

# A Business Plan for a Café

Tomáš Jakeš

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Bachelor's thesis  
2021



Tomas Bata University in Zlín  
Faculty of Humanities

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Univerzita Tomáše Bati ve Zlíně

Fakulta humanitních studií

Ústav moderních jazyků a literatur

Akademický rok: 2020/2021

## ZADÁNÍ BAKALÁŘSKÉ PRÁCE

(projektu, uměleckého díla, uměleckého výkonu)

Jméno a příjmení:	Tomáš Jakeš
Osobní číslo:	H170086
Studijní program:	B7310 Filologie
Studijní obor:	Anglický jazyk pro manažerskou praxi
Forma studia:	Prezenční
Téma práce:	Podnikatelský plán pro založení kavárny

### Zásady pro vypracování

Zpracování literární rešerše zaměřené na založení podniku a tvorbu podnikatelského plánu

Formulace cílů práce

Analýza konkurence a segmentace trhu

Vytvoření podnikatelského plánu

Shrnutí navrženého plánu a vyvození závěrů bakalářské práce

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

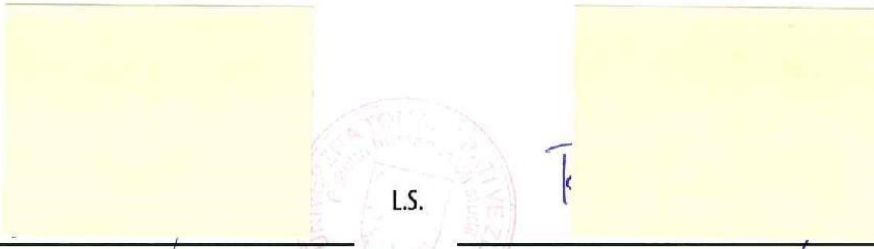
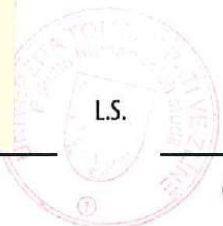
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Vedoucí bakalářské práce: **Ing. Šárka Papadaki, Ph.D.**  
Ústav podnikové ekonomiky

Datum zadání bakalářské práce: **9. listopadu 2020**

Termín odevzdání bakalářské práce: **10. května 2021**

  
  
**Mgr. Libor Marek, Ph.D.**      **doc. Mgr. Roman Trušník, Ph.D.**  
děkan      ředitel ústavu

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## **ABSTRAKT**

Bakalářská práce se zabývá zpracováním podnikatelského plánu pro založení kavárny ve Zlíně. Práce je rozdělena na teoretickou a praktickou část. V teoretické části jsou vymezeny základní pojmy týkající se podnikání, dále je zde popsán podnikatelský plán a jeho struktura. Praktická část, která vychází z části teoretické, se zaměřuje na vypracování konkrétního podnikatelského plánu pro kavárnu s názvem Dlouhé kafe. Cílem práce je zjistit, zda je podnikatelský plán realizovatelný.

Klíčová slova: podnikání, podnik, podnikatel, podnikatelský plán, kavárna

## **ABSTRACT**

The bachelor's thesis deals with the development of a business plan for establishing a café in Zlín. The thesis is divided into theoretical and practical part. In the theoretical part are defined basic terms related to entrepreneurship. The practical part is based on the information included in the theoretical part and it focuses on compiling of the business plan for a café named Dlouhé kafe. The aim of the thesis is to evaluate whether the business plan is feasible.

Keywords: entrepreneurship, enterprise, entrepreneur, business plan, café

## **ACKNOWLEDGEMENTS**

I would like to thank my supervisor Ing. Bc. Šárka Papadaki, Ph.D. for her advice, patience, and support. Moreover, I would like to thank my family and friends, who supported and motivated me during my studies.

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

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## INTRODUCTION

As a topic for the bachelor's thesis, the author has chosen a business plan for establishing a café. He is a coffee lover and an electronic music enthusiast and thus he would like to combine these two passions together. The idea is to open a café which offers a quality cup of coffee and calm atmosphere in the afternoon and a place where people can meet over a drink and music in the evening. To find out whether the idea is achievable or not, the business plan needs to be written.

The thesis is divided into two parts – theoretical part and analysis. Firstly, the theoretical part characterizes basic terms related to entrepreneurship. It describes entrepreneurship as an activity, including the terms entrepreneur and enterprise. Furthermore, this part defines legal forms of enterprises including description of the conditions necessary for establishing a business. Secondly, the theoretical part deals with business plan and its structure. Individual parts of the business plan are described, and the structure is then applied in the analysis.

The analysis focuses on compiling of the business plan for establishing the café named Dlouhé kafe. This part is based on the knowledge acquired in the theoretical part. The business plan includes description of the business and its products, market analysis, analysis of the competition, marketing plan, organizational structure, financial plan, and risk evaluation. The financial plan consists of opening balance sheet, initial costs, labour expenses and operating costs, estimated revenues, income statement and return of investment. Several analyses are used, such as PEST analysis, Porter's five forces and SWOT analysis. The author also prepared a questionnaire which addresses potential customers of the café.

The aim of the bachelor's thesis is to evaluate feasibility of the business plan for a café and to find out whether such company will be successful or not.

## **I. THEORY**

## 1 ENTREPRENEURSHIP

Entrepreneurship plays an important role in the creation and growth of businesses, as well as in the growth and prosperity of regions and nations (Hisrich et al. 2017, 6). In the Civil Code of the Czech Republic, entrepreneurship is defined as „a systematic activity conducted individually by an entrepreneur in his/her own name and on his/her own responsibility in order to make a profit.“ To understand the definition, the following terms need to be explained:

- Systematic activity - an activity performed repetitively and regularly, not occasionally.
- Individually - the entrepreneur as a natural person acts personally and as a legal entity, it acts through its statutory authorities.
- Under his/her own name - natural person takes legal actions under his/her own name and legal entity takes legal actions under the name of the company.
- Own responsibility - the entrepreneur is liable to the results of the business activities.
- Making a profit - the activity is done with the purpose of making money.

(Srpová and Řehoř et al. 2010, 20)

Martinovičová, Konečný and Vavřina (2019) describe present entrepreneurship as an independent, systematic, sustainable, long-term, profitable activity on one's own responsibility, striving for owner's capital appreciation in order to make a profit and maximize the market value of the enterprise by competitively satisfying the needs of customers, employees and other interest groups in the changeable global environment. According to Veber and Srpová (2010, 19-20), there are three fundamental conceptions of entrepreneurship which are generally accepted:

- **Entrepreneurship as a process**

In this conception, a new commodity with added value is created which may be in a financial or non-financial form.

- **Entrepreneurship as a method**

The enterprising conception analyses behaviour of a person and it is characterised by these attributes:

- interest and effort to create an added value,
- independently searching for opportunities to achieve the goal,
- deploying and an effective usage of own resources or time,
- taking responsibility for yourself and taking an adequate risk

- yielding positive results as the last stakeholder.

- **Entrepreneurship as a value orientation**

This conception represents a structure of values and attitudes. Firstly, the values and attitudes are perceived by society which means how the society appreciates entrepreneurship and entrepreneurs. Secondly, the values and attitudes are looked at individually which indicates emphasizing an enterprising lifestyle. That means risk bearing or endurance of uncertainties but on the other hand, the entrepreneur may generate a greater profit. (Veber and Srpová 2010, 19-20)

Entrepreneurship is about seeking entrepreneurial opportunities. Those are situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production. (Hisrisch et al. 2017, 6)

Owning a business has many benefits, however, there are potential drawbacks that the entrepreneur should be aware of. Some of the disadvantages of entrepreneurship include the following:

- uncertainty of income,
- risk of losing the entire investment,
- long hours and hard work,
- lower quality of life until the business gets established,
- high level of stress,
- complete responsibility,
- discouragement. (Scarborough and Cornwall 2016, 34-35)

It is in entrepreneur's interest to increase value of his/her enterprise, nevertheless, it is not guaranteed that the company will be prosperous and there is always a risk of failure when starting own business. (Mulačová and Mulač et al. 2013, 15-16)

## 1.1 ENTREPRENEUR

Casson (2010, 6) states that there are two main ways of defining an entrepreneur that can be found in the literature. One defines the entrepreneur as the founder of a small or medium-sized enterprise with growth potential. The other defines the entrepreneur in terms of the economic function that he or she performs.

According to Veber and Srpová (2012, 15), there are many other definitions of the term entrepreneur such as:

- A person who performs business related activities and he/she risks a loss or expansion of own capital.
- A person who can identify and exploit opportunities, mobilize and utilize resources and he/she is also able to take a risk to achieve the set goals.
- A person who is the initiator as well as the bearer of a business and who puts his/her own resources, time, effort, and the name into the business. This person also takes responsibility and bears the risk so that personal and financial satisfaction is achieved.

There is a common consensus that a person is born as an entrepreneur which is not true. It is all about a person's attitude, the ability to learn and to be passionate about it. An entrepreneur's attitude towards entrepreneurship as well as his/her knowledge of processes that appear in business are the two important aspects of a successful business. A person's attitude towards entrepreneurship cannot be taught but one can learn the processes that appear in business such as market analysis methods or financial planning. Another faulty opinion is that a successful employee must be a successful entrepreneur. (Srpková and Řehoř, et. al. 2010, 21)

According to Katz and Green (2017, 30-32), there are five aspects of behaviour that most successful entrepreneurs display. The five behaviours include the following:

- **Passion** – being passionate about the business has multiple benefits, such as increasing commitment to the business and inspiring key stakeholders (potential investors, employees, or subcontractors).
- **Perseverance** – the ability to stick with some activity even when it takes a long time is one of the most powerful contributors to entrepreneurial success.
- **Promotion-prevention focus** – a promotion focus intent on maximizing gains and a prevention focus intent on minimizing losses.
- **Planning style** – there are several ways of planning. Successful planners always plan in the long-term perspective and they have a backup plan.
- **Professionalization** – average means doing the standard business practice and successful entrepreneurs usually do at least one thing much better than the average.

Veber and Srpková (2012, 15) state that entrepreneurs have the common characteristics as follows:

- the ability to recognize opportunities and set new goals,
- the ability to secure financial resources necessary for entrepreneurship,
- the ability to organize business activities,
- being able to take risks,
- self-confidence,
- endurance and long-term commitment.

## 1.2 ENTERPRISE

Enterprise is every entity which performs an economic activity regardless its legal form, it is an elementary aspect of national economy and it consists of:

- tangible components of a business (movable and immovable property),
- personal components of a business (employees and employers),
- intangible components of a business (trade name, patents, licenses, trademarks, know-how, etc.). (Vochozka and Mulač et al. 2012, 35)

Enterprise can be also defined as an economic and a separate legal entity, which purpose is to do business. General characteristics of enterprise are combination of factors, economy, and financial stability. Specific characteristics of enterprise are private ownership, autonomy, and profitability. (Srpková and Řehoř 2010, 35)

Vochozka and Mulač (2012, 36) describe the main functions of an enterprise which are:

- productive function – the enterprise produces goods or services,
- supply function – the enterprise satisfies specific needs of the market,
- scientific and technical function – benefiting from scientific evidence and implementation of new technologies,
- economic function – satisfying others needs in order to generate a profit and creating precondition for the future development,
- social function – employees' earnings depend on the functioning of the business,
- political function – the enterprise strengthens or weakens political decisions,
- cultural and educational function,
- safety – occupational safety and health, protection of property and environmental protection,

- corporate responsibility – responsible behaviour of the enterprise towards the society.

