved, their names have to be listed as well).
- Credentials of the entrepreneur (telephone number, e-mail address, etc.).
- A few sentences describing the company and the nature of the business.
- The amount of required financing.
- A statement of the confidentiality of the report.

### **3.2.2 Executive summary**

This chapter of the business plan is most commonly written after the whole plan is completed. The purpose of the executive summary is to stimulate interest of the potential investor therefore it shall highlight the key points of the business plan concisely and convincingly. Moreover, the executive summary answers elementary questions that any first-time reader of the business plan might have. These are for instance:

- What is the nature of the business concept?
- In which way is this business concept unique?
- Who are the individuals starting the business?
- How will they earn money and how much?

In addition to above-mentioned items, the supportive evidence such as data from market research, legal documents or contracts should be included. This chapter shall only highlight the key factors of the business plan and as such should motivate the person reading the business plan for the very first time to read it all the way through. Therefore, the entrepreneur shall under no circumstances try to summarize every section of the plan in this chapter. (Hisrich, Peters and Shepherd 2017)



### 3.2.3 Environmental and Industry analysis

To put the business in a proper context, the entrepreneur has to conduct an analysis of the corresponding business environment in order to identify trends and changes appearing nationally and also internationally that inevitably affect the business. These environmental factors include: (Hisrich, Peters and Shepherd 2017)

- Economy – The entrepreneur has to take into account the Gross national product, unemployment by geographic area, disposable income and various other factors of the area where he intends to set up the business.
- Culture – The business is broadly affected by the cultural environment. This term comprises of a huge variety of factors, including shifts in the population by demographics, shifts in attitudes or trends in safety, health, nutrition as well as concern for the environment. All of these factors therefore shape to some degree the entrepreneur's business plan.
- Technology – The changes in this field are rather difficult to predict. It is in entrepreneur's best interest to consider any potential technological advancements in the industry.
- Legal concerns – Setting up a new business is a complicated process and the entrepreneur has to deal with a lot of legal issues. This work however does not end here. The entrepreneur should be prepared for any possible future changes in the legislation that may affect his business.

All of the abovementioned factors are mostly uncontrollable. On the other hand, the entrepreneur should be fully aware of these factors as the right evaluation of them can lead to a successful marketing strategy. As soon as the evaluation of the environmental factors is complete, the industry analysis focused on specific trends shall be commenced by the entrepreneur.

- Industry demand – The data regarding the demand of a certain market are commonly available in public sources. The knowledge of this data is crucial for any new business as every new entrepreneur has to be aware whether the market is in decline or if it grows, how many potential competitors are currently active, what are the wants and needs of a typical customer and what changes are most likely to happen to these wants and needs over time.
- Competition – The entrepreneur should be prepared to face larger corporations in order to succeed. The only way to succeed in current competitive market is to have

an effective marketing plan which can be successfully prepared through thorough research of strengths and weaknesses of competitors.

#### **3.2.4 Business description**

This chapter shall include a thorough description of the business as it should provide a complete description of the products, services and operations of said business. This chapter is particularly important for the potential investors as it enables them to evaluate the scope and size of the business. (McKeever 2012)

Firstly, the business description should include the mission statement which describes the nature of the business and what the entrepreneur intends to accomplish with said business. Additionally, the mission statement guides the business in the long-term decision-making process. Secondly, various factors connected to the description and understanding of the business should be addressed. These factors include the product or service, the location and the size of the business, the background, the staff and necessary equipment, etc.

The most important of these factors is most definitely the location as it might be the crucial factor on its path to success. This is particularly true if the business is oriented onto service. The entrepreneur should therefore consider additional factors such as parking, roadways access, access to customers, suppliers, distributors and last but not least the regulations of the area where the business is supposed to be established. During the evaluation of these factors the entrepreneur might ask some of the following questions: (Hisrich, Peters and Shepherd 2017)

- How much space is needed?
- Should I buy or lease the premises?
- What are the town restrictions?
- Is the facility easily accessible?
- What are local taxes?
- Is eventual expansion possible?
- What is the demographic and economic profile of the area?

#### **3.2.5 Marketing plan**

This chapter discloses the pricing, promotion and distribution of the product or service. Marketing research evidence shall be included and described in detail in order to support crucial marketing decisions and sales forecasting. Moreover, a specific forecast for a product or service shall be mentioned as well as the budget. (Hisrich, Peters and Shepherd 2017)

The basic input of the marketing plan should be mainly the strategic goals of the business strategy. This strategy is known as marketing mix of 7P and is represented by the following aspects:

- Product (e. g. the planned volume of sales of a certain product)
- Price (e. g. the strategic price goals)
- Place (e. g. the volume of sales by territory)
- Promotion (e. g. the goals for promotion and distribution of products and services)
- Process (e. g. the goals for setting up the processes connected with marketing and business)
- Planning (e. g. the goals for organizing and conducting of marketing and business)
- People (e. g. the plans for personnel conducting marketing and business)

The entrepreneur's task is to sort this input and lay down a time-line based on which the marketing plan's goals can be measured and analysed as well as controlled. (Červený 2014)

Furthermore, the marketing plan consists of various types of strategies and methods. One of the most common and at the same time the most useful method is the SWOT analysis. Not only is it a strong and consistent marketing method but it also provides critical overview of the company's environment and the company itself as it shows the strengths, weaknesses, opportunities and threats regarding the business. (Finch 2010)

The entrepreneur should by all means put every effort into the making of the marketing plan in order to make it as comprehensible and detailed as possible as the potential investors regard the marketing plan as critical to the success of the new business. Besides that, the marketing plan is an annual requirement for the entrepreneur with changes being made to it on a monthly or even weekly basis and therefore it should be regarded as the guide for short-term decision making. (Hisrich, Peters and Shepherd 2017)

### **3.2.6 Organizational plan**

The organizational plan specifies the form of ownership of the new business, whether it is proprietorship, partnership or corporation. Furthermore, this section also includes additional conditions regarding the form of ownership. The terms of partnership should be included in case that the business is a partnership. In case that the business is a corporation, the shares of stock authorized and share options must be described as well as the names, addresses and resumes of the directors and other important personnel of the corporation.

