

# **A Business Plan for a Selected Company**

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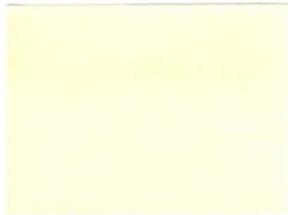
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## **ABSTRAKT**

Cílem této bakalářské práce je sestavení podnikatelského plánu pro fiktivní cyklistickou kavárnu Café Domestikárna situovanou v Uherském Hradišti. Bakalářská práce je rozdělena na teoretickou a praktickou část. Teoretická část se zabývá mimo jiné všeobecnou teorií podnikání, základními formami podnikání v České republice, a také přesně definuje všechny části podnikatelského plánu a jeho záměr. Praktická část čerpá z nabytých poznatků části teoretické k vytvoření podnikatelského plánu pro cyklistickou kavárnu a určení její realizovatelnosti. Na základě podrobné analýzy trhu a výpočtů uvedených ve finančním plánu bylo konstatováno, že dvě ze tří možných variant projektu (optimistická a realistická) mají ziskový potenciál.

**Klíčová slova:** Podnikání, podnikatelský plán, kavárna, analýza trhu, finanční analýza, realizovatelnost

## **ABSTRACT**

The aim of this Bachelor thesis is to produce a business plan for the fictional cycling café named Café Domestikárna located in Uherské Hradiště. The Bachelor thesis is divided into a theoretical and practical part. The theoretical part deals with a general description of entrepreneurship, legal forms of companies in the Czech Republic, and defines the structure of the business plan. The practical part utilizes the knowledge gained from the theoretical part to produce the business plan for the cycling café and analyses its feasibility. Based on a detailed analysis of the market and the calculations stated in the financial plan, it was found that two of the three possible project variants (optimistic and realistic) have profit potential.

**Key words:** Entrepreneurship, business plan, coffeehouse, market analysis, financial analysis, feasibility

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## INTRODUCTION

There are many life decisions and events that are right to throw yourself into. The same is true for running a business, but with one exception, since the basis of any success is careful preparation and consideration of the current situation. For business, this cornerstone is the development of a business plan. Many entrepreneurs fail their company because they misjudged the market situation, did not think about the financial burden or did not consider the current risks that could endanger the company. A business plan is a great tool that determines how to start a business and whether the intended business might be successful.

The reason why I decided to write a business plan is pretty simple. The idea of running my business has always attracted me a lot. The opportunity to realize yourself and create something with added value is my most influential temptation. Cycling is the biggest passion in my life, which I have been doing since I was 10. That is why I decided to create a business plan for the cycling café Domestikárna. A charming coffee stop in the middle of a bike ride is a pleasant part of training. I plan to establish this type of business in the future, as I believe, that cycling is becoming an increasingly popular and widespread activity in the Czech Republic. The goal of the cycling café will be to offer both quality café and cycling services.

This bachelor thesis is divided into two parts - theoretical and practical. The theoretical part aims to define the basic business concepts that a beginning entrepreneur should know. A description of all the parts of the business plan is also provided. On the other hand, the practical part aims to utilize all the knowledge gained from the theoretical part and apply this knowledge in compiling a business plan for Café Domestikárna. The practical part includes a description of the company, market research, marketing strategy, financial analysis, and, last but not least, consideration of the risks associated with the establishment of the company. The overall goal of the bachelor's thesis is to assess the potential profitability of the submitted business plan based on the market analysis.

## **I. THEORY**

## 1 ENTREPRENEURSHIP

Entrepreneurship is one of the essential human features. According to Worthington and Britton (2006, 4), it is very difficult to define precisely the concept of "business" as such. A general view of entrepreneurial activity defines it as the transformation of inputs (operational or production factors) into outputs (products or services) to meet the material and mental needs of customers. From this activity, the entrepreneur receives a burdensome profit, which is the resulting difference between the cost of producing the product or service and the final price that the customer is willing to pay. The Civil Code defines entrepreneurship as "a continuous activity carried out independently by the entrepreneur in his name and under his responsibility for profit" (Mulačová et al. 2013, 15 – 16).

Srpková et al. (2010, 20) state the same definition and adds that to properly understand the definition, it is important to clarify the following terms:

- **Consistency** means that business activity is performed repeatedly and regularly.
- **Independence** means that the entrepreneur independently decides on his/her working place, working hours, and dispensing of a profit from business activities.
- The natural person acts **under his/her name** or and legal entity acts **under the name of the company**.
- The entrepreneur **takes full responsibility** for all his/her liabilities resulting from entrepreneurial activity.
- The entrepreneurial activity carried out **to make a profit**.

Several important facts also emerge from these terms. Short-term projects are not considered as an entrepreneurial activity as the going concern principle is applied to the business activity. For entrepreneurial activity, the personal participation of the entrepreneur in the running of the business is also an important, but not required part of the business (Mulačová et al. 2013, 15 – 16).

Like any life choice, entrepreneurship is associated with a possibility of failure that must be anticipated and taken into account. But to transform our entrepreneurial activity into a successful business, we need to know that a truly successful long-term business is based on meeting real needs that remain in society for a while and create added value, just like wheel invented more than 6 thousand years ago (Mulačová et al. 2013, 15 – 16).

## 1.1 Enterprise

An enterprise, together with households and the state, is another fundamental economic entity in market economies, which generates the main part of gross domestic product through its activities. Its main task is to create supply in the market of goods and services and create demand in the market of factors of production (Kozubíková 2017, 12). The Civil Code defines enterprise as a set of tangible and intangible components of a business. The company owns things, rights, and other property values that belong to the entrepreneur. These values are used to run the business (Srpová et al. 2010, 35).

Malach et al. states that despite the different definitions of an enterprise, it is possible to distinguish an enterprise from other economic entities based on the key features of enterprises that each enterprise has in common. These key features are (Malach et al. 2005, 25):

- **Legal personality** means that the company is legally defined by rights and obligations, as a legal entity may enter into legal relations in its own name and independently.
- **Economic independence** means that the company owns production factors, uses them effectively, carries full responsibility, and increases the value of economic resources.
- **Organizational structure** means that the company acts as a separate organizational unit, which is integrated into the system and has a unified accounting and other organizational units.

Among the secondary characteristics of the company belong (Novák, Kozubíková, and Zámečník 2018, 8 - 9):

- Combination of production factors.
- Economic efficiency.
- Financial balance.
- Principle of private property.
- Principle of autonomy.
- Principle of profitability.

Enterprises are classified according to various aspects, which the most important is classification according to economic sectors, which are individual parts of the national economy and according to the size of the enterprise (Dočekalová 2017, 14).

**Classification according to sectors:**

- Primary sector - enterprises obtaining resources directly from nature. These include agriculture, fishing, forestry, etc.
- Secondary sector - enterprises that process resources produced by the primary sector, such as engineering, textile industry, food industry, etc.
- Tertiary sector - companies that offer services. Healthcare, transport, trade, etc.
- Quaternary sector - enterprises engaged in science and research, such as universities (Dočekalová 2017, 14).

**Classification according to the size of the enterprise based on European Commission:**

- Micro enterprises are companies that have less than 10 employees and annual turnover is less than 2 million EUR.
- Small enterprises are companies that have less than 50 employees and annual turnover is less than 10 million EUR.
- Medium enterprises are companies that have less than 250 employees and annual turnover is more than 50 million EUR.
- Large enterprises are companies that have more than 250 employees and annual turnover is more than 50 million EUR (Dočekalová 2017, 15).

## **1.2 History of Entrepreneurship**

In pre-war Czechoslovakia, small businesses were an essential part of the economic sector and complemented it appropriately. A market system built on Western-style democracy was applied. This trend persisted in Czechoslovakia until 1948. The end of World War II brought a gradual turnaround in the development of the Czechoslovak economy and gradually all enterprises over 50 employees were nationalized. In 1988, 98.6% of people were employed in the national processing sectors (Malach et al. 2005, 22).

The period after November 1989 brought drastic changes in the development of the Czechoslovak economy. The private sector began to grow in importance. Transformation and reorganization steps took place, leading to a rapid increase in self-employment. This is also evidenced by the fact that between 1989 and 1992 the number of registered business

activities increased from 19,000 thousand to almost 1 118 636. One of the things that contributed to this figure was the desire and motivation of about a quarter of the population to use their resources and knowledge to set up an economic entity. In 1994 there was a slight decline in growth, but since 1995 there has been an annual increase in the number of self-employed (Malach et al. 2005, 23 – 24).

According to Czech Statistical Office, around 2,107,068 independent economic entities were registered in the Czech Republic in 2019. Unfortunately, a large part of the business activities is established for additional income in employment.

### 1.3 Entrepreneur

An entrepreneur is a person who runs a business. At the same time, it is a person who is prepared to take risks with their own or other people's money, in anticipation of financial reward, in case the business is successful (Finch 2010, 167).

The Civil Code defines the entrepreneur as a person who independently carries out a gainful activity on his/her account and responsibility in a trade license or similar manner with the intention of doing so systematically for the purpose of making a profit (Kozubíková 2017, 15). Veber et al. (2012, 11) also mentions the Civil Code, which states, that the entrepreneur is:

- Person registered in the Company Register.
- Person who runs a business with a Trade license.
- Person who runs a business without a Trade license under specific regulations.
- Person who runs an agricultural production and is registered in the evidence under specific regulations.

Veber et al. (2012, 15) continues to list the common personality traits of an entrepreneur.

- Ability to look for opportunities.
- Setting goals and objectives.
- Ensuring financial resources.
- Ability to organize.
- Risk-taking.
- Self-confidence, persistency, etc.

Both in theory and practice, we also encounter other two categories of personalities in a business environment. These categories are the role of a manager and the role of a leader.

A manager is generally defined as a person who holds the main managerial positions. These positions include organizing, planning, controlling, supervising the employee selection process and management of people. The management process is a group process. The manager uses teamwork to achieve set goals and objectives. On the other hand, a leader is defined as a person who can influence people and inspire them for a certain activity, project, vision, etc. The authority of leaders is not only in a formal position towards their followers within the organizational structure, but it is based on the strength of their ideas and also the charisma to take the leading position. We can see that the positions of an entrepreneur, manager, and leader include different personality traits, which in most cases intertwine in some way. Tomas Bata is a great example of the persona, who was able to combine all these personalities (Synek et al. 2015, 12 – 13).

#### **1.4 Business environment**

Business environment is understood as conditions and situations that influence business activities. This environment includes internal and external factors. Internal factors are within the control of a business's management, such as the skills and abilities of employees, their know how and attitude, the relationship between manager and subordinates, etc. On the other hand, external business environment causes enterprise to behave in a certain manner, influences its objectives, creates opportunities but also exposes threats. As the external business environment is constantly changing, the company's success depends upon how well an enterprise adapts to these changes. External environment changes provide companies a competitive advantage, for the reason that it is more complex than internal environment. It is comprised of (Dočekalová 2017, 9 - 10):

- The social environment.
- The culture historical.
- The geographic environment.
- The economic.
- The political environment.
- The technological.
- The ecological environment.

Worthington and Britton also refer to business environment and distinguishes between factors that have a direct day-to-day impact on a company's operations and the more general ones that affect the company's operations less. Direct factors include, for example, suppliers,

competitors, financial institutions, parent companies, etc. On the contrary, we include economic, political, socio-cultural, technological, and legal factors among the so-called macroeconomic factors. These factors apply to a wide range of businesses and can be based not only on local and national resources but also on international and transnational developments (Worthington and Britton 2006, 6 – 7).

