

A Business Plan for MyCafé

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Provedte průzkum literárních zdrojů pro založení podniku a podnikatelského plánu.
Provedte dotazníkové šetření zaměřené na potenciální zákazníky.
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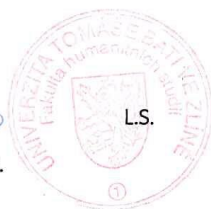
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ABSTRAKT

Tato bakalářská práce je zaměřena na sestavení podnikatelského plánu pro založení kavárny s živou hudbou s názvem MyCafé. Teoretická část se zabývá základním konceptem podnikání. Dále je také věnována pozornost podnikatelskému plánu a jeho struktuře. V praktické části jsem vypracovala konkrétní podnikatelský plán pro založení společnosti MyCafé.

Klíčová slova: podnikání, podnikatelský plán, SWOT analýza, analýza trhu, kavárna, proveditelnost

ABSTRACT

This bachelor thesis focuses on formulation of business plan for establishment of café with live music performances called MyCafé. The theoretical part deals with basic concept of entrepreneurship. Moreover, proper attention is paid to business plan and its structure. In the practical part, I elaborated specific business plan for establishment of company MyCafé.

Keywords: entrepreneurship, business plan, SWOT analysis, market analysis, café, feasibility

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If you can dream it, you can do it.

Walt Disney

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INTRODUCTION

As a topic of my bachelor thesis I have chosen business plan for a café called MyCafé. The reason is obvious; I have always dreamed of having my own café in Uherské Hradiště. Even though, there are plenty of cafés, restaurants, confectioners, pubs and other premises in Uherské Hradiště, I did not find the one that would suit me perfectly. This is the reason I started to think of my own premise and ideas are constantly shaping up in my mind. The main goal was to find the gap on the market in Uherské Hradiště and simultaneously to find some activity that would fill me with enthusiasm. I strongly believe that café with live music suits perfectly to this vision. This belief is what fuels me to make my dream come true.

To further describe my vision, MyCafé will be characterized by occasional music live performances and evocation of living room feeling. I came to this idea because as far as I am concerned there is not such place in Uherské Hradiště where one can listen to live music, drink delicious cup of coffee and feel comfortable at the same time. In addition, I miss homely and personal attitude in cafés and other premises in Uherské Hradiště and that is the reason why I want to put emphasis on this as well.

The aim of my bachelor thesis is to ascertain whether my vision of café with live music performances in Uherské Hradiště is feasible or not. This plan shows me potential threats that came from close environment, what amount of finances is needed and other important information before starting the business. In the future, this business plan may work as base for the establishment of my own café.

The bachelor thesis consists of two parts. First part is theoretical part which concentrates on basic information about business plan. In order to understand the concept of business plan, the thesis firstly focuses on description of entrepreneurship and terms related to it. Then, attention is paid to business plan, its principles, benefits and structure.

The second part of my bachelor thesis is practical part. In this part I elaborate concrete business plan for MyCafé that proceeds from theoretical part. I further analyze each part of business plan. I put great emphasis on characterization of the MyCafé concept, formation of market analysis, marketing plan and financial plan.

I. THEORY

1 ENTREPRENEURSHIP

Entrepreneurship has been described by many authors in many different ways. Generally, it can be understood as a process that includes vision of an entrepreneur, creation of new ideas and their realization and changes performed during business activities. Additionally, this process should be done with passion and energy. (Kuratko, 2014, 23)

In the Czech Republic, entrepreneurship is regulated by Business Corporation Act (90/2012 Coll.), and Trade Licensing Act (455/1991 Coll.). By law, entrepreneurship is defined

as systematic activity that is independently conducted by an entrepreneur for the purpose of making profit in his or her own name, and at his or her own liability (responsibility).