This section is thoroughly studied by the potential investors as it also contains the organizational structure which provides them with a complete and clear insight of who

controls the business and how the whole staff will interact on day-to-day basis. (Hisrich, Peters and Shepherd 2017)

### **3.2.7 Financial plan**

This chapter deals with the amount of financing needed for the new business and in addition to that also assesses the economic viability of the business plan. The financial plan is most commonly divided into three sections.

In the first section, the entrepreneur should outline the forecasted sales and the corresponding expenses for a period no shorter than three years with the forecast for the first year provided on a monthly basis.

The second section revolves around cash flow figures for at least three years, while the first year should be on a monthly basis. Some investors may even require projections for five years. The entrepreneur has to take into account factors such as the irregularity of sales or the delay of payments from customers in order to meet fixed expenses such as utilities and salaries.

The last section of this chapter is dedicated to the balance sheet which shows the financial condition of the business at a specific period of time. It compiles the business's assets, liabilities, the investment of the entrepreneur and any partners and retained earnings or cumulative losses. (Hisrich, Peters and Shepherd 2017)

### **3.2.8 Risk assessment**

Every business certainly encounters potential hazards amongst its competitive environment and thus the entrepreneur has to assess risks. Firstly, the entrepreneur lists any potential dangers to the new business. Secondly, the entrepreneur predicts what may possibly happen if such threats become real and thirdly, the entrepreneur must conclude what actions and strategies must be carried out in order to prevent or minimize the occurring threats. (Finch 2010)

## 4 ANALYSES USED IN THE BUSINESS PLAN

It is widely known that the market is changing rapidly very often. The entrepreneur however has a powerful tool at his disposal – a market analysis, which is the essential part of the business plan as it thoroughly examines the market and reveals precisely the real supply and demand of a certain market. By executing various analyses, the entrepreneur takes advantage of the targeted market segment as the analyses enable him to be prepared for the actual demand and the needs of the customer. (Finch 2010)

### 4.1 SWOT Analysis

One of the most common analysis in many business plans is the SWOT analysis, which is basically a list of strengths, weaknesses, opportunities and threats. It however does not end by listing all of these. Once the factors representing strengths, weaknesses, opportunities and threats has been identified, the entrepreneur has to characterize their importance, how he will deal with the factors and how he will use the information for the future benefit of the business. (Červený 2014)

As stated before, the SWOT analysis consists of 4 aspects:

- Strengths – analyses what the business is good at, such as the education of employees, the experiences of management, the original product, the quality of the product, etc. (Finch 2010)
- Weaknesses – this section describes the weaknesses of the business and possible obstacles in the internal factors. Such factors are for example high fluctuation of employees, lack of customer support, old technology, etc. (McKeever 2012)
- Opportunities – this external factor reveals possible gaps in the market which can be exploited for the benefit of a business. Such factors are weak competition, supplying the product in new or superior way, brand new product, etc. (Kotler and Keller 2012)
- Threats – this factor describes potential dangers which the business will inevitably face if he decides to enter the market. The main threat, competition, can be studied and identified long before entering the market and thus the business can be fully prepared to face it. Other threats include legal regulations, the economic situation, etc. (Kotler and Keller 2012)

## 4.2 Marketing mix

Another useful analysis commonly used in business plans is a marketing mix which is a model built around an idea that the business must keep in balance four factors. These four factors, known as 4 P's, are:

- Product – design, quality, size, packaging, features, etc.
- Price – price of the product, discounts, due dates, etc.
- Place – coverage, range of goods, transport, coverage etc.
- Promotion – public relations, marketing sales promotion, etc.

This model however lacks the perspective of the buyer as it only represents the seller's point of view. The model of 4 P's is occasionally extended to a 7 P's model where the additional 3 P's represent people, process and physical evidence. Nevertheless, this model is not used as often as many entrepreneurs deem it unnecessarily complex. (Červený 2014)

It is also possible to encounter the concept of 4 C's, which is basically the 4 P's model from the customers point of view. This model consists of these factors:

- Customer value
- Communication
- Convenience
- Cost

## 4.3 PORTER Analysis

PORTER analysis is very useful in analysing the competition in the market that the entrepreneur wishes to enter. This analysis reveals the advantages of the competitor and subsequently offers the entrepreneur how to possibly deal with them. Additionally, it aims to expose a gap in the market which might be exploited by the entrepreneur. (Sloman 2007)

The PORTER analysis maps the factors affecting the negotiating position of the business in its respective industry. In addition to that, it also seeks opportunities through which the business might improve its position in the industry. (Červený 2014)

The factors of the PORTER analysis are:

- The bargaining power of buyers – buyers influence the selling price of goods. If they decide not to buy the product at a certain price, the business is consequently forced to lower its price.
- The bargaining power of suppliers – suppliers might change their prices or make changes to previously agreed-upon deals due to unforeseen circumstances. Suppliers

might even stop supplying the business entirely if they are offered a better deal from another business.

- The threat of entry – a new competitor entering the market.
- The threat of substitutes – other businesses might offer similar products which might persuade the customer to prefer their product over the product of the entrepreneur.
- The competitive rivalry within industry – threats of already functioning competitors. This includes competitor price wars, competitors with better influence on customers, etc. (Sloman 2007)

#### **4.4 PEST Analysis**

The PEST analysis is not only used in order to assess and analyse the current economic situation but also to learn from the past through cyclical economic fluctuations as there is a significant possibility that they will repeat. Knowledge of this fact might prove beneficial in laying down future plans and might even save the business from collapsing. (Červený 2014)

The PEST abbreviation stands for the names of various factors:

- Political – tax policies, regulations, political stability, etc.
- Economic – unemployment, GDP trends, interest rate, etc.
- Social – lifestyle, income, hobbies, education, etc.
- Technological – research, technological advances, government support for research and development, etc.