### **1.5 Before starting a new business**

Before starting a business, it is good to consider several key factors. The basis is to assess whether we have good personal preconditions, a business idea, and what our competitive advantage is. A good business plan will allow us to verify the reality and viability of our business idea (Srpová et al. 2010, 54).

Starting your own business also requires at least courage, patience, and a little madness that an entrepreneur must have. It is not possible to opt for business only partially. Entrepreneurship is a long-term activity, with many positive but also negative consequences. It is also important to realize, that in order to run own business, a start-up entrepreneur must make an appropriate effort which he would not encounter in an employment role. So, it is up to the entrepreneur whether he is willing to submit to this quest for potential success, but also a possible failure, and to take certain risks. Not to mention irreversible cost losses or psychological damage in the event of failure. On the other hand, it would be a great shame not to exploit the potential of an entrepreneurial idea and the opportunities that modern times offer (Veber et al. 2012, 46).

## 2 TYPES OF BUSINESSES

To begin with, it is important to define the role of companies in the whole economy. In addition to businesses, there is another legal form of enterprises within the economy, which forms an integral part of the economic environment. These businesses are non-profit organizations. Compared to businesses, they differ in their goal, which is not to make profit. Non-profit organizations continue to be divided into private and public (Muláčová et al. 2013, 28). For a company to be established at all, it is first necessary to consider the factors that help choose the right legal form of business. The legal form affects and forms the legal relations in the company and legal relations with the external environment of the company. For that reason, it is essential to take into account the following criteria (Strouhal 2016, 12):

- Liability.
- The right to the management and decision-making process of the company.
- Number of founders.
- Venture capital.
- Administrative burden for the establishment and operation of the company.
- Sharing the profit.
- Possibilities to reach a capital.
- Tax burden.
- Publication and information duties.

According to Synek and others (2015, 79), the basic and main classification feature of an enterprise in an economic theory is usually the legal form of ownership. The Civil Code of the Czech Republic distinguishes between business of a natural person and business of a legal entity (Srpová et al. 2010, 67).

### 2.1 The business of a natural person

A business of a natural person is a business owned by only one person. This enterprise is characterized by a small size of business and has two main advantages – a small capital is enough to set up such a business and state regulation is minimal compared to companies with a larger size. On the other hand, the main disadvantages are the difficulty to access the capital, unlimited liability for the company's debts, and the limited life of the company due to the length of life of the owner. The business of a natural person is mostly in the form of a trade. By Trade Licensing Act, trade is a systematic activity operated individually, in one's

name, under his/her responsibility at one's own risk to make a profit under the conditions set by law. The Trade Licensing Code also defines several conditions for such a trade to arise. These are (Synek et al. 2015, 80):

- Age of 18.
- Capability of legal acts.
- Impeccability.
- Professional competence (e.g. education).

In terms of professional competence, The Trade Licensing Act distinguishes between two types of the sole proprietorship. These are notifiable and permitted (licensed). Notifiable trades are further divided into an unqualified, craft and professional.

- **Notifiable trades** are set up only by the registration at the Trade Licensing Office when required terms and specified conditions are met.
  - Unqualified (free) trades do not require professional competence. Unqualified trades involve production, trading, and services that are not included in the craft and professional trades.
  - Craft (vocational) trades require professional competence for each particular are such as hairdressing, massaging, etc.
  - Professional trades require special qualification (education) in the particular are. These trades are for example masonry, butchery, carpentry, and so on.
- **Permitted (licensed) trades** are set up based on the so-called concession (permission) and certificate from the Trade Licensing Office. Permitted trades are gun and ammunition production and service, deratization of pests, funeral service, etc. According to the subject of business, licensed trades are further divided into trading, production and services (Synek et al. 2015, 80).

## 2.2 The business of a legal entity

If an individual's business is successful and its legal norm as a self-employed person does not allow for its subsequent development and use of potential, it can be transformed into a company. If the entrepreneur does so, he/she must take into account the administrative complexity, as well as the need to deposit the minimum capital when establishing the company (Srpová et al. 2010, 68). Each new established company must be registered in the Commercial Register as a legal entity. Legal persons are constitutions, foundation, and corporations which are divided into (Synek et al. 2015, 81 – 86):

- Commercial companies that are furthermore subdivided into:
  - Partnerships that are divided into general commercial company (translated as veřejná obchodní společnost) and limited partnership (translated as komanditní společnost).
  - Capital companies that are divided into limited liability company (translated as společnost s ručením omezeným) and joint-stock company (translated as akciová společnost).
- Cooperatives.
- Societas Europaea and European Economic Interesting Grouping.
- Public corporations.

## 2.3 Partnerships

According to Synek and others (2015, 81), partnerships are established and owned by two or more people who share the profit and are also responsible for any losses. The partners of such a company personally participate in the business. The advantages and disadvantages are similar to a business of a natural person. On the other hand, these companies often overcome capital scarcity compared to the individual's business. An important factor for the success is a stable relationship of partners

### 2.3.1 General commercial partnership

The first legal form of partnership is a general commercial partnership (translated as Veřejná obchodní společnost). This company is one of the oldest forms of business partnerships. A general commercial partnership is a legal entity that can only be established to operate the business and must contain the abbreviation veř. obch. spol or "v. o. s" in the name of the company. Under this name, the company is also registered in the Company Register (Srpová et al. 2010, 70). This company is established by at least two partners who operate a business under one common name. Partners of the company place cash and non-monetary deposits in the company, which become the property of the company. The partners are unlimitedly liable for all their liabilities by all their property. (Synek et al. 2015, 82). The founders and members of the general commercial partnership may be persons both domestic and foreign, provided that they meet the general conditions. Founders' agreement is required (Srpová et al. 2010, 70).

### 2.3.2 Limited partnerships

The second legal form of partnership is a limited partnership (translated as komanditní společnost). This partnership is established by two or more members. The members of the company differ according to their position in the company. General partners run the business and are unlimitedly liable for all their liabilities. Limited partners do not partake in managing the business and are liable for the company's liabilities up to the number of their investment. (Synek et al. 2015, 82).

The limited partnership is established in the same way as the General Commercial Partnership by founder's agreement. However, it is crucial to determine in advance general and limited partners. The deposit obligation is not required. The company can be established by a legal or natural person and is registered in the Company Register. The name of the company must contain the abbreviation kom. spol. or k. s. The profit of the company is divided in half, of which one half belongs to the limited partners and the other to the general partners. Limited partners share their profits equally, but general partners divide their profit according to the number of their initial investments to the company (Srpková et al. 2010, 72 - 73).

## 2.4 Capital Companies

The capital participation of the partners, not their personal participation in the business or management of the company, is the main difference between capital companies and partnerships. (Synek et al. 2015, 82). According to Mulačová and others (2015, 31), the amount of the initial investment to the company determines the amount of the business share and thus the participation in decision-making in the company. The deposit obligation of each participant is mandatory.

Better availability of capital for capital companies is a great advantage over all the already mentioned forms of business. On the other hand, the significant disadvantage is the greater administrative complexity. We distinguish between two forms of capital companies (Mulačová et al. 2015, 32):

- Limited liability company.
- Join-stock company.

### 2.4.1 Limited liability company

A limited liability company, translated as společnost s ručením omezeným, is a capital company that can be established by natural or legal persons. Until 2014, the amount of the

authorized capital was 200,000 CZK, and each partner had to invest at least 20,000 CZK in the company. The authorized capital nowadays is only 1 CZK. The company itself is liable for its obligations with all its assets, but the partners only up to the amount of their investment. The business name of the company must contain the abbreviation s. r. o., or spol. s r. o. (Synek et al. 2015, 82) Historically, this company is considered as one of the youngest and currently the most widespread, mainly because to start and manage this form of company is much easier than a joint-stock company. The highest governing body of the company is the general meeting, the statutory body is the executives. Like the above-mentioned forms of companies, a deed of incorporation is required to establish limited liability company. It must include several requirements, such as the scope of the business, the office of the company, executives and their management strategy, shareholders and their shares, the number of initial investments, and in the case of the supervisory board, it is necessary to state its members (Srpková et al. 2010, 75 – 76).

#### **2.4.2 Join-stock company**

The joint-stock company is a capital company with a minimum authorized capital of CZK 2,000,000. The company is founded primarily for business purposes, but the corporations' act offers other reasons for establishing. The share capital of the company is divided into shares with a certain nominal value. The company's shares are then publicly offered to investors. The company is liable for its liabilities with all its assets, shareholders are not liable for liabilities (Synek et al. 2015, 84). The founder can be either a legal entity or a natural person. Establishing a joint-stock company is a very complex process. As with a limited liability company, the company needs a deed of incorporation, which must include: the scope of a business, the office of the company, the amount of the authorized capital, the number of shares, value per share, types of shares with their names, rights, and obligations, number of votes per one share and other information about shares and their public offer. General Meeting is the highest body of the company consisting of the company's shareholders. The governing body of the company is the Board of Directors. The supervisory body is the Supervisory Board (Srpková et al. 2010, 78 - 81).

According to Synek and others, a joint-stock company has many advantages. It is the most effective form of company development. Thanks to a large amount of capital, the company can diversify and focus on projects for which the sole proprietorship and the above-mentioned forms of the company are not enough. On the other hand, shareholders do not actively participate in the management and the company becomes impersonal. Synek also

mentions that over time, the company becomes only a so-called management company, in which the owners take over only the capital risk (Synek et al. 2015, 84).

## **2.5 Cooperatives**

Cooperatives are a special category of business entities. A cooperative is an organization owned and operated by a community of people whose goal is not to make a profit but to benefit its members. The minimum number of members is 3, and each member is obliged to contribute to secure the authorized capital. The cooperative is liable for its obligations with all its assets, the members are not liable for the obligations. The highest body of the cooperative is the membership meeting. The executive and statutory body is the cooperative board and controlling activity is done by the supervisory commission (Mulačová et al. 2013, 37).

## **2.6 European partnerships and companies**

European companies and associations are forms of business governed by European Union law. These companies were adopted in the Czech Republic in 2006 after the Czech Republic joined the European Union. Thanks to European regulations, establishing this company is difficult and time-consuming (Synek et al. 2015, 85). While Synek mentions 2 types of legal forms of entrepreneurship, Dočekalová adds one more. They are (Dočekalová 2017, 26-27):

- Societas Europaea (SE).
- European cooperative society.
- European economic interest grouping (EEIG).

### **2.6.1 Societas Europaea (SE)**

The European company, also known as Societas Europaea, is established under the European law. The main goal of this company is to facilitate the free movement of a capital and to unify the legal forms of business within the European Union. A European company can only be set up in precisely defined ways. Two or more joint-stock companies or European companies merge into one company. Two or more joint-stock companies create a holding of a European company. To establish a subsidiary of another European company and to transform joint-stock company under European regulations (Veber et al. 2012, 65).

### **2.6.2 European cooperative society**

The European cooperative society is a society that is founded primarily for the benefit of its members and the development of their economic activities. The company is founded by at

least 5 members or 2 companies that are members of two different European countries. The authorized capital of the company is CZK 800,000. The members are liable for the company's liabilities up to the amount of their initial investment. The authorized capital is further divided into shares that are precisely determined according to the articles of incorporation (Dočekalová 2017, 27).

### **2.6.3 European economic interest grouping (EEIG)**

European economic interest group is established to support the economic cooperation of smaller economic entities that want to participate in international projects. The company can be founded by at least two members who are liable for the company's liabilities with all their assets (Strouhal 2016, 17).

