

A Business Plan for a Café

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ABSTRAKT

Cieľom tejto bakalárskej práce je zostavenie podnikateľského plánu kaviarne Gallery Café, nachádzajúcej sa v kúpeľnom meste Piešťany na západnom Slovensku. Priestory kaviarne, ako jej názov naznačuje, budú slúžiť aj ako malá galéria, v ktorej budú vystavené obrazy a fotografie. Táto kaviareň bude mať taktiež vyhradený priestor pre fajčiarov. Práca je rozdelená na teoretickú a praktickú časť. Teoretická časť predstavuje základné pojmy súvisiace s podnikaním a so samotným podnikateľským plánom. Praktická časť obsahuje vypracovaný plán pre založenie kaviarne. Na základe vykonaných analýz bude vyhodnotené, či je založenie Gallery Café realizovateľné.

Kľúčová slova: podnikateľský plán, podnikanie, podnikateľ, analýza trhu, kaviareň

ABSTRACT

The aim of this bachelor's thesis is to compile a business plan for a café called Gallery Café, located in the spa town Piešťany in western Slovakia. The premises of the café, as its name suggests, will also serve as a small gallery in which paintings and photographs will be exhibited. This café will also have a designated smoking area. The thesis is divided into a theoretical part and practical part. The theoretical part presents the basic terms related to entrepreneurship and a business plan itself. The practical part contains a plan for the establishment of a café. Based on the analyses, it will be evaluated whether the establishment of the Gallery Café is feasible.

Keywords: business plan, entrepreneurship, entrepreneur, market analysis, café

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

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INTRODUCTION

I decided to write a business plan for the opening of a café in Piešťany because my family always wanted to open a business where people would go to relax and at the same time, enjoy themselves culturally.

Art is the passion of my whole family, so why not combine it with a favourite drink of many people – coffee – accompanied by pleasant music, an exhibition of photographs or paintings.

The thesis focuses on opening a business for smokers and non-smokers, as there is no such café in the city centre.

The thesis is divided into two parts – theoretical and practical. The theoretical part focuses on entrepreneurship, enterprise and entrepreneur in the Slovak Republic. It describes the possible division and typology of companies in Slovakia. This typology also presents brief characteristics of these companies and their advantages and disadvantages. The second half of the theoretical part focuses on the business plan as such. It describes its chapters and what these chapters focus on.

The second part of the thesis is practical. It focuses on creating a business plan for a café. This part sticks to the knowledge acquired during the writing of the theoretical part and sticks to the division of the business plan, which was described in the theoretical part.

The aim of the thesis is to find out whether such a company would be successful and whether it would be able to report a profit under the assumed conditions.

I. THEORY

1 ENTREPRENEURSHIP

For every business activity is very important their legislative framework. The term entrepreneurship is stated in the Slovak Commercial Code (2020) by § 2 sec. 1, according to which entrepreneurship is a systematic activity performed independently by an entrepreneur in his own name and on his own responsibility in order to make a profit.

It is necessary to realize that entrepreneurship is not an activity performed only by subjects which are focused on profit. The term entrepreneurship is also applied in a sphere called “non-profit sector”. Subjects active in this sphere perform an activity which fulfils the characteristics of entrepreneurship. The main difference between the profit and non-profit organizations is in the usage of the profit. A profit-oriented business uses profit for their development and also as a benefit for its owner. The non-profit oriented business uses profit only for development. From a legal perspective, it is forbidden to use it as a benefit for its owner. (Majdúchová, Neumanová 2014)

According to Majdúchová and Neumanová (2014), it is impossible to narrow down the term “entrepreneurship” only to an activity done only by business entities. They claim that it is an activity which is also based on the knowledge and experience of each employee. This activity is searching answers for questions about product which will be successful on the market, usage of potential resources and how to attract and retain a customer.

The definition of entrepreneurship above is based on the statement that we have to take into account not only the owner of the business but also managers, employees etc., who participate on the production of the final product. A definition like this is very close to an understanding of entrepreneurship by T. W. Shultz, who claims that entrepreneurs are all individuals in society. (Majdúchová, Neumanová 2014)

Entrepreneurship is considered as an economic activity which creates economic stimuli. According to this, the characterisation of entrepreneurship can be that it is an activity whose goal is an economic equilibrium. Blank, empty places on the market are filled by the entrepreneur and the harmony between supply and demand is restored. (Majdúchová, Neumanová 2014)

The essential features of entrepreneurship are:

- independent actions by economic subjects,
- spirit of initiative,
- economic and legal erudite,
- the creative approach for practical problem solving,

- being able to improvise and use unconventional solutions,
- willingness to assume and ability to realize potential business risks. (Majdúchová, Neumanová 2014)

1.1 Entrepreneur

An entrepreneur is a bearer and a subject of business activity. These days can be found a lot of different definitions on the “entrepreneur”. Some of the authors describe an entrepreneur as creator, owner, chief executive officer. He knows what people need; he creates products for others, jobs positions; he searches for the best usage of potential sources. On the other hand, some of the authors in the characteristics of an entrepreneur highlight the financial risk he undergoes. The differentiation between “a small entrepreneur”, who focuses on achieving personal goals, and entrepreneur whose goal is profit and growth, also has a big role. (Majdúchová, Neumanová 2014)

The term “entrepreneur” is also stated in the Slovak Commercial Code (2020) § 2 sec. 2 as:

- a person registered in the commercial register, which means a legal person doing business according to the Slovak Commercial Code and voluntarily registered natural person,
- a person doing business under a trade license or concession deed; this group contains both, natural and legal person,
- a person doing business under a trade of different than trade license, according to special regulations, which will include in particular so-called liberal professions as lawyers, doctors, experts, interpreters, etc.,
- a natural person, who performs an agricultural production and is registered according to special regulations.

1.1.1 Natural person

According to the Civil Code (2020) in § 7 to § 10, a natural person is a human (citizen) who, by birth, acquires the capability to have rights and duties. The legal capacity person acquires only by coming of age. These two conditions: the legal capacity and the age of 18, are the minimal conditions for being capable of operating trade, as stated in the Trade Licensing Act.

If a person meets the conditions stated in the Trade Licensing Act, the Trade Licensing Office will issue a business license. A natural person can start their business activity on the

day of issuing a trade license. The tax rate for the natural person is 15%. (Commercial Code 2020)

The Commercial Code (2020) uses the term natural person, for example:

- if a natural person voluntarily registered in the commercial register,
- in determining the business name of a natural person, which is his or her name and surname and may contain an appendix distinguishing the entrepreneur or the type of business,
- if an entrepreneur acts on behalf of a natural person through an agent or directly, in person,
- in the inheritance of an enterprise from an entrepreneur who was a natural person.

1.1.2 Legal person

The term “legal person” is stated in the Civil Code (2020) in § 8 to § 21. According to the Civil Code (2020), the legal person is:

- associations of natural and legal persons (commercial partnership, civic associations, political parties and churches),
- special-purpose property associations (foundations, state funds, non-investment funds),
- local government units (municipality),
- other entities specified by law (budgetary and contributory organizations, stock exchanges, non-profit organizations providing services of general interest).

A legal person can start their business on the day they are registered in a commercial register or other register chosen by the law. The tax rate for legal persons is 19%. (Commercial Code 2020)

A legal person is enabled to look at the social unit as a whole, with their rights and obligations. This social unit can be made up of a group of people and property (e.g. joint-stock company), or the property itself (e.g. foundation), or the group of people themselves (e.g. general commercial partnership). (Majdúchová, Neumanová 2014)

The legal person should have these features:

- one or a group of natural persons shall act on its behalf,
- each legal person has its name and address of its headquarters,
- its constitution makes it possible to divide the property into one, that belongs to a natural person and serves for its personal consumption (e.g. shareholder in limited liability company) and one, that belongs to a legal person and its purpose is to serve

the business or for development (the capital contributions of the shareholder forming the share capital of limited liability company, or the use of profit in favour of its mission, e.g. foundations). (Majdúchová, Neumanová 2014)

1.2 Enterprise

Wöhe and Kislíngrová (2007) describe an enterprise as a planned economic entity in which goods and services are produced and sold.

Another definition by Gutenberg provided by Schmidt (2000) says that enterprise is a combination of production factors by which owners want to achieve certain goals (e.g. maximize their income, improving their social status, achieving economic power, etc.).

According to the Commercial Code (2020) § 5 sec. 1 enterprise is a set of tangible as well as personal and intangible business components. The enterprise includes things, rights and other property values that belong to the entrepreneur and serve to operate the business or, by their nature, are intended to serve this purpose.

A very common definition of the enterprise, which is based on a lot of practical experiences and which also contains the basic characteristics of an enterprise is a definition, according to which we understand enterprise as economically and legally independent unit established for the purpose of business. (Majdúchová, Neumanová 2014)

The enterprise should fulfil these principles:

- principle of combination of production factors: the basic production factors in each company (labour, machinery, equipment) are procured, combined and used,
- principle of the economy: to express the effort of the company to the most effective relationship between the inputs and the outputs of the company,
- principle of financial equilibrium, which is reflected in the liquidity of the company.