The PEST analysis is most commonly used to reveal the future development of the external environment and the corresponding development trends which pose either threat or opportunity for the business. (Červený 2014)

## **II. ANALYSIS**



## 5 MARKET ANALYSIS

This chapter will detail the results of observation of the business's external environment, especially the results of PEST analysis and the analysis of PORTERS bargaining powers.

### 5.1 Pest analysis

The purpose of this chapter is to determine whether the situation in the external environment of the company is suitable for this business plan and what kind of threats might the entrepreneur encounter.

#### 5.1.1 Political Environment

In the past decade, the government was actively trying to monitor the entrepreneurs mainly through the EET and also through various inspections. However, since the covid outbreak in January 2020, the EET has been since deactivated and according to the current legislative, will be activated again in January 2023. The tax rates are currently relatively stable, although it is expected that the tax rates will inevitably skyrocket when the pandemic situation gets back to normal. (Finanční Správa 2020)

In order to start a business, the entrepreneur has to obtain a trading license. The process is relatively simple, the person applying for the license has to fill a form and pay a fee of CZK 1,000. It is also required to meet basic criteria, more precisely being at least 18-years old, having no criminal records and having legal capacity. After the requirements of the Trade Licensing Act are met, several other legal aspects regarding the business need to be addressed, including taxation and insurance. The natural person is required to pay two types of insurance, that is health and social insurance. In 2021, the set minimum for the social insurance is CZK 2,588 while the set minimum for the health insurance is CZK 2,393. The employer is obliged to pay 134% of the employee's wage (100% wage, 9% health insurance, 25% social insurance). (iPodnikatel 2020)

The entrepreneur also has to obtain a licence to sell alcohol, certificate to provide inn services and he also has to meet certain criteria in order to play music. Additionally, after the establishment of business, the premises have to be checked for hygiene regulations, fire safety and quality of resources. These factors are checked by an inspection from the Public Health Authority, the Fire Department and the Czech Agriculture and Food Inspection Authority respectively. In order to sell tobacco products, the entrepreneur has to follow specific law regulations, such as the obligation to install a visible sign which says that the

distribution of cigarettes and other tobacco products is forbidden for anyone under the age of 18.

The income tax must also be paid by a legal person. The political situation in the Czech Republic is currently unsteady and the increase in the tax rates is very likely to happen in the near future.

### **5.1.2 Economic Environment**

While the economic performance was in decline in 2020 and the GDP dropped by 5.8%, the Czech National Bank estimates that the situation will turn around by the end of 2021 and the GDP will increase by 2.2%. While this prognosis might seem optimistic, the current pandemic situation is taking its toll on active businesses out of which many has gone bankrupt in the first quarter of 2021. Therefore, many skilled workers are out of job and are available for hire. Despite this situation, the national unemployment rate is on 4.2% which is amongst the lowest in the whole European Union. (Czech National Bank 2021)

The average gross wage in the Czech Republic is approximately CZK 38,525 while the average gross wage in the Zlín region is CZK 34,610 which is almost CZK 4,000 below the country's average. Out of all the regions of the Czech Republic, the Zlín region has the lowest average gross wage. On the other hand, the unemployment rate of the Zlín region is 3.44% which is 0.76% over the country's average. (Czech Statistical Office 2020)

As the business's main article is alcohol, the entrepreneur has to respect and follow all currently active policies regarding the distribution of alcoholic beverages. The increase in taxes regarding alcohol and tobacco might possibly happen, although complete prohibition is very unlikely. Besides that, the alcoholic beverages can not be sold to anyone under the age of 18, just like tobacco products, which the business will also provide. The age restriction is however not a serious threat to the business as the target segment of the business are adults.

### **5.1.3 Social Environment**

The business's main articles are alcoholic beverages and tobacco products and therefore its age group is relatively broad with its only limiting factor being at least 18 years of age. The customers under 18 years of age can however buy certain non-alcoholic beverages and drinks.

While Holešov is relatively small city with approximately 12,000 citizens, there are currently around 30 active pubs. Besides these pubs, which mostly close around 22:00, there is only a limited number of places to go after 22:00 on a weekend night. As especially young

citizens like to go out and party all night, they will surely appreciate a newly opened pub which will stay open until dusk.

#### **5.1.4 Technological Environment**

Threats in the technological field are virtually non-existent as the business is a pub and thus is relatively minimally dependent on the technological advances. The pub will need beer taps and other equipment connected to beverages such as cooling system, fridges, ice machine, etc. The pub will also provide a free Wi-Fi to its customers. Its location near the city centre in combination with being only 15 minutes away from the motorway make the pub perfectly available for the main means of transport. Additionally, the pub could benefit from the new highway, which is projected to be built on the town's outskirts and its construction is scheduled to commence in the near future.

## **5.2 PORTER analysis**

This chapter will analyse the situation in the specific market.

### **5.2.1 Bargaining Power of Buyers**

The concept of pub is not new, the customers are able to find similar service all around Holešov. Although a lot of people have their favourite pub, a lot of people are complaining about the fact that all the pubs are spread inconveniently around the town and also that most of the pubs close too early. Based on this, it is highly probable that a considerable number of people will visit the pub. Additionally, some customers might wander in out of sheer curiosity. In order to make the customers come back again, it is viable to set up a friendly atmosphere through pleasant communication and excellent service.