## **2.7 Public corporations**

Public corporations are established by the state and exist to manage some key public services, such as public transport, television service, radio, etc. As private companies, their main goal is to make a profit. Public corporations are either wholly or partly owned by the state (Synek et al. 2015, 86). Mulačová and others point out that the existence of state-owned enterprises is unique in developed countries, and they are found mainly in areas where the government promotes strategic economic interests (Mulačová et al. 2012, 37).

### 3 A BUSINESS PLAN

A business plan is a written document prepared by an entrepreneur that describes all the key external and internal factors related to the establishment and operation of a company. An entrepreneur often draws up a business plan before starting the business itself, often in order to obtain financial resources. However, there are many other reasons for creating a business plan, for example, to analyse a business opportunity, provide the necessary information related to business, define and describe the individual steps of the process, provide information for potential partners, employees or investors, etc. (Finch 2010, 11-12).

According to Červený (2014, 3), it is essential to think about several factors that significantly affect whether a business plan will be successful or not before writing itself. These factors are (Červený 2014, 3):

- Business activity of the company.
- Company and product value for the customer.
- Business field benefits and whether they are sufficient.
- Whether the company benefits from business activities.
- Defining the current and future market of the business.

If all these factors are answered correctly, the process of creating a plan follows. When writing a business plan, it is necessary to emphasize and meet certain requirements. Therefore, the business plan must be:

- Concise and clear.
- Accurate and informative.
- Logical.
- True and realistic.
- Understandable.
- Defining the advantages and strengths of the product.
- Supported by arguments.

The structure of the business plan is not strictly prescribed; however, it is necessary to follow the verified logical structure, which is defined in the next section (Finch 2010, 18).

### **3.1 The structure of the business plan**

This chapter describes all parts of a business plan. The sections are introduced in chronological order. Theoretical knowledge applied in the practical part is then used from this chapter.

#### **3.1.1 Title page**

The title page of the business plan is the first page of this document, which gives the reader a quick overview. Srpová et al. (2011, 15) state that the title page should be clear and contain the company's business name, logo, name of the business plan, author's, founder's, or key person's names. If the founders are concerned about copying the business plan by other subjects, it is also a good idea to include a statement on the front page that prohibits the reproduction of this document. However, this is not legal protection against copying an idea or the whole concept.

#### **3.1.2 The executive summary**

The executive summary is without a doubt the most important part of a business plan. No matter how great our business idea is, how well-developed our financial analysis is unless we have a clear, concise, and impressive executive summary that would persuade an investor to read the rest, all this information is useless (Abrams 2014, 54). The executive summary should not be understood as an introduction, but as comprehensive and clear information about what the reader will learn on the other pages of the business plan. The basic goal of the executive summary is to arouse the reader's interest in reading the rest of our business plan (Srpová et al. 2010, 60). Although the executive summary appears at the beginning of the business plan, it is written last, as it is a picture of all our research and results. To successfully motivate readers, it is crucial to use a positive and confident tone to demonstrate that we are well-positioned to exploit our business idea (Abrams 2014, 54 - 55).

To sum up a large amount of information in the short space is the biggest issue of the executive summary. Abrams (2014, 55) states the most important information that should be included in the executive summary:

- The basic business concept.
- If the business itself has been closely planned.
- The capability of a management.
- If the clear-cut market exists.

- The business competitive advantage
- If the financial projections are realistic.
- A chance for investors to make money.

The executive summary offers a great advantage to attract busy investors with a relatively short text. The length of the executive summary should be from two to three pages, but one-page summary is perfectly acceptable (Abrams 2014, 55).

### **3.1.3 Company description**

If the entrepreneur is a beginner and establishing a brand-new company, it is important in this part of the business plan to clarify and summarize the business idea, its innovation, customer benefits, differences and briefly describe the market he/she is trying to enter. Furthermore, in this section, we define the legal form of the company, the ownership structure, and, last but not least, economic indicators such as potential sales, profit, profitability, and planned cash flow (Srpková et al. 2010, 61). The Company Description may seem very easy at first, but most of the information about the company in this section requires a lot of thought and planning, such as the right company name, legal form, etc. Abrams points out the "Mission Statement" as the most problematic, as it needs to define and set the goals, objectives, and underlying principles of the company (Abrams 2014, 68).

#### **Company name**

A company can have many different names associated with the business. There are several options, such as an entrepreneur's name, a model name, a subsidiary name, a domain name, a brand name, or a "doing business as" name. When choosing the right name, it is important to consider several things, such as the kind of business, the interaction with the public, the number of products or services, and our own personal taste and attitude. Furthermore, the entrepreneur should choose a name that meets his/her current needs, but also gives flexibility over the years (Abrams 2014, 69).

#### **Mission statement**

The mission statement is not just a few blank lines, but principles and intentions that guide the whole idea and other business activities. The entrepreneur should be able to summarize the main intentions and philosophy of his business. The statement should also include and exemplify the nature of the business, business principles, financial goals, company culture, and future perception of the company on the market (Abrams 2014, 70).

**Legal issues**

According to Abrams (2014, 71), most of the business often start as a sole proprietorship or partnership. The reason is the simplicity when establishing such a business. However, being incorporated gives the entrepreneur and potential investor better protection from personal liability. Nevertheless, choosing the legal form of the business requires other legal considerations. The entrepreneur has to think about licensing, distribution channels, trademarks, patents, or for example copyrights. In the case of intellectual property, copyright protection should be included. The entrepreneur should also bear in mind, that if he/she plans to work globally, it is crucial to have certain knowledge about the legal requirements that may affect the business (Abrams 2014, 76).

**Products and Services**

This part of the Company Description can be relatively short, but it can also fill the whole page. It depends on whether our products or services are complex and require a detailed description. The aim is therefore to describe and represent the product or service that the company plans to produce and offer. If a company has several products, it is enough to define only general categories. Mention of some future products and services is welcome (Abrams 2014, 76).

**Management/Leadership**

This section embraces the names of the Board of Directors, president, and chief executive officer. Other key members of the company, especially those who might be known to investors, are good to mention. In the case that the company is governed by an Advisory Committee, it is beneficial to list the number of the members and how frequently it meets (Abrams 2014, 77).

**Business location**

The entrepreneur should list the location of the company's headquarters, main place of business (if different than headquarters), any branch locations. If the company has more than one or two branches, it is enough to specify the number. Abrams also states that the geographical area of the company's location is always worth mentioning (Abrams 2014, 75).

**Development stage and milestones**

Abrams claims that companies and even start-ups often have a record of accomplishments which should occur in this section. A reader gets a clear sense of how far along the company is in its development, and what progress has been already made. At first, the author states when the company was founded, then indicates its phase of development, mentions product progress and notes past milestones and success of current operations (Abram 2014, 78 - 79).

### **Financial status**

If the author wants to inform the reader about the financial and personnel terms of the company, including loans and investments, this is the right place. If the company seeks for financial coverage, Abrams advises to briefly specify the amount and exact purpose on what the money will be used (Abrams 2014, 83).

#### **3.1.4 Industry analysis and trends**

Before establishing a new company, a key factor to success is to know the current state of the industry that the company plans to enter, as well as its future development trends. Information can be obtained, for example, from statistical offices, analytical data, professional statistics, and journals. After a thorough analysis of the industry, it is necessary to precisely define and know the overall market and its potential. At this point, it is possible to indicate the market share that the company could achieve. However, it is necessary to think realistically and not state unrealistic goals that could discourage future investors (Finch 2010, 33 - 34). Abrams claims that in this section, the author of the business plan should primarily focus on an industry description, trends, and strategic opportunities that exist in the industry. First of all, the author of the text should define in which category, in other words, the economic sector, the business belongs. There are 4 general economic sectors, which are service, manufacturing, retail, and distribution. Since these sectors are large and diverse, the business may belong to more than one and the entrepreneur should possess certain knowledge about each (Abrams 2014, 88 - 89). Srpová furthermore advises giving a thought to the size and growth rate of the industry, industry maturity, technological change, especially when the company belongs to the sector which is extremely sensitive to this. The application of PEST analysis is crucial for analysing the macro environment. It is an analysis of political, economic, social, and cultural factors that can represent potential opportunities, but also threats (Srpová et al. 2010, 62). Supply and distribution channels are also worth considering. Some industries dispose of extremely limited distribution systems. In some these systems are held by two or more companies, making costs remarkably higher. Last but not least, the entrepreneur ought to estimate financial characteristics and global industry concerns (Abrams 2014, 97).

#### **3.1.5 Target market**

Many entrepreneurs consider this part of the business plan to be the most important. Without demand there are no sales, without sales there is no profit and without profit, the company cannot exist. This section serves to figure out how big the market is and find out potential

customers (Shelton 2014, 65 – 66). Knowing your customers and focusing on them from the very beginning will also save a lot of initial costs. Most investors invest their money into market-driven companies, meaning that the company's orientation is shaped by the demands and trends. According to Abrams, a market analysis differs from a marketing plan. Market analysis helps the company identifying and understanding its customer, while the marketing plan tells how the company is going to reach its customers (Abrams 2014, 106).

Considering market analysis to be successful means that the target market needs to meet these criteria (Abrams 2014, 104):

- **Definable** – means to clarify characteristics that potential customers have in common.
- **Meaningful** – there must be a meaningful correlation between these characteristics and decisions for a purchase.
- **Sizable** – the market must be large enough to sustain the business.
- **Reachable** – the definition and size must lead to affordable and realistic ways to offer the product or service.

The key to meeting these criteria is to analyse customers from several perspectives. Demographic, geographic, lifestyle, psychographic, and buying sensitivities description gives the entrepreneur essential data to recognize and understand the company's customers, create an appropriate marketing plan and target the product in the right way (Abrams 2014, 114).

### 3.1.6 The competition

Proper analysis of the company's future competition is the basis for obtaining sufficient market share. This chapter deals with the study of competitive conditions and the impact on the possibilities of selling a company's product. Srpová proposes benchmarking as one of the possible methods of understanding the competition. At the beginning of this analysis is a thorough list of all future competitors. In the next step, the entrepreneur should deal only with the direct competitors and observes sales channels, sales volumes, service quality, product or delivery times. Based on the results, it should be straightforward to determine the position of the competition, but mainly the position of the firm, and ascertain the advantages that will help to penetrate the market (Srpová et al. 2010, 62). Abrams reminds us that the goal of the competitive analysis is not just to determine if a company's product is better than the competitor's, but to explore the environment and learn from the competition during

analysis. Another circumstance that the entrepreneur must keep in mind is the internal factors of competition, such as financial resources, highly motivated personnel, marketing budget, strategic partnerships. etc. To overcome this competitive advantage, it is vital to consider customer perception factors, like product features, indirect costs, quality, durability, image value, customer relationship and social consciousness (Abrams 2014, 128 - 129). As a part of the competitive analysis, Shelton advises predicting the possible reactions of competitors to the new market entrant. Lowering the prices, increasing the marketing budget, providing free delivery might be potential actions done by the competition. As a result, these actions may impact the company's sales and margins and should be reflected in the financial forecasts. Worthington and Britton (2006, 351) advise applying Porter's model which says that the structure of an industry and the ability of a company to succeed in that industry depends on five forces: current competition, potential competition, the threat of substitute products, the power of buyers and the power of suppliers. Abrams (2014, 134) defines the exemplary process and appropriate steps in creating a competitive analysis:

- Description of the competition.
- Market share distribution.
- Competitive positions.
- Barriers to entry.
- Strategic opportunities.