(Majdúchová, Neumanová 2014)

2 TYPOLOGY OF ENTERPRISES

General characteristics of enterprises include a large number of units of different focus, size, ownership, production characteristics, etc. In the market economy, there are many different types of enterprises, but after selecting certain characteristics, they can be categorized. This classification of enterprises into individual groups and subgroups according to standard features is called typology of enterprises. (Majdúchová, Neumanová 2014)

The task of such typology is to make the number of enterprises operating in a market economy more transparent, emphasizing their particular characteristics and specificities. (Majdúchová, Neumanová 2014)

This typology can then be used in statistical processing, in making fundamental economic policy decisions and it also allows enterprises to choose different types of procedures that respect the specificities of the type of business and thus lead to greater economic efficiency. (Majdúchová, Neumanová 2014)

We can find different criteria of the typology of enterprises. These are typological criteria according to Majdúchová and Neumanová (2014):

- legal form,
- ownership,
- economic sectors,
- size,
- technical and organizational characteristics,
- product character.

2.1 Enterprises according to the legal form

According to legislation effective in the Slovak Republic, we know the following legal forms of enterprises:

- self-employed person,
- self-employed farmer,
- liberal professions,
- general commercial partnership,
- limited partnership,
- joint-stock company,
- limited liability company,
- cooperatives,
- state enterprise,

- the European company.

The main segmentation of enterprises, according to their legal form, is the division into the enterprise of an individual (natural person) and the enterprises of legal entities.

For a better overview Majdúchová, Neumanová (2014) provide a division of enterprises by a legal form in the following structure:

- personal enterprises:
 - o natural person enterprises: self-employed person, self-employed farmer, liberal professions,
 - o personal enterprises: general commercial partnership, limited partnership,
- capital enterprises: joint-stock company, limited liability company,
- specific types of enterprises: cooperatives, state enterprise, a business of a foreign person.

The enterprise of a self-employed person is regulated by the Trade Licensing Act. The enterprise of a self-employed farmer does not have any legal regulations. It is part of several laws and legislation (e.g. the taxation of his income is regulated by the Income Tax Act) and liberal professions have a different law for the practice of each liberal profession. (Majdúchová, Neumanová 2014)

Personal and capital enterprises (trading company) are regulated by the Commercial Code, as well as a cooperative and business of a foreign person. The state enterprise is regulated by state enterprise law. (Majdúchová, Neumanová 2014)

2.1.1 Natural person enterprises

Natural person enterprises are present in three forms: self-employed persons, self-employed farmers and liberal professions. Self-employed persons enterprises are the most common form of a natural person enterprise. They are regulated by the Trade Licensing Act. According to the Trade Licensing Act, the term self-employed person is understood as a continuous activity carried out independently, in its own name and under its own responsibility, to make a profit and under the conditions imposed by this Act. (Commercial Code 2020)

The Annex to the Trade Licensing Act provides a detailed list of self-employed person enterprises and their classification by the type. The “reporting self-employed person enterprise” is divided into:

- crafting, where professional competence is proven by achieving a certain level of education in related field and practice,

- tied, where the professional competence is regulated by special regulations and is established for each type separately,
- free, where the law does not require professional or other competence and is sufficient to meet the general conditions only (reaching the age of 18, legal capacity and integrity).

The benefits, according to Majdúchová, Neumanová (2014) of this form of entrepreneurship are:

- a simple organizational structure that is flexible for needs which are constantly changing,
- “proximity” to the customer and quick responses to take advantage of the current market situation,
- low capital intensity,
- profit is not shared among potential shareholders but remains available to the self-employed person,
- the possibility of self-realization and independence in decision-making.

The disadvantages, according to Majdúchová, Neumanová (2014), could be:

- unlimited liability,
- the scarcity of capital resources,
- the vulnerability of business management (the entrepreneur usually represents both the role of owner and manager),
- high demand on physical and mental capacity.

Other specific forms of natural person enterprises include liberal professions. They are regulated and licensed by special legislation. Liberal professions include for example lawyers, notary, auditors, bailiff, etc. It is typical for these professions to be based on the professional principle and their activity is regulated by the appropriate professional authorities, for example: Bar Association, Chamber of Physicians, Slovak Chamber of Auditors, etc. (Majdúchová, Neumanová 2014)

2.1.2 Trading companies

The Commercial Code (2020) regulates trading companies, namely in § 56-75, which deal with the general provisions concerning individual companies and then in detail in § 76-220, in which the Commercial Code (2020) deals with individual types of companies.

Trading companies are divided into two types:

1. Personal companies are characterized by the direct participation of an individual partner in the business. It is a combination of at least two persons and joint business activities. The co-partner is liable for liabilities not only by his contribution but also by the personal property. The rights and obligations are vested in the individual shareholders. They do not create special management bodies. Typical types of personnel companies are: general commercial partnership and limited partnership.
2. Capital companies are characterized by shareholders' equity participation. The co-partners are liable for liabilities only by their contribution. No personal participation of the shareholder in the management of the company is required. The law states a minimum amount of registered capital for a company and in the case of a limited liability company a minimum amount of a shareholder's contribution. The shareholders are liable for their liabilities by their outstanding contribution, the company by their assets. Typical types of capital companies are: limited liability company and joint-stock company. (Commercial Code 2020)

2.1.2.1 General Commercial Partnership

The Slovak term for General Commercial Partnership is “verejná obchodná spoločnosť” used with the abbreviation “v.o.s.”. As the law determines, the company shall be founded by at least two partners. They guarantee the liabilities of the company collectively and inseparably with all their assets. The amount of the share capital is determined by a social contract, not by law. The social contract is a document according to which the company operates and solves all potential problems and conflicts between partners. (Majdúchová, Neumanová 2014)

Majdúchová, Neumanová (2014) stated that the advantages of the General Commercial Partnership could be:

- neither the amount of the share capital nor the amount of the shareholder's contribution is prescribed by law,
- owner is personally involved in corporate governance,
- lower tax burden.

The disadvantages, according to Majdúchová and Neumanová (2014), could be:

- unlimited liability for the company's liabilities,
- the threat of a capital shortage,
- the possibility of having resources from the banking sector is very low,
- withdrawal of one of the shareholders can result in the company's demise.

2.1.2.2 Limited Partnership

Limited Partnership is in the Slovak language called “komanditná spoločnosť” or “k.s.”. The company is legally required to have two types of shareholders: at least one general partner who guarantees the company’s liabilities with all of his/her assets, and at least one limited partner who guarantees the company’s liabilities up to the amount of his/her share. The limited partner is obligated to deposit in the company the amount specified in the social contract, but the minimal initial deposit is €250. (Majdúchová, Neumanová 2014)

According to Majdúchová, Neumanová (2014), the advantages of the Limited Partnership could be:

- the law does not prescribe the amount of share capital or deposit,
- the Limited Partnership merges the elements of capital and a personnel company, which allows partners to choose between personal management participation and participation only through a deposit,
- better creditworthiness of the company.

The disadvantages, according to Majdúchová, Neumanová (2014), could be:

- difficult profit sharing,
- unlimited liability of the general partner,
- the division of competences between groups of partners must be exact in order to avoid conflicts.

2.1.2.3 Limited Liability Company

The Slovak term for Limited Liability Company is “spoločnosť s ručením obmedzeným”, but its abbreviation “s.r.o.” is also used very frequently. It is the most common form of a private company in Slovakia. It is a capital company with a maximum of 50 partners. Their rights and obligations are stated in a social contract. The share capital is the sum of the shareholders’ deposits. The minimum share capital is €5,000, and the minimum shareholder contribution is €750. The contribution to the company may be in monetary or non-monetary form. The shareholders are liable for liabilities to the amount of their deposit; the company is liable for its total assets. Profit and loss of the company are divided according to the contributions of the shareholders. (Majdúchová, Neumanová 2014)

Majdúchová, Neumanová (2014) claims that the advantages of Limited Liability Company could be:

- limited liability for the company’s liabilities through the company’s assets and the contribution of the partner,

- an individual may also establish a company,
- the statutory amount of the registered capital and individual contribution is relatively low,
- there is no need for a shareholder to participate in the management of the company,
- with a limited number of managers, the management of the company is relatively flexible.

The disadvantages, according to Majdúchová, Neumanová (2014), could be:

- if it is a small company with low capital, its creditworthiness is reduced,
- the obligation to create a reserve fund and the limited possibilities for its use.

2.1.2.4 Joint-Stock Company

Joint-Stock Company, in the Slovak language “akciová spoločnosť” or “a.s.” is a capital company whose registered capital is divided into several shares with a particular nominal value. A Joint-Stock Company may be established by one founder if it is a legal entity. (Majdúchová, Neumanová 2014)

A share is a security that gives the shareholder the right to manage the company, share in profits, share in the liquidation balance and information. The nominal value of a share is the amount of money stated on the share. The company’s registered capital is equal to the sum of the nominal values of the shares. A shareholder is entitled to a dividend (share of profits per share). The required value of the registered capital of the Joint-Stock Company is €250,000. Shareholders are not liable for the company’s liabilities; they can only lose the value of their shares. (Majdúchová, Neumanová 2014)

The advantages, according to Majdúchová, Neumanová (2014) of the Joint-Stock Company, could be:

- the possibility of raising a significant amount of investment funds,
- easier access to credit,
- professional management of the company,
- the separation of the owners from the management is more significant than in other types of companies.

The disadvantages, according to Majdúchová, Neumanová (2014), could be:

- less flexibility in the decision-making of the company due to its size,
- the risk of conflicts between owners, management and employees.

2.1.3 Cooperatives

Cooperative, in the Slovak language “družstvo”, is a community of an undefined number of people established either to do business or for meeting the economic, social or other needs of its members. The registered capital consists of the sum of membership deposits, which must be at least €1,250. A cooperative is a legal entity and must consist of at least five natural persons or two legal persons. (Majdúchová, Neumanová 2014)

2.1.4 State enterprise

State enterprise is regulated by state enterprise law. It is a manufacturer of goods, products and services. The state enterprise may be founded by a central or local government body (e.g. ministry). State enterprise is a legal person. It manages the property entrusted to him by the state. (Majdúchová, Neumanová 2014)

Majdúchová, Neumanová (2014) says that there are two types of state enterprise:

- enterprises focused on the profit,
- enterprises aimed at meeting the needs of the whole society, for example, in the field of environmental protection and social care.