To understand the definition properly some terms need to be discussed in more detail:

- **systematic activity** - activity that is realized repeatedly on regular basis,
- **independently** - natural person acts as a person, legal entity acts through statutory body,
- **making profit** - business activity must be done in order to achieve profit,
- **his or her own name** - concerning natural person, legal operations are done in his or her own name, meanwhile legal entity's legal operations are done in its business name,
- **his or her own liability** - entrepreneur bears all risks connected with conducting business. (Srpová and Řehoř, 2010, 20)

The essence of entrepreneurship is to evaluate invested capital in a way to increase value of a company. Therefore it is vital to provide such products that are able to satisfy customer's wants and needs and thanks to acceptance of these, products are likely to lead to prosperity, even though it is not guaranteed. However, in entrepreneurship nothing is guaranteed. Entrepreneur always faces risks and the aim is to find such policy that would reduce risks as much as possible. (Mulačová and Mulač, 2013, 15-16)

1.1 Enterprise

Enterprise can be defined as an institution created for the purpose of business activity; it is used for transformation of inputs to outputs. It is considered as a tool for evaluation of invested capital. Enterprise is made of:

- tangible components - movable and immovable assets,
- intangible components - patents, licenses, know-how, goodwill, etc.,

- personal components - employers and employees. (Vochozka and Mulač et al., 2012, 35)

As Dedouchová (2001, 10) adds, for running business in a right way an enterprise should determine its mission to know what areas and aspects are necessary to focus on. Entrepreneur should have clear idea of direction that his/her enterprise head towards. To accomplish enterprise's mission, it is essential to determine objectives and to follow them.

1.2 Entrepreneur

As Synek (2011, 4) suggests, entrepreneur is person who makes use of entrepreneurial, technical and human potential to create innovations and changes. Entrepreneur is either natural or legal person, that is recorded in the Commercial Register and that conducts business activity on the basis of trade authorization or authorization issued under particular acts or regulations.

The question suggests itself - is entrepreneur born or rather made? One of the entrepreneurial myths arising is that entrepreneur must be born. This is not true; entrepreneurship can be learned since everything depends on person's ability to learn new things, on will and enthusiasm. As Peter Drucker (1985) noticed: "The entrepreneurial mystique? It's not magic, it's not mysterious, and it has nothing to do with the genes. It's a discipline. And, like any discipline, it can be learned." All the processes concerning running business, such as enterprise foundation, market analyses, etc., can be learnt. On the other hand, what cannot be learnt is attitude towards entrepreneurship. (Srpková and Řehoř, 2010, 21)

1.2.1 Personality of an entrepreneur

Because entrepreneurship is hard and responsible activity, entrepreneur should have distinctive personality. Even though, if an entrepreneur has such a personality, it does not necessarily mean success in running a business but it can help. According to observations of successful entrepreneur's behavioral characteristics, there are distinctive entrepreneurial traits:

- **Responsibility** - Because entrepreneur is responsible for his/her liabilities, he/she should ensure payment of these liabilities. Entrepreneur must observe laws in force, meet contracts and other obligations.

- **Initiative** - Entrepreneur should have spirit of initiative from the very beginning of his/her enterprise because he/she should come up with something new - whether it is new product, new market strategy or new know-how. Entrepreneur must be able to react promptly to the market changes and technical progress, or even better to be “one step ahead.”
- **Persistence** – Usually, it is rare that success comes from the very beginning and therefore persistence is needed to achieve chosen objectives. In addition, this skill can help entrepreneur to overcome possible problems.
- **Intelligence** - Entrepreneur should have strategic thinking, he/she should be able to make decisions rationally, to think in analytical way, etc. Moreover, it is beneficial when entrepreneur has emotional intelligence – which means that on the one hand, entrepreneur knows his/her own emotions and manages them and on the other hand, understands others’ emotions and copes with interpersonal relationships.
- **Other skills** - Entrepreneur should be familiar with managerial skills, for instance planning, human resources, critical thinking, financial skills, etc. (Šimon and Petera, 2010, 12-14) What is important, entrepreneur should have social skills, such as convincing others or ability of acclimatizing to various situations. Then it is much easier to communicate not only with employees, but also with customers. Concerning communication, it is useful for entrepreneur to master assertiveness. (DeNisi, 2015)

2 ESTABLISHING A NEW BUSINESS

Before entrepreneur makes a decision about legal form of the business, he/she should take into consideration what form is the most appropriate for his/her concept. Therefore, pros and cons of legal forms need to be considered since they differentiate in tax burden, start-up capital, start-up costs, company's management structure, liability for debts, etc. (Staňková, 2007, 77-78)

Initially, entrepreneur decides if he/she intends to run business as natural person or legal entity. In the Czech Republic any business activity is done upon trade license that is regulated by Trade Act 455/1991 Coll., or another license, that depends on specific business activity. (Mzv.cz, 2015)

2.1 Business of a natural person

Business of a natural person, that is considered to be the simplest form of business, is characterized as a single person who conducts business upon trade license. Typically, natural persons are not only entrepreneurs but also workforce. (Synek, et al., 2011, 36)

For carrying on trade, entrepreneur firstly ascertains which category his/her business falls in since each category requires specific conditions. Nonetheless, every entrepreneur must meet general conditions that are listed in Trade Act 455/1991 Coll.:

1. age condition - not less than 18 years of age,
2. legal capacity,
3. integrity.