### **5.2.2 Bargaining power of Suppliers**

There is a vast number of suppliers and thus the entrepreneur has the opportunity to choose the best and most suitable supplier possible. The main provider of beer will be Plzeňský Prazdroj, as they have the beer of highest quality, The main provider of alcohol will be JIP as they possess a vast variety of both alcoholic and non-alcoholic beverages. In addition to that, they also provide very interesting advantages of cooperation including special events for end customers, quantity discounts, free delivery from a certain price, etc. The main provider of tobacco products will be GEKO company, as they offer the option to have the tobacco vending machine installed, which has two benefits on its own. Firstly, it significantly simplifies the work for bartenders and secondly, the entrepreneur does not have to invest any

money into tobacco products, as the GECO company refills the vending machine regularly and pays the entrepreneur lease. All of these suppliers are reputable and reliable.

### **5.2.3 Threat of Entry**

It is relatively easy to enter the pub industry as there is only very limited number of patents, out of which none are required, and therefore, a potential threat of newly emerging competitors is always present. On the other hand, the current situation on the market due to the coronavirus is forcing a lot of businesses to close and the market is becoming less saturated than it used to be. A wave of newly opened businesses is expected to emerge as soon as the situation regarding the coronavirus gets back to normal.

### **5.2.4 Threat of Substitutes**

The main threat of substitutes lies in competitors selling beer and other beverages. Over the past year, the sales of bottled beer in the Czech Republic almost doubled, therefore it can be assumed that a common user of light alcoholic beverages became used to drink bottled beer in a comfort of his own house. On the other hand, the bottled beer is widely regarded as inferior in comparison to draft beer. Based on this, the return of customers to the pubs is highly anticipated by both sides of the bar.

### **5.2.5 Competitive Rivalry Within Industry**

A lot of pubs are currently active in Holešov, however only a handful of them is opened after a midnight on weekends. In order to fully assess the situation regarding the competition, the casinos also have to be taken into account, as they also remain open until early hours. It is indeed possible to survive in this competitive industry and it is definitely feasible to overtake the competition.

The main threats for the bar are Archa Bar, Tropic Bar, Bowling Club and Bonver Club.

- Although the Archa Bar was initially established as a milk bar, nowadays it is a regular restaurant. It offers quite large variety of beverages including the tank beer and additionally, it also offers fast food, such as pizza, French fries, etc. The Archa Bar also possesses a jukebox and an outdoor seating which is used from spring until early autumn. The downside of this pub is that it closes at midnight.
- Tropic Bar is in many ways unique as it is the only bar in Holešov which possesses billiard and pool. Although, unlike the Archa Bar, it does not provide any food, it provides similarly huge variety of both alcoholic and non-alcoholic

beverages while also providing a jukebox and a dart machine for their customers. With over 25 years history, the Tropic Bar is definitely the biggest competitor.

- While the Bowling Club is mainly focused on bowling, it gradually became a haven for a lot of young customers, as it used to be quite unfrequented place and thus allowed them to party freely. The current pandemic situation however sent the business on the brink of bankruptcy and it is unknown whether it will open again when the situation gets back to normal.
- A casino named Bonver Club must be taken into account as well simply because of its location being just around the corner of the bar. The casino offers surprisingly large variety of both alcoholic and non-alcoholic beverages along with baguettes and pizzas. The customers however have to register in order to even enter the premises. This fact is demotivating for a considerable number of customers and therefore the Bonver Club is not one of the biggest competitors in the industry.



Figure 1 - The Location of Competitors (accessed from Mapy.cz)

Apart from the Archa Bar, all of the competitors are within 5-minute walking distance. The location of the bar is highly convenient as it is near the city centre and also right between two fast foods which are open until 4:00.

## 6 BUSINESS PLAN

<b>Name of the company:</b>	Underground Bar
<b>Legal from:</b>	Limited Liability Company
<b>Address:</b>	Dr. E. Beneš city square 67/24, 76901 Holešov
<b>Date of establishment:</b>	20.4.2022
<b>Owner:</b>	Daniel Matuška
<b>Founder address:</b>	Dobrotice 73, 769 01 Holešov
<b>Phone:</b>	+420 635 567 465
<b>E-mail:</b>	dannymatuska@gmail.com
<b>Website:</b>	www.undergroundbar.cz

**About us:** Underground Bar is a new bar focused on high quality service of drinks and alcoholic and non-alcoholic beverages. The main focus of the bar is to create a pleasant atmosphere for the customers and subsequently provide them with a pleasant experience.

### 6.1 Executive Summary

The purpose of this business plan is to describe the entrepreneur's plan to open a new bar in Holešov. The bar will offer wide variety of both alcoholic and non-alcoholic beverages together with tobacco products provided through vending machine. The bar's target group is adult citizens and visitors of Holešov looking to spend night out. The entrepreneur has the experience working in the industry and therefore is aware of the gap in the market which has not been entirely filled yet. Most of the pubs in Holešov close around midnight and after that, the customers have almost nowhere to go. All of these customers seek comfortable place, quality drinks and beer, all of which the bar provides at a reasonable price. The location of the bar near the city centre is its biggest strength as it is easily accessible from every other pub in the city.

The bar offers all of its items also in a takeaway form in case that the customers want to consume their drinks outside of the premises. All of the suppliers of beverages are well-known and reputable brands and thus the risk of any problem in the delivery is minimal. The money required in order to start a business is calculated to be CZK 338,585, which is a sum of start-up money and fixed costs for the first month (CZK 295,435 + CZK 43,150). The entrepreneur already possesses the required capital, therefore there is no need of any additional loans. In case that the bar sells 150 beers, 50 shots of liquor and 20 non-alcoholic

beverages per day, the monthly profits will amount to CZK 66,671 after taxation, which is a realistic forecast.

## 6.2 Description of the Company

The entrepreneur aims to fill a gap in the market which is present for a long time, that is an insufficient selection of places to go for a drink in Holešov after midnight. Due to the bar's location near the city centre, it is easily accessed from all around the city. The company's vision is to become the number one spot the customers come for a drink in the afternoon and also after midnight.

The business is located on the Dr. E. Beneš city square, which is quite busy especially at night as there is a casino and two fast-foods in close vicinity and people ordinarily tend to gather around. In addition to that, the Holešov chateau, where a lot of concerts and parties take place, is right across the street.