2.1.5 The European Company

European Companies are a new form of a legal entity that operates in several countries of the European Union without the need for registration in each country in which the company operates. The capital of the companies is divided into shares; the registered capital must be at least €120,000. In terms of characteristics, the European Company most closely resembles a joint-stock company in terms of the legislation of the Slovak Republic. (Majdúchová, Neumanová 2014)

3 BUSINESS PLAN

A business plan is considered to be a physical document containing key elements of entrepreneurship: business goals, the reasons why the entrepreneurship should meet these goals, a plan for reaching these goals, description of products and services demonstrating their uniqueness and description of organization and team which will be responsible for reaching these goals. (Shelton 2017)

Despite being a physical document, a business plan is also a process. This process tests if the plan and its goals are accomplishable and financially attractive. The plan leads the entrepreneur to rightly implement the business idea, usage of tactical plans and prepare the budget. At the end of the process of creating this plan, a complex idea supported by analysis will be formed. (Shelton 2017)

As Shelton (2017) says, a business plan is usually written when these situations occur:

- starting a new business,
- a new product or service is added to an already established business,
- acquiring a business,
- franchising already established business,
- the need to provide potential buyers of the business with information about the company.

However, a business plan is no guarantee that a business idea will be successful. The business plan will be only as good as the assumptions used and how the ideas are presented and supported in it. The more time and attention is given to the plan and planning process, the more weaknesses can be identified, and the successfulness of the business is raised. (Shelton 2017)

A business plan is continually evolving. Every day, new business branches, business models, products and services are created (Klein 2015). The goals and approach to the changes will also be reflected in the business plan. The business plan can be considered as “never finished” due to these changes, so the obsession with the perfect business plan can be harmful. (Shelton 2017)

3.1 Structure of a business plan

The structure of the business plan can vary, depending on the requirement of an investor or bank. This means there is no pre-written structure the business plan must follow up. (Srpková et al. 2010, 60).

However, the business plan is also a marketing tool which reflects the quality of the product or service and also the effort which is given to business itself. The plan should be written in a logical manner which, with the help of numbered pages, will eventually help to find information through content. The focus on proper grammar and spelling is also important (Shelton 2017, 48)

According to Abrams (2019), Veber et al. (2008) and Srpková et al. (2010), the structure which could be followed contains these parts:

1. Executive summary
2. Company description
3. Market analysis
4. Competition
5. Marketing plan and sales strategy
6. Management team
7. Financial plan
8. Risk analysis
9. Appendix

3.1.1 Executive Summary

Executive summary as an opening message should briefly describe the business idea and show why it will be successful. The first impression is made mainly in the first pages of the plan, that is why to write the executive summary effectively is essential. Focus not only on describing the product but also on marketing, management and finances is crucial. (Shelton 2017, 48)

This part is only an outline of that will be further described in the business plan, so it should also clarify for whom is the business plan written. (Srpková et al. 2010)

However, it should be written last because it shows the results of the entrepreneur's researches. People interested in the business idea can read the executive summary and finances only; that is why the executive summary is a crucial part of every business part. (Abrams 2019, 53)

3.1.2 Company Description

The company description focuses on describing the ownership, product or service. This chapter seems rather simple, but the planning and thinking are required for some crucial information presented in this chapter. (Abrams 2019)

The company description should clearly state the commitments, guarantees, funding from other sources, legal issue and other key information. (Shelton 2017)

3.1.2.1 Company name

The name of the company should communicate the main message about the business to the customer. People like words which evoke them pleasant memories, words they are familiar with, words which they understand. The name can also draw attention to the segment of the customer we are interested in. (entrepreneur.com 2019)

The name should be dateless, flexible and easy to read. The legal right to the website name and trademark of the name itself can be considered as a competitive advantage of the company. (Abrams 2019, 68-70)

3.1.2.2 Mission statement

In the mission statement chapter, the company's goal and purpose, the philosophy and concept of the company is presented. (Abrams 2019)

The mission of the company is a basic vision of the founder. It presents which products and services the founder offers to the public to satisfy their needs. The mission statement offers customers a space to form an opinion on the company. (Červený et al. 2014, 14)

3.1.2.3 Legal issues

As Abrams (2019, 71) says, the type of legal entity the company chooses for the business is considered to be its legal issue. The most common legal issues are a sole proprietorship or a partnership. The business plan also addresses other legal issues as trademarks, patents, copyrights or licensing.

3.1.2.4 Product and service

This chapter focuses on a particular product and service. The description and identification of the product and service are crucial, especially for the funders. (Abrams 2019, 74)

According to Shelton (2017), the company should avoid focusing only on generating cash flow and doing "whatever the client wants as long as they pay."

3.1.2.5 Business location

Business location states the location of the headquarters and the geographical area in which the company serves. This part can indicate the general position of the company if the business location has not yet been determined. (Abrams 2019, 75)

3.1.2.6 Financial status

This chapter should describe how the company is funded to date and any major financial obligations. The status of the company in financial and personnel terms, investments and loans should also be presented. If the founder seeks funding, he should briefly indicate how much money and for what purpose. (Abrams 2019, 79)

3.1.3 Market analysis

The market analysis indicates the target market. It identifies the company's customers, their needs, how they behave and think. (Abrams 2019, 99)

According to Shelton (2017), market analysis helps the company to identify the size of the market. It helps the company to find out if there will be a sufficient number of customers to buy the product or service to generate satisfactory revenue.

Secondly, it helps to describe a potential or ideal customer. It will eventually help to reach the right segment of the market. (Shelton 2017)

As Shelton (2017) says, the market analysis also focuses on full a description of your target market – a group of potential customers who share certain needs, interests or characteristics in general, its size and demographics.

As Shelton (2017) claims, the company can find out if their ideal customers share these characteristics:

- age range,
- income level,
- gender,
- residence area,
- type of work,
- religion,
- family structure,
- hobbies,
- diet
- ethnicity, etc. (Shelton 2017)

If the company finally understands its customer, it can fulfil their needs and eventually address more of them. This means that the market must be reachable, sizable, meaningful and definable. (Abrams 2019)

3.1.4 Competition

The analysis of the competition helps to understand the customer's need even more. Every company should know who their competitors are and should not underestimate them. If the company thinks that there is no competition in their field, they probably did their research poorly, or the target market for their product or service is very small or even non-existing. (Abrams 2019, 115)

The direct competition is a company which offers the same product or its different forms. As direct competition can also be considered a company which offers substitutes and alternatives to the product. (Kozel et al. 2011, 37)

The strengths, weaknesses, profits, revenue and market share of these competitors should be analysed appropriately. (Wupperfeld 2003, 72)

3.1.5 Marketing plan and sales strategy

A marketing plan perseveres of the right sale strategy, pricing policy, choosing right distribution channels and promotion. (Kotler et al. 2006)

The marketing plan deals with reaching and capturing customers. It should make customers aware of the product, shows the message behind the product and methods used to deliver the message. Marketing of the company should increase customer awareness by advertising, creates brochures, networking, public relations, etc. (Abrams 2019)

The good (or bad) chosen marketing strategy will influence the future of the business. It should be professional and should highlight the features of the products in the best light possible. (Wupperfeld 2003, 75)

The process before compiling the marketing plan should also contain a critical assessment of the business itself. (Record 2003, 46) According to Ferrell and Hartline (2011), SWOT analysis is widely used for this purpose. SWOT meaning:

- S – strengths,
- W – weaknesses,
- O – opportunities,
- T – threats.

It helps to build a strong marketing strategy via collected marketing data. It is composed of both the external and internal environment of the company. (Ferrell, Hartline 2011)

The internal environment which an entrepreneur can change are described in the part of strength and weaknesses and on the other hand, the external environment which is given and entrepreneur cannot change them are described in the part of opportunities and threats. (Ferrell, Hartline 2011, 120)

Sales strategy focuses directly on selling, for example, via sales calls, e-commerce or telemarketing. (Abrams 2019)

The salesforce and sale process are the crucial components of the sales system. The sales force can be understood as people who come in direct contact with the customer and determines whether the customer will purchase our product or service or not. The sales process are the techniques presenting the level of results expected from salesforce (Abrams 2019)

3.1.6 Management team

The management team is composed of the key personalities in the business. It contains management itself as well as the employees. (Srpová et al. 2010)

As Červený (2014) claims, management is a crucial factor for every business. It is also essential to rightly estimate the right number of employees needed for each operation in the company.

People who will read the business plan are often interested in the management team as well as the description of the team members. The critical personalities with the right education, potential, experience and talent can lead the business to higher profit. (Abrams 2019)

According to Abrams (2019), the crucial step is also setting clear lines of responsibility and creating a management style that will be suitable for the company and type of business itself.

3.1.7 Financial plan

As stated before, along with an executive summary, a financial plan is considered to be one of the most important chapters of the business plan. (Gattis 2010)

This plan transforms the preceding parts into numbers. The recommended documents which should be part of the financial plan are the balance sheet, profit and loss statement and cash flow. (Srpová et al. 2010, 65)

3.1.7.1 Balance Sheet

The alias for balance sheet can be financial position. It is a snapshot of the assets, liabilities and equity in a particular point of time (specific date, the last day of month/quarter/year). (Shelton 2017)

As Shelton (2017) says, assets represent items owned by the company. Assets are divided into:

- current assets: cash, items that can be converted into cash in the next 12 months, inventory, accounts receivable,
- fixed assets: include equipment, vehicles, buildings, building improvements, land.