Last but not least she points out that the entrepreneur and the company should be aware that new competitors enter the market and want to take a piece of a market share all the time. Be ready to make reasonable predictions and forecast competitive situations (Abrams 2014, 132).

### **3.1.7 Marketing plan and sale strategy**

The marketing plan is one of the most important part of a business plan. Although the business plan consists of several parts, this is the one that interests investors the most. A great marketing plan must be precisely defined and should respond to the following requirements (Abrams 2014, 164):

- The way the company makes customers aware of the product/service.
- The message the company wants to convey to customers about the product.
- Specific methods the company uses to deliver and reinforce that message.
- The way the company secures and keeps actual sales.

The key is to understand and deduce strengths/weaknesses, but also the potential opportunities/threats of the business first. SWOT analysis is a great tool to determine these factors. Strengths include internal factors such as high quality of service, experienced management, etc. Within the weaknesses, the entrepreneur can think about the lack of experience, pricing policy, etc. If the author states a weakness, it is good to respond to it and mention potential solutions. The analysis of opportunities and threats focuses on the company's environment. Opportunities should be assessed based on attractiveness and probability, while threats in terms of relevancy. (Srpová et al. 2011, 32).

The foremost tool for developing a marketing plan and sale strategy is marketing mix that examines elements of 4 P's. Product, price, place, and promotion. However, it is possible to apply the 4 C's marketing mix. Compared to 4 P's, it looks at these aspects from the customer's perspective. Aspects are therefore presented as customer value, communication, convenience, and cost. (Červený 2014, 154).

### **Product**

According to Srpová and others (2011, 23), the product should be given the greatest attention, as it forms the essence of the offer on the market and immediately satisfies customers. As part of the product policy, we address which products the company will offer, product properties (design, packaging), in what volume and assortment the product will be manufactured, the product life cycle, and customer service.

Srpová et al. (2011, 24) refer to a product that requires the necessary certificates and approvals for placing on the market. This product is often perceived by investors as very risky. Abrams (2014, 167) claims, that people usually buy benefits, not features, meaning that potential customers are more concerned about the way the purchase will affect their lives rather than the way the company achieves those results. In other words, people want to know what the product or service solves, not does.

### **Price**

The second tool of the marketing mix is the price. Price is an element that generates revenue on which the existence of a company depends. By setting the right price for a product or service, the company determines its position in the hierarchy of consumers, influences purchasing decisions, and also defines its competitive position in the market (Srpová et al. 2011, 24).

Among the factors determining the price and pricing policy Srpová and others (2011, 24) rank:

- Company goals.
- Costs.
- Demand.
- Competitors.
- Product life cycle phase.
- Regulatory measures.

### **Place**

The third part of the marketing mix deals with place/distribution. The author of the business plan must explain the sales strategy and describe the use of product or service distribution channels. It is, therefore, necessary to determine in advance whether the entrepreneur will distribute the goods himself, through suppliers, or the sale will be directly to end customers. When using suppliers and resellers, thinking carefully about the companies that could be involved is recommended (Srpová et al. 2011, 25).

### **Promotion**

The last element of the marketing mix is promotion. Through the communication channels, the entrepreneur tries to influence economic goals, provide customers with information about the product or service, and last but not least, influence the emotions of customers to create a positive attitude and preferences to the product/brand. The main channels of the communication mix are (Srpová et al. 2011, 26):

- Advertisement.
- Sales promotion.
- Public relations.
- Personal sale.
- Direct marketing.

An essential part of a modern marketing approach is to implement online marketing tactics. The online universe offers an enormous range of opportunities for reaching a potential customer. A great advantage is the fact that people are constantly connected to the internet through their smart devices nowadays. The main tools of online marketing are social media, blogs, email newsletters, and online advertising, such as sponsorships, website ads, etc. (Abrams 2014, 173).

### 3.1.8 Management and organization

This chapter of the business plan defines all job positions that are essential to the operation of the company. Within this, the characteristics of qualifications and skills of the required job positions should be described. Abrams (2014, 231) advises naming external employees with whom the entrepreneur will potentially cooperate and points out that most investors focus not only on whether the management has the expertise necessary to run the business but also if the internal structure uses the maximum potential of team members. The fundamental decision is also what job positions to include in the business plan. Abrams states to list the key employees, board of directors, advisory committee, and consultants/specialists because these people make the fundamental decisions that determine the success of the company. In the case of start-ups, the most important element of a company's human resources is the founder(s) (Abrams 2014, 237). If necessary, the author can add the chapter on the estimated costs associated with internal and external employees (Novák, Kozubíková, and Zámečník 2018, 121).

### 3.1.9 Financial analyses

The financial analysis together with the plan determines the amount of investment needed to establish and operate the company. An essential part is an economic analysis, which reflects the expected success of the project, in terms of achieving economic goals. The basic questions that should be answered in the financial plan include (Finch 2010, 90):

- What is the amount of the required capital?
- What are the company's resources?
- What kind of funds does the company plan to use?
- How to ensure the economic efficiency of the business?
- What are the cash-flows of the company?

According to these issues, Srpová and others (2010, 65) recommend including planned costs and revenues, income statement, balance sheet, break-even point, effectiveness evaluation, and planned funding in the financial analysis. Mc Keever (2018, 102-103) argues that the most essential part of the financial analysis is the profit and loss forecast. It is an estimation of how much goods a company sells and calculates the revenue. This information determines whether the company will be successful in the future or not. Finch (2010, 94) claims that for every new company and start-up, the most significant financial burden is high initial expenses and costs, which initially exceed profits and revenues. This

difficulty is not uncommon, but these losses must be short-term, adequately funded, and managed from the very beginning. To estimate and control the financial resources required to start a business, it is beneficial to divide the calculations into five groups. Namely, the financial resources needed to establish a company, the acquisition of long-term tangible and intangible assets, the financial resources needed to purchase initial inventories, finance that will cover production until the time of initial sales, and finally a financial reserve. Srpová agrees with Finch and adds that the most important thing is a correct presumption of revenues and costs, as well as providing accurate and true numbers (Srpová et al. 2011, 30).

### 3.1.10 Risk evaluation

Many start-up entrepreneurs think that when listing the risks associated with a business in their business plan, they will discourage potential investors. However, the opposite is true. Deep consideration of all the risks that entrepreneurs may encounter during a business, shows the investor that the entrepreneur has thought about all the scenarios, and can keep a cool head in assessing risky situations in the future (Abrams 2014, 154).

According to Abrams, who states that some risks are more tolerable or more important to potential investors, the entrepreneurs should distinguish between (Abrams 2014, 155):

- **Market risk** – there is no real market for the product, or the market is not ready yet.
- **Competitive risk** – there might be new market entrants or competitors will reposition their product more effectively.
- **Technology risk** – technology and product design might not work.
- **Product risk** – the product might not be finished in time, very similar to technology risk.
- **Execution risk** – the risk that the company will not be able to manage the growth of the company for the sake of insufficient management.
- **Capitalization risk** – the risk that a company will run out of money.
- **Global risk** – when doing business internationally, there might be risks that may interrupt or stop the business.

To be successful in dealing with risks in the future, it is a great advantage to list some measures that lead to risk reduction. Possible measures may be diversification, risk sharing, risk transfer, insurance, or a phased approach to a business (Srpová et al. 2011, 32).

### **3.1.11 The Appendix**

The final part of the business plan contains additional information, expands text from the main part or clarifies specific issues, methods, etc. (Srpková et al. 2011, 33). Shelton (2014, 120) suggests that if the entrepreneur decided to put an appendix into his/her business plan, the material should be as readable as the main part. It may include photos, detailed resumes, brochures, technical drawings, patents, and other documents that may be too extensive or complicate reading the main part (Shelton 2014, 120).

## **II. ANALYSIS**

## 4 BUSINESS PLAN

### 4.1 Title page



Figure 1: Logo of the company (own creation)

<b>Name of the company</b>	Café Domestikárna
<b>Legal form</b>	Limited Liability Company
<b>Location</b>	Mariánské nám., Uherské Hradiště 686 01
<b>Date of establishment</b>	7.7.2022
<b>Owner</b>	František Šrámek
<b>Contact information</b>	f_sramek@utb.cz +420 774 570 633

## 4.2 Executive summary

This business plan aims to establish a cycling café, Café Domestikárna. The café is a limited liability company, which will be founded by two companions, who will be the only employees of the café. Café Domestikárna will be located in the centre of Uherské Hradiště, specifically on Mariánské square. The main goal of the café is to provide a combination of quality café services, together with a bicycle service and accessories. The idea to establish this type of café comes from abroad, where this concept is extremely popular.

The target market was determined based on data from the Czech Statistical Office and other public surveys, which prove that the Czech Republic is one of the nations with the greatest popularity of sports cycling. The specific location of the café is determined, since the Zlín Region, in which Uherské Hradiště is located, is one of the most popular cycling locations among the Czechs. A modern marketing approach, especially the implementation of a website and social media will be applied, to reach potential customers.

This plan introduces several direct and indirect competitors of the café, who are evaluated depending on their competitiveness. Kafec u Komína is one of the café's biggest direct competitors, primarily due to its location and range of offer. Juvacyklo is the biggest indirect competitor. However, it should be noted that there is not yet a company in Uherské Hradiště with the same focus as Café Domestikárna, which is a great competitive advantage.

As mentioned in the beginning, the café is a limited liability company founded by two partners. Each of these partners deposits an initial investment of CZK 200,000. The initial deposit serves to cover start-up costs. Thanks to the financial analysis, it was estimated that the café would gain a profit of approximately CZK 450,000 in the first year. This profit will be partly invested in the café.

The last part of the business plan focuses on the risks associated with operating a café. Risks are divided according to types and severity. Both local and global risks are taken into account. For each potential threat, there is a solution, how the company will deal with the situation.

### 4.3 Company description

The connection between coffee and cycling is rooted in a long-time tradition of combining these two hobbies. It is not a big secret that cyclists love great coffee, and the opportunity to stop for a cup of good espresso during training is an essential part of it. The idea comes from abroad, specifically Belgium, where this concept of cafes is very popular and up to date. This company aims to provide a professional cafe service associated with no fewer quality bicycles service and products offered. A description of all products and services offered will be defined later in this section. The name of the company "Domestikárna" is based on the well-known and common cycling term "domestique". In cycling, this term refers to a team rider who has to take care of the star of the team attacking the overall victory in the race. During the race, he provides this rider with liquids and snacks.

#### 4.3.1 Mission statement

Cycling Café Domestikárna plans to provide high-quality service associated with a pleasant cycling environment, good coffee and refreshment, as well as professional care for the needs of all cyclists and their equipment. The aim is also to create a place for relaxation, where cyclists will be able to meet, get to know each other, share their experiences or, for example, watch their favorite races together. The idea is to support and expand this community in Uherské Hradiště and near the surrounding.

#### 4.3.2 Legal form

Cyclin Café Domestikárna s. r. o. is a limited liability company for the sake of that this form is most suitable for the enterprise. The company is established by one natural person. The founder and owner of the company is František Šrámek Jrn. with one companion František Šrámek Snr. According to the size of the business, it was agreed that the advisory committee and supervisory committee are not necessary.

#### 4.3.3 Location

The Domestikárna cycling café is situated in the centre of Uherské Hradiště, specifically on the Mariánské square. This location offers a perfect opportunity to take advantage of the demand for cafes and a high density of people in the city centre. At the same time, it is easily reachable by cyclists, as the Moravian cycling path is nearby. In addition, Uherské Hradiště is a Moravian centre during the summer season, and the number of visitors to this place is extremely high. The data also testify to this, as in 2018 Uherské Hradiště welcomed almost

120,000 visitors. The reason is both the historical beauty of the city and the social events held in this place, including beach summer, a film festival, or wine festivals.