This form of business is suitable for persons whose business is small. It is characterized by low demand on start-up capital (no capital required), unlimited liability and qualifications of entrepreneur. (Šiman and Petera, 2010, 34-35)

2.2 Business of a legal entity

Legal entities are defined by Business Corporation Act 90/2012 Coll. as business corporations. Every legal entity has to be incorporated in the Register of Companies. Legal entities can be either business companies or cooperatives. System in the Czech Republic allows 6 different forms of business companies: general partnership, limited partnership, limited liability company, joint-stock company, European company (Societas Europea), and European Economic Interest Grouping. Cooperatives are Cooperative and European Cooperative Company. (Mzv.cz, 2015)

2.3 Commercial companies

General partnership

A general partnership, in Czech veřejná obchodní společnost (v. o. s. or veř. obch. spol.), is a company founded by at least two persons, that are involved in its business activities under joint company name. Each person conducts a statutory representative and manages a company, if they do not agree differently. If a company generates profit, it is equally divided among partners. However, all partners are fully responsible for the liabilities of the company by all their personal assets. With comparison to other agreements about cooperation, partners are “more connected” and it is more complicated to end the partnership. Therefore, it is necessary to choose partners carefully. (Sprová and Řehoř, 2010, 70-72)

Limited partnership

Limited partnership, in Czech komanditní společnost (k. s. or kom. spol.), is a business corporation that combines attributes of limited liability company and general partnership. The company is found at least by two persons. One or more of them are called fully limited partners, who are fully responsible by all their personal assets for the liabilities of a company. (Dornseifer, 2005, 57) Because they undertake higher risks, they form the statutory body and manage the company. On the other hand, limited liability partners are not fully responsible for the company’s debts, only up to the amount they invested into the registered capital, thus minimally CZK 5000. Limited liability partners do not participate in managing a company, they only have right to look into accounting documents and to control the company’s activities. (Šiman and Petera, 2010, 38-39) If a company generates profit, it is allocated half-and-half between fully limited and limited liability partners, unless agreed differently. Then, profit is equally distributed among the members of fully limited and limited liability partners, if not stated differently in contract. (Reuvid and Terterov, 2005, 60-65).

Limited liability company

Limited liability company, in Czech společnost s ručením omezeným (s. r. o., or spol. s r. o.), is by far the most common form of legal entity in the Czech Republic. It can be founded by one or more natural or legal person. Registered capital comprises contributions of all shareholders, minimal amount is CZK 1. Limited liability company is fully liable for its debts, however its shareholders are responsible for the liabilities of the company only up to the sum of their non-paid contribution to the registered capital. Shareholders are

not obliged to participate actively in business activities of the company. They comprise supreme body of the company, with the right to make important decisions about company's activities. If the company creates profit, it is distributed according to shareholders' proportion of shares, unless stated otherwise. (Dornseifer, 2005, 38-56)

Joint-stock company

A joint-stock company, in Czech *Akciová společnost* (a. s. or akc. spol.), is a capital based company with registered capital that is divided into particular number of shares with particular nominal value. The minimum sum of registered capital is 2,000,000 CZK, nevertheless if a company offers its shares publicly, the minimum sum of registered capital is 20,000,000 CZK. This type of company can be found by a sole shareholder, however only in the case if shareholder is legal person, otherwise the number of shareholders is not limited. Shareholders are not liable for the company's debts. Compared to limited liability company, shareholders are strictly divided from those, who actually manages the business operations. This fact is reflected in company's three statutory bodies: executive board of directors, general meeting of shareholders and supervisory board; each of them has different functions. If company generates profit and decides to pay the dividends, it is allocated equally for each share. (Dornseifer, 2005, 15-26)