Liabilities show how the company finances the assets. According to Shelton (2017), the division of liabilities is:

- current liabilities: staff payroll, money owed to vendors for recent purchases,
- long-term liabilities: long-term loans.

Equity is simply the difference between assets and liabilities. (Shelton 2017)

3.1.7.2 Profit and loss statement

This document demonstrates how much money the company is making or losing. Meaning, if the company is profitable or unprofitable. It also records the movement of costs and revenues. (Covello, Hazelgren 2006, 145)

3.1.7.3 Cash Flow

The cash flow reports the cash generated from the company's operations, investing and finances activities. (Shelton 2017) This simply put the cash flow into three categories:

- cash flow from operations,
- cash flow from investments,
- cash flow from financing. (Shelton 2017)

It merely represents money which is flowing in or out of business. The positive cash flow occurs when the income is higher than expenses, and negative cash flow arises when the situation is the opposite: the income is lower than expenses. (McKeever 2010, 122)

3.1.8 Risk analysis

Abrams (2019, 148) claims that every business plan should contain a part where the entrepreneur shows to investors that he is aware of the potential risks and challenges of his business by determining them. An entrepreneur should state that he will do as much as possible in order to eliminate them. The level of severity can vary, but the description of the

most crucial and dangerous ones is essential. According to Abrams (2019, 149), the most important categories of risk are:

- market risk,
- competitive risk,
- technology risk,
- production risk,
- execution risk,
- capitalization risk.

3.1.9 Appendix

The detailed evidence in a business plan is crucial. This evidence is in the form of supporting documents which back up the information presented in the previous chapters of the business plan. (McKeever 2010)

According to McKeever (2010, 165), the examples of document usually attached to the business plan can be:

- CVs and personal résumés of the key persons,
- credit history,
- contracts,
- legal documents,
- market research results,
- work schedule,
- drawing of the logo.

Finch (2010) mentions some additional documents, for example: copies of patents, copies of leases, accounts in detail, product brochures or technical description.

II. ANALYSIS

4 BUSINESS PLAN – BASIC INFORMATION

This part of the thesis will focus on analysing the business plan of the café in Piešťany.

4.1 The front page

Name of the company:	Gallery Café
Legal form:	a limited liability company
Address:	Winterova 9, 920 01 Piešťany
Date of Establishment:	31.3.2021
Owner:	Lujza Marková
Founder Address:	Michalská 8, 920 01 Hlohovec
Phone:	+421 908 355 435
E-mail:	gallery@cafe.com
Website:	www.gallerycafe.sk



Figure 1 – Logo (own creation)

5 EXECUTIVE SUMMARY

This business plan is aimed at opening a café in the centre of the spa town Piešťany. The café has an original concept in terms of the fact that in addition to quality coffee, desserts and other beverages, it will also serve as a gallery.

The gallery will present photographs, paintings and sculptures by local as well as national artists, and the customer will not only be able to see them but also buy them. The pleasant atmosphere of the café will be completed by books and magazines. The café will also organize film screenings and live concerts. These and other activities of the café will be presented on its social media.

The café will have a high quality of service and qualified staff, which will not be in short supply, because the city also houses the famous Hotel Academy of Ľudovít Winter.

The location of the café is considered to be its biggest advantage, as it is located in the city centre, close to high schools and cultural centres. There is also a parking lot opposite the café, so the customer and suppliers will have no problem with transport.

The founder of the company has enough capital to open a company worth €22,000. If a realistic version of the profit/loss and serving 65 customers per day are taken into account, the company will be profitable at €728.03 after taxation a month, which is €8,736.36 per year.

6 THE DESCRIPTION OF THE COMPANY

Gallery Café is a café situated in spa-town Piešťany. This town is one of the tourist centres of western Slovakia. As well as being a centre of tourism, it is also a centre of cultural events. Cultural events like Young Art Show, film festival Cinematik or Grape festival are held here every year. Piešťany is a city of young people interested in culture, which is reflected in a high visit rate of these cultural events. Therefore, this café focuses mainly on art and good coffee. Art in the form of paintings, photographs, music or literature cannot be overlooked in this café filled with the aroma of freshly ground coffee.

6.1 Legal form

Gallery Café is a limited liability company owned by one natural person – Lujza Marková. The entrepreneur meets all general conditions for obtaining a trade license – the age over 18, legal capacity and legal integrity. A form for a legal entity to register a skilled trade according to Commercial Code (2020) §45, §45 a) of Act no. 455/1991 about business of legal entity will be submitted to the relevant district office subsequently with a proposal for registration in the Commercial Register. The owner also meets the conditions of skilled trade, which requires education in the field of the business. The owner can be a responsible representative of the company because she has graduated from the Hotel Academy of Ľudovít Winter in Piešťany and also has all the required certificates.

6.2 Location

The café is located on Winterova street. The colonnade, which is part of the historic centre of Piešťany, offers perfect space for this type of business. Nearby are the cultural centre and cinema Fontána, pedestrian zone, hotel Satelit and park. The café is directly accessible by car. The parking lot is situated opposite the café and offers more than 20 parking spaces. Parking spaces are also available near the apartment building from the back of the café.



Figure 2 – Park

Source: Odkazprestarostu.sk 2013



Figure 3 - Location

Source: Pnky.sk 2016

6.3 Key objectives of the company

Short-term:

- to provide quality services,
- finding loyal customers,
- to employ professional and well-trained staff.

Long-term:

- environmental protection,
- keeping a good reputation,

- meeting demand,
- profit.

6.4 Ecological management

The café will be focused on zero-waste production. This will seek to protect the environment and slow down the climate crisis. The café will focus on separating the necessary waste and reduction of plastic production. Other measures to reduce the carbon footprint will include, for example:

- energy saving (energy-saving lamps),
- water saving,
- selection of suppliers with quality goods,
- usage of goods with reusable or recyclable packaging,
- purchasing of materials and goods in bulk,
- the use of environmentally friendly detergents.

6.5 Layout of the company

The graphical representation of the layout of the company with its legend can be found in *Appendix P I* and *Appendix P II*.

6.5.1 Production section

The production section shall be equipped in accordance with the HACCP principles.

Beneath the bar will be a working stainless-steel desk, a coffee machine and a sink with a dishwasher and shelves with inventory.

Behind the bar will be a recycle bin on the right side and a cash register on the left side. On the left side behind the bar above the cash register, there will be shelves with goods, and on the right side of the cash register there will be a refrigerated display case for soft drinks and white and rose wine, next to it there will be a red wine rack.

In the storeroom, located on the left-hand side of the bar, will be a shelf with goods and material and a separate shelf for detergents.

On the right-hand side of the storeroom, there will be a dressing room with sanitary facilities separately for men and women. The sanitary facilities will include a holder for toilet paper and a soap dispenser.

6.5.2 Sales section

Entrance to the café will be directly from the street. A menu board with a daily menu will be displayed on the wall next to the entrance.

The café will be entered through a large glass door. Opposite the entrance will be a slightly spiral staircase to the second floor, which will be designated for smokers. The wall along the stairs will be decorated with paintings and niches with art objects. There will also be a sanitary facility for men on this floor.

On the right-hand side from the entrance will be a stage that will be used during concerts; otherwise, there will be paintings, sculptures and flowers that will be visible from the street.

The café space will be in white and grey tones, decorated by dark wood shelves full of books, magazines, gramophone records and various decorative items.

The café will be lit by daylight as it has a glass roof and entrance. In the evening, chandeliers and stage lamps will be used.

In front of the bar will be bar chairs made of dark wood. Wooden tables with chairs will be placed throughout the café. On each table will be a container with brown sugar, on the tables on the second floor an ashtray as well.

In front of the café, on the street, there will be a terrace. The terrace will be along the glazed stage. It will feature wooden tables with wicker chairs. There will also be a chest with pillows and blankets for colder days and evenings.

The planned capacity of the café is 14 tables, 4 bar chairs, 36 chairs and 15 wicker chairs. The total capacity of the café will be 55 seats.

7 MARKET ANALYSIS

7.1 Analysis of the customer

The target group of Gallery Café is people from Piešťany or tourists visiting the city and guests in a local spa. Customers of Gallery Café are people of all ages and genders who want to relax from their duties, meet friends or enjoy solitude with a good book, pleasant music in a cosy environment full of art.

Another target group are young people who are living or/and studying in Piešťany. Together with young artistic-oriented people who visit local festivals as Young Art Show, Cinematik or Grape are a perfect fit for the café full of art.

The café is designed for both smokers and non-smokers. People with dogs are also welcomed.

7.2 Analysis of the competition

7.2.1 PORTER Analysis

7.2.1.1 Bargaining power of buyers

The café's strongest selling point is its location. Besides that, it is focused on customers who want to sit and have a cup of coffee or on customers who are in a rush and want to buy only a coffee to go. Because the main offer can be easily found elsewhere, the strong bond with the customer is essential. The communication, customer approach and pleasant atmosphere can be essential of bringing the new customer to Gallery Café. It is possible that some of the new potential customers can already have their "to-go" café, but the smoking area, movie screenings, home-made desserts can also be the main reason of visiting Gallery Café.