Economic theory says that the main goal of an enterprise is to maximize a profit. However, profit is rather an accounting variable, and it does not express the actual success. There are short-term and long-term goals of the enterprise which are connected. Short-term goals are maximizing the net profit and maximizing the cash flow of the company for the reporting period. Long-term goal is to maximize the value of the enterprise. Apart from financial goals, there are also non-financial goals such as being your own boss, having a permanent job, employing people, and continuing the family tradition. (Mulačová and Mulač et al. 2013, 17-18)

Enterprises can be divided according to several aspects, Mulačová and Mulač (2013, 16) state the two elementary:

1. According to the size of an enterprise (As recommended by the European Commission):
  - micro enterprise – less than 10 employees and an annual turnover of up to 2 million EUR,
  - small enterprise – less than 50 employees and an annual turnover of up to 10 million EUR,
  - medium enterprise – less than 250 employees and an annual turnover of up to 50 million EUR,
  - large enterprise – more than 250 employees and an annual turnover of more than 50 million EUR.
2. According to the connection to the economic sectors:
  - industrial enterprises (mining and processing industry, production and distribution of electricity, gas and water, construction),
  - agricultural enterprises (agriculture, forestry, fishing),
  - enterprises providing services (trade, transport, banking, insurance provision, other services).

Vochozka and Mulač (2012, 38) state that in the Czech Republic there are two types of businesses according to their legal form:

- Business of a natural person
- Business of a legal entity



## 2 LEGAL FORMS OF ENTERPRISES

Before starting a new business, it is important to choose its legal form. There are two legal forms according to the Civil Code of the Czech Republic – business of a natural person and business of a legal entity. The decision about the legal form of the business is not irreversible, however, the process of transforming it into another form later is complicated and it entails additional expenses. (Srpová and Řehoř, et. al. 2010, 67).

The legal form of enterprise influences legal relationships with the environment as well as internal organization and it should reflect on the following criteria:

- liability,
- rightfulness to the management and decision-making process,
- number of founders,
- venture capital,
- administrative burden for establishing and operation of the business,
- sharing a profit,
- possibilities of reaching a capital (for example loans),
- tax burden,
- publication and information duties. (Strouhal 2016, 12)

### 2.1 Business of a Natural Person

The term business of a natural person refers to individual businesses owned by only one person. They usually exist in the form of a trade. Their advantage is that they are not difficult to maintain in terms of administration and capital. However, the disadvantages are difficult access to capital, unlimited liability of the entire personal property of the entrepreneur and limited lifetime as it depends on the lifetime of the owner. (Mulačová and Mulač et al. 2013, 29) Another explanation provide Srpová and Řehoř (2010, 67) who describe the business of a natural person as the business of individuals who do so independently, under their responsibility and their name. This type of business is associated with the term "self-employed person". In the Czech Republic, the abbreviation OSVČ is used, which refers to "osoba samostatně výdělečně činná." As a self-employed person is typically considered, for

instance, a sole trader, a self-employed artist, a self-employed farmer, court expert, etc. (Srpová and Řehoř 2010, 67)

To establish a trade, it is necessary to obtain either a trade license or another authorization to carry on a business as well as to meet the conditions specified by the Trade Licensing Act, which are as follows:

- general conditions: legal age (18 years), legal capacity, clean criminal record,
- special conditions: professional or other qualification if required by the trade. (Švarcová et al. 2016, 57–58)

The trades are divided as follows:

1. **Notifiable trades** are established by an appropriate notification and are further divided into:

- Craft trades – to establish a craft trade it is necessary to submit a proof of proper completion of the education in a relevant field. Craft trades include, for instance, locksmithery, butchery, confectionery, etc.
- Qualified trades – to establish a qualified trade it is necessary to meet the conditions which are listed individually for each type of the trade in the Annex to the Trade Licensing Act. Among the regulated trades are, for instance, massage services, bookkeeping, driving schools, etc.
- Unqualified trades – to establish an unqualified trade, it is sufficient for the entrepreneur to meet only the general conditions. For instance, intermediation of trade and services, accommodation services or photographic services belong to this category. (Srpová and Řehoř 2010, 67)

2. **Permitted trades** can be only performed under a license granted by the Trade Licensing Office, so merely declaring a trade is insufficient. A licence certificate is issued to applicants if they have the required education and if they meet other conditions set by the act. The licensed trades are, for example, funeral services, travel agencies, taxi services, etc. (Businessinfo.cz 2018)

## 2.2 Business of a Legal Entity

Another form of entrepreneurship is business of a legal entity. Entrepreneur who decides to establish such business should consider that it is more challenging in terms of administration and it is conditioned by depositing the registered capital. Unlike business of a natural person,

business of a legal entity is required to be registered in the Business Register. (Srpová and Řehoř 2010, 68)

According to the Commercial Code, business of a legal entity includes the following forms:

- partnerships,
- capital companies,
- cooperatives. (Veber and Srpová 2012,70)

### **2.2.1 Partnerships**

Partnerships are founded by two or more persons (partners) and the amount of deposit is not regulated by law. The amount of deposit does not affect profit share, the share is equivalent and non-transferable. Internal structure of the company is not defined by law, partners in corps decide about the company-related matters and the liability of the partners for the company's obligations is unlimited.

The following legal forms belong to the category of partnerships:

- general commercial partnership,
- limited partnership. (Mulačová and Mulač et al. 2013, 31)

#### **General Commercial Partnership**

In Czech the term “Veřejná obchodní společnost” or the abbreviation “v.o.s.” is used. It is established by at least two partners whose status is equivalent and whose liability for the company's obligations is unlimited. Establishment of General commercial partnership does not require registered capital. All the partners participate in the management of the company and they guarantee with all their assets. (Švarcová 2016, 68) In order to establish this type of company, a partnership contract must be concluded. Statutory body consists of all the partners who share both profit and losses equally unless the partnership contract states differently. (Businesscenter.cz)

#### **Limited Partnership**

The next legal form of Partnership is Limited Partnership which is translated as “Komanditní společnost” (“k.s.”) and which is also established by two or more partners. At least one of them is a limited partner, in Czech “komanditista” and at least one is general partner, in Czech “komplementář”. Only the general partner participates in the company's management and his/her liability with all the property is unlimited. In contrast, the limited partner's role is only supervisory, and he/she guarantees the liabilities of the company up to the amount of

its deposit. (Businessinfo.cz 2019) The general partner is not required to make any initial deposit, whereas the limited partner is obliged to make at least 5,000 CZK initial deposit when establishing the company. The company profit is shared among the general partners and limited partners according to the partnership agreement. (Veber and Srpová 2012, 74)

### 2.2.2 Capital Companies

In contrast with partnerships, when starting a capital company, the partners are required to make initial deposit. The amount of the initial deposit influences the company share which affects participation in company's decision-making and profit share. Internal structure of the company is defined by law or by articles of association. Compared to partnerships, the liability of partners for the company's obligations is limited. The advantage of capital companies is a significantly better access to capital, on the other hand, the disadvantage is more demanding administrative operation of the company and double taxation of profits.

The two following legal forms belong to the category of Capital companies:

- limited liability company,
- join-stock company. (Mulačová and Mulač et al. 2013, 31-32)

#### Limited Liability Company

Limited Liability Company or in Czech "Společnost s ručením omezeným" ("s.r.o.") is the most widespread form of doing business as a legal entity in the Czech Republic. One or more persons may establish this type of company which may be owned by up to fifty partners. (Businesscenter.cz) Partners of the limited liability company may be natural persons as well as legal entities. The amount of the registered capital of the company is defined by a partnership agreement, however, the minimum amount is 200,000 CZK with the minimum 20,000 CZK registered capital of a partner. As far as liability of the partners, they are liable for obligations of the company only up to the amount of their outstanding contribution. Limited liability company consists of the following bodies:

- general meeting - the highest body,
- executives - executive body,
- supervisory board - the supervisory body. (Mulačová and Mulač et al. 2013, 32)

#### Join-Stock Company

The next type of the capital company is Join-stock company, in Czech "Akciová společnost" ("a.s."), which may be established by at least two natural persons or one legal entity. The

registered capital of the company is divided into a certain number of shares. The company is liable for its obligations with all its assets, however, shareholders are not liable for the company's obligations. (Businessinfo.cz 2019) The minimum amount of registered capital is 2 million CZK and 20 million CZK for companies registered on the capital market.

Join-stock company consists of the following bodies:

- general meeting - the highest body,
- executives - executive body,
- supervisory board - the supervisory body. (Mulačová and Mulač et al. 2013, 33)

### **2.2.3 Cooperatives**

Unlike partnerships and capital companies, the main purpose of cooperatives ("Družstva") is not generating a profit. It is an organization owned and operated by association of persons whose goal is to support its members. (Mulačová and Mulač et al. 2013, 37) Cooperative consists of five or more natural persons or at least two legal entities. The organization is liable of its obligations with all its assets, its members are not liable for the organization's obligations and the minimum registered capital is 50,000 CZK. The main bodies of cooperatives are membership meeting, board of directors and monitoring committee. (Švarcová 2016, 71)

### 3 BUSINESS PLAN

The purpose of a business plan is to comprehensively assess the feasibility and viability of a business idea. It is a written document completed by an entrepreneur, describing all the significant internal and external factors related to business activities. (Srpková and Řehoř 2010, 59) It should be comprehensive enough to give any potential investor a complete picture and understanding of the new venture, and it should help the entrepreneur to clarify his or her thinking about the business. (Hisrisch et al. 2017, 194)

According to Shelton (2017, 20) this formal document contains five key elements:

- business goals,
- the reasons why these goals are attainable,
- a plan for reaching those goals,
- data backing the uniqueness of the products and services to be sold,
- supporting information about the organization and team attempting to reach those goals.

The business plan should be prepared by an entrepreneur, however, he or she may consult with other sources in its preparation. Lawyers, accountants, marketing consultants, and engineers are useful in the preparation of the plan. (Hisrisch et al. 2017, 184)

The business plan serves within the company as a planning tool, a basis for the decision-making process or control tool, especially in cases where the entrepreneur establishes a company and when the company faces significant changes that may have long-term consequences for its operation. On the other hand, based on the business plan, external entities evaluate the company's ability to carry out more demanding investment program or if the company is prepared to apply for certain types of financial support. It is necessary to convince investors about the convenience of the project for which a capital is needed. The length and sophistication of the business plan depends on the size of the company and whether it is written for internal or external purposes. (Veber and Srpková 2012, 95-97)

Svobodová and Andera (2017, 83) summarize the main reasons for creating the business plan as follows:

- to learn how much funds are needed to establish a business,
- to estimate the amount of potential revenues in comparison with expenses,
- to identify possible capacities in order to evaluate planned investments,

- to evaluate whether to do business alone or in a team,
- to learn everything that is needed to do before establishing a business and what to expect after starting a business,
- to confirm if the business idea is demanded in the market,
- to see if the business idea is profitable. (Svobodová and Andera 2017, 83)

### **3.1 Principles of a Business Plan**

When writing a business plan, one should respect certain rules which may help to impress external entities and make the business plan successful. Blackwell (2008, 5-6) states that an entrepreneur should follow these rules:

- clarity – language used in the business plan should be simple and one should avoid getting too many ideas into one sentence,
- brevity – business plan should include only essentials and one should avoid using in-depth descriptions,
- logic – ideas include in the business plan should logically follow each other and should be based on facts and evidence,
- truth – data used in the business plan should be truthful and one should not overstate,
- figures – words used in the business plan should be backed by figures.