### Opening hours

The opening hours of the café differ according to the cycling season. From April 1st to September 30th the opening hours are from 09:00 to 19:00. From October 1st to March 30th, the café is open from 09:00 until 17:00. Long opening hours of the café during the summer season allow taking advantage of the high concentration of cyclists. On the other hand, the concentration of cyclists during the winter is low, hence the opening hours are shorter.

Table 1: Cycling Café Domestikárna opening hours (own creation)

Opening hours of Café Domestikárna		
	April 1st to September 30th	October 1st to March 30th
<b>Monday</b>	9:00 – 19:00	9:00 – 17:00
<b>Tuesday</b>	9:00 – 19:00	9:00 – 17:00
<b>Wednesday</b>	9:00 – 19:00	9:00 – 17:00
<b>Thursday</b>	9:00 – 19:00	9:00 – 17:00
<b>Friday</b>	9:00 – 19:00	9:00 – 17:00
<b>Saturday</b>	9:00 – 19:00	9:00 – 17:00
<b>Sunday</b>	9:00 – 19:00	9:00 – 17:00

#### 4.3.4 Product and service description

The main offer of the Café Domestikárna consists of drinks, together with homemade meals. The secondary product range furthermore includes cycling equipment and accessories, as well as a bicycle service and maintenance. Other services offered by Café Domestikárna include short-term rent of bicycles and scooters.

### **Beverages**

The drinks menu includes both alcoholic and non-alcoholic drinks. Preference is given to different types of coffee, which vary from each other in origin, roasting, aroma, etc. The main offer of coffees includes espresso, cappuccino, flat white, caffè latte, americano, lungo, etc. These coffees continue to be subdivided into small, medium, and large according to their size. The menu also covers various types of teas such as green, white, fruit, etc. Other drinks on offer are juices (orange, apple, pear), homemade lemonades (raspberry, grapefruit) and non-alcoholic beer, and last but not least, sparkling and still water. Alcoholic beverages on offer include draft beer and bottled wine.

### **Dishes**

The menu consists mainly of savoury snacks and desserts. Customers have a choice of different types of desserts - such as cakes, muffins, donuts, cookies, etc. Salty snacks consist of homemade baguettes, toasts, bagels, tortillas, and croissants. The menu of these dishes is not the same but changes every week. Café Domestikárna plans to edit its menu depending on the season. In summer, besides, homemade lemonades will be offered, such as elderberry, strawberry, melon, etc.

### **Cycling clothing**

The offer of cycling clothing is an essential part of the Café Domestikárna offer. It consists of cycling shorts, pants, jerseys, vests, jackets, socks, overshoes, hand and leg warmers, gloves, and cycling caps. It also includes clothing with the Café Domestikárna logo post. Each type of clothing is exposed freely in the café at a place designated in several sizes. The producer of this clothing is the Czech company SÝKORA sportswear s. r. o., which is one of the best known and highest quality manufacturer of cycling clothing in the Czech Republic.

### **Cycling accessories**

An integral part is also the sale of cycling accessories. Café Domestikárna offers goods that appreciate every cyclist during the training. These accessories consist of backpacks, lighting, glasses, tires, tubes, pumps, bottles and cages, handlebars grips and tapes, cycling tools, helmets, cycling lubes and cosmetics.

### **Cycling service and maintenance**

Café Domestikárna will also provide regular bicycle service. The service includes several service tasks: deep clean, chain lubrication, adjustment of gears and brakes, replacement of the chain, cables, cassettes, tires, and other individual components, puncture repair, maintenance of the fork, bolt tightening and output control.

### **Cycling gifts**

The last items in the Café Domestikárna menu are cycling gifts. These products appreciate everyone who wants to present a loved one with something that will surely please every enthusiastic cyclist. The offer includes coffee mugs with a cycling theme, printed T-shirts, books, as well as vouchers for choosing an accessory or service at Café Domestikárna of your choice.

## **4.4 Industry analysis**

Café Domestikárna belongs to the tertiary sector, in other words, the sector in which organizations provide services to their customers. This sector represents a significant part of the national economy and is an important tool of modern economies, as organizations providing services in developed countries generate about 60% of gross domestic product. According to the data from Czech Statistical Office, about 55% of the population is employed in the services sector, and this sector as a whole shared at the beginning of 2020 62% of the gross value added.

Coffee and its quality is a significant part of any successful cafe business. It is one of the most popular beverages in the Czech Republic. As reported by Jan Kulháněk, a marketing specialist from AG FOODS, the Czechs drank 19,500 tons of coffee for almost CZK 6.5 billion in 2019. Even though coffee consumption is declining by an average of 4% year-on-year, 95 percent of Czechs buy regularly at least one type of coffee in the Czech Republic. The constant decline may be due to the fact that more and more Czechs care about the quality of coffee. Almost half of the total amount of coffee consumed is ground coffee. Instant coffee is in second place. On average, 8 percent of Czechs choose espresso, latte, and cappuccino, 13 percent, and the remaining types of coffee make up 15 percent of total sales. As was already mentioned, the quality of the coffee is an important factor for the Czechs. People focus mostly on the type, freshness, coarseness, and size of the package. Each coffee consumer drinks an average of 3-4 coffee per day. Czechs drink the most coffee in the morning, about 65 percent. 30 percent of Czechs have at least one coffee after lunch and the remaining 5 percent in the afternoon.

The second of the industries and the cornerstone of Café Domestikárna is the cycling industry. This industry has experienced unexpected growth in the last few years and the associated consumer interest in this kind of activity. The interest in recent weeks is such, that some manufacturers are increasing their production by up to 30 percent. Cycling equipment goes on sale and postponed delivery time until 2023 in some cases is its proof.

There are several reasons for the expansion of cycling. One of them may be the well-known environmental problem and the deteriorating traffic situation in cities. More and more people choose a bike instead of a car or public transport to travel to jobs to save the time they would otherwise spend in traffic jams. States and cities are also adopting stricter restrictions on the entry and movement of motor vehicles in the centres of large cities to reduce emissions. All these factors contribute to the increasing demand for cycling equipment. This increase means rapid growth of people who choose cycling as a sport and leisure activity. Evidence is data that confirms this. General bicycle use in the Czech Republic has increased by an average of 39 percent between 2019 and 2020, and sports bicycle use by an average of 26.1 percent. Many states now even provide financial support to people who decide to buy a new bike and investments in cycling infrastructure are growing. These factors support the current trend and assume interest in cycling in the upcoming years.

#### **4.4.1 PEST Analysis**

Applying PEST analysis is an essential tool for the correct estimation and understanding of the market and the environment in which the company operates. The following section describes in detail the current political, economic, social, and technological situation in the field and industry. Business strategies that the company follows are further derived and adjusted from this analysis.

##### **Political environment**

Within the political environment, it is crucial to take into account considerations, legislative changes, and other factors that may affect the operation of the business in the future. To establish a limited liability company in the Czech Republic, it is first necessary to conclude a partnership agreement or the deed of association, in case there is only one founder. The second step is registration in the Commercial Register. It is necessary to substantiate the trade license, partnership agreement, extract from the register, etc. Only after meeting these conditions, the company is established. In 2021, several changes await entrepreneurs, primarily related to tax and accounting legislation. In this section, some changes considered to be the most important are mentioned. The personal income tax will now be calculated on the gross wage, instead of the super gross wage. Super gross wage was a wage of employees that is increased by costs paid by the employer. The personal income tax rate remains at 15%. This change means that each employee will receive a higher net salary. However, for employees who exceed four times the annual average wage, an increased tax rate of 23% applies. This change will affect a relatively small number of very high-income employees.

Another novelty is the depreciation of tangible and intangible assets. The separate category of intangible assets has been removed and is now replaced by a new section of fixed assets, containing both tangible and intangible assets. The great advantage is the increase of the lower limit for depreciation of assets from 40 to 80 thousand Czech crowns. Assets with an acquisition cost of up to CZK 80,000 can now be expensed. The third change is the amendment to the Labor Code, which introduced shared job positions for employees. In other words, a limited liability company can divide one job position between two or more employees. Employees in this position also schedule their working hours, share the volume of work, and work equipment on their own. These employees have shorter working hours. It offers great opportunity to employ mothers on maternity leave, students, or seniors. The amendment also regulates holidays, which will be not provided for workdays, but newly from the number of working hours. The conditions for shortened or shift operations are derived more precisely (Průvodce podnikáním 2020). A pleasant bonus is a possibility of depositing the basic capital. When establishing a limited liability company, the entrepreneur does not have to deposit the required CZK 1 into a special account if the amount of cash deposits does not exceed CZK 20,000. The last novelty deals with the food facilities' supervisions. Inspections will be now done by the Czech Agriculture and Food Inspection instead of regional hygienic stations. On the other hand, welcomed bonuses are the postponement of electronic records of sales until the end of 2022, bank identity, thanks to which the entrepreneur can log in to the internet banking, or transformed meal voucher system, which allows the employer to pay employees directly money instead of meal vouchers (Buršíková 2020).

### **Economic environment**

Within the economic environment, it is crucial to focus on the upcoming prospects of the economic situation in the country in which the company operates. The key economic indicators that define how the economy is doing include gross domestic product, unemployment and inflation rate, wage growth, and balance of payments. These indicators will help us define whether the economy is expanding, peaking, or experiencing a recession. Based on the data from Czech Statistical Office, the Czech economy fell due to the world pandemic by almost 6% in 2020 and real gross domestic product fell by 6.6% last year. However, this number is expected to increase by 3.9% during the first half of 2021. The unemployment rate rose by about 0.8% to 2.8% last year. Unfortunately, a growth trend is expected this year, and unemployment is expected to climb to 3.5% during the second half. The average inflation rate is estimated at 1.3% and wage growth should remain at 2.7%. The

balance of payments, which is the sum of all economic transactions of the Czech economy with foreign countries, reached a record surplus of 180 billion crowns in mid-2020, which is 3.3% of gross domestic product. A slight decline is expected this year, but the balance of payments will probably remain in a significant surplus of 2% of gross domestic product. As Café Domestikárna is located in Uherské Hradiště, it is crucial to focus more specifically on this location. To determine the economic situation in this area, the indicator of the level of unemployment and the average wage is used. In the Zlín region, year-on-year wage growth of 5.1% was recorded in the third quarter of 2020. The share of unemployed at the beginning of 2021 was 3.4 % in the Zlín region and 3.2 % in Uherské Hradiště. Thanks to the pandemic crisis, growth potential is expected in the future.

### **Social environment**

The social environment represents the consumption habits of buyers, demographic factors, lifestyle changes, education, and, for example, consumer behaviour. All these factors help to define potential and ideal customers, and at the same time help to adapt the business to the given location and citizens, to increase the demand for the offered goods or services. Significant factors of social development include changes in the composition of citizenship according to age. According to the latest survey from 2018, approximately 25,000 people live in Uherské Hradiště. About 3,400 inhabitants are between the ages of 0-14, 16,600 in the productive age of 15-64, and almost 5,000 in the post-productive age. Unfortunately, due to the population aging, an increase in the post-productive population is expected in the future. This trend could have negative effects on the existence of the café; however, cycling is becoming a popular activity among the older generation thanks to e-bikes.

Education as such does not have a direct impact on the success of the café, nevertheless, it does influence the salaries and financial resources people spend on entertainment and services. The education of the inhabitants in Uherské Hradiště has significantly improved. According to a 2014 survey, the rate of people with primary education is 16.7%, the share of people with secondary education is 35.6%, and the portion of people with university education is 17.1%. The days off at work, which are available to people with better working conditions, are also crucial, as people can take advantage of leisure activities and visit the café. The cultural life of the town is a great advantage of Uherské Hradiště. As was mentioned in the description of the location of the cafe, many popular cultural events take place in this city during the summer season. These events have a positive impact on consumer behaviour, increase tourism, and support small businesses.

### **Technological environment**

The quality of the services and products offered is extremely important for a company's success, to be constantly competitive. The key is to follow new market trends and be innovative. Although the implementation of these technological changes and trends costs a lot of money, the company gains a competitive advantage. Even though the café is not a typical place for the implementation of developing technological changes, it is essential to focus on the standard that the modern customer takes for granted. The technology can be considered high-quality cafe equipment, a cafe environment, or a way of promoting a café. Wi-fi connection provided to visitors is a matter of course nowadays. As well as the possibility of cashless payment, as we live in a time when it is common to pay with smartphones or smartwatches.

## **4.5 Market analysis**

To define the ideal customer and market, it is fundamental for a business to choose the right way and approach to reach the customer. This chapter deals with market analysis aiming to determine the target market, the size of this market, as well as precisely defining the ideal customer.

### **4.5.1 Target market**

A target market is a group of potential customers of the company, for whom the marketing efforts of the company and products are further adapted. This group of customers usually share similar characteristics consists of geography, demographics, incomes, or buying habits. All these characteristics have been precisely defined in chapter 7.1.3, and this chapter draws the necessary data from it.

East Moravia is a cycling paradise. The reason is that the Zlín Region is one of the best in the number of kilometers of cycle paths. The same applies to individual cycling routes. The Bečva cycle path and the Baťa canal cycle path became a hit. The second of the mentioned, the Baťa canal cycle path passes through Uherské Hradiště. The high popularity of these cycling routes increases an expanding cycling trend and brings about the influx of new tourists to this region. Café Domestikárna plans to use this growing potential. According to a survey from 2014 within the We Love Cycling Czech Republic project, cycling is an extremely popular sport among the Czechs. 35.5% of the population enjoys sports cycling. Although this number may not seem overwhelming, the Czech Republic is one of

the countries with the greatest popularity of cycling, after Hungary and Denmark. This survey was expanded in 2019 and supplemented by the finding that the most active cycling group is aged 15-24, accounting for 84%. As the years go by, the respondents' interest in cycling decreases. Only 48% of people aged 55 - 64 said that they ride a bike occasionally. However, this declining trend could encourage the boom of e-bikes. In the case of professions, students (87%) and managers (80%) are the most represented groups. People taking care of their children (74%) together with people working in the office (70%) are the third-most represented groups. Retirees ride a bike the least (39%). The survey also concluded that the most popular place for cycling in the Czech Republic is Otrokovice, located approximately 20 kilometers from Uherské Hradiště, and through which the already mentioned Baťa canal cycle path passes.

#### 4.5.2 Size of the market

The size of the market is a key indicator that defines whether there is a place in the market for the entry of a new business. The size of the market is derived from the total population of the Czech Republic, Zlín Region, and Uherské Hradiště. Potential customers can also be residents from nearby areas. The author decided to include Staré Město and Kunovice. These areas are connected to the centre of Uherské Hradiště by public transport and cycle paths, so the business is easily reachable by those residents. The data acquired from the Czech Statistical Office are clearly shown in the table and expressed in percentage.

Table 2: Calculations of the number of people of productive age in Uherské Hradiště  
(own creation)

Calculations of the number of people of productive age in Uherské Hradiště		
<b>Population of the Czech Republic</b>	10,701,777	100 %
<b>Population of productive age in the Czech Republic</b>	6,870,00	64,2 %
<b>Population of Uherské Hradiště</b>	25,205	100 %
<b>Population of productive age in Uherské Hradiště</b>	16,400	65,1 %

The data above relate to the total population of the Czech Republic and Uherské Hradiště. The ratio between the total population of Uherské Hradiště and the population of productive age, which the café has as a target group of customers, is also defined. All of these values are stated as a percentage for better understanding. The data show that the

percentage of people of productive age in Uherské Hradiště is one percent higher than the overall average in the Czech Republic. The total number of café facilities in the centre of Uherské Hradiště is about 15. If we consider the ratio between people of productive age actively visiting cafes and the number of cafes, it is estimated that there are about 1093, 6.7% of people per cafe. It is also worth noting that some of these cafes are only seasonal, meaning that the total number is slightly decreasing during the winter months, and the percentage per cafe increases. It is beneficial to include the inhabitants of the adjacent parts such as Kunovice and Staré Město in the calculations. The total number of these is 12,276 inhabitants. If we estimate that about 60% of these residents are people of productive age, we get the number 7366. If we include this number in the total average of inhabitants per cafe, it turns out that there are 1584 people per one cafe.

#### **4.5.3 An ideal customer**

Describing an ideal customer helps the business to adjust services and products that fit the customers more, satisfy their needs and determine the right way to reach them. Based on data obtained from the industry and market analysis, an ideal customer is a person of productive age, preferably in the range of 20 to 50 years in family living. As the Café Domestikárna specializes in bicycle service and selling of cycling equipment, it is a great competitive advantage if the customer is interested in cycling and share this enthusiasm with family members or friends. With the growing customer demand for quality coffee, this may also be one of the reasons for visiting one particular cafe. Ideal customers should therefore be interested in coffee and tasty fresh snacks. Other characteristics might be flexible working hours so that the customer has the opportunity to visit the cafe throughout the day. Even though Café Domestikárna combines a café and cycling environment, the range of customers is wide. The café can serve as a place for business or friendly meetings, a lunch bistro, but also as a place that makes everyday life more enjoyable.

#### **4.6 Competition analysis**

The main goal of this part is to define and introduce both direct and indirect competitors of the Café Domestikárna. The café is located in the centre of Uherské Hradiště, for this reason, the author decided to include businesses having headquarters there. Thanks to the fact that Café Domestikárna focuses on selling cycling equipment, bicycle shops will be included in the indirect competitors as well.

#### 4.6.1 Indirect competitors

Indirect competitors operate in the same market as Café Domestikárna but deliver slightly different services and products to their customers. These businesses are therefore not in direct competition, but they may endanger the company in the future by diversifying and expanding their portfolio. The author decided to include bicycle shops that distribute cycling equipment and provide bicycle service. Compared to Café Domestikárna, these companies are more specialized, and the range of their products and services is more extensive. However, it is appropriate to assess their position in the market. This position is evaluated based on the quality of services and products provided, customer references, marketing approach, and whether the company has an e-shop. All these factors are considered, and one final mark is created from 1, meaning that the company is the least competitive, to 10, meaning that the company is the most competitive.

##### **Juvacyklo**

Juvacyklo poses the greatest threat to indirect competition. The company is located close to Café Domestikárna, and its greatest competitive advantage is its long history. Another essential factor is the range of services and products offered. Juvacyklo excels in this area as well and offers its customers high-quality service with a wide range of products. The company trades through the e-shop, thus significantly expanding its customer base. It focuses on all types of cyclists and related cycling equipment. The company uses social media (Facebook, Instagram), websites, city banners, and bus advertising to promote itself. The main weaknesses that have been identified based on customer reviews include excessively long bicycle service times, unprofessional staff, or high prices. Overall, the business is very competitive, and the final mark is therefore 8.

##### **Slovácká kolovna**

Slovácká kolovna is one of the newest cycling businesses in Uherské Hradiště. Like Juvacyklo, this company is located close to Café Domestikárna. The company distributes its goods through an e-shop, but the range of products and services is significantly smaller than in the case of Juvacyklo. A website and social media are used for promotion. The biggest competitive advantage of this company is the offer of short-term rental of e-bikes and the professional employee approach. On the contrary, the biggest weakness is the location, as the company is placed nearby a busy street with limited parking options. The final mark is 7.

### M-Cyklon

M-Cyklon is another bike shop that operates in the centre of Uherské Hradiště. This company is the oldest, therefore, its products and services are rather average. Its competitive advantage is the experience resulting from its long-lasting existence, as well as its focus on goods and customers in a lower price category. This company operates through the brick-and-mortar store and does not use the e-shop. The informative website is chosen as only a marketing tool. It gives a customer a brief overview of services, products offered, and the company's opening hours. Even though the company needs to invest in its environment and marketing transformation, the company can satisfy the needs of less demanding customers and, thanks to its long history, a permanent clientele. The final mark is 4.

### Cyklo Zvonek

Cyklo Zvonek is located the furthest from Café Domestikárna, yet it is one of the most famous in Uherské Hradiště. The company operates both through a brick-and-mortar store and an e-shop. However, the e-shop offers only a limited number of products that will not satisfy the modern customer. Like M-Cyklon, this business lacks marketing effort because the website is the only marketing tool. The advantage of this company is the offer of scooters and children's bouncers in its offer is an advantage of this company. The environment of the store, located in a quiet and easily accessible part of Uherské Hradiště is a welcomed bonus. It is worth mentioning a large parking space reserved for customers. It is clear that this company does not target demanding customers, but with its non-traditional range on offer and affordable prices, it has gained its market share. The final rating is 5.

Table 3: Evaluation of the indirect competitors (own creation)

Evaluation of the indirect competitors	
<b>Juvacyklo</b>	8
<b>Slovácká kolovna</b>	7
<b>M-Cyklon</b>	4
<b>Cyklo Zvonek</b>	5

According to the rating, it is clear that the most competitive company is Juvacyklo. This results from the high quality of services and products provided, a modern marketing approach, the implementation of the e-shop in the business, and the location. Based on the data obtained, it is possible to estimate the current needs of the customer and adapt the company's approach. Customers are looking for quality but at the same time affordable

prices. They require a wide range of products and services. For a new market entrant, the key is to implement social media promotion, active communication with customers, and responding to feedback. Equally important are reputation and building a stable customer base. On the other hand, opening hours did not prove to be an important requirement, so standard opening hours from 9 a.m. to 7 p.m. are maintained.

#### **4.6.2 Direct competitors**

In this subchapter, the author deals in detail with the description of the direct competitors of the Café Domestikárna. As with indirect competition, competitors will be evaluated based on location, quality of services and products provided, environment, price category, opening hours, marketing, websites, and references. All these categories are carefully considered, and one overall mark is formed. The highest rating is 10, meaning that the company is the most competitive, and the lowest mark is 1, which means that the company is the least competitive. These data are represented in the table at the end of this chapter, along with the author's comment.

##### **Delikana Eiscafe**

Delikana Eiscafe is one of the direct competitors of Café Domestikárna due to its proximity. The café is located on Marinské square, with a large concentration of people. This café is a part of the network of Delikana cafes and cake shops with a long tradition, which creates a certain competitive advantage. Another plus is the offer, which includes a wide range of desserts. In the summer months, the café offers outdoor seating in front of the café, along with an ice cream menu. The café presents itself well on Facebook and also on the website. The café is open every day from 9 am to 7 pm. Based on customer reviews, it was found that customers are most complaining about the cramped space and low quality of the coffee provided. Overall, the author evaluates the cafe as very competitive. The final mark is 7.

##### **Kafe uprostřed**

Kafe uprostřed is particularly interesting for its non-traditional environment, thus appeals to younger customers. This café is located on the famous Prostřední Street, which connects Masarykovo and Mariánské square. The café has gained its popularity thanks to its outdoor seating in the courtyard, where speeches, concerts, or short theatre plays take place during the summer. The café also actively communicates with its customers on Facebook and Instagram, on the contrary, there is no website promotion. Opening hours are Monday to Friday from 8 a.m. to 6 p.m. The café is closed on weekends. In terms of price, this café ranks among the average. Customers consider the cramped interior, narrow assortment, and

lack of credit card payment to be the main weakness of the café. The final mark of this company is 8.

### **Café Portal**

Café Portal is a café classic in Uherské Hradiště, placed on Masaryk Square. This café is one of the oldest of the above. The café regularly hosts book evenings, thanks to the book club, which is an integral part of this café. It is popular among the younger and middle generation. The café might impress with its non-traditional interior, reminiscent of the 70s in Czechoslovakia. The offer of the café is limited, and in addition to coffee, alcoholic beverages are also served here. The café uses social media for its promotion, the website is missing. Opening hours are from 8 am to 8 pm. There are no opening hours on Sunday. The price category of this café is the cheaper one. According to references, the weakness of this café is the low quality of café services. Besides, there is a fact that the café is visited by regular customers with a low influx of new ones. This café is not one of the most competitive and its rating is 5.

### **Jiné Café**

Jiné Café is a very nice café located on Masaryk Square, in the very centre of Uherské Hradiště. This café is one of the largest in the city. It gained popularity mainly due to its modern and spacious interior, divided into two floors. The café offers summer seating in front of the café. The opening hours of the café are one of the longest, as the café is open every day from 8 am to noon. The range on offer is extensive and includes both desserts and sandwiches. Due to its popularity, the café is often fully booked, and customers often complain about long order times and a lack of staff. In terms of price, the café is one of the most expensive. Despite this, it is one of the most competitive cafés, and the final grade is 9.

### **Kafec U Komína**

Kafec u Komína is one of the latest cafés in Uherské Hradiště. This company has expanded its scope, as its headquarters are located in Brno. At first glance, this café impresses with its unconventional appearance, as it is placed next to a factory brick funnel. There is a spacious parking space available, so the customer has great accessibility. The offer of savoury and sweet breakfasts, sandwiches, and desserts throughout the day creates a competitive advantage of this café. It possesses nice outdoor seating along a cycle path. The café actively communicates with its customers on Facebook and Instagram, and the modern website is an integral part of its promotion. Opening hours are every day from 8 am to 7 pm. According to reviews, customers complain the most about high product prices and the lack of alcoholic

beverages such as beer. Thanks to its modern design, marketing approach to customers, and the proximity of cycle path, Kafec, together with Jiné Café form the most competitive businesses in Uherské Hradiště. The final grade is therefore 10.

Table 4: Evaluation of the direct competitors (own creation)

Evaluation of the direct competitors	
<b>Delikana Eiscafe</b>	7
<b>Kafe uprostřed</b>	8
<b>Café Portal</b>	5
<b>Jiné Café</b>	9
<b>Kafe u Komína</b>	10

The research clearly shows that Café Domestikárna's biggest competitor is Kafec u Komína. It is mainly due to its lucrative location, near the cycle path. Another advantage is the wide range of products, such as breakfast and snacks throughout the day. This survey helps identify cafe features that customers currently consider the most important. The author estimates the offer of high-quality products together with a modern marketing approach to be the vital factors. The price category of the company should be slightly above average, as current customers prefer quality over quantity. A welcome bonus is outdoor seating during the summer. The interior of the company should be spacious and modern. A welcome bonus is outdoor seating during the summer. In terms of opening hours, customers visit cafes frequently in the morning and then in the afternoon. The evening opening hours attract the young and middle generation. The possibility of contactless payment is a matter of course.

#### 4.7 Marketing plan

This section aims to describe the company's strengths/weaknesses and potential opportunities/threats. To analyse this, the chapter produces a SWOT analysis. The approach in gaining a target market and customers, the company's products and services, pricing, place, and ways of promotion are mentioned as well. All this information is presented through the 4Ps marketing mix.

#### 4.7.1 SWOT Analysis

This subchapter presents strengths/weaknesses and potential opportunities/threats for Café Domestikárna. SWOT analysis is used for this analysis, and the data are shown in the table.

Table 5: SWOT Analysis of the Café Domestikárna (own creation)

SWOT Analysis of the Café Domestikárna	
Strengths	Weaknesses
The only cycling café in UH High-quality café, services Location Cycling accessories	No experience in running a business High start-up costs No reputation
Opportunities	Threats
New Customers Growing number of cyclists Filling the market gap Cooperation with reliable suppliers	Lack of customer's interest New market entrants Economic crisis Rising price of rents

Table 5 presents the strengths/weaknesses and opportunities/threats that a café might face. One of the main strengths of Café Domestikárna is that there is no cycling café in Uherské Hradiště. On the contrary, weaknesses include strong competition and inexperience with running a business. In terms of opportunities, the greatest is the growing number of cyclists in this region, while the threat is a lack of customer interest and a possible economic crisis in the upcoming years.

#### 4.7.2 Product

The product of Café Domestikárna is high-quality café services together with the distribution and service of cycling equipment. Since Café Domestikárna focuses on meeting the needs of both cyclists and regular visitors to the café, products and services are divided into two customer segments. Cyclists will be offered quality bicycle service, clothing, and cycling accessories. The added value can be a pleasant environment designed for cyclists and quality refreshments. Regular visitors to the café will be able to enjoy great coffee, lemonades, fresh sandwiches, or desserts. All products are described in detail in chapter 6.5 Products and service description.

### 4.7.3 Price

Setting the right pricing strategy is the necessary part of any successful business. This chapter sets the prices of individual products and services offered by the cafe. The prices are determined by the author based on online research of the pricing strategy of direct and indirect competitors of Café Domestikárna in Uherské Hradiště, in other words, demand-oriented pricing strategy. The following tables show the prices of products and services.

Table 6: List of beverages (own creation)

<b>List of beverages</b>	
<b>Coffee</b>	
<b>Espresso</b>	40 CZK
<b>Lungo</b>	40 CZK
<b>Macchiato</b>	50 CZK
<b>Cappuccino</b>	55 CZK
<b>Flat white</b>	60 CZK
<b>Caffé Latte</b>	60 CZK
<b>Americano</b>	65 CZK
<b>Non-alcoholic beverages</b>	
<b>Kofola</b>	35 CZK
<b>Lemonade (raspberry, grapefruit)</b>	35 CZK
<b>Juice (orange, apple, pear)</b>	40 CZK
<b>Sparkling water</b>	30 CZK
<b>1L of lemon water with fresh mint</b>	50 CZK
<b>Tea</b>	
<b>Green tea</b>	50 CZK
<b>Black tea</b>	50 CZK
<b>Iced tea</b>	55 CZK
<b>Fruit tea</b>	55 CZK
<b>Beer</b>	
<b>Plzeň</b>	45 CZK
<b>Birell</b>	30 CZK
<b>Wine</b>	
<b>White</b>	25 CZK

<b>Red</b>	25 CZK
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Table 7: List of savoury snacks and desserts (own creation)

<b>List of savoury dishes and desserts</b>	
<b>Savoury snacks</b>	
<b>Baguettes</b>	85 CZK
<b>Toasts</b>	75 CZK
<b>Bagels</b>	75 CZK
<b>Tortillas</b>	80 CZK
<b>Croissants</b>	65 CZK
<b>Desserts</b>	
<b>Cake</b>	45 CZK
<b>Muffins</b>	35 CZK
<b>Donuts</b>	30 CZK
<b>Cookies</b>	17 CZK

The prices of beverages, snacks, and desserts are listed in Table 6 and Table 7. The entrepreneur decided to adjust the menu depending on the season.

Table 8: List of cycling services and equipment (own creation)

<b>List of cycling services</b>	
<b>Bicycle service</b>	
<b>Small</b>	350 CZK
<b>Medium</b>	650 CZK
<b>Large</b>	950 CZK
<b>Cycling equipment</b>	
<b>Clothing</b>	From 250 to 1,850 CZK
<b>Accessories</b>	From 90 to 2,000 CZK
<b>Cycling gifts</b>	
<b>Vouchers</b>	From 500 to 1,000 CZK
<b>Coffee mugs</b>	350 CZK
<b>Books</b>	400 CZK

The prices of bicycle service, clothing, and cycling accessories are listed in Table 8. The price from the cheapest to the most expensive item is always given. The prices of the bicycle service are precisely determined and derived from bike maintenance.

#### **4.7.4 Place**

Café Domestikárna is located in Uherské Hradiště on the Mariánské square. The location was selected primarily due to the high concentration of people and the proximity of the cycle path. There are also several parking spaces on the square, making it easier for customers to visit. The description of the location and its advantages are described in detail in chapter 6.4 Location.

#### **4.7.5 Promotion**

Café Domestikárna uses several promotion channels for its promotion. The competition survey shows that companies taking an active approach to their promotion are the most successful. The author wants to focus primarily on the website, social media, and city banners. The marketing strategy of the café furthermore differs depending on the type of customer. Cyclists will be attracted by various events, such as the start of the cycling season, discounts on products, etc.

##### **Web site**

Café Domestikárna will operate through a website that will provide essential information about the business. This page will describe the business idea, a list of services offered, and opening hours. Contact information, a list of employees together with a photo gallery of the café will be provided as well. The website aims to provide the customer with the most necessary information as quickly as possible. It must be modern, clear, and constantly updated. In the future, the company plans to expand its website with an e-shop.

##### **Facebook**

The Facebook page, together with Instagram, forms the main marketing channels that Café Domestikárna will use. The page will provide similar information as the website. Moreover, photos and news will be posted here. The author plans to use Facebook to communicate with the customers via chat or comments section. The owner also plans to take advantage of paid sponsored posts. It enables Café Domestikárna to become known to the general public and potential customers.

### Instagram

Like Facebook, Instagram will provide photos that aim to attract the customer's attention and arouse the customer's desire to visit the café. Photos will promote the interior, products, and news. Instagram is now an extremely popular and widely spread way of promotion.

### City advertisement billboard

Advertising spaces in cities are a great way to inform the public about a new business in the city, especially when the right location is selected. The author decided to use the advertising space located on the mainline road to Uherské Hradiště. This location offers great customer coverage due to high traffic.

### Leaflets

Leaflets are another way to promote a café. The leaflets will contain basic information about the café. They will be created by the owner itself and placed both in the café and in publicly available places, such as information centre or bus stations.

To create a business account in the internet list of companies, such as Google My Business is an essential marketing tool. This is beneficial when someone starts searching for cafes, the Café Domestikárna will appear in the search results. It is a great way of promotion, since registering a company is completely free.

Table 9: Costs at the promotion per month (own creation)

Costs at the promotion per month	
<b>Web site administration</b>	500 CZK
<b>Facebook page and sponsored posts</b>	1,400 CZK
<b>Leaflets A6</b>	220 CZK per 100 leaflets
<b>City advertisement billboard</b>	2,670 CZK
<b>Google ads</b>	1,500 CZK
<b>Total</b>	6,290 CZK

## 4.8 Management and organization

The main goal of this chapter is to describe the organizational structure of the company. Data about the companions, their competencies, and responsibilities are also included here. As Café Domestikárna is a start-up company, it has only two employees. The following table describes their position in the company.