7.2.1.2 Bargaining power of suppliers

Coffee will be provided by Pellini as they offer the top-quality Italian coffee. The coffee is one of the few Italian coffees to be Kosher certified for all its products. This coffee is considered as a perfect choice for satisfying the customers' needs. The desserts will be provided by the owner herself, who is graduated from Hotel Academy and has a confectionery course. The non-alcoholic beverages will be supplied by Coca-Cola and Kofola. Their good name, tradition and quality are considered important, and they have therefore been selected as reliable suppliers. Juraj Zápražný, owner of a family winery near

Pieš'any, was chosen as the wine supplier. Other materials and products will be provided by Makro.

7.2.1.3 Threats of entry

Pieš'any is a tourist-oriented city with many cafés. The threat of new competitors is high all the time. The café has to build up a base of regular customers as well as catch the attention of tourists coming to Pieš'any every day. The competitors that have way more financial means could be a risk for the café.

7.2.1.4 Threats of substitutes

The biggest threats to cafés, in general, are more and more available coffee machines to home. The ability to make coffee in the comfort of your home with the help of a coffee machine into which you insert a capsule and press one button is still very appealing. People who like to enjoy a good coffee in their home environment also choose the possibility of a mocha coffee maker which is again very popular. However, the atmosphere of cafés is unmistakable, so this substitute should not be feared but accepted.

7.2.1.5 Competitive rivalry within the industry

The competition in Pieš'any is very high. In the city centre, there are many pastry shops, restaurants and cafés that prepare coffee. Competition is high, but it also triggers the improvement of quality. The main threats of the café are Kolonáda, Concept Coffee Roasters and Cup.

The biggest competitor is the Kolonáda café, as it is located on the same street as Gallery Café. This café, however, focuses mainly on selling cakes and does not prepare quality coffee. It is designed for families with children because there is also a children's corner. This competitor, however, could not have very positive reviews from younger people who do not have children and want to sit in a quiet environment.

Concept Coffee Roasters is a café which focuses mainly on coffee as such. This café is also a coffee roaster as its name suggest. They focus on coffee processing and roasting. Coffee making equipment is also available at this café. Customers can buy the beans of roasted coffee, the equipment and prepare the cup of coffee at home. This café has very high prices, but it is the bigger competitor in terms of coffee quality.

Cup café is located next to the Concept Coffee Roasters. It is a small inconspicuous café with the capacity of 5-10 people. Despite the small capacity inside the café, its advantage is

the terrace, which consists of a large lawn and a small gazebo. The coffee of this café is not good-quality and they also almost always have sold out desserts.

Out of all these competitors, not a single one has area intended for smokers. This can be the main advantage of Gallery Café over others. The competition is in close vicinity, but the Gallery Café is the closest to the city centre and best visible from the main street. The competition also has no outstanding promotion and does not offer any additional services. Therefore, Gallery Café considers available books, magazines and occasional film screenings and live concerts to be its advantage.

7.3 Analysis of the suppliers

The café has opted for these suppliers:

Table 1 - Suppliers

Supplier	Address	Goods offered	Advantages
Metro Cash & Carry Slovakia, s.r.o.	Hlohovecká cesta 11/332, 949 01 Nitra	- Food	- Good prices - Wide range of products
Coca-Cola Slovakia, s.r.o.	Tuhovská 1, 830 06 Bratislava 36	- Beverages - Supply of promotional items	- High quality
Kofola, a.s.	Rajecká Lesná 1, 013 15 Rajecká Lesná	- Beverages - Supply of promotional items	- Long tradition
Pellini, a.s.	Skuteckého 15, 974 01 Banská Bystrica	- Coffee	- High quality - Long tradition
Juraj Zápražný	Pezinská 12, 902 01 Vinosady	- Wine	- Domestic products - High quality

7.4 PEST Analysis

7.4.1 Political environment

After meeting all conditions mentioned in the Trade Licencing Act and Business Corporation Act, the other legal aspects must be fulfilled as well. This business of natural person is compulsory to pay social and health insurance. The minimum for social insurance is €167.89 (socpoit.sk) and for health insurance €70.91 (dovera.sk 2020). The business has to fulfil hygiene regulations and quality of resources, as well as pay the income tax.

7.4.2 Economic environment

Unemployment is the main factor which influences the business. According to the Slovak Statistical Office, the unemployment rate in Trnava region is 2.63%. (statdat.statistics.sk 2020) The average gross wage in Trnava region is €1,033 compared to the average gross wage in Slovakia €1,092. (slovak.statistics.sk 2020) Trnava and Košice regions have the second-highest average gross wage in the country. (slovak.statistics.sk 2020)

7.4.3 Social environment

There are seven high schools in Piešťany. Because the café focuses mostly on young people (students), it can pre-assume the high demand for the café. The café is in close proximity to three of them, so there are many students who are likely to visit the café. The demand for café and smoking area between young people is high nowadays, and that can be a reason for young people to buy the company's products. The café is also in close proximity to the cultural facilities of the city, so people interested in art are also very likely to go by and visit the café.

7.4.4 Technological environment

This type of environment is not considered as an outstanding threat. The café will use coffee maker, fridge, cooling showcase, cash box and other equipment, which are not likely to develop drastically. Another factor in this environment is the infrastructure of Piešťany. The town is close to the highway, so the suppliers will be able to deliver the products and materials quickly. The café will provide good Wi-Fi connection for free.

8 MARKETING PLAN

8.1 SWOT analysis

Table 2 – SWOT Analysis (own creation)

STRENGTHS	WEAKNESSES
Good location	No experience in running a business
High-quality coffee	New on the market
Smoking area	
Unusual concept	
OPPORTUNITIES	THREATS
Growing niche of coffee drinkers	Competition
Gain regular customers	Lack of customers
	Changes in legislation
	Economic recession

Strengths of the company are based on the excellent location of the café. The café is located in the centre of the town, in the area that every tourist goes through. The parking lot and park view are just other benefits of this location. Another strength of the company is high quality coffee. Coffee is main product of the company so that the café will focus mainly on its quality preparation. The smoking area upstairs of the café is considered as another strength of the café. The regulations of Slovakia are still allowing smoking areas in the cafés. The owner feels a significant deficit in smoking areas in cafés, especially during the winter.

The significant weakness of the company in the first months after opening will be owners lack of experience in running a business. Moreover, the company will be new on the market, so the threats of the competition (already existing or new) and lack of the customers will be more significant at the beginning of the entrepreneurship.

The main opportunities of the café will be the growing niche of coffee drinkers. Young people are nowadays very interested in the preparation of the coffee and visiting the cafés in general. The café will be situated near the high schools and students will become the regular customers of the café. The unusual concept of the café will also catch their attention.

Another threat among other mentioned before will be changes in legislation. The changes in legislation focused on smoking areas in the cafés are likely to change, so the café has to focus on tracking and implementing these changes.

8.2 Marketing Mix

8.2.1 Product

The main product of the café is coffee. Coffee is a trendy drink among many people. It is a symbol of relaxation and peace. That is why the café focuses on it – its quality and professional processing. Meetings with friends, business meetings or even time with yourself are enhanced by a cup of well-prepared coffee in a pleasant environment of the café.

The coffee Pellini TOP served in Gallery Café is an exclusive recipe with high-quality varieties of nine 100% Arabica beans, selected directly in their countries of origin, which give it a distinctive and delicious taste. The process of slow and controlled roasting improves its quality and always ensures the same cocoa-cinnamon-honey taste with a delicate floral aroma. The low caffeine content of 1.3% allows the consumption of larger amounts during the day.

Besides the coffee, customers can order quality tea. Tea will be stored in large glass containers. The café will focus on purchasing the tea without unnecessary packaging – that is, the glass containers will be directly refilled in the vendor of the tea. The café will also offer fresh mint and ginger teas.

Among the other café's products will also be included the narrower range of non-alcoholic and alcoholic drinks and home-made desserts by the owner.

8.2.2 Price

In order to be able to set prices, the founder did calculations and set a pricing policy. Concerning the competition near the location of the company, the prices were more or less the same, so the customers will be used to the prices that the café will set.

8.2.2.1 Pricing policy

Calculations

Cost calculations are the determination or ascertainment of the cost per unit of marketable or in-house performance. It is used for management and control of the economy; it is necessary for the valuation of inventories of own production and serves as a basis for price decisions.

The calculations are based on knowledge and professional experience gained during work in gastronomy. All calculations are typically standardized for ten portions. The calculations have been prepared based on the menu, which is stated in the beverage list in well-arranged and well-defined tables. The tables contain the product name, product weight,

cost per 10 portions, type of raw materials, the price per unit of measure in euro, price per quantity per euro, raw material cost per portion, a surcharge in absolute value in euro and selling price per 1 portion in euro.

Pricing

There are currently two pricing concepts:

- cost concept of price,
- market-oriented pricing concept with a customer or competition orientation.

In the Gallery Café is chosen the cost concept of price – pricing by an absolute surcharge. The pricing process was based on the Act on prices no. 563/2003 Coll. to Act no. 18/1996 Coll. as amended by Act no. 520/2003 Coll. (Commercial Code, 2020)

For all goods and products that will be sold, a price assessment is issued, which takes effect on the day of its signature. The price assessment can be found in the chapter *10 Financial plan*.

8.2.3 Place

The consumption of the products offered by Gallery Café will be happening in the café itself. The café will have no distribution channels in terms of delivering the product to customers because customers will come themselves. Customers come to the café where they can order from the waiter at the bar. They can also sit at a table on the terrace or inside the café right after they come and the staff will come to serve them.

Coffee and teas will be freshly served, desserts will be fresh every morning, and all the other products will be delivered from suppliers ready to be served. The location of the café has been already discussed in the chapter *6.2 Location*, and the layout of the company can be found in the *Appendix P I* and *Appendix P II*.