## 6.3 SWOT Analysis

Strengths	Weaknesses
High-quality beverages	Limited funds
Tobacco vending machine	Very little experience in running a business
Good location	
Opening hours until early morning	
Opportunities	Threats
Gain regular customers	Already present competitors
Less saturated market (coronavirus)	Legislation changes
	Price changes of suppliers

Table 1 - SWOT Analysis (authors creation)

### 6.3.1 Strengths

By providing the top-quality beer, alcohol and other beverages combined with opening hours until early morning, the chances of acquiring new and also returning customers is greatly enhanced. In addition to that, the bar will also provide tobacco products through vending machine, which is very convenient for the customers, as they do not have to order them from the bartenders. The location of the bar is very strategic as it is easily reachable from every corner of the city.

### **6.3.2 Weaknesses**

The fact that the entrepreneur has only limited funds available might prove disadvantageous as it might limit the entrepreneur in equipping the bar with the high-end equipment. On the other hand, the present funds are well allocated and the main equipment is more than satisfactory. The main impediment for the business might be the inexperience of the entrepreneur in running the business.

### **6.3.3 Opportunities**

The combination of location and the opening hours of the bar might prove beneficial in gaining new and returning customers. The location near the city centre and in close vicinity of two fast-foods and a casino make it a frequented place in late hours. Moreover, there is only very limited number of competitors that have opened until early morning, thus making it possible to attract a large number of customers.

### **6.3.4 Threats**

Despite the fact that Holešov is full of pubs, only four of them can be identified as a potential threat to the business. The competition consists of the Archa Bar, which is located on the other side of the city, the Bowling club (although being on the brink of bankruptcy), the Bonver Club casino, located right around the corner on the same street and most importantly the Tropic Bar, located on the neighbouring street. In addition to that, the changes in legislation regarding alcohol and tobacco distribution might possibly be threatening to the business. Lastly, the suppliers might decide to increase their prices which would inevitably cost the business a considerable amount of money.

## **6.4 Marketing Plan**

This chapter of the business plan will specify how the business chooses their products, what does the business provide, how does the business intend to attract customers and by which ways of promotion. The marketing goal will be fulfilled through the marketing mix of 4 P's. The promotion will be focused mainly on the adult citizens and visitors of Holešov. This however does not mean that the business will not promote to other target groups as well. The bar will also reach out to other customers through Google Ads and Underground Bar's Facebook and Instagram profiles. The bar offers both a comfortable safe haven for younger customers and also a quiet place to spend time over a cup of coffee in the afternoons for middle-aged level-headed customers.



### 6.4.1 Product

The bar will provide a variety of both alcoholic and non-alcoholic beverages as to suit the wants and needs of every potential customer. The main product, beer, will be represented by two brands – Radegast and Pilsner Urquell. The bar will also provide a vast variety of liquor in order to suit everyone's taste, with rum being the emphasised article among the provided liquors. Moreover, a wide scale of non-alcoholic beverages such as Coca-Cola, Sprite, juices, ice-tea, etc. will also be provided. After the consultation with the provider of tobacco products, the vending machine will include the most common brands of cigarettes and cigarillos, such as Camel, LM, West, Chesterfield, etc.

### 6.4.2 Price

Apart from the Tropic Bar, the competitors are fairly expensive, which can be seen on the review sites of the respective pubs. Overpriced items might be a possible reason why the customer will not return in the future and therefore the business must price the products accordingly, meaning that the price of the product must not exceed the competitor's price of the same product. The price of the product will therefore be based on the prices of the most threatening competitor, the Tropic Bar, as it has almost identical target group and the customers are accustomed to these prices.

With the exception of cigarettes, all of the products have a high return rate, especially liquor, where it is possible to make four times the money it takes to buy one bottle. As long as the customers come for a drink, the losses are very unlikely.

### 6.4.3 Place

It is up to customer's choice whether he will consume the product indoors or if he will take it outside in a plastic cup, although the users of tobacco products are in disadvantage as it is forbidden by the government to use tobacco products indoors. The bar is located on the Dr. E. Beneš city square, right across the street from the Holešov chateau and is situated mostly under the ground, right under the Bonver Club casino. The premises are average in size, able to host 50 seated customers at a time. In addition to that, the premises also include a small stage and a dance floor allowing small concerts and gigs to happen. The customers will order and also pay at the bar and then are welcomed to sit anywhere they like or take the drink outside in a plastic cup. The location of the bar near the city centre and a minute of walk away from a fast-food combined with opening hours until early morning is the perfect mix of factors for the maximal convenience of the customers.

#### **6.4.4 Promotion**

The main campaign of promotion will be done through the social media, as it is nowadays the most frequented medium. Although the city of Holešov is quite big, it is very common for the local people to spread a word about something and soon the entire city knows about it. It is therefore very likely that this phenomenon will occur in connection with the Underground Bar.

The social networks such as Facebook and Instagram will be the main media for the promotion. The connection with the customers is nowadays essential and therefore it is necessary to get in touch with them through Facebook and Instagram profiles of the Bar. The profiles will mostly serve as an advertisement and a waypoint to the bar's website which will contain a basic info about the bar as well as the menu, contact info, telephone number for eventual reservations etc. The entrepreneur will also pay for google ads of the bar to appear at the very top of the search engines.

Besides the traditional advertising campaigns, the bar will also host special events targeted at the younger audience, involving Halloween party, New-Year's eve party and various other special events. The premises also include a stage and a dance floor thus enabling various concerts to be scheduled which might attract middle-aged audience. The bar will promote these events on its social media accounts.

### **6.5 Organizational Plan**

The business will be in the form of a limited liability company owned by a single natural person. The entrepreneur chose this form of a company specifically due to the fact that the liabilities are not guaranteed with all the assets of the entrepreneur that are not a part of the business. Most of the duties of the business will be fulfilled by the entrepreneur himself. He will be part of the personnel and in addition to that will be responsible for finances, accounting, promotion, etc.