### **3.2 Structure of a Business Plan**

According to McKeever (2011, 158), each business plan has a unique structure that to some degree is determined by the particular business and fundraising needs. Srpová, Svobodová et al. (2011, 15) state that every investor or a bank has different requirements for the structure and range of the business plan. Many investors require a form of a presentation due to lack of time, on the other hand, banks require more detailed information and also other documents.

Although the business plan is an adjustable document, authors such as Veber and Srpová (2012), Finch (2010) and Abrams (2019) agree that the business plan should include the following sections:

- Title page
- Executive summary

- Company description
- Description of the product or service
- Market Analysis
- Analysis of competition
- Marketing plan
- Organizational plan
- Financial plan
- Appendices

### **3.2.1 Title Page**

The title or cover page provides a brief summary of the business plan's contents (Hisrich et al. 2017, 196) It includes company's business name and logo, name of the business plan and its author, names of other important persons and founders, date of establishing, etc. It is also recommended to include statement about author's copyright. Srpová, Svobodová et al. (2011, 15)

### **3.2.2 Executive Summary**

An executive summary is arguably the most important part of the whole business plan. This section is placed at the beginning of the document, but it is written last, after all other chapters have been written because it is basically a summary of the entire business plan. The reader should immediately understand the basic concept of the planned business. After going through the executive summary, the reader should also be curious and willing to read the entire plan including all the details. (Abrams 2019, 54). A difficult part about writing this section might be providing a lot of information on just a few pages. The executive summary should include:

- a brief description of the company and its competitive advantage,
- a brief description of the market and its size,
- a business model – the way to generate a profit,
- required amount of financial resources and a return of investment estimate. (Svobodová and Andera 2017)



### 3.2.3 Company Description

Company description should be detailed which enables the investor to ascertain the size and scope of the business. This section should begin with the mission statement which basically describes the nature of the business and what the entrepreneur hopes to accomplish. After the mission statement, the essential features should be clearly described. Key elements are the location and size of the business, the personnel and office equipment that will be needed. (Hisrisch et al. 2017, 199)

Company description does not need to be long. It should simply provide the background for understanding the rest of the business plan. The legal form of the business should also be noted. (Mariotti and Glackin 2016, 72) An entrepreneur selects the legal form before starting a business and he/she chooses from sole proprietorship, general partnership, limited partnership, joint-stock company, limited liability company, trade association and cooperatives. (Abrams 2010, 67)

### 3.2.4 Description of the Product or Service

The next chapter describes in detail the product or service which the company already offers or planning to do so. Firstly, the main product or service which stands for the largest share of turnover should be presented and then the additional ones. (Veber and Srpová 2012, 101) In case that the company offers a product, it is important to present its main functions from the customer's perspective. There is no need to deal with technological details because the reader of the business plan may not be familiar with the business field. Therefore, it is better to just briefly mention the technical parameters and emphasize the essential features. (Srpová and Řehoř 2010, 61) Apart from detailed description of the product or service, a distribution channel should be mentioned which might be wholesale, retail or internet. Another thing to include is the founder's intentions to protect the product or service (e. g. patents, trademarks, copyrights). Competitive advantage which explains why the product or service is so unique and beneficial for the customer should also be described. (Shelton 2017, 83-84)

### 3.2.5 Market Analysis

When establishing a business, it is important to identify the target market and potential customers, as well as understand how they think and behave. The product or service offered should satisfy customers' wants and needs. (Abrams 2010, 99) Evaluating the targeted market and industry is essential to determine the viability of a business idea. (Mariotti and Glackin 2016, 61) To ascertain the size of the market, it is first necessary for the entrepreneur to

define the market. A well-defined target market will make it easier to project market size and subsequent market goals for the new enterprise. The market should also be large enough and with growth potential. (Hisrisch et al. 2017, 189)

### **PEST Analysis**

PEST analysis is commonly used tool which examines influence of macro environment. The abbreviation PEST stands for:

- political factors - social system in which companies carry out their activities,
- economic factors - economic situation and economic policy of the state (economic growth rate, inflation, unemployment, GDP),
- socio-cultural factors - social structure of the population, social and cultural customs,
- technological factors - innovation potential of the state, the pace of technological change. (Srpková and Řehoř 2010, 131)

### **3.2.6 Analysis of Competition**

For almost every company, there is an existing competition. The point of this section of the business plan is to list the competitors and their strengths and weaknesses. In some cases, a map of competitor locations is helpful to include. Typically, strengths and weaknesses include operating hours, accessibility, pricing, return policy, marketing budget size, reputation, delivery policy, complementary products and services, and buying quantities. (Shelton 2017, 68)

If there are many competitors in the market, it is usually very demanding in terms of time and finances. It is not necessary to examine every single competitor in detail, thus it is useful to divide them into two categories – primary and secondary competitors. The primary competitor is every company that plays a significant role in the market and every company that is very much alike our business. The next step after identifying the competition is to examine the strengths and weaknesses of the competing companies. The criteria for the analysis might be turnover, growth, market share, products, customer services, customers, prices, availability etc. (Srpková, Svobodová et al. 2011, 23)

As a part of the evaluation, the company should determine its strengths and weaknesses to conclude the company's competitive position. Detailed information about the competition may be obtained from brochures, leaflets, from the press, etc. Beneficial might be also experience of people who purchased competing products. The collected information must

be then verified in order to avoid possible speculation. (Srpková and Řehoř 2010, 62) According to Finch (2010, 35), the competition may be viewed not only negatively but also positively because competitors try to extrude other companies out of business which could motivate other entrepreneurs to get better.

### **Porter's Five Forces Analysis**

Tool that is frequently used for analysis of competition is the “five forces” model created by Michael Porter, which focuses on the competitive intensity of the market. The analysis is used to assess the overall industry-competitiveness level in which closely related or similar products or services are sold. The five industry forces identified by Porter are:

- existing competitive rivalry,
- threat to entry,
- threat of substitutes,
- supplier power,
- buyer power. (Mariotti and Glackin 2016, 61)

### **3.2.7 Marketing Plan**

The marketing plan is an important part of the business plan since it describes how the products or services will be distributed, priced, and promoted. The entrepreneur should make every effort to prepare as comprehensive and detailed a plan as possible so that investors can clearly recognize what the goals of the company are and what strategies are to be implemented to effectively achieve these goals. (Hisrisch et al. 2017, 202)

The goal of marketing is to attract new customers by promising superior value and to keep and grow current customers by delivering value and satisfaction. (Kotler and Armstrong 2018, 4)

According to Srpková, Svobodová et al. (2011, 23), marketing strategy deals with three issues:

- target market selection,
- market positioning of the product,
- marketing mix.

The selection of the target market is about market segmentation. Through market segmentation, companies divide large, diverse markets into smaller segments that can be

reached more efficiently and effectively with products and services that match their unique needs. When choosing the right segment, it is important to consider its size and purchasing power which determines the segment's value. (Kotler and Armstrong 2018, 189)

The market positioning of the product signifies a position of a specific product among other competing products in the market. The goal of the company is to differentiate from the competition. Marketing considers the selected market segment, and it consists of tools that combine with each other. (Srpková, Svobodová et al. 2011, 24)

### **Marketing Mix**

Marketing mix is a commonly used marketing tool that companies use to achieve their marketing goals. It helps to adjust their production to needs and wishes of the market. The most widely used marketing mix is considered the marketing mix consisting of 4Ps – product, price, place, and promotion. (Kotler and Armstrong 2018, 14)

#### **Product**

Product is the most important tool of the marketing mix. It is defined as anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. (Kotler and Armstrong 2018, 220)

Product can be divided into three parts – product core, actual product, and augmented product. The core of the product represents the fundamental benefit which the product offers to the customer. The actual product consists of five aspects – quality level, possible variants of the product, design, packaging, and brand name. The augmented product consists of the additional benefits such as guarantees, loans and payment terms, installation, repair and maintenance assistance, technical support, consultancy, etc. (Srpková and Řehoř 2010, 199)

#### **Price**

The second tool of the marketing mix is price. It represents the amount of money for which the company offers its product on the market and at the same time a financial expression of the product's value for the customer. (Vochozka and Mulač 2012, 214) Price is the only element in the marketing mix that produces revenue, all other elements represent costs. It is also one of the most flexible marketing mix elements. Unlike product features, prices can be changed quickly (Kotler and Armstrong 2018, 284)

The pricing methods are as follows:

- based on calculation (break even point analysis),
- regarding to competition,

- regarding to the value of the product for consumers (equivalent market price). (Vochozka and Mulač 2012, 415)

### **Place**

Place or in other words distribution is the next tool of the marketing mix. It deals with getting the product from place where it was made to the end consumer. The main goal of distribution is to enable a customer to purchase a product in the desired place, at the desired time and in the desired quantity and quality. (Srpová and Řehoř 2010, 214-216)

It is important to choose the appropriate distribution channel which can be direct or indirect. Producing a product or service and making it available to buyers requires building relationships not only with customers but also with key suppliers and resellers in the company's supply chain. This supply chain consists of upstream (suppliers of raw materials, components, parts, etc.) and downstream partners (wholesalers and retailers). (Kotler and Armstrong 2018, 334)

### **Promotion**

The fourth "P" of the marketing mix is promotion or in other words communication or communication mix. It is a marketing tool by which the company influences the customer's shopping behaviour and a tool which the company uses to engage consumers, persuasively communicate customer value, and build customer relationships. (Kotler and Armstrong 2018, 400)

The communication mix consists of:

- Advertising - broadcast advertising, leaflets, billboards etc.
- Sales promotion – bonuses, coupons, free samples, loyalty programs etc.
- Public relations – charitable donations, sponsoring, press conferences, company magazines etc.
- Personal selling – trade fairs or exhibitions, informal meetings etc.