8.2.4 Promotion

Promotion can be considered the most crucial part of the marketing mix. The café will focus mainly on online promotion, as its main target group is young people. The promotion will take place on social media Facebook and Instagram. Gallery Café will also have its own website. There will also be two promotion boards (each for €47.44) in front of the café to catch the attention of tourists.

The café will also provide loyalty cards with every 6th coffee for free (which was also considered in the calculations). This may encourage the customers to return to the café.

The company will also be present and the film festival Cinematik, offering the coffee and beverages for the visitors. As the café itself focuses on the promotion of the company by movie screening every month, the presence at the film festival is inevitable.

Facebook

The café will create a page on Facebook with the name of the company – Gallery Café. The Facebook page will inform its fans about news or possible changes (such as opening hours). It will also create events if the café prepares a film screening or a special art exhibition. The company has earmarked €50 to run and display sponsored posts.

Instagram

The Instagram account will have the same name as the Facebook page for easier searching. The company will publish photos of drinks and interior. It will mainly use the so-called “stories”, which are published for 24 hours, to show the latest news or show the current situation in the café. Customers will also be able to tag the café so that other potential customers can also see what is going on in the café. The company has reserved €100 for sponsored posts and stories on Instagram.

Website

The website will have a representative purpose. Customers will be able to find basic information about the company, contact details, address where the café is located and opening hours. Photos of the interior and photos from the events will also be published on it. The website will be designed for free by the owner’s friend. The owner only pays a fee of €8 per year for the domain.

8.3 Quality and quality assurance

Quality in the café will be ensured in the following ways:

- creating a pleasant atmosphere,
- securing of good material, products and goods,
- adherence to HACCP principles,
- updating an offer,
- products at favourable prices,
- the employment of qualified staff,

- training of staff,
- selection of quality and reliable suppliers.

8.4 Communication

8.4.1 Offer program

The offer of the meals and drinks is mediated by the menu. The menu must be in such a form, layout and composition that it will inspire visitors' belief and pleasant image of food and beverage preparation. It is a list of food and drinks. It is also a supply tool and product price list. It also allows the customer to check prices and weights. It speeds up and makes easier the work of the operating personnel. It fulfils a promotional and aesthetic function.

The offer program of Gallery Café will be a beverage menu. The main product of the café will be coffee and its various processing. Besides, café will offer a narrower range of soft drinks and alcoholic beverages.

The beverage menu will be placed on all tables in the café. It will be in the Slovak language, but the café will also have a menu in the English language ready on request of the customer.

8.4.2 Trends in gastronomy

Nowadays, the following trends are used in gastronomy: food without artificial ingredients, food from organic farms, food that is not technologically processed, refined or coloured, local and seasonal ingredients, ethnic kitchen, raw-food kitchens.

The trend of experiential gastronomy will be applied in the café. The café will focus on baristas art. The coffee will be prepared by the latte art technique. Each month, a club movie, which the customers will vote about on social media, will be played. Live music will also make the atmosphere of the café more pleasant. Customers will also have access to books, magazines, newspapers and, of course, free Wi-Fi connection.

9 ORGANIZATIONAL STRUCTURE

Organizing is an activity that expresses the process of organizing, creating order and harmony.

The organizational structure is the structure of the elements of the organization, meaning departments, workplaces and relations between them. The function of the organizational structure in corporate governance is to organically define the basic elements of the organizational unit and define the relationship between them. The aim is to create conditions for effective management.

In this business plan, a linear organizational structure is chosen. The linear organizational structure is one of the basic organizational arrangements. The senior positions and relationships are arranged and oriented vertically. Each superior employee has assigned a subordinate employee, and each subordinate employee has assigned his superior employee.

The prerequisite of this organizational structure is that the top line manager knows in detail the area he manages and, based on this knowledge, can give orders to his subordinates.

It is used only in small businesses with up to 30 employees.

This type of organizational structure is chosen for the following reasons: the company will be small, and the advantage of it is also short information flows and less staff (which also means lower costs).

9.1 Working time

The working hours of workers will be determined within the framework of valid legislation – Labour Code (2020). Every worker works for a maximum of 12 hours a day. The employee will have a 12-hours break between work shifts. A lunch break of 30 minutes, which will not be counted as working time, is a matter of course. Overtime will be carried out by the workers in agreement with the employer for a maximum of 400 hours per year. Employees will work full time. The work schedule was based on the alternation of the long and short working week – the shift working long week will work on Monday, Tuesday, Friday, Saturday and Sunday; the shift working short week will work on Wednesday and Thursday.

9.2 Opening hours

The following opening hours of the café are stated in the table below:

Table 3 – Opening hours (own creation)

Monday - Friday	7:00 – 20:00
Saturday	10:00 -21:00
Sunday	10:00 – 20:00

Opening hours will be 13 hours on Monday to Friday, 11 hours on Saturday and 10 hours on Sunday.

From 7 a.m. to 9 a.m. during the week, the owner and manager in one person will be in charge of the café. At these hours is not expected so much traffic. From 9 a.m. till the end of the working day, there will be two employees who will take turns in shifts for a long and short working week, as mentioned above. Employees will prepare a workplace before and after opening a café.

The following factors were decisive in the creation of opening hours: the type of gastronomic facility, the opening hours of competition and legislation.

9.3 Salaries

The employer will rely on the Minimum Wage Act, which is €580 in 2020. She will also respect the insurance rates, which are set for the employer at 25.5% for social insurance (socpoist.sk 2020) and 10% for health insurance. (dovera.sk 2020)

Financial incentives in the form of rewards, bonuses and sales shares are planned. The remuneration will take into account the quality of work of employees, reliability, professionalism, honesty and practice.

The specific sum of the salary is set out in the chapter *10 Financial plan*.

10 FINANCIAL PLAN

This chapter will deal with the planned costs of the company, revenues, profit/loss and ROI.

10.1 Start-up balance sheet

The financial plan of the company should begin with the start-up balance sheet. This balance sheet describes the assets and liabilities immediately after the establishment of the company. The registered capital is fully covered by the owner's savings and a loan from the family. The registered capital is €22,000. The assets have to be equal to liabilities.

Table 4 – Start-up balance sheet (own creation)

START-UP BALANCE SHEET IN €			
Assets		Liabilities	
Long term assets	0	Equity	22,000
Current assets	22,000	Registered capital	22,000
Cash	2,000	Current Liabilities	0
Bank account	20,000		
Total	22,000	Total	22,000

10.2 Initial costs

This section covers all costs incurred before the business is opened. These are the costs used to prepare the business for opening. Renovation of the premises will not be necessary, as the premises are perfectly equipped to open a café there. The initial costs also do not include paintings that will be sold in the café. Paintings, photographs and other art objects will be exhibited by artists free of charge. If the customer is interested in purchasing such an item, he or she will be able to contact the owner directly by the phone. Movie screening equipment will also be provided free of charge by friend of the owner.

Table 5 – Initial costs (own creation)

INITIAL COSTS	
Equipment	6,514.2
Promotion	252.88
Security system	192

Foundation of the company (trade license, fees)	315
Initial inventory	2,800
Furniture	3,528
Small equipment	1,861.31
TOTAL	15,463.39

The following tables will present the initial costs categories, mentioned in Table 4, in more detail.

Equipment

This section includes the costs associated with the equipment, mainly the production part.

Table 6 - Equipment (own creation)

EQUIPMENT	
Coffee machine	2,493.6
Coffee milling machine	149
Refrigerated display case	1,786
Refrigerator	300
Dishwasher	990
Ice maker	160
EET device	420
Telephone	50.6
Gramophone	123
Radio	42
TOTAL	6,514.2

Initial inventory

The café will stock up before opening so that it has a main range of products ready after opening.

Table 7 – Initial inventory (own creation)

INITIAL INVENTORY	
Non-alcoholic beverages	1,000
Alcoholic beverages	1,000

Coffee, tea	400
Wine	200
Toilet paper, soap, detergents	200
TOTAL	2,800

Furniture

Equipment in terms of furniture was also mentioned in the chapter 6.5.2 *Sales section*.

Table 8 - Furniture (own creation)

FURNITURE			
<i>Item</i>	<i>Amount</i>	<i>€/Piece</i>	<i>Total in €</i>
Bar chair	4	57	228
Table	14	70	980
Chair	36	45	1,620
Wicker chair	15	35	525
Chest	1	135	135
Shelf	5	8	40
TOTAL			3,528

Small equipment

In this section includes all equipment which will be used in the sales section as well as in the production section.

Table 9 – Small equipment (own creation)

SMALL EQUIPMENT			
<i>Item</i>	<i>Amount</i>	<i>€/Piece</i>	<i>Total in €</i>
Cup with saucer	200	2.5	500
Coffee spoon	200	0.5	100
Tea kettle	20	4	80
Milk jug	50	0.5	25
Teacup with saucer	4.5	100	450
Glass	200	1	200
Glass – white wine	50	1.1	55
Glass – red wine	50	1.1	55
Glass - champagne	50	1.5	75

Ashtray	15	1.32	19.8
Vase	5	7.8	39
Flower	20	4.5	90
Chopping board	2	5.14	10.28
Kitchen knife	4	2.6	10.4
Flowerpot	20	1.9	38
Recycle bin	5	5.3	26.5
Coat hanger	2	32.9	65.8
Towel	10	1.5	15
Wine opener	1	1.15	1,15
Measuring cup	2	2.6	5.2
TOTAL			1,861.31

10.3 Operating costs

The operating costs are part of the fixed cost. These costs are associated with the running of the company. Operating costs include rent, energy consumption, promotion, fees for internet and telephone and insurance of the object.