European company

As a result of joining the European Union, other forms of companies can be set up in the Czech Republic. One of them is European Company, also known as *Societas Europaea* (SE), in Czech *Evropská společnost*. This form is similar to joint-stock company, however it is regulated by laws of European Union. It is capital based company which allows its entrepreneurs to conduct their business in conjunction with entrepreneurs from member states of EU. Its foremost benefit is to make capital flow across EU easier. (Akont.cz, 2011)

European economic interest grouping

Another form of company regulated by EU is European Economic Interest Grouping; in Czech *Evropské hospodářské zájmové sdružení* (EHZS). Main aim of this company is to establish partnerships with entrepreneurs from EU member states and to develop entrepreneurial activities. (Businessinfo.cz, 2014)

2.4 Cooperatives

Cooperative

According to Law No. 90/2012 Coll, on commercial companies and cooperatives, cooperative, in Czech družstvo, is a community of people that is founded in order to provide mutual support of its members or third parties, or to conduct business activities. It assures economic, social or other needs of its members. Its registered capital is made by each member's contribution; the amount of contribution is not defined. Generally, members of cooperatives are not responsible for debts of a cooperative, on the other hand cooperative itself as a legal entity is responsible for its liabilities. However the statutes of cooperative may impose the duty for members to reimburse the loss of cooperative. Cooperative includes three basic authorities: membership meeting, board of directors, and audit commission. (Czechlegislation, 2014)

European cooperative society

European cooperative society, in Czech Evropská družstevní společnost (SCE), is regulated by laws of EU and partly by laws of country in which SCE resides. Its purpose is to satisfy members' needs and to develop their social and economic activities. Each member should be involved in cooperative's activities, for instance as an employee, supplier that is delivering goods or services, or consumer. (Czechlegislation, 2014)

3 BUSINESS PLAN

Business plan is written document that focuses on future development of a certain enterprise and describes its crucial internal and external factors. Before creating a business plan itself, entrepreneur should ask himself/herself sufficient questions; who is the target audience and what is the purpose of business plan. The structure of business plan may differ according to target audience and its purpose. Practically, business plan can be compiled not only when establishing a new business, but also when a company decides to change their vision, to enlarge a company, or to request for capital funding since it is sufficient document during communication with external subjects. It may help to reveal whether the idea of company's concept is realistic or not. Surely, it is better to notice mistaken idea during preparation of the business plan than to implement it into business and loose invested money. (Šiman and Petera, 2010, 46)

3.1 Principles of a business plan

In order to prepare good business plan, there are certain rules to follow:

- **Be concise** - a business plan should be brief as it makes text transparent and makes it easier to understand.
- **Be clear** - language should be simple because investors want to get to the point.
- **Be logical** - in order to make a business plan coherent, ideas should be arranged in logical sequence.
- **Be realistic** - entrepreneur should keep realistic view on a business plan and should not overstate it. If he/she has strong idea, it will speak for itself.
- **Be creative** - innovative concepts can help entrepreneur to draw investors' attention. It is beneficial to make the plan unique and remarkable in some aspects in order to make it shine.
- **Think in figures** - numbers can show entrepreneur whether his/her business plan is viable or not. (Blackwell, 2011, p. 4-5)

3.2 Benefits of a business plan

Business plan is beneficial in many ways. Entrepreneur can use it as a tool to attract potential investors or to convince bankers to provide financial backing as they have deep insight into entrepreneur's business concept. Thanks to this document, entrepreneur can define possible problems and opportunities that may influence his/her business. Moreover,

when running a business, it can help entrepreneur to transform his/her ideas into profitable business, to achieve his/her goals and not to leave the track. (Chron, 2015)

3.3 Structure of a business plan

Structure of a business plan may vary according to different legal forms, purposes or target audience. Even though, an entrepreneur may create his/her business plan in his/her own way, it is necessary to keep in mind that he/she is probably not the only person who is going to read the business plan. Thus, it is better when business plan follow the recommended structure in which parts are arranged in logical order. Moreover, some bank institutions determine the form since they do not search for originality but for functionality.