Direct marketing – teleshopping, direct-mail selling etc. (Srpová, Svobodová et al. 2011, 26-27)

### **SWOT Analysis**

Another important marketing tool is SWOT analysis which helps to identify key factors that influence a strategic position of the company by assessment of its strengths and weaknesses compared to the market's opportunities and threats. (Srpová and Řehoř 2010, 132)

Strengths include internal capabilities, resources, and positive situational factors that may help the company serve its customers and achieve its objectives. Weaknesses include internal limitations and negative situational factors that may interfere with the company's performance. Opportunities are favourable factors or trends in the external environment that the company may be able to exploit to its advantage. And threats are unfavourable external factors or trends that may present challenges to performance. (Kotler and Armstrong 2018, 56)

Strengths might include high market share, modern technology, low labour costs or product quality. Weaknesses include for example high indebtedness, outdated technology, weak management, or poor suppliers. Both strengths and weaknesses are internal factors which focus on the attributes of the company. Opportunities and threats are external factors which focus on the attributes of the environment. Opportunities include a growth of the market and demand, in contrast with threats which include for example strong competition, foreign competitors or market instability. (Vochozka and Mulač 2012, 350)

### **3.2.8 Organizational Plan**

Organizational plan provides clear overview of personal matters of the company such as the owner and its key employees. This section should include organizational schema including number and qualification of employees or a system of maintaining and increasing qualifications. It is good to mention the situation on the labour market in the region. This section should also include information about wages and job descriptions. (Veber and Srpová 2012, 103) According to McKeever (2011, 152-153), employees help to create a personality of the business in their daily interactions with customers, suppliers, and each other, thus the owner should consider this fact when hiring the right personnel.

### **3.2.9 Financial plan**

Financial plan analyses feasibility of the business plan from an economic perspective and transforms the preceding parts of the plan into numbers. (Srpová and Řehoř 2010, 65) Before preparing the financial section of the business plan, the entrepreneur will need to prepare a budget that includes a list of all possible expenditures in the first year and a list of all revenue sources, including sales and any external available funds. (Hisrisch et al. 2017, 193)

Outputs of the financial plan consists mainly of the income statement, balance sheet and cash flow. It is also recommended to calculate the break-even point, which is estimating the amount of production that will ensure that the company will not operate in a loss. It is

appropriate to present more variants of the financial plan, usually a realistic, pessimistic, and optimistic variant is processed. (Veber and Srpová 2012, 104)

### **Income Statement**

Income statement may be called also profit and loss statement and it shows the amount of earnings generated over a period of time. The first category of income statement includes money that a company earns by selling products and services, the second category contains direct costs incurred to produce the products sold and the third category includes all other costs such as rent, insurance, advertising, travel etc. (Shelton 2017, 100)

### **Balance Sheet**

Balance sheet displays the financial structure of a company. It is divided into assets on the left side (what the company owns) and liabilities on the right side (how the assets are financed). Assets can be either current or long-term and are financed either by the entrepreneur himself or by sources which come outside the company (investors, lenders). (Hisrisch et al. 2017, 203-204)

### **Cash Flow**

Cash flow represents the money coming into and going out of the business. Positive cash flow means when the money coming into the business exceeds the money flowing out, and negative cash flow is the opposite. (McKeever 2012, 122) There are three categories of cash flow:

- cash flow from operations – income and expenses related to the main activities of the company,
- cash flow from investments – it monitors changes in fixed assets,
- cash flow from financing – it monitors changes in the funding structure. (Srpová and Řehoř 2010, 321)

### **Return of Investment**

Return on investment (ROI) represents the annually profits or losses compared to the invested capital. Any positive ROI means that the generated profit is higher than the initial investment. ROI is calculated as follows:

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

(Marriotti and Glackin 2016, 287)

### **3.2.10 Appendices**

Appendices are the final part of a business plan. This section contains supporting documents such as financial statements, copies of proposed lease agreements, copies of bids for any needed construction work, plans for construction work, drawings of business signs or logos, a list of what will be purchased for company's opening inventory, key employees' resumes etc. The documents should be organised in a logical order including a table of contents for the appendices. (McKeever 2011, 165)



## 4 SUMMARY OF THE THEORETICAL PART

The theoretical part of the thesis explains basic terms related to entrepreneurship and describes a business plan and its parts. It is divided into three chapters.

The first chapter defines the term entrepreneurship as an activity and explains the term entrepreneur. Then this chapter includes a definition of an enterprise.

The second chapter deals with legal forms of enterprises. Business of a natural person and business of a legal entity are characterised including description of conditions necessary for establishing a business.

The third chapter of the theoretical part focuses on the business plan, its purpose, principles, and structure. The individual parts of the business plan are then described in detail. Each section includes fundamental information which should be provided in the plan. The structure of the business plan described in the theoretical part is used in the analysis which focuses on compiling of the business plan for a café.

## **II. ANALYSIS**

## 5 BUSINESS PLAN FOR A CAFÉ

This part of the thesis focuses on processing of the business plan for a café named Dlouhé kafe in Zlín.

### 5.1 Title Page

<b>Name of the company:</b>	Dlouhé kafe
<b>Legal form:</b>	Natural person
<b>Address:</b>	Dlouhá 4309, 760 01 Zlín
<b>Date of establishment:</b>	1.5.2022
<b>Owner:</b>	Tomáš Jakeš
<b>Founder address:</b>	Prakšice 283, 687 56
<b>Phone:</b>	+420 775 286 125
<b>Email:</b>	dlouhekafe@gmail.com
<b>Facebook page:</b>	Dlouhé kafe Zlín
<b>Instagram profile:</b>	DlouhekafeZlin



Figure 1 - Logo of the company (own creation)

## 5.2 Executive Summary

The business plan describes establishment of the café in Zlín named Dlouhé kafe. The owner decided to set up the business as a natural person and since he does not meet the special conditions required for receiving the trade license, he needs to entrust an administrative representative who will conduct the business.

The café is located on the busy street Dlouhá with close proximity to the city centre. Since Zlín is a student city, the café intends to address mainly young people.

The concept is to create an alternative café where people can come not only to enjoy their coffee but also to spend their evening with friends while listening to music. The café will be equipped with quality sound system and there will be listening sessions happening regularly. DJs will play mostly house music and their unique music selections cannot be found anywhere in the city. Customers can taste top quality coffee, homemade desserts, small meals and choose from various alcoholic and non-alcoholic drinks. The café will offer homemade and seasonal products and organize events such as public cuppings, lectures, or collaborative pop-ups with local vendors. The offer for vegans is a matter of course.

The idea of opening a café came into the owner's mind after visiting cafés with similar concept in Brno or Prague and he wants to create such place in Zlín.

The registered capital of the company is 550,000 CZK and it will be financed by the owner. The registered capital includes owner's savings and a loan from family.

## 5.3 Company Description

Dlouhé kafe is an alternative café located in Zlín. It is a place not only to grab quality coffee and homemade desserts but also a place to enjoy music together with a refreshing drink. This chapter focuses on description of café's mission, key objectives legal form, location, and opening hours.

### 5.3.1 Mission Statement

The aim of the café is to provide its customers with high quality products together with professional service while creating a relaxing atmosphere. The owner's intention is to create a place with appealing interior, professional staff, and good music. Moreover, it is hoped to gain loyal customers, who will love to come back.

### 5.3.2 Key Objectives

- To build a customer base
- To satisfy customers as much as possible
- To keep loyal customers
- To provide quality services
- To create alternative space with pleasant atmosphere
- To generate a profit

### 5.3.3 Ownership

The founder of Dlouhé kafe is Tomáš Jakeš who will be responsible for running the business including communication with suppliers and employees, recruiting, and marketing activities. He is a coffee enthusiast and an amateur DJ so he will also play in the café as well maintain the music line-up.

### 5.3.4 Legal Form

Legal form of the planned business is a natural person. The owner decided to choose this type of business because of less demanding administration but also lower tax rate compared to business as a legal entity. Entrepreneurship as natural person is in the Czech Republic regulated by the Trade Licencing Act No. 455/1991 Coll. Establishment of a café is a part of craft trade licence, more specifically restaurant services. The owner meets the general conditions of a craft trade (legal age, legal capacity, clean criminal record), however, conducting the craft trade requires the entrepreneur to meet special conditions (professional competence or other qualification) set by the Trade Licensing Act. To meet the special conditions, the owner needs to conduct the business by a responsible representative since the owner himself does not meet them.

### 5.3.5 Location

The café is located on Dlouhá street in Zlín. There are currently premises for rent. Dlouhá is a busy street in the city centre close to Náměstí Míru and Golden Apple shopping centre. There is a tram stop nearby so the café will be easily accessible. Zlín is a vibrant city full of students and young people who will be potential customers. The map of the café's location is available in appendices.

### 5.3.6 Opening Hours

The café will open daily from 11:00 except weekends when it opens at 12:00. The owner decided to extend opening hours of Dlouhé kafe on Friday and Saturday since the idea is to create place where people can meet with their friends and enjoy their evening with a drink and listen to music. The complete opening hours are presented in the table below.

OPENING HOURS	
Monday	11-23
Tuesday	11-23
Wednesday	11-23
Thursday	11-23
Friday	11-24
Saturday	12-24
Sunday	12-22

Table 1 - Opening hours of the café (own creation)

## 5.4 Product Description

Dlouhé kafe offers coffee, tea, homemade lemonades, and other alcoholic and non-alcoholic drinks. Customers can also taste homemade desserts and other small melas such as toasts or quesadillas and enjoy music. There will be also vegan options available. All these products are described below.

### 5.4.1 Coffee and hot drinks

Coffee is the main product of the café which offers its customers common types of coffee such as espresso, lungo, espresso tonic, macchiato, cappuccino, flat white, caffè latte, batch brew and filtered coffee. Apart from coffee, hot drinks including hot chocolate, cacao, chai latte and several types of tea are also a part of the menu. The main supplier of coffee beans and all the products mentioned is a roastery Lázeňská káva based in Luhačovice. They offer 100% arabica coffee from different countries from South America, Africa, and Asia. The owner wants to serve top quality coffee using fresh coffee beans which will be grounded in the café. For vegan customers, there is an option to choose organic milk to their coffee for additional fee.

#### **5.4.2 Alcoholic and non-alcoholic cold drinks**

Besides coffee, alcoholic, and non-alcoholic beverages are offered. Customers can choose from fresh homemade lemonades, several sodas, tap water, juices, iced tea or club mate and other lemonades. There is also alcohol on the menu including bottled and draft beer, white and red wine, prosecco or gin, rum, whiskey, and vodka. The items in the menu will keep changing over time so the customers may try for example different types of homemade lemonades or different brands of beer, wine, and other alcohol.

#### **5.4.3 Meals**

Not only drinks but also small meals may customers find in Dlouhé kafe. First on the menu are sweet homemade desserts prepared by a founder's friend who is a confectioner and she will prepare the desserts at home. Customers may taste for example cheesecakes, panacotas, cakes, brownies, and other delicious desserts. Apart from sweet offer, there are other small meals on the menu such as chicken or cheese quesadilla, various sandwiches and toasts, pickled cheese or nachos with salsa. There are plant-based variations of the meals to satisfy vegans and vegetarians. The food is easy to make and does not require a full equipped kitchen, just a contact grill and worktop behind the bar. The owner will prepare the meals and he will teach the staff the preparation process.

#### **5.4.4 Music**

The added value of Dlouhé kafe is music. There will be listening sessions happening regularly on Fridays and Saturdays and occasionally on Wednesdays. Mostly different styles of house music will be played. The café is equipped with quality sound system and DJ equipment.