Table 10 – Operating costs (own creation)

OPERATING COSTS		
<i>Characteristics</i>	<i>Per month</i>	<i>Per year</i>
Rent	500	6,000
Energy	200	2,400
Promotion	158	1,896
Internet	20	240
Telephone	25	300
Insurance	80	960
TOTAL	983	11,796

10.4 Labour costs

As mentioned in the chapter 9 *Organizational structure*, the café will have four employees. All of them are full-time workers. The salary will be €800 per month. The employees will

also share received tips. The company will also pay social and health insurance for all full-time workers.

Table 11 – Labour costs (own creation)

Labour costs					
<i>Characteristics</i>	<i>Average salary</i>	<i>Social insurance</i> 25.2%	<i>Health insurance</i> 10%	<i>Salary + Social and Health insurance</i>	<i>Annual salary</i>
Full-time job (4 employees)	3,200	806.4	320	4,326.4	51,916.8
Total	3,200	806.4	320	4,326.4	51,916.8

10.5 Total Costs

10.5.1 Fixed costs

Table 12 – Fixed costs (own creation)

FIXED COSTS		
<i>Characteristics</i>	<i>Per Month</i>	<i>Per Year</i>
Rent	500	6,000
Salaries	4,326.4	51,916.8
Promotion	158	1,896
Energy	200	2,400
Internet	20	240
Mobile Phone	25	300
Insurance of the object	80	960
TOTAL	5,309.4	63,712.8

10.5.2 Variable costs

Table 13 – Variable costs (own creation)

VARIABLE COSTS			
<i>Product</i>	<i>Variable cost</i>	<i>Contribution margin</i>	<i>Selling price</i>
Coffee and tea			
Ristretto	0.23	0.97	1.2
Espresso	0.23	0.97	1.2
Espresso Lungo	0.23	0.97	1.2
Double Espresso	0.46	1.54	2
Espresso Macchiato	0.26	1.24	1.5
Caffe Latte	0.41	1.29	1.7
Frappe	0.41	1.39	1.8
Capuccino	0.37	1.13	1.5
Iced Caffe	0.41	1.39	1.8
Flat White	0.41	1.39	1.8
Latte Macchiato	0.41	1.39	1.8
Vienna Caffe	0.35	1.15	1.5
Tea	0.14	1.06	1.2
Fresh Tea	0.12	1.38	1.5
AVERAGE	0.32	1.23	1.64
Additional products			
Milk	0.06	0.04	0.1
Soya milk	0.1	0.4	0.5
Coconut milk	0.1	0.4	0.5
Lemon	0.04	0.16	0.2
Honey	0.14	0.16	0.3
AVERAGE	0.09	0.23	0.22
Non-alcoholic beverages			
Coca Cola	0.7	0.6	1.3
Coca Cola Light	0.7	0.6	1.3
Sprite	0.7	0.6	1.3
Fanta	0.7	0.6	1.3
Kofola	0.64	0.56	1.2

Vinea	0.64	0.56	1.2
Rauch (various types)	0.68	0.62	1.3
Rajec (various types)	0.36	0.74	1.1
Kinley tonic water (var. types)	0.7	0.5	1.2
Red Bull	1.07	1.13	2.2
AVERAGE	0.69	0.65	1.34
Alcoholic drinks			
Hubert de luxe 0,75l	4.19	4.81	9
Fernet stock 0,04l	0.39	1.01	1.4
Fernet citrus 0,04l	0.39	1.01	1.4
Spiš (various types) 0,04l	0.41	0.89	1.3
Jagermaister 0,04l	0.61	1.19	1.8
Beefeater 0,04l	0.62	1.18	1.8
Olmecca tequila 0,04l	1.29	0.91	2.2
Captain Morgan 0,04l	0.48	1.32	1.8
Tullamore Dew 0,04l	0.69	1.31	2
Becherovka 0,04l	0.43	0.87	1.3
Nicolaus vodka 0,04l	0.33	0.67	1
AVERAGE	0.89	1.38	2.27
Wine			
Rizling vlašský	5.8	4.2	10
Cabernet Sauvignon rosé	5.8	4.2	10
Cabernet Sauvignon	6.3	6.7	13
AVERAGE	5.96	5.03	11
Desserts			
Cheesecake (various types)	0.72	2.28	3
Tartelettes (various types)	0.43	1.57	2
Panna Cotta	0.54	1.76	2.3

AVERAGE	0.56	1.87	2.43
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10.6 Revenues

The company assumed visitation of the café based on its location, the competition's visitation and other variables. Variable costs were in all versions calculated using the average cost of all products and the estimated number of purchases of a given product type.

Optimistic version

The optimistic version counts with traffic of 90 people per day. It reckons that one customer spends an average of €5, which is the price, for example, for Flat White, Vinea and tartelette.

Realistic version

The realistic version counts with a more realistic version of 65 customers per day. The average spending of one customer is set on €4.2, which is the price, for example, for Espresso Lungo with cheesecake.

Pessimistic version

This pessimistic version counts with a meagre number of customers and assumes that one customer spends €1.7 on average, which is, for example, the price for a tea with lemon and honey.

Table 14 – Revenues (own creation)

REVENUES IN €					
	Numbers of customers per day	Average spending of one customer	Revenues		
			Per day	Per month	Per year
Optimistic	90	5	450	13,500	162,000
Realistic	65	4.2	273	8,190	98,280
Pessimistic	30	1.7	51	1,530	18,360

The profit/loss of the optimistic version is thus calculated with revenue of €13,500 per month, with fixed costs of €5,309.4 and with variable costs. The variable costs in this version were calculated as follows: it was assumed with the version that out of 90 customers per day 65 customers buy coffee, non-alcoholic drinks 35 customers, desserts 45 customers, additional products 50 customers, alcoholic drinks 10 customers and wine 3 customers per day. If we multiply each of these product categories with the number of purchased pieces

and the average cost price for this category, we get average variable costs per month of €3,042.9.

Table 15 – Profit/loss of optimistic version (own creation)

PROFIT/LOSS OF OPTIMISTIC VERSION		
	<i>First month</i>	<i>First year</i>
Revenues	13,500	162,000
Fixed costs	5,309.4	63,712.8
Variable costs	3,042.9	36,514.8
Total costs	8,352.3	100,227.6
Profit/Loss (EBT)	5,147.7	61,772.4
Profit/Loss (EAT)	4,169.64	50,035.64

Using the realistic version revenues of €8,190 per month and deducing them from fixed and variable costs, the café is still profitable. The variable costs were calculated as follows: out of 65 customers per day 45 buy coffee, 25 buy non-alcoholic drinks, 25 buy desserts, 35 buy additional products, 6 buy alcoholic drinks and 2 buy wine. Then the average variable costs per month of €1,981.8.

Table 16 – Profit/loss of realistic version (own creation)

PROFIT/LOSS OF REALISTIC VERSION		
	<i>First month</i>	<i>First year</i>
Revenues	8,190	98,280
Fixed costs	5,309.4	63,712.8
Variable costs	1,981.8	23,781.6
Total costs	7,291.2	87,494.4
Profit/Loss (EBT)	898.8	10,785.6
Profit/Loss (EAT)	728.03	8,736.34

As we can see, a loss is inevitable in this case. Pessimistic version counts with 30 customers per day, out of which 25 buy coffee, 10 non-alcoholic drinks, 9 desserts, 15 additional products, 3 alcoholic drinks and 1 customer buys wine. If each of these product categories

is multiplied with the number of purchased pieces and the average cost price for the category, we will get average variable costs per month of €897.6.

Table 17 – Profit/loss of pessimistic version (own creation)

PROFIT/LOSS OF PESSIMISTIC VERSION		
	<i>First month</i>	<i>First year</i>
Revenues	1,530	18,360
Fixed costs	5,309.4	63,712.8
Variable costs	897.6	10,771.2
Total costs	6,207	74,484
Profit/Loss (EBT)	-4,677	-56,124
Profit/Loss (EAT)	-5,565.63	-66,787.56

10.7 Return on investments

Return on investments (ROI) is the ratio of money earned to money invested. The ROI, therefore, indicates the return as a percentage of the amount spent. A company can use ROI for different types of investments. (Čižinská, 2018) The gain from investments and the cost of investment are put into the formula for ROI, which is:

$$ROI = \frac{\text{Gain from investment} - \text{Cost of investement}}{\text{Cost of investment}} \times 100$$

Return on investment – optimistic version

$$ROI = \frac{50,035.64 - 22,000}{22,000} \times 100$$

$$ROI = 127.4\%$$

The return on investment in the optimistic version is 127.4 %. This show that the company will generate profit because the investment is returnable.

Return on investment – realistic version

$$ROI = \frac{8,736.34 - 22,000}{22,000} \times 100$$

$$ROI = -60.3\%$$

The calculation of the realistic version shows that ROI is -60.3%. This result turned out to be negative, as the cost of investment is higher than the gain from the investment. The company will be at a loss, and ROI shows that investing in a café needs to be carefully considered.

Return on investment – pessimistic version

This version has negative earnings before or after taxes, so the café is not generating any profit. ROI was not possible to calculate because of these negative earnings. If this pessimistic version occurs as real, the business must consider raising the capital or termination.

11 RISK ANALYSIS

Every entrepreneur should be aware of the potential risks and challenges of his business. Especially in these times where the competition is still growing, the owner of the café should do everything possible to eliminate these risks. In this chapter, the description of the most crucial and dangerous ones will be provided.