A business plan should contain following parts:

- title page,
- executive summary,
- company description,
- market analysis,
- marketing plan,
- operative plan,
- personal sources,
- financial plan,
- risk evaluation,
- supporting documents and appendices. (Koráb, Peterka and Režňáková, 2007, 72-73)

3.3.1 Title page

The title page is identification part that functions similarly as cover of a book. It should be created in such way to create good first impression in order to gain reader's attention. The title page will include following parts: company name, address, contact, logo, basic information about the owner/s (name, title, address, and phone number), date of establishment, name of the preparer and number of copy. (Pinson, 2008, 18)

3.3.2 Executive summary

Executive summary basically depicts abstract of a business plan in one page. Therefore, it is better to write it after finishing the rest of the business plan. This page should be given

its importance because sometimes it is the only page that readers come through. Therefore, entrepreneur should represent his/her idea in the way to induce interest in audience to read the rest of his/her business plan. Generally, it should contain description of owner/manager, product, market, strengths, strategies, financial sources, etc. However, in order to make the first impression, entrepreneur should highlight key points, for instance: why it worth to be put into practice, why it will succeed, what entrepreneur wants from reader, etc. (Finch, 2010, 23-24)

3.3.3 Company description

Description of a company provides detailed information about company, such as legal form, products or services, location and mission of a company.

Legal form

In this section, there is type of legal entity an entrepreneur chooses for running a business depending on organizational structure, number of owners, industry, etc. However, there might be other legal issues than just legal form. For example, if an entrepreneur has any licenses, patents, copyrights, trademarks, or other legal issues, it should be mentioned in this part as well. (Abrams, 2010, 67-69)

Products and services

This part describes nature of products or services that will be provided. If an entrepreneur intends to provide large amount of products or services, it is not vital to list them all. Instead, only general categories or product lines can be identified. An entrepreneur can also name products that are about to be introduced in the future. However, if the company decides to provide innovative product or service, it should be described in details because reader should understand it.

Location

If a company has its location, it should be listed in this part. Location part can be discussed in more detail in order to specify all the premises, such as headquarters, main place and branch locations. Nevertheless, a company might not have secured its location yet. In this case, an entrepreneur should identify at least approximate whereabouts. In addition, an entrepreneur can specify reasons why he/she decided to enter this location.

Mission

Successful mission statements are not just empty sentences therefore it is usually the most challenging part of a company description. An entrepreneur's mission statement

determines concept of a business for next few years. It should include basic principles and objectives that will shape the direction of all business activities. (Abrams, 2010, 69 - 76)

3.3.4 Market analysis

Basically, market analysis means qualitative and quantitative assessment of a target market. Thanks to market analysis company may recognize unique features of target market, size of the market, potential customers, competitors and all other stakeholders. In order to understand all those elements of market, it is essential to gather as much information and data as possible and then to conduct market research, for example in the form of questionnaires, analyses of competitors and other surveys. All in all, market analysis is important part of business plan as it serves detailed overview of the industry where company intends to introduce its products and services. (Pinson, 2008, 41 - 43)

3.3.5 Marketing plan

The marketing plan outlines strategy of a company and the way it intends to break into market in order to reach its customers. Designing of proper marketing plan is vital for successful business plan because reaching customers usually costs money. In order not to lose money by investing into marketing strategy that does not function, Srpová, Svobodová et al. (2011, 22) claim that it is necessary to define following aspects in order to create successful marketing strategy:

- define target market,
- determine position of the product/service on the market,
- develop suitable marketing mix.

To find target market, company must be aware of market segmentation. Because it is not possible to satisfy wants and needs of market as a whole, company has to focus on certain market segments with unique characteristics. Then, a company should be able to understand these characteristics and to produce such product that would fit the segment. After target market determination, a company decides what position it wants to maintain. That means to determine the position of the product or service on the market with comparison to its competitors. The goal is to gain distinctive customer perception and to be different from competition.

The next step is to find such a marketing strategy that will help company to achieve its objectives. One of them is marketing mix. Basic elements of marketing mix that have been

explained by marketer E. Jerome McCarthy, are the “4Ps” - product, price, place and promotion. Those basic components are mutually interconnected and each of them should reinforce and support the other. (Fotr and Souček, 2005, 33)

Even though, the basic 4Ps of marketing mix are still used, throughout the time they increased in number. As this thesis deals with business plan for a café, including providing services, remaining elements of service marketing mix must not be omitted. Along with basic 4Ps of marketing mix, there are people, process and physical evidence.