### **5.5 Market Analysis**

The market analysis describes an external environment of the company. It focuses on potential customers and target market which is divided into segment. Market segmentation is followed by PEST Analysis. To analyse the market, a questionnaire was also used. The questionnaire was distributed online, mainly via Facebook. A total amount of respondents was 156. The research helped the owner to gather data about market, customers' preferences, and possible revenues. More than half of the respondents stated that they are not satisfied

with the range of cafés and bars in Zlín and they like the idea of opening a café with DJ performances. Complete results of the questionnaire are listed in the appendices.

### 5.5.1 Target Market

Target market of Dlouhé kafe are primarily young people who generally go to cafés the most. In Zlín, there are plenty of high schools and Tomas Bata University with several faculties. It is expected that students will create the customer base. Not only students but also people with jobs can come to try top quality coffee and delicious homemade desserts. It is expected that especially people who work nearby will visit the café. As Dlouhá is a busy street, it is hoped that people who are passing by visit the café as well. Demographically, the café defines four groups of target customers:

**First segment** – customers in the age from 15 to 19 – high school students

**Second segment** – customers in the age from 20 – 26 – university students

**Third segment** – customers in the age from 27 to 39 – young professionals and people with stable jobs

**Fourth segment** – customers in the age of 40 and more

According to psychographic segmentation, the café defines three groups of target customers:

**First segment** – coffee lovers who prefer high standards in coffee preparation

**Second segment** – people who generally like spending time in cafés

**Third segment** – people who like electronic music

### 5.5.2 PEST Analysis

PEST Analysis examines political, economic, socio-cultural, and technological factors which influence the company.

#### **Political factors**

The owner of the café decided to establish the business as a natural person which involves certain administrative responsibilities including obtaining a trade licence. The entrepreneur receives the trade licence at the trade licencing office after meeting the general conditions and paying 1,000 CZK. In the Czech Republic, the natural person is obliged to pay 15% tax from the entrepreneur's income.

Another obligation is to pay health and social insurance. For each year, there is minimum amount of both insurances' reserves set by law. In 2021, the minimum amount of



social insurance reserves is 2,588 CZK per month and the minimum amount of health insurance reserves is 2,393 CZK. (Bureš 2021)

### **Economic factors**

According to data from the Czech Statistical Office, the GDP fell by 5.6 percent. The decline in Czech economy was the most significant in the history of the independent Czech Republic. The last year's development of the economy was influenced by restrictions on trade and services implemented by the state since March 2020 due to the covid-19 pandemic. According to analysts, the economy should return to growth in 2021. The economy is estimated to increase by around 3%. (ceskenoviny.cz 2021)

According to the Czech Statistical Office, the unemployment rate in Zlín region is 3.44%. (czso.cz 2021)

The minimum wage in the Czech Republic is 15,200 CZK per month (40 working hours/week) or 90.50 CZK per hour according to Ministry of Labour and Social Affairs (mpsv.cz 2021)

According to the Czech Statistical Office, the average wage in Zlín region is 31,640 CZK per month compared to the average wage across the whole Czech Republic which is 35,402 CZK per month. The average wage in Zlín region is the second lowest among all the regions in the Czech Republic. (czso.cz 2020)

### **Socio-cultural factors**

In Zlín, there live about 74 935 people, and the average age is 44.2. (kurzy.cz 109) Zlín is a student city, there are fifteen high schools and one university with five faculties. That is an important fact because the café is focused primarily on young people who often spend their free time in cafés and coffee culture became very popular among them.

Restaurants, cafés, cinemas, and other facilities were affected by the coronavirus pandemic. However, after the first covid wave people spent more time there than before. According to Patočková (2020), Czechs spent more time in cafés, restaurants, and shopping centres than before the coronavirus crisis, by the average of 16 percent.

After the end of government restrictions, it is expected that people will visit these facilities even more because of a long period of time spent at their homes. That could be an opportunity for new restaurants and cafés as the demand will be high.

### **Technological factors**

In terms of technological environment, there are no significant threats since the café uses elementary technical equipment. The café needs coffee maker, coffee grinder, contact grill, cooling showcase for desserts, fridge, and cash register for EET. Besides using a traditional

coffee maker, filtered coffee will be prepared. Wi-Fi connection is essential for functioning of the café and it will be available for the customers for free. The café will be also equipped with quality sound system and DJ equipment such as DJ controller.

## 5.6 Analysis of Competition

To analyse the competition, a Porter's five forces analysis is used.

### 5.6.1 Porter's Five Forces Analysis

#### Existing competitive rivalry

There are many cafés and bars in Zlín but despite the strong competition it is still possible to attract new customers and to stand out among competition is achievable. The main competitors were chosen based on the possible location of Dlouké kafe. Cafés that are located close to the street Dlouhá are Kafö, Epupa Café and Café Archa. As another competitor was chosen the café/bar Jedním tahem. Eeven though it is not located nearby Dlouhé kafe, it offers similar concept and thus it could be a strong competitor. Prices in these cafés are pretty much the same.

#### Kafö

- Address: Potoky 5145, 760 01 Zlín,
- Opening hours: Monday – Friday: 8:30 – 17:00, Saturday – Sunday: closed,
- Google review: 4.8 stars (135 reviews),
- The café does not organize events regularly,
- Small café with quality coffee and nice staff. The café offers desserts, small meals and also vegan options. It has its loyal customers but because there is not much space to sit and it is rather a café to grab coffee to go.

#### Epupa Café

- Address: Kvítková 4352, 760 01 Zlín,
- Opening hours: Monday – Friday: 8:00 – 18:00, Saturday: 9:00 – 14:00, Sunday: closed,
- Google review: 4.4 stars (84 reviews),
- The café does not organize events regularly,

- Calm café that offers various soft drinks, desserts, and wine apart from coffee. The interior is not very modern.

### **Terasa**

- Address: Dlouhá 5617, 760 01 Zlín,
- Opening hours: Monday – Thursday: 10:00 – 1:30, Friday: 10:00 – 3:00, Saturday: 11:00 – 3:00, Sunday: 13:00 – 21:00,
- Google review: 4.3 stars (57 reviews),
- The café organizes music parties occasionally,
- Café and cocktail bar with outdoor seating. Apart from coffee and cocktails, customers can try daily menu which consists of soup and three meals.

### **Jedním tahem**

- Address: Šedesátá 7015, 760 01 Zlín,
- Opening hours: Monday – Sunday: 10:00 – 22:00,
- Google review: 4.6 stars (134 reviews),
- The café organizes events regularly, such as parties, workshops, and lectures,
- New café/bar located in the industrial area Svit with interesting and spacious interior. They offer quality coffee, soft and alcoholic drinks, desserts, and small meals. Despite its location far from the city centre, the café is gaining its loyal customers.

The following table shows score of each competitor based on several criteria. The scoring was on a scale from 0 being the lowest score to 5 being the highest score. In terms of offer, the score is based on the range of products offered and also if the café offers vegan options. Opening hours of each café is stated above, Terasa has the strongest opening hours. Prices of products are similar, however, products offered in Kafö and Jedním tahem are slightly more expensive. Regarding personnel, the score depends on personal experience and reviews. Environment is the last indicator and it is based on the overall atmosphere of each café.

As a result, the café Jedním tahem appears to be the strongest competitor. Despite its location and being new on the market, it has quickly built a decent customer base.

	<b>Kafö</b>	<b>Epupa café</b>	<b>Terasa</b>	<b>Jedním tahem</b>
Offer	4	3	4	5
Opening hours	3	3	5	4
Prices	4	5	5	4
Personnel	5	4	3	4
Environment	4	3	3	5
<b>Overall score</b>	<b>20</b>	<b>18</b>	<b>20</b>	<b>22</b>

Table 2 – score of competitors (own creation)

### **Threat to entry**

There is always a threat in terms of new competitors entering the market. In the coffee shop industry, the threat is even bigger since the process of opening a café is not that demanding compared to other industries. One can start a business as a natural person and if the owner does not meet the special conditions set by the Trade Licensing Act, he/she can find a responsible representative who will conduct the business.

### **Threat of substitutes**

A way to substitute a coffee from a coffee shop is to make it at home. It doesn't have to be just instant coffee but one can make a good cup of coffee at home using moka pot or French press. Nowadays, more households own a coffee machine and coffee capsules are very popular as well. However, the atmosphere of a café cannot be substituted.

### **Supplier power**

Coffee as the main product will be provided by the roastery Lázeňská káva based in Luhačovice. This roaster offers large variety of coffee beans from all over the world, and they also offer all the necessary equipment for brewing a top-quality coffee. Desserts will be made by an owner's friend who is a confectioner. Jarošovský pivovar which is a brewery located in Uherské Hradiště will provide beer. Makro and Lesko will provide all the remaining supplies. All the suppliers mentioned above have a good reputation and seem to be reliable. If the owner was not satisfied with the suppliers, it would not be a problem to replace them and thus it does not represent a risk.

**Buyer power**

Since there is a lot of existing cafés and bars, it will not be easy to stand out among competition. If the customer decides to visit Dlouhé kafe and he/she will not like it, there is a plenty of other options to choose from. Therefore, it is important to keep the level of service high and try to keep loyal customers. That may be accomplished by updating the offer, organizing events, and maintaining friendly and positive approach. The café will offer homemade and seasonal products and organise events such as public cuppings, listening sessions or collaborative pop-ups with local vendors. In terms of prices, the café will set up prices based on the competitors which are pretty much the same. The advantage is that the customers are used to the prices.

**5.7 Marketing Plan**

Marketing plan deals with promotion of the company. This chapter consists of marketing mix and SWOT analysis.

**5.7.1 Marketing Mix****Product**

Dlouhé kafe offers quality coffee, tea and other non-alcoholic as well as alcoholic beverages. Customers may also taste sweet desserts and small melas such as quesadillas or sandwiches and listen to music. Products are described in detail in the chapter 4.4 Product Description.

**Place**

Dlouhé kafe is located on the busy street Dlouhá which is close to Náměstí Míru. No distributions channels which would take care of the delivery are used. Customers may purchase products offered directly in the café premises where they can sit at one of the tables and wait for the staff to serve them. The other option is to take the coffee or other product away which is certainly possible. The café uses 100% compostable packaging and customer's own containers are welcomed too.

To create an interesting interior, the café will be furnished with vintage furniture and decorations, lots of plants and a wooden bar. Most of the supplies will be obtained from wholesale (Makro, Lesko) apart from desserts which are prepared by the owner's friend and transported from her apartment by the owner himself.

**Price**

Prices of the products offered are set up based on the prices of competition. Competitors in the area offer their products at similar price and the pricing policy of Dlouhé kafe is not different so the customers are used to it. A table of possible prices of products is available in appendices.

**Promotion**

To build a customer base, it is necessary to promote the business the right way. It is important to advertise before the opening of the café to catch customers' attention. Since the café aims primarily on the younger generation, the promotion will happen mostly online.

- **Social media**

Facebook and Instagram are the two most popular online platforms nowadays, especially among young people. On Facebook, there are basic information, photos and it is used to keep the customers updated by posting news regularly and to inform them about interesting events happening. People can also leave a review and write about their experience in the café. Instagram is arguably even more popular than Facebook and serves the same purpose. Besides basic information, people go through photographs from the café's environment which are posted regularly. Based on the data from the questionnaire, 79% of respondents stated that they follow their favourite facility on social media.