11.1 Internal risks

Damage to the facility – The owner of the company will insure the company in order to keep the business operating. The insurance of equipment and property is a must in case of burglary, vandalism or natural disease.

Wrong choice of employees – To employ the right people is one of the main keys in long-running businesses. The employees are the ones who are in direct contact with the customer. This means that the café will choose only reliable, professional, honest and hard-working staff.

Unsatisfactory promotion – This potential risk could lead to lesser customer and thus to lesser revenues. The company should focus on sufficient promotion in order to get into people's awareness.

11.2 External risks

Supplier problems – The problems with the delivery of the products or materials can be reduced, as the company should always have a back-up plan prepared. In the case of longer dissatisfaction with the supplier, the company will have to end this cooperation and quickly find a new one with very similar prices and quality.

Lack of customers – Low traffic at the café can be considered the greatest threat. The café must attract customers through social media, communicate with them and offer them the highest quality. This risk is reduced if an ordinary customer becomes loyal and regular.

Legislation changes – Changes in legislation can be another external risk to the business. These changes will touch every competition equally. Changes regarding, for example, hygiene must be monitored and gradually applied by the company.

CONCLUSION

The author focused her work on creating a café in the spa town Piešťany. The concept of this café is not only based on serving coffee and other drinks, but also on presenting art. The café also wants to offer indoor seating for smokers, who are often forced to sit only on the terraces.

The thesis was divided into two parts. The theoretical parts focused on entrepreneurship as such, the concept of entrepreneur and the typology of the enterprises. The theoretical part also addressed the characteristics of the business plan. It described its parts and what the parts deal with and what they focus on.

The second part of the thesis was the analysis. In this part, the knowledge acquired in the theoretical part was applied. In the beginning, basic information about the company, its description and executive summary were presented. This was followed by market analysis and marketing plan, which included Porter analysis, PEST analysis, SWOT analysis and marketing mix. The second part of the thesis also outlined the organizational structure of the company. In the end, a financial plan was presented, and the possible risks that the company may face were listed.

The thesis analysed 3 possible versions: optimistic, realistic and pessimistic. It will be crucial to get as close as possible to the optimistic one that counts with 90 customers per day. However, the realistic version that is most likely can still accumulate profit. The pessimistic version that leads to loss should be avoided as much as possible. This pessimistic version can be avoided with the help of promotion, as the author found out from her own personal experience.

It will not be difficult to enter the market, even from a financial point of view, as in terms of the competition that is commonly found in spa towns such as Piešťany. The primary thing is to impress with the concept and quality of the café and focus on “strong months” which are May to September.

In the next year of business, the company should still focus on promotion. In the future, word of mouth will certainly play a major role. It should further expand its range of drinks and desserts. It may also consider expanding the entertainment offered to customers, such as live quizzes, exhibits dedicated to a single artist or workshops.

At the beginning of the thesis, the stated goal was to find out whether it is possible to report a profit, which the company can achieve according to the analysis and the company can be at the end successful.

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LIST OF ABBREVIATIONS

a.s.	akciová spoločnosť
CV	Curriculum Vitae
EET	Elektronická evidencia tržieb
HACCP	Hazard Analysis and Critical Control Points
k.s.	komanditná spoločnosť
PEST	Political, Economic, Social, Technological environment analysis
ROI	Return on investments
s.r.o.	spoločnosť s ručením obmedzeným
SWOT	Strengths, Weaknesses, Opportunities, Threats
v.o.s	verejná obchodná spoločnosť

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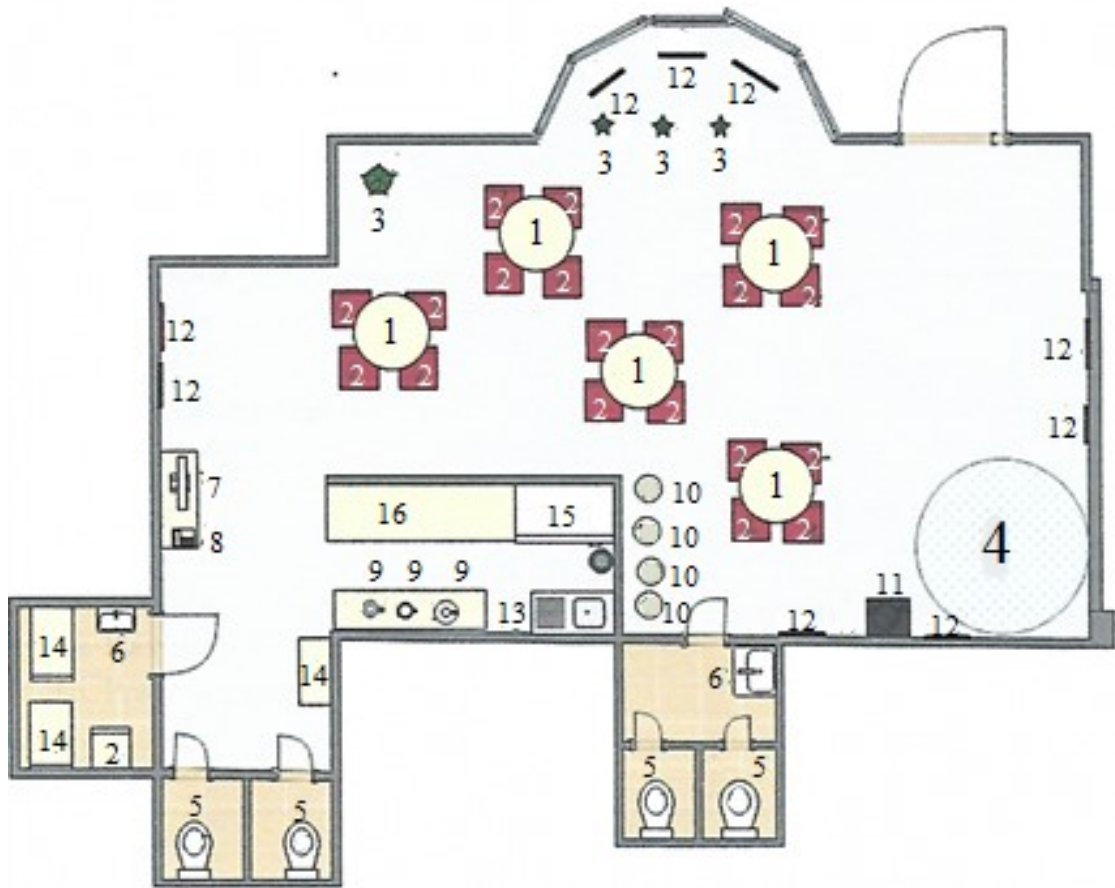
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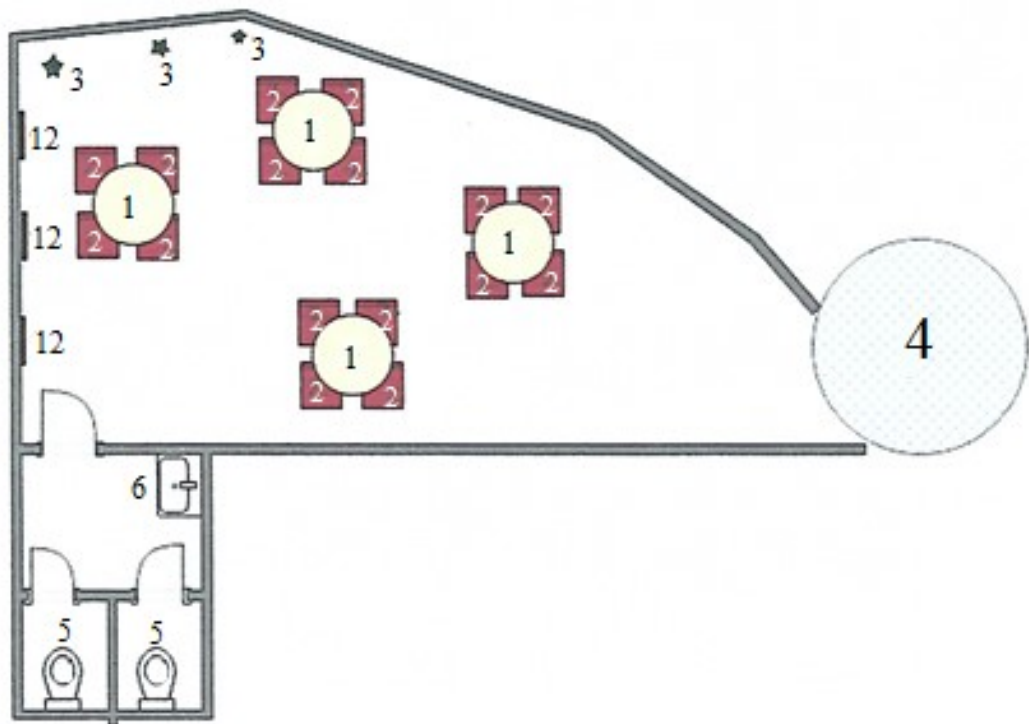
APPENDICES

- P I Layout of the company (first floor)
- P II Layout of the company (second floor) with legend

APPENDIX P I: LAYOUT OF THE COMPANY (FIRST FLOOR)



APPENDIX P II: LAYOUT OF THE COMPANY (SECOND FLOOR)



Legend:

1 - Table

2 - Chair

3 - Flowerpot

4 - Stairways

5 - Toilet

6 - Washbasin

7 - EET device

8 - Telephone

9 - Cup

10 - Bar chair

11 - Gramophone

12 - Painting

13 - Sink

14 - Cabinet

15 - Coffee machine

16 - Work desk