Due to the nature of the business, there is no need to employ more than one additional person. Opening hours of the bar are planned from 5:00 p.m. – 5:00 a.m., one shift therefore being 12 hours long. A system of two shifts rotating short and long weeks will be implemented. The short week will consist of Wednesday and Thursday, while the long week will consist of Monday, Tuesday, Friday, Saturday, Sunday.

The bartender will be the only employee on the shift and therefore has to be very skilled and experienced in order to be able to do the job successfully. The bartender's responsibility will be to serve the customers, wash the glasses and manage the supplies. In case that there

will be too much work for one person or a big number of customers will be expected to occur, a part-time worker might be hired in order to help the bartender with his work.

## 6.6 Financial Plan

This chapter will describe the necessary investment needed in order to start a business. The entrepreneur does not need any additional loans as he has enough money saved.

### 6.6.1 Initial Expenses

This part of the financial plan will cover the initial expenses. The initial expenses consist of the money used on the reconstruction of the bar, the purchase of equipment and two months of rent paid in advance based on the deal with the owner of the premises. The initial inventory is set based on the optimistic version of forecast. Moreover, the initial inventory is counted in the variable section for each version of forecast, thus is shown in brackets in the start-up budget. All of the sums are in CZK.

<b>Initial expenses</b>	
Reconstruction	29,000
Equipment	52,700
Administrative fees	10,000
Initial inventory	(183,735)
Rent (2 months)	20,000
<b>Total</b>	<b>111,700 (295,435)</b>

Table 2 - Initial expenses (authors creation)

### Reconstruction

The premises are in a very good condition and thus requiring only very limited repairs, mainly on the toilets. The costs cover only materials as the entrepreneur is able to do the repairs on his own. In addition to the repairs on the toilets, four of the indoor doors have to be replaced as well as a new paint must be applied. The item ‘advertisement’ represents banners, posters etc.

<b>Reconstruction</b>	
Tiling	15,000
Doors	6,000
Painting	3,000

Advertisement	5,000
<b>Total</b>	<b>29,000</b>

Table 3 - Reconstruction costs (authors creation)

### Equipment

As the premises used to be a pub in the past, most of the equipment present at the place is still ready to be used, although it belongs to the owner of the premises. The coffee machine is the only important piece of equipment missing.

<b>Equipment</b>	
EET device	5,000
Coffee machine	35,000
Hi-Fi	3,500
Wi-Fi	750
Glass	8,450
<b>Total</b>	<b>52,700</b>

Table 4 - Equipment costs (authors creation)

The item “glass” consists of:

- 100 beer glasses CZK 30 each
- 50 whiskey glasses CZK 25 each
- 50 rum tasting glasses CZK 35 each
- 50 shot glasses CZK 15 each
- 15 cocktail glasses CZK 80 each
- 10 mugs CZK 50 each

### 6.6.2 Wages Costs

The bar will employ an additional employee besides the entrepreneur. The entrepreneur will not have a wage and therefore the table shows only the wage of the sole employee.

<b>Wages costs</b>	
<b>Item</b>	<b>Employee</b>
Gross wage	15,200
Social insurance	3,800
Health insurance	1,368
<b>Monthly super-gross wage</b>	<b>20,400</b>

Yearly super-gross wage	244,800
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Table 5 - Wages costs (authors creation)

### 6.6.3 Fixed Costs

The item advertisement is included in the fixed costs as it represents online advertisement in this case. The bar will use Facebook and Google ads, which will work on pay per view scheme. The Facebook ads will cost CZK 900 per month while the Google ads will be more expensive at CZK 1,200 per month. Because the bar will target mainly the citizens and visitors of Holešov, the amount of advertisement will be sufficient. The entrepreneur will also have to pay OSA fees in order to play music through jukebox and Hi-Fi.

Fixed costs		
Item	Monthly	Yearly
Rent	10,000	120,000
Wages costs	20,400	244,800
Energy	6,000	72,000
Internet	400	4,800
Mobile phone	500	6,000
OSA	350	4,200
Advertisement	2,100	25,200
Webhosting	400	4,800
Insurance	3,000	36,000
<b>Total</b>	<b>43,150</b>	<b>517,800</b>

Table 6 - Fixed costs (authors creation)

### 6.6.4 Variable Costs

The variable costs will differ in accordance to the number of customers. The 'cost' column shows the purchase price of an item while the 'price' column shows the selling price of a certain item. The prices and costs are then converted into an average number in order to make the sales prediction easier. Then the average cost is deduced from the average price which shows us the average gross profit of selling certain type of article.

### Beer

Beer will be one of the main articles of the bar and the combination of Radegast and Pilsner Urquell will always stay on the menu.

<b>Beer</b>		
<b>Item</b>	<b>Price</b>	<b>Cost</b>
Radegast	29	13
Pilsner Urquell	39	26
<b>Average</b>	<b>34</b>	<b>19.5</b>
<b>Average gross profit</b>	<b>14.5</b>	

Table 7 - Beer purchase price and selling price (authors creation)

### Alcohol

The bar will also provide a vast variety of liquor as well as white and red wine. In case of demand for additional brands of liquor, the list will be expanded accordingly.

<b>Liquor</b>		
<b>Item</b>	<b>Price</b>	<b>Cost</b>
White wine 2dcl	28	12
Red wine 2dcl	28	14
Finlandia 0,04l	40	15
Bombay Sapphire 0,04l	50	20
Jameson 0,04l	60	24
Tullamore D.E.W. 0,04l	60	21
Jack Daniel's 0,04l	60	25
Fernet Stock 0,04l	30	12
Jägermeister 0,04l	60	17
Absinth 0,04l	69	23
Tequila El Jimador 0,04l	42	24
Captain Morgan 0,04l	40	14
Legendario 0,04l	65	23.5
Capitan Bucanero 0,04l	65	24
Kakadu 0,04l	45	21
Bumbu 0,04l	100	51.5
Don Papa 0,04l	100	51
Zacapa 0,04l	110	50
<b>Average</b>	<b>58.4</b>	<b>24.5</b>

<b>Average gross profit</b>	<b>33.9</b>
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Table 8 - Liquor purchase price and selling price (authors creation)

The costs are calculated as a division rate, for example, one bottle of Fernet Stock contains 11 of liquor (25 shots 0,04l each) and costs CZK 300 which means that one shot costs CZK 12 (300/25).