- **Website**

For people who do not use social media there will be a website. The website includes basic information about the café, photos, opening hours and the menu. The website is also designed for mobile devices to ensure convenient browsing.

- **Google search**

When somebody is new in Zlín, there is a good chance that the person will use Google maps while searching for interesting places. For that reason, it is important to present the business well by stating basic information like address, phone number, opening hours and by adding quality photos. Equally important are also reviews, thus the owner will respond to every review, whether it is a positive or a negative one.

- **Loyalty cards**

Loyalty cards help to gain regular customers. The customer receives a paper card and gets a stamp for every ordered coffee. Every ninth coffee is free.

- **Sign and noticeboard**

This form of promotion focuses on the people passing by the café. There will be a visible design sign with the café’s name installed in the exterior to catch everybody’s attention. Another way to get noticed is placing a noticeboard outside and so the customers can find out which coffee is at the grinder or which delicious desserts they can taste.

- **Word of mouth**

The last form of promotion is free and depends completely on customer’s personal experience. People share their experience either face-to-face with their friends and relatives or via social media. Therefore, the staff of the café must always act professionally and serve the customers with smile.

**5.7.2 SWOT Analysis**

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• High quality coffee</li> <li>• Trained staff</li> <li>• Pleasant interior and atmosphere</li> <li>• Concept of café with music</li> <li>• Vegan friendly</li> </ul>	<ul style="list-style-type: none"> <li>• No experience with running a business</li> <li>• New on the market</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Gain regular customers</li> <li>• Word of mouth</li> <li>• Unique music selection</li> <li>• People's interest in services and culture after the end of pandemic</li> </ul>	<ul style="list-style-type: none"> <li>• Existing competition</li> <li>• Lack of customers</li> <li>• Pandemic restrictions</li> </ul>

Table 3 – SWOT Analysis (own creation)

A number one priority is to offer high quality service and to offer delicious coffee which is the main product. To ensure that the customers always get quality coffee, it is important to hire well-trained staff. The employees must behave professionally and friendly at the same time to create rather informal atmosphere. The owner intends to create an interesting interior equipped with wooden bar, vintage furniture, decorated with a lot of plants and paintings. The owner views the concept of a café with music as a strength since there are not many places of this type in Zlín. There are either cafés or clubs and bars. Dlouhé kafe is a place where people can sit down for a coffee and dessert in the afternoon and to enjoy a drink and music in the evening. There will be listening sessions organized regularly on Fridays and Saturdays where a DJ will play mostly house music.

The main weakness is being new on the market. The café needs to attract new customers and build a customer base. Moreover, the founder has never run a business and his lack of experience at entrepreneurship may cause difficulties or it could even lead to failure of the business.

The opportunity is to gain regular customers who will come back and who will share their hopefully positive experience with their friends and relatives. Furthermore, the unique music selection that will be played could attract potential customers since they cannot hear this type of music anywhere in Zlín. As an opportunity may be seen people's interest in services and culture after the end of government restrictions related to covid pandemic. It is expected that people will go to bars, restaurants, and cafés more often when the pandemic ends and that could be an opportunity for new businesses.

Existing competition is considered the main threat since there is a large number of cafés and bars in Zlín. For that reason, there might be lack of customers who are willing to visit Dlouhé kafe and who do not stick to places where they go regularly. As another threat could be viewed ongoing pandemic and government restrictions related to it. Although the owner intends to open the café after the end of restrictions, the future is uncertain. The owner would have to either postpone the opening or adapt the business to the situation.

## **5.8 Organizational Structure**

The owner works full time in the café and his responsibilities include serving customers, preparing coffee and food, hiring employees, bookkeeping, marketing activities and taking care of music (djing and maintaining the line-up). Since the owner wants to offer high quality coffee, he decided to hire three trained baristas. Together with the owner, the personnel consist of four full time employees of the café.



There will be always two workers per one shift and the working schedule is based on the long and short working week. The employee working long week will work on Monday, Tuesday, Friday, Saturday and Sunday and the employee working short week will work on Wednesday and Thursday. The shifts will change every week.

The personnel should have great communicating skills and should be also enthusiastic about their work to create enjoyable overall atmosphere of the café.

The meals offered in the café are not difficult to prepare so the owner will teach his staff how to prepare the ingredients and how to operate the contact grill. Desserts offered are prepared by an owner's friend who is a confectioner. Each day, customers can choose from 2-3 desserts which are transported from the friend's house to the café before its opening hours.

## 5.9 Financial Plan

Financial plan focuses on the economic feasibility of the planned business. The chapter is divided into following parts: opening balance sheet, initial costs, labour costs, operating costs, estimated revenues, income statement and return of investment.

### 5.9.1 Opening Balance Sheet

Opening balance sheet describes assets and liabilities after establishment of the business. The registered capital equals 550,000 CZK which is fully covered by the owner's savings and a loan from the family.

Assets		Liabilities	
<b>Long term assets</b>	0 CZK	<b>Equity</b>	550,000 CZK
<b>Current assets</b>	550,000 CZK	Registered capital	550,000 CZK
Cash	50,000 CZK	<b>Current liabilities</b>	0 CZK
Bank account	500,000 CZK		
<b>Total</b>	<b>550,000 CZK</b>	<b>Total</b>	<b>550,000 CZK</b>

Table 4 – Simplified opening balance sheet (own creation)

### 5.9.2 Initial Costs

Initial costs represent the finances necessary for establishment of the café. The initial investment consists of obtaining a trade license and reconstruction of the premises. The

reconstruction includes installation of a bar and working surface, minor plumbing, and painting. Another important part is promotion of the business in order to attract new customers. The rest of the finances are used for purchasing of the necessary equipment and machinery. The initial costs in the total amount of 375,800 CZK are displayed in the table below.

<b>Initial Costs (CZK)</b>	
Trade license	1,000
<b>Reconstruction of the premises</b>	<b>60,000</b>
Electricity (work, material)	12,000
Plumbing (work, material)	8,000
Bar and working surface	34,000
Painting (material)	6,000
<b>Promotion</b>	<b>16,900</b>
Website	10,000
Promotional sign	1,000
Noticeboard	900
Loyalty cards (1000 pieces)	1,000
Social media promotion	4,000
<b>Equipment</b>	<b>297,900</b>
EET cash desk	6,000
Wi-Fi router	1,000
Coffee machine	100,000
Coffee machine accessories	5,000
Coffee grinder	15,000
Batch brew machine	6,000
Chemex	1,300
Filtered coffee accessories	2,000
Milk jug	600
Kettle	2,000
Fridge + freezer	10,000
Fridge for beverages	12,000
Cooling showcase	12,000
Dishwasher	10,000

Blender	2,000
Contact grill	6,000
Dishes and kitchen equipment	20,000
Furniture	35,000
Lightning	8,000
Decoration	10,000
Plants	5,000
Sound system	14,000
DJ equipment	15,000
<b>Total</b>	<b>375,800</b>

Table 5 – Initial costs (own creation)

### 5.9.3 Labour Expenses

As it has already been mentioned, the café employs three full time workers. The gross wage of one worker per month is 18,000 CZK. The café also pays the health and social insurance for the three workers. The owner himself will earn the wage from the profit of the café.

<b>Labour Costs (CZK)</b>					
Employee	Gross wage per month	Social insurance per month (25%)	Health insurance per month (9%)	Wage + social and health insurance	Annual wage
Full time workers (3)	54,000	13,500	4,860	72,360	868,320
<b>Total</b>	<b>54,000</b>	<b>13,500</b>	<b>4,860</b>	<b>72,360</b>	<b>868,320</b>

Table 6 – Labour costs (own creation)

### 5.9.4 Operating Costs

Operating costs include fixed and variable costs associated with managing of the café.

<b>Operating Costs (CZK)</b>		
Cost type	Monthly	Annually
<b>Fixed Costs</b>	<b>98,560</b>	<b>1,182,720</b>
Rent	18,000	216,000

Energy	4,000	48,000
Internet and mobile services	1,000	12,000
Insurance	3,000	36,000
Website	200	2,400
Wages	72,360	868,320
<b>Variable Costs</b>	<b>50,000</b>	<b>600,000</b>
Supplies	50,000	600,000
<b>Total</b>	<b>118,560</b>	<b>1,782,720</b>

Table 7 – Operating costs (own creation)

### 5.9.5 Estimated Revenues

Number of customers is estimated based on a conversation with owners of other cafés and bars. The average spending of one customer per day is based on the data from questionnaire. 49% of respondents stated that they spend 100 – 200 CZK on average when they visit a café, and it is then estimated that the average spending of one customer per days is 150 CZK. Of course, some people will order just one coffee to take away which is only 45-70 CZK. On the other hand, there will be people who will stay longer and order a coffee, dessert and a lemonade which is 110 – 190 CZK. The next type of customers will visit the café in the evening and order a small meal, beer, wine or couple of drinks which gives a total of more than 200 CZK, The revenues are then calculated from three different points of view – optimistic, realistic, and pessimistic.

#### Optimistic Scenario

Optimistic Revenues	
Number of customers per day	50
Average spending of one customer per day (CZK)	150
Revenues daily (CZK)	7,500
Revenues monthly (CZK)	225,000
Revenues annually (CZK)	2,700,000

Table 8 – Optimistic revenues (own creation)

**Realistic Scenario**

<b>Realistic Revenues</b>	
Number of customers per day	40
Average spending of one customer per day (CZK)	150
Revenues daily (CZK)	6,000
Revenues monthly (CZK)	180,000
Revenues annually (CZK)	2,160,000

Table 9 – Realistic revenues (own creation)

**Pessimistic Scenario**

<b>Pessimistic Revenues</b>	
Number of customers per day	25
Average spending of one customer per day (CZK)	150
Revenues daily (CZK)	3,750
Revenues monthly (CZK)	112,500
Revenues annually (CZK)	1,350,000

Table 10 – Pessimistic revenues (own creation)

**5.9.6 Income Statement**

The income statement shows whether the business generates a profit or not. It is estimated that revenues and costs will grow by 5%.

<b>Optimistic Income Statement</b>			
	First year	Second year	Third year
Revenues	2,700,000	2,835,000	2,976,750
Operating costs	1,782,720	1,871,856	1,965,449
Initial costs	375,800	0	0
EBT	541,480	963,144	1,011,301
Tax 15%	81,222	144,472	151,695
EAT	460,258	818,672	859,606

Table 11 – Optimistic income statement (own creation)

The optimistic scenario looks very promising, and the café generates a profit even the first year. The scenario counts with 50 customers per day which is not impossible and with strong

marketing it could be achieved. Right promotion together with positive customers' experience could build a strong customer base.

<b>Realistic Income Statement</b>			
	First year	Second year	Third year
Revenues	2,160,000	2,268,000	2,381,400
Operating costs	1,782,720	1,871,856	1,965,449
Initial costs	375,800	0	0
EBT	1,480	396,144	415,951
Tax 15%		59,422	62,393
EAT	1,480	336,722	353,558

Table 12 – Realistic income statement (own creation)

The realistic point of view counts with 40 customers per day. The café basically does not generate a profit the first year which is caused by the initial investment. However, the café generates a profit during the second and third year.