Product

Product represents goods and services that are offered by a company to its customers. Product is fundamental since it represents the company and therefore is the core of marketing. When thinking about product, company considers what line of products it will offer, what will be the product features, what benefits it will serve to customers, what will be the product mix and product life cycle. (Srpová, Svobodová et al., 2011, 23-24)

Price

Existence and stability of a company depends on pricing strategy. A company decides on pricing strategy according to what segment of customer it wants to reach. However, there are also other factors that company should respect when setting a price:

- company's mission,
- costs,
- demand,
- competition,
- product life cycle stage,
- and others. (Fotr and Souček, 2005, 24)

Place

Place, or in other words distribution, means the way a product have to undergo from manufacturer to end-user. A company decides which distribution channels it is going to use. On the one hand, it can sell its product directly to customers, for example through internet, mail order or telemarketing. On the other hand, there is option to use indirect distribution channels, i.e. agents, brokers, retailers and wholesalers. However, this way may be costly for end-user as each of the intermediaries add profit margin. (Finch, 2010, 37-39)

Promotion

Promotion, in other words communication with customers, represents activities that company performs for the purpose of informing the customer about its product. Because today's customer is overwhelmed by information, it is important for the company to choose the right way to draw customers' attention in order not to be ignored. There are particular methods that help to promote products or company to a target audience commonly known as communication mix. Communication mix consists of five fundamental elements, i.e. advertisement, personal selling, sales promotion, public relations and direct marketing. However, in today's world also sponsorship, product placement or events and experiences come into popularity. (Mulačová and Mulač, 2013, 248)

People

If a company provides services, there is always contact between customer and service provider (for example employee). Because service cannot be separated from the person providing it, people are those who create impression on the customer and those who influence the quality of a service. Therefore, employees can be trained and motivated to create good relationships with customers.

Process

Process can be understood as way of providing service. Delivery of service should always be on the same level because it is repetitively provided to customers. Therefore, people providing services must be clear about the way they deliver the service.

Physical evidence

Since services are intangible, customers may assess their satisfaction after service is done, which might make them feel uncertain about the service. This doubt can be disproved by physical evidence. Physical evidence consists of elements that make service tangible. There can be several forms - interior design, brochures, uniforms, etc. (Vašítková, 2014, 21-23)

3.3.6 Operative plan

Operative plan describes how entrepreneur intends to run his/her business. Formation of operative plan is important especially for internal purposes of a company. There can be description of specific processes running within a company, day-to-day operations, facilities, production plan, operational control, supply and distribution, customer service and other operational issues.

As Rhonda Abrams noticed (2010, 179), operative plan does not necessarily need to be described in detail; on the contrary, it is better to be brief. As she mentions, if an entrepreneur give thorough description focused on small details of his/her concept, it may appear that entrepreneur does not have vision.

Moreover, Finch (2010, 48) highlights that in this part it is better to focus on differences because one of the key success factors is being different from the competition. Therefore what can be mentioned here are things that give the company competitive advantage.

3.3.7 Management and personal resources

The need of management and personal resources depends on demand of marketplace, capabilities of entrepreneur/s and the time they are willing to devote to their business. Nevertheless, size of a company also matters. The larger the company the higher demand on personal and management resources. (Pinson, 2008, 32)

If a company is small-sized, it will be enough to provide fundamental information about owner/s, for instance their skills, experiences, and qualifications. On the other hand, if a company is larger in size and requires several levels of management, teams of workers, etc., this part requires elaborated description - what number of employees is needed, what qualification is needed, what is the hiring policy, and other issues. (Koráb, Peterka and Režňáková, 2007, 87)

This part can also include a map of company's structure; so called organizational structure. The level of organizational structure is dependent on complexity and size of a company. Basically, it should be structured in such way to ensure effectiveness and functionality. (Koráb, Peterka and Režňáková, 2007, 103-104)

3.3.8 Financial plan

Financial plan is build up on well-executed decisions and on realistic numbers. By looking at the business in realistic way, an entrepreneur may find his/her concept unfeasible. However, if the numbers are good, this section can help with persuading potential investors to fund the project, to get bank loan or to obtain capital in another way. Even if no financing is needed, yet financial plan should be compiled to run the business successfully. An entrepreneur should use it as a guide during the business lifetime. (Inc.com, 2016)

First of all, an entrepreneur has to calculate start