### Non-alcoholic beverages

In addition to liquor, the bar will offer numerous types of non-alcoholic beverages, including coffee, although only in the form of espresso. Tap water will also be provided on request at the bar. The costs of the products are already given by the supplier.

<b>Non-alcoholic beverages</b>		
<b>Item</b>	<b>Price</b>	<b>Cost</b>
Coca-Cola 0,33l	30	13
Sprite 0,33l	30	13
Fanta 0,33l	30	13
Lipton Ice-tea 0,33l	30	13
Cappy (various types) 0,33l	30	19
Coffee (espresso)	25	4.5
Tea (various types)	25	2
<b>Average</b>	<b>28.5</b>	<b>12.9</b>
<b>Average gross profit</b>	<b>15.6</b>	

## 6.7 Evaluation of Profitability

It is indeed possible to predict how many customers will visit the bar based on the market research. The gross margin per day is then calculated based on the predicted number of customers and what will they possibly buy. The potential orders are multiplied by the average prices of the items. From this sum are then deduced the multiplied average costs of the items.

### 6.7.1 Gross Margins

The table reveals the predicted amounts of sold items for each version of forecast.

<b>Gross margins</b>			
<b>Item</b>	<b>Optimistic</b>	<b>Realistic</b>	<b>Pessimistic</b>
Beer	200	150	100
Liquor	75	50	25
Non-alc. beverages	30	20	10
Daily revenues	12,035	8,590	5,145
Daily inventory costs	6,124.5	4,408	2,691.5
<b>Gross margins per day</b>	<b>5,910.5</b>	<b>4,182</b>	<b>2,453.5</b>
<b>Gross margins per month</b>	<b>177,315</b>	<b>125,460</b>	<b>73,605</b>
<b>Gross margins per year</b>	<b>2,127,780</b>	<b>1,505,520</b>	<b>883,260</b>

Table 9 - Gross margins of products (authors creation)

Each item is predicted to be bought certain amount of times per day, this figure is then multiplied by the average price and cost of each item.

### 6.7.2 Optimistic Forecast

The optimistic forecast might be possibly achieved in the first month of the bar being in business, as the customers will be eager to try something new. Revenues are calculated as daily revenues multiplied by 30 (CZK 12,035 \* 30), similarly, the inventory costs are calculated as daily inventory costs multiplied by 30 (CZK 6,124.5 \* 30).

<b>Profit/loss – optimistic version</b>			
	<b>Opening month</b>	<b>Regular months</b>	<b>First year</b>
<b>Revenues</b>	<b>361,050</b>	<b>361,050</b>	<b>4,332,600</b>
Fixed costs	43,150	43,150	517,800
Inventory costs	183,735	183,735	2,204,820
Start-up budget	111,700	X	111,700
<b>Total expenses</b>	<b>338,585</b>	<b>226,885</b>	<b>2,834,320</b>
<b>Profit/Loss (EBT)</b>	<b>Profit 22,465</b>	<b>Profit 134,165</b>	<b>Profit 1,492,280</b>
<b>Profit/Loss (EAT)</b>			<b>Profit 1,213,607</b>

Table 10 – Profit/loss of optimistic forecast (authors creation)

After the first month, the bar will be in profit of CZK 22,465 which means that the bar will break even in the first month.



### 6.7.3 Realistic Forecast

The realistic forecast is the most probable version and unless any unexpected event occurs, it can be expected to achieve these figures.

<b>Profit/loss – realistic version</b>			
	<b>Opening month</b>	<b>Regular months</b>	<b>First year</b>
<b>Revenues</b>	<b>257,700</b>	<b>257,700</b>	<b>3,082,400</b>
Fixed costs	43,150	43,150	517,800
Inventory costs	132,240	132,240	1,586,880
Start-up budget	111,700	X	111,700
<b>Total expenses</b>	<b>287,090</b>	<b>175,390</b>	<b>2,216,380</b>
<b>Profit/loss (EBT)</b>	<b>Loss 29,390</b>	<b>Profit 82,310</b>	<b>Profit 866,020</b>
<b>Profit/loss (EAT)</b>			<b>Profit 701,476</b>

Table 11 - Profit/loss of realistic forecast (authors creation)

After the first month, the bar will be in loss of CZK 29,390 and during the second month, the bar will break even.

### 6.7.4 Pessimistic Forecast

This version describes the worst scenario where only a very small number of customers actually visit the bar.

<b>Profit/loss – pessimistic version</b>			
	<b>Opening month</b>	<b>Regular months</b>	<b>First year</b>
<b>Revenues</b>	<b>154,350</b>	<b>154,350</b>	<b>1,852,200</b>
Fixed costs	43,150	43,150	517,800
Inventory costs	80,745	80,745	968,940
Start-up budget	111,700	X	111,700
<b>Total expenses</b>	<b>235,595</b>	<b>123,895</b>	<b>1,598,440</b>
<b>Profit/loss (EBT)</b>	<b>Loss 81,245</b>	<b>Profit 30,455</b>	<b>Profit 253,760</b>
<b>Profit/loss (EAT)</b>			<b>Profit 205,546</b>

Table 12 - Profit/loss of pessimistic forecast (authors creation)

As the table clearly shows, the pessimistic version is only very little profitable. While the entrepreneur's monthly profit before taxation is CZK 30,445, it would take him nearly 3 months to break even.