Table 10: Organizational structure of the company (own creation)

Organizational structure				
Employee	Responsibilities	Characteristics	Initial deposit	Profit share
<b>František Šrámek Jrn.</b>	Owner of the company Administrative worker Service technician Marketing specialist Service technician B2C specialist	Reliable Communication skills Problem-solving oriented Experience in online marketing	200,000 CZK	50%
<b>František Šrámek Snr.</b>	Service technician Bartender Waiter	Reliable Skilled in bicycle maintenance Hardworking	200,000 CZK	50%

The responsibilities of the employees were determined based on mutual agreement and taking into account several factors, such as education, experience, soft skills, etc. Although two full-time employees are sufficient to run a café, the company must hire an external employee for accounting. The company will also need a professional to create a website. The initial deposit of the owner is 200,000 CZK and the companion 200,000 CZK. These deposits will be paid by the companion from their resources.

#### 4.9 Financial plan

The main goal of this part is to determine and prove whatever the business plan for the Café Domestikárna is feasible. This chapter is divided into several subchapters. At the very beginning, the author introduces an opening balance sheet, as well as initial costs. The costs in the first three years are calculated in the next subchapter. The last part of the financial plan presents estimated revenues and income. The author's commentary and determination

of whether the business plan is feasible from a financial point of view are provided at the end of the chapter.

#### 4.9.1 Balance sheet

The opening balance sheet is a crucial part of the financial analysis, as it represents the initial budget, which can be spent on the initial costs associated with the establishment of the company, equipment, promotion, etc.

Table 11: Opening balance sheet in CZK (own creation)

Balance sheet in CZK	
<b>Assets</b>	
Current assets	400,000
Bank account	400,000
Fixed assets	0
<b>Total</b>	<b>400,000</b>
<b>Liabilities</b>	
Equity	400,000
Registered capital	400,000
Liabilities	0
<b>Total</b>	<b>400,000</b>

Table 11 presents the opening balance sheet of Café Domestikárna. The registered capital is CZK 400,000 and will be paid in equal parts by the companions. The company will have a bank account to which the capital will be deposited.

#### 4.9.2 Initial costs

Initial costs represent the costs associated with the establishment of a company and purchasing the equipment. These costs are paid only once and represent the greatest burden for the company.

Table 12: Initial costs of the company in CZK (own creation)

Initial costs of the company	CZK
<b>Costs associated with the establishment of the café</b>	<b>10,000</b>
Trade license	1,000
Registration in the Commercial Register	6,000

Extract from the Criminal Record	100
Extract from the Trade Licensing Register	100
Extract from the Commercial Register	100
A Notarial record	2,700
<b>Promotion</b>	<b>5,440</b>
Web Design	15,000
Leaflets A6 (220 pcs)	440
<b>Equipment of the café</b>	<b>386,700</b>
Coffee machine	50,000
Juicer	4,000
Refrigerator	15,000
Grill	7,000
Oven	6,000
Dishwasher	8,500
Mugs, cups, glasses, plates, spoons, etc.	17,000
Furniture (6 tables, 18 chairs, work surface, storage space)	75,000
Decoration	15,000
Lights	6,000
Wi-Fi router	700
Radio	2,500
EET Cash desk	5,000
Bike maintenance equipment	70,000
Reconstruction	40,000
<b>Supplied goods</b>	<b>55,000</b>
Coffee goods	22,000
Cycling accessories	10,000
Cycling clothing	20,000
<b>Total</b>	<b>399,140</b>

### 4.9.3 Operating costs

Before being able to estimate whether the company is profitable, it is important to calculate operating costs and estimate revenues at first.

Table 13: Calculation of operating costs (own creation)

Calculation of fixed and variable costs in CZK		
Fixed costs		
	Monthly	Annually
Rent	25,000	300,000
Internet and mobile service	1,520	18,240
Promotion	6,290	75,480
Insurance	3,500	42,000
Energy, Water supply	15,000	180,000
Accountant	3,000	36,000
Travel costs	3,500	42,000
Salary of both companions	53,520	642,240
<b>Total</b>	<b>111,330</b>	<b>1,338,960</b>
Variable costs		
Supplied goods	Monthly	Annually
Optimistic	30,000	360,000
Realistic	25,000	300,000
Pessimistic	20,000	240,000
Operating costs - total		
<b>Optimistic</b>	<b>135,330</b>	<b>1,698,960</b>
<b>Realistic</b>	<b>130,330</b>	<b>1,638,960</b>
<b>Pessimistic</b>	<b>125,330</b>	<b>1,578,960</b>

Table 13 represents the fixed and variable costs of Café Domestikárna, which together generate operating costs. These costs are calculated for one month, and one year. Variable costs can be furthermore adjusted, depending on the number of visitors to the cafe.

#### 4.9.4 Expected revenues

This subchapter aims to estimate the monthly and annual income of the café. Since Café Domestikárna provides both café and bicycle services, this chapter will contain a table of revenues, which will be adapted accordingly. The table will also show an optimistic, realistic and pessimistic version depending on how the café will thrive.

Table 14: Expected revenues in CZK (own creation)

<b>Expected revenues in CZK</b>			
Coffee revenues			
<b>Version</b>	<b>Customers per day</b>	<b>Monthly revenues</b>	<b>Annual revenues</b>
<b>Optimistic</b>	60	183,600	2,203,200
<b>Realistic</b>	40	122,400	1,468,800
<b>Pessimistic</b>	20	61,200	734,400
Bicycle service revenues			
<b>Version</b>	<b>Customers per day</b>	<b>Monthly revenues</b>	<b>Annual revenues</b>
<b>Optimistic</b>	5	79,500	954,000
<b>Realistic</b>	3	47,700	572,400
<b>Pessimistic</b>	1	15,900	190,800
Total revenues			
<b>Total optimistic</b>		263,100	3,157,200
<b>Total realistic</b>		170,100	2,041,200
<b>Total pessimistic</b>		77,100	925,200

Based on email communication with cafe owners within the market analysis, it was found that the average expenditure per customer is around 102 CZK. In the same way, the amount that the average customer spends in a store with bicycle equipment was determined. However, the amount of 530 CZK does not include customers who buy a bicycle in the store, as this data would negatively distort the final expenditure. In addition, Café Domestikárna does not offer bicycles, only equipment, and service. The monthly revenues were calculated according to the 30-day operating hours of the café.

#### 4.9.5 Income statement

The purpose of the income statement is to determine whether the company is at a profit or a loss, according to costs and expected revenues. These data are presented in Table 15 together with an optimistic, realistic, and pessimistic version.

Table 15: Income statement in a year in CZK (own creation)

Income statement in a year in CZK			
Version	Optimistic	Realistic	Pessimistic
Revenues	3,157,200	2,041,200	925,200
Costs	1,698,960	1,638,960	1,578,960
Profit	1,458,240	402,240	(653,760)

The table shows the estimated revenues of Café Domestikárna. These amounts are further reduced by corporate income tax 19 %. In the case of the optimistic and realistic version, the profit is paid out equally to both partners as a bonus to the regular salary. As the operating costs include the regular salary of both partners, the final loss in the first year after deducting this amount would be around CZK 11,000 in the case of the pessimistic version.

#### 4.10 Risk evaluation

This chapter aims to list six types of risks that Café Domestikárna may face in the future. There are many potential threats, but this chapter should help an entrepreneur adapt to these threats.

##### Market risk

Market risk represents that there is a lack of interest in the service or product, or the market is not ready yet. These types of risks can be partially eliminated by the right marketing strategy. Café Domestikárna faces the risk that there will be no interest in connecting café and cycling. Since this type of café has been operating in Zlín for several years with a great customer interest, the same is expected for Café Domestikárna. However, if there will be no interest in this type of business, the café will be transformed into a different focus.

##### Competitive risk

Competitive risk means that there will be new market entrants, or existing companies will expand their business. In this case, it is hard to say how many new cafes will be established in Uherské Hradiště in the upcoming years. However, if this type of business is created, Café Domestikárna will already have a built reputation and a tailored customer approach.

##### Technology risk

Café Domestikárna is a type of company that does not directly face any technological risks. However, it is crucial to gradually innovate café equipment and cycling tools. The key is to offer customers a free and stable internet connection, as well as a seamless payment terminal.

**Product risk**

Product risk represents the dissatisfaction of customers with the company's product. In the case of a café, it is necessary to bear in mind the quality of the coffee, refreshments, products, and the quality of the bicycle service. To avoid any obstacles, cooperation with reliable suppliers is a possible solution. Moreover, it is essential to perceive the reviews of the customers to eliminate the shortcomings.

**Execution risk**

Café Domestikárna may face execution risk if the partners are unable to manage the growth of the company. A potential threat is an insufficient number of employees in the café, which creates a long waiting time for customers. It was agreed by both companions, that if there is more interest in the café, the café will hire part-timers to ensure the run of the company.

**Capitalization risk**

The problem of insufficient capital, high initial costs, or poorly estimated revenues may be the reasons for capitalization risk. All of these problems can be avoided by applying the right financial analysis based on true and real data. The company's goal is to survive the first two to three years of existence, in which the company may not be profitable.

**Other risks**

A less common but more serious risk may be the need to close a business based on state regulations in response to life-threatening events, such as a global pandemic, a war, or a natural disaster. In this case, a quick reaction of the company and an effort to adapt to the situation is necessary. The dispensing window is one of the options. It is also a great advantage that the café offers bicycle service, as it is possible to run this business by receiving and issuing orders. Café Domestikárna furthermore plans to implement an e-shop as soon as possible. It is out of the question to wait for the situation to improve without taking appropriate steps, as every single day that the café is closed loses its potential gain.

## CONCLUSION

This bachelor's thesis aimed to compile a business plan for the cycling café Domestikárna, located in the centre of Uherské Hradiště. The main goal was to estimate the potential profitability of this company. The bachelor thesis is divided into two parts.

The theoretical part of the bachelor thesis focuses on the introduction of basic business concepts associated with the establishment of such a company. The first part describes the concept of entrepreneurship and the business environment. The second part deals with the different types of companies in the Czech Republic. A detailed description of all parts of the business plan is included in the last part.

The practical part of the bachelor's thesis focuses on compiling a specific business plan for Café Domestikárna. The main goal was to create a business plan based on knowledge and data obtained from the theoretical part. The structure of the business follows the structure defined in the theoretical part. Besides, analyses are applied to help identify the business environment, financial burden, and target market. SWOT analysis, competitive analysis, or industry analysis are covered.

The reason for founding the Café Domestikárna is based on the idea of cycling cafés, which are very popular abroad but are not so common in the Czech Republic. The café aims to provide quality café and cycling services. Furthermore, the purpose is to offer to cyclists a pleasant environment to relax during their cycling rides. Thanks to a large number of cycle paths around Uherské Hradiště, this city is ideal for the operation of such a café. This is supported by the market analysis, which shows that this location is one of the most popular among Czech cyclists. The 4 Ps method is used as a tool to create a marketing plan. Moreover, the prices of products and services offered were presented as well.

A financial analysis of a business plan is a crucial part of estimating whether a business will be profitable in the future. This chapter calculates the initial costs of setting up the café. According to the data, the revenues and the profit of the café are estimated. The end of the practical part consists of listing the risks that the café may encounter together with the related strategies.

Financial analysis can be considered as a limiting part of a business plan since it does not always accurately reflect data that is highly variable. On the other hand, market and competition analyses were well managed. The fact that the author had previously visited all competing companies was a great advantage during these analyses. For additional information, he decided to contact the owners via email.

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**LIST OF ABBREVIATIONS**

UH	Uherské Hradiště
CSO	Czech Statistical Office
CZK	Česká Koruna
e.g.	Exempli gratia
Etc.	Et cetera
B2B	Business to business
B2C	Business to customers
s. r. o.	Společnost s ručením omezeným
k. s.	Komanditní společnost
et al.	Et alia

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