<b>Pessimistic Income Statement</b>			
	First year	Second year	Third year
Revenues	1,350,000	1,417,500	1,488,375
Operating costs	1,782,720	1,871,856	1,965,449
Initial costs	375,800	0	0
EBT	-808,520	-454,356	-477,074
Tax 15%			
EAT	-808,520	-454,356	-477,074

Table 13 – Pessimistic income statement (own creation)

In the pessimistic scenario, the café does not make any profit but a loss instead. To prevent such situation, the owner must make sure that the café is promoted well and ask the customers about their experience.

### 5.9.7 Return of Investment

#### ROI for the optimistic scenario

$$ROI = \frac{460,258 - 375,800}{375,800} * 100$$

$$ROI = 22.47\%$$

#### ROI for the realistic scenario

$$ROI = \frac{1,480 - 375,800}{375,800} * 100$$

$$ROI = -99.6\%$$

In both scenarios, it is counted with revenues over the first year of running the business. In the optimistic scenario, the ROI is positive, and thus the investor would receive back more than he initially invested. In contrast, the ROI of the realistic scenario shows a negative number which means that the owner would not receive the money he invested. However, the result is not unusual, and the initial investment can be appreciated over time.

## 5.10 Risk Evaluation

### 5.10.1 Internal Risks

#### Wrong Choice of Employees

It is important to choose the right employees because they create overall image of the business. For that reason, the employees will be carefully chosen and hired by the owner. Staff must be professional, reliable, experienced but also with the right attitude and personal skills.

#### Damage to Property or Equipment

The property and equipment of the café will be insured against burglary, vandalism, and natural disaster.

#### Insufficient promotion

Promotion is the crucial tool used for getting people's awareness and building strong customer base. Insufficient promotion would lead to lack of customers and thus less revenues.

### **5.10.2 External Risks**

#### **Lack of Customers**

As the biggest threat is considered the café's inability to attract new customers. The owner intends to promote the business mainly online via social media like Facebook and Instagram but also by printing loyalty cards or placing a noticeboard in front of the café. The café will change the offer over time and organize events. It is also important to listen to customers' feedback in order to improve the service.

#### **Legislation Changes**

The café must be prepared for any changes in legislation which would influence running the business.

#### **Rising Prices of Supplies**

Higher prices of supplies would affect the prices of products offered. The owner would have to adjust the prices which could lead to decrease in the number of customers.

#### **Pandemic situation**

Pandemic situation and government restrictions associated with the pandemic undoubtedly represent a risk. The owner plans to open the café after the end of restrictions but the future is uncertain. It may cause postponing of the café's opening. Future government restrictions and pandemic situation could also cause that the café will be able to sell only products to take away and may eventually lead to closing the business.



## CONCLUSION

The aim of the bachelor's thesis was to compile a business plan for a café. The café is named Dlouhé kafe and is located in Zlín. The purpose of the business plan is to evaluate whether the idea of opening a café is feasible or not.

The theoretical part of the thesis covers all the necessary information needed for writing the analysis. This part focuses on the elementary terms related to entrepreneurship. It defines entrepreneurship as an activity, entrepreneur, enterprise and describes the forms of businesses according to their legal forms. Furthermore, it characterizes business plan, its structure and describes its individual parts in detail.

The analysis deals with the business plan for the café. The structure of the business plan is based on the information included in the theoretical part. The analysis starts with the title page, executive summary and description of the company which include basic information about the business. Moreover, the legal form of the business is mentioned. The author decided to do business as a natural person. The next chapters are market analysis and analysis of competition. The market analysis was done through questionnaire which helped to gain the information about potential customers. It also includes market segmentation and PEST analysis. Analysis of competition contains Porter's five forces and is followed by marketing plan which includes marketing mix and SWOT analysis. The next chapter is organizational structure which describes staff of the café. Financial plan consists of opening balance sheet, initial costs, labour expenses, operational costs, estimated revenues, income statement and return of investment. The estimated revenues are based on the predicted numbers of customers that visit the café every day and counts with three possible versions – optimistic, realistic, and pessimistic. The last section of the plan is the assessment of risks.

Based on the financial plan, the total amount of money invested in the business by the owner is 550,000 CZK. Considering the optimistic scenario, the business will be profitable in the first three years. If the realistic scenario happened, the business would not generate a profit the first year and would be profitable the next two years. Pessimistic scenario shows that the café would be in a loss. The result is that the idea of opening a café will be realizable in case of the optimistic or realistic scenario becomes a reality. The owner will need to promote the business well and attempt build a customer base.

As for the plans for the future, the café would like to offer its customers new variations of products, organize events regularly, make seasonal offer, reduce waste and use organic materials.

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**LIST OF ABBREVIATIONS**

a.s.	Akciová společnost
CZK	Czech koruna
EAT	Earnings after taxes
EBT	Earnings before taxes
EET	Elektronická evidence tržeb
et al.	et alia – and others
etc.	etcetera
GDP	Gross domestic product
k.s.	Komanditní společnost
OSVČ	Osoba samostatně výdělečně činná
PEST	Political, economic, social, technological factors
ROI	Return of investment
s. r. o.	Společnost s ručením omezeným
SWOT	Strengths, Weaknesses, Opportunities, Threats
v.o.s.	Veřejná obchodní společnost

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## **APPENDICES**

P I Location of the café

P II Prices of products

P III Questionnaire

P IV Results of the questionnaire

## APPENDICES P I: LOCATION OF THE CAFÉ



## APPENDICES P II: PRICES OF PRODUCTS

Product	Price (CZK)
<b>Coffee and hot drinks</b>	
Espresso	45
Lungo	45
Cappuccino	60
Flat White	70
Caffè Latte	70
Hand brew (V60)	70
Batch brew	60
Chai latte	65
Hot chocolate	70
Tea (various types)	50
<b>Non-alcoholic drinks</b>	
Sparkling/still water	20
Juice (various types)	35
Coca Cola	37
Tonic	45
Club Mate	50
Red Bull	60
Matcha lemonade	65
Homemade lemonade (various types)	55
Homemade iced tea	55
<b>Alcoholic drinks</b>	
Bottled beer	30
Draft beer	35
Wine	42
Prosecco	55
Gin	60
Whiskey	75
Rum	65

Vodka	60
<b>Desserts and meals</b>	
Cheesecake (various types)	60
Panacota (various types)	50
Cake (various types)	55
Avocado toast	75
Chicken sandwich	85
Vege sandwich	85
Chicken quesadilla	110
Cheese quesadilla	110
Nachos with salsa	60
Pickled cheese	70

**APPENDICES P III: QUESTIONNAIRE**

Dobrý den,

jmenuji se Tomáš Jakeš a jsem studentem Univerzity Tomáše Bati ve Zlíně. V rámci své bakalářské práce zpracovávám podnikatelský plán pro založení kavárny ve Zlíně. Alternativní kavárna s názvem Dlouhé kafe by bylo místo, kde si můžete v klidu vychutnat kvalitní kávu přes den a místo, kam zajít na pivo a zajímavou hudbu večer. Prosím o vyplnění krátkého dotazníku, který slouží jako podklad k vypracování podnikatelského plánu.

Děkuji za váš čas.

Tomáš Jakeš

1. Kolik Vám je let?

- 15 a méně
- 16 – 20
- 21 – 26
- 27 – 35
- 36 – 45
- 46 a více

2. Jaký je Váš statut

- Student
- Pracující

3. Kolikrát do měsíce navštěvujete kavárny?

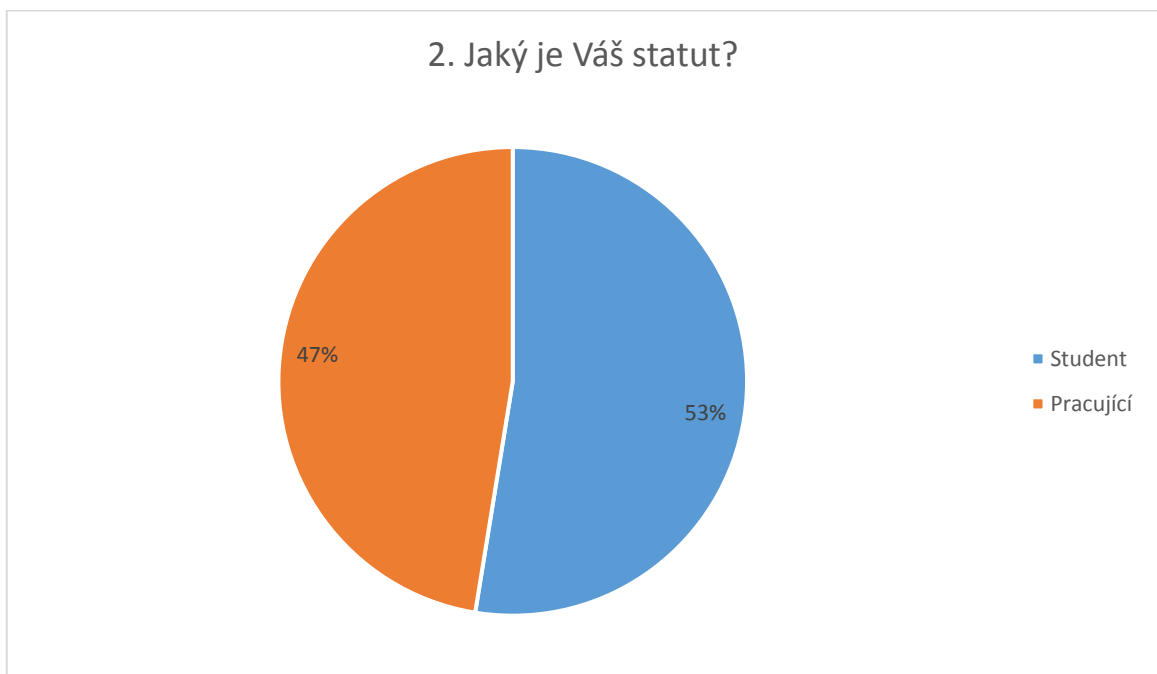
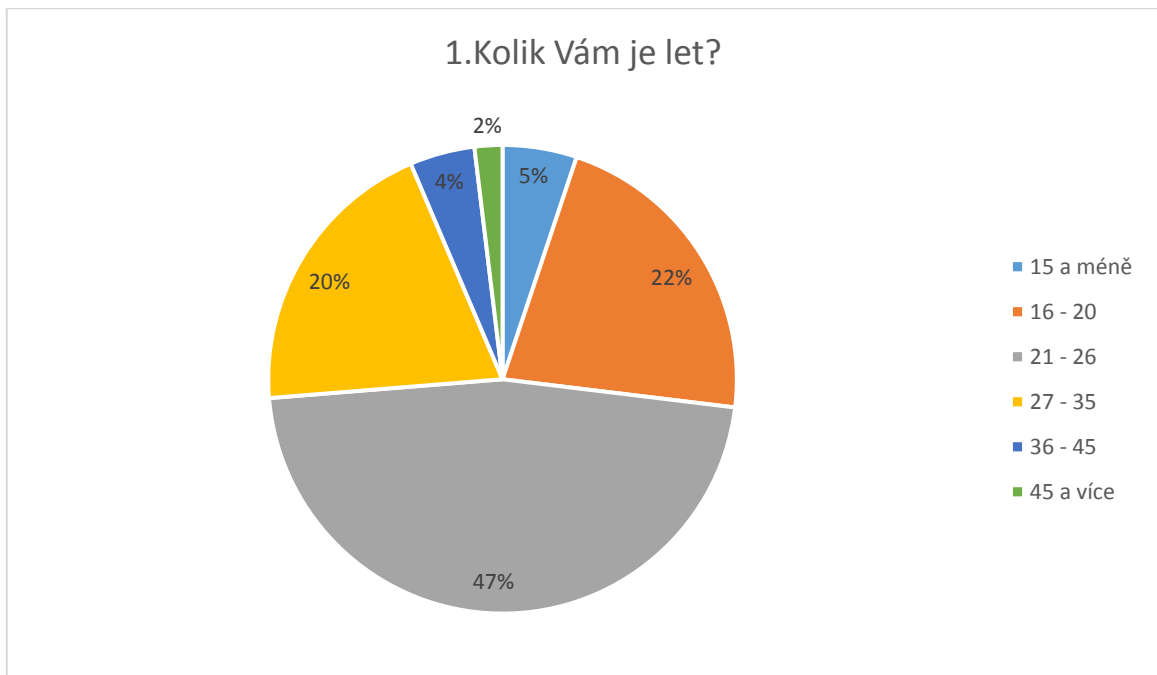
- 0 - 3x
- 4 – 7x
- 8 - 14x
- 15 a více

4. Jaká je Vaše průměrná útrata během jedné návštěvy kavárny?

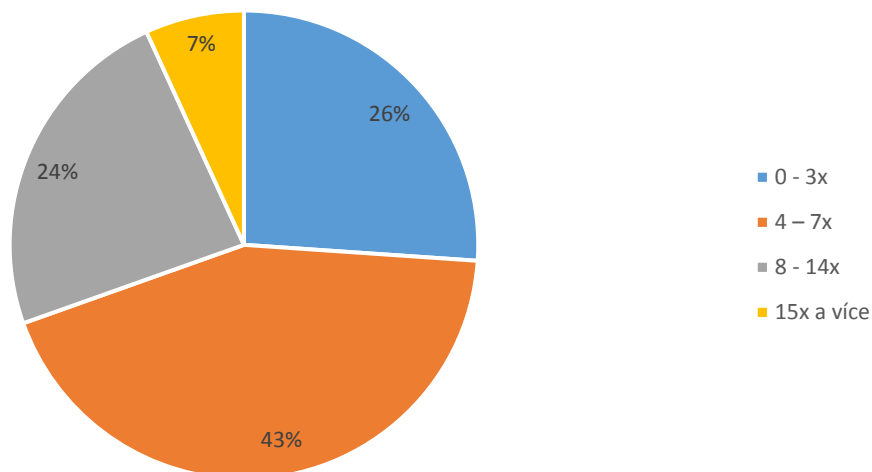
- 50 Kč a méně
- 51 – 100 Kč
- 101 – 200 Kč

- 201 Kč a více
5. Co na kavárně oceníte nejvíce?
- Kvalitní kávu
  - Domácí dezerty
  - Zajímavý interiér
  - Veganský sortiment
  - Příjemný personál
6. Navštěvujete kavárny ve Zlíně?
- Ano
  - Ne
7. Je podle Vás ve Zlíně dostatečný výběr kaváren a barů?
- Ano
  - Ne
8. Dáváte šanci novým podnikům nebo preferujete ty Vámi osvědčené?
- Rád(a) zkusím nové podniky
  - Preferuji ty, které znám
9. Sledujete Váš oblíbený podnik na sociálních sítích (Instagram, Facebook)?
- Ano
  - Ne
10. Máte rádi elektronickou hudbu?
- Ano
  - Ne
  - Nevím
11. Líbí se Vám nápad na založení kavárny, kde by večer hrál DJ?
- Ano
  - Ne

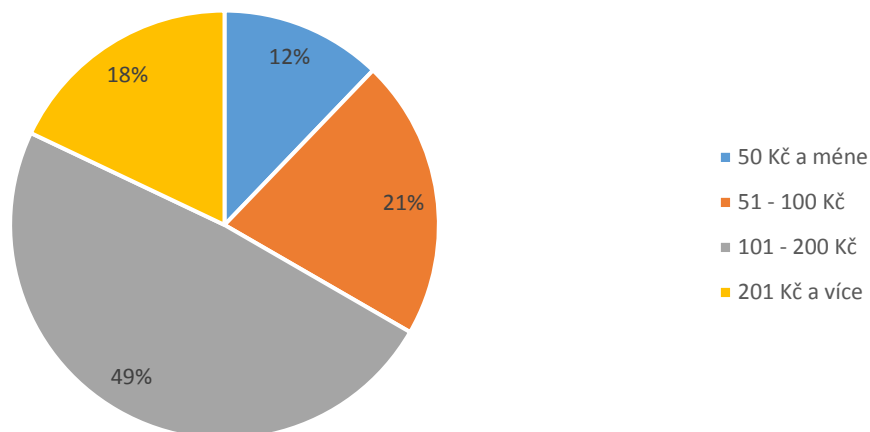
## APPENDICES P IV: RESULTS OF THE QUESTIONNAIRE



## 3. Kolikrát do měsíce navštěvujete kavárny?



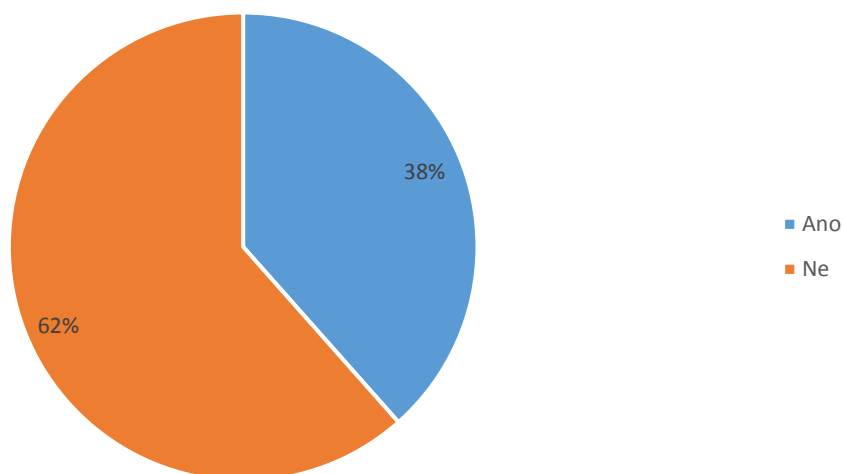
## 4. Jaká je Vaše průměrná útrata během jedné návštěvy kavárny?



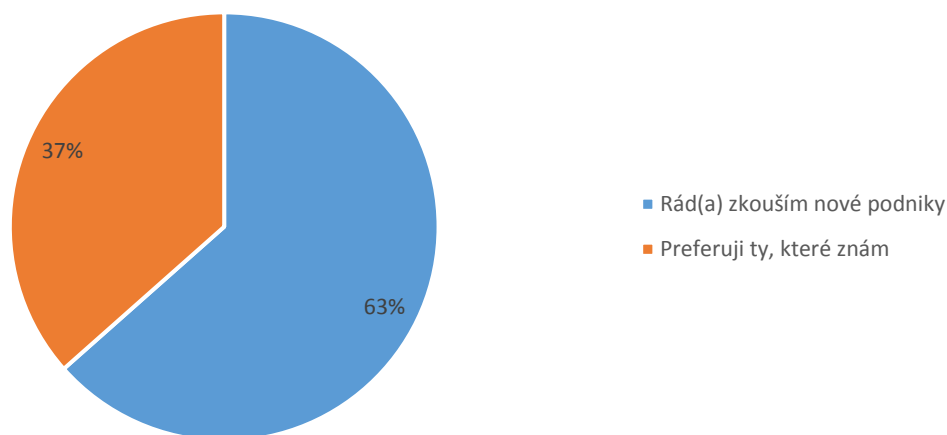




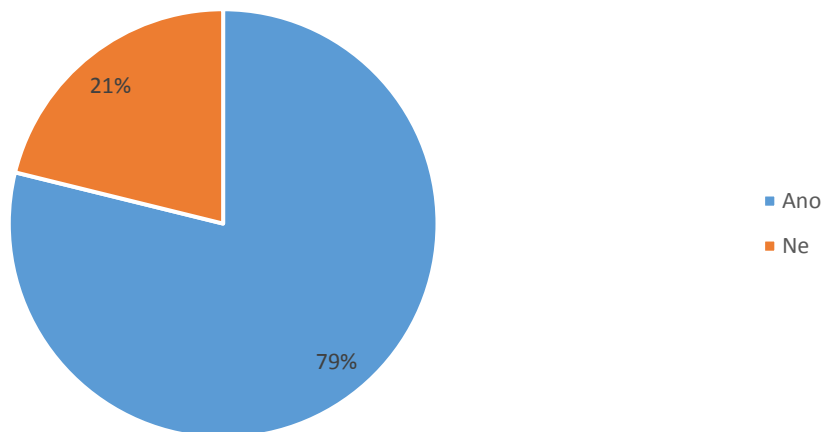
7. Je podle Vás ve Zlíně dostatečný výběr kaváren a barů?



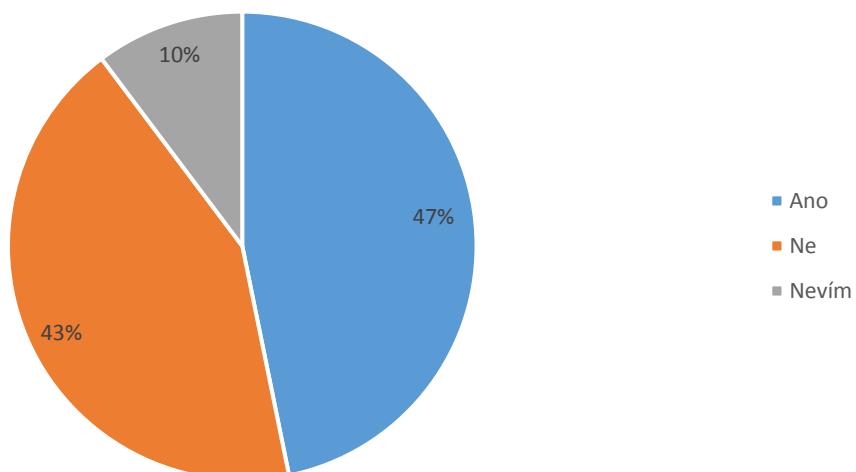
8. Dáváte šanci novým podnikům nebo preferujete ty Vámi osvědčené?



9. Sledujete Váš oblíbený podnik na sociálních sítích  
(Instagram, Facebook)?



10. Máte rádi elektronickou hudbu?



11. Líbí se Vám nápad na založení kavárny, kde by večer hrál DJ?