## 6.8 Return of Investment

Commonly abbreviated as ROI, the return of investment indicates the profits or losses of the business compared to the invested capital. The profit after taxation represents the invested capital. The formula is:

$$ROI = \frac{\text{gain from investment} - \text{cost of investment}}{\text{cost of investment}} * 100$$

The cost of investment is comprised of the start-up budget with initial inventory (CZK 295,435) and the fixed costs for the first month (CZK 43,150), which equals CZK 338,585.

### 6.8.1 Optimistic ROI

$$ROI = \frac{1,213,607 - 338,585}{338,585} * 100 = \mathbf{258.43\%}$$

In case that the bar will be able to keep up with the optimistic forecast, it will return the investment more than two and a half times in the first year. Based on this, the business is more than feasible.

### 6.8.2 Realistic ROI

$$ROI = \frac{701,476 - 338,585}{338,585} * 100 = \mathbf{107.17\%}$$

The realistic version of the forecast predicts that after the first year, the bar will have the return of investment of 107.17% which means that the bar will start to make a profit in the first year and thus is also feasible.

### 6.8.3 Pessimistic ROI

$$ROI = \frac{205,546 - 338,585}{338,585} * 100 = \mathbf{-39.29\%}$$

The pessimistic model reveals that in this case, the return of investment is really low and the business is therefore not feasible as the prolonged period of low profit would possibly lead to the termination of the business..

## 7 ASSESSMENT OF RISKS

The risk and uncertainty will always be present and therefore the business needs a backup plan. While the number of customers can be easily predicted, it is not guaranteed that they will actually visit the bar. During weekdays, the number of customers might be significantly lower than predicted, on the other hand, the number of customers might be exponentially higher than ever predicted during weekends. Higher numbers of customers are particularly important during the first months after opening for the chance of them becoming regulars and thus providing steady income for the bar. In the case that the bar fails to establish a base group of regulars, a termination of business would be inevitable. In order to prevent this a well-thought-out promotion campaign is essential. The bar must be known amongst the potential customers before it even opens in order to attract a desired number of customers.

The biggest threat to the business is the rivalling competition who may keep track of the bar's actions and adjust their own performance and prices accordingly in order to diminish the businesses advantage. In order to prevent this, the bar also has to be aware of the competitor's activity so that it can respond on any possible changes in prices etc. Thanks to its location, the Underground Bar is in advantageous position as most customers will find it at a convenient walking distance from around the city at any given time. The first few weeks and months of the business will be crucial in establishing a solid customer base as the business wants to exploit the weakness of its competitors, which the entrepreneur detected during the research.

The human factor will definitely play a big role in the bar. It is important to set the boundaries on what kind of behaviour is acceptable in the premises. Additionally, it is vital to ban any customers who cross these boundaries as it will show the other customers that these rules are easily enforced. By forbidding the access to the bar to the individuals who do not obey the rules, the bar is protecting the current customers and in addition to that, enables them to feel safer and more comfortable in the premises while also showing inadaptable customers that this is not a place for them. The happier the customer, the more he spends and thus the bar gets more profitable. Generally, the bar definitely has its place on the market and will indeed be profitable if it manages to secure a sufficient customer base.

## CONCLUSION

This bachelor thesis aimed to compile a business plan for a new business located in Holešov called the Underground Bar. The author decided to establish the business in the form of limited liability company as a natural person.

During the process of compilation, the author had to write the theoretical part with the help of literature of professionals in the field of economics and marketing. The topics connected to the business plan are covered in the theoretical part, including the business environment, types of businesses, theory connected with the analyses used and last but not least the theory about the business plan itself. The practical or rather analytical part then utilizes the information from the theoretical part in order to complete the business plan.

The analytical part begins with PEST and Porter analyses, followed by the section of business plan. The introductory page is the first page of the business plan followed by the executive summary which summarizes the entirety of the business plan. The description of the company details what kind of products and services the business offers while the SWOT analysis portrays strengths, weaknesses, opportunities and threats of the business. Next is the marketing plan which is based on the 4 P's principle, the structure of the organization which shows the employees and opening hours and the detailed financial plan with three versions of forecasted profits and losses. Moreover, the financial plan also includes the return of investment calculations which evaluate the profit/loss of each version of forecasts. Lastly, the assessment of risks is described, where the author counts the risks which the business is likely to face and additionally offers possible methods of prevention.

According to the results of the business plan, it can be clearly seen that the business will be profitable if it manages to sell on average 150 beers, 50 shots of liquor and 20 units of non-alcoholic beverages per day. The possibility of slight difference between the real and predicted numbers is present due to the fact that the calculations are based on predictions. On the other hand, all of the numbers from the calculations are all realistically achievable and even if slight differences between the real and predicted numbers occur, it will not endanger the functionality of the business. The initial investment is set to be CZK 338,585 (start-up budget with optimistic initial inventory adds up to 295,435 + fixed costs for one month are CZK 43,150). Based on the facts given and calculations performed, it can be assessed that the aim of the thesis has been successfully fulfilled.

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## LIST OF FIGURES

Figure 1 - The Location of Competitors (accessed from Mapy.cz) .....	37
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**LIST OF TABLES**

Table 1 - SWOT Analysis (authors creation) .....	39
Table 2 - Initial expenses (authors creation) .....	43
Table 3 - Reconstruction costs (authors creation).....	44
Table 4 - Equipment costs (authors creation).....	44
Table 5 - Wages costs (authors creation).....	45
Table 6 - Fixed costs (authors creation).....	45
Table 7 - Beer purchase price and selling price (authors creation).....	46
Table 8 - Liquor purchase price and selling price (authors creation) .....	47
Table 9 - Gross margins of products (authors creation) .....	48
Table 10 – Profit/loss of optimistic forecast (authors creation) .....	48
Table 11 - Profit/loss of realistic forecast (authors creation) .....	49
Table 12 - Profit/loss of pessimistic forecast (authors creation).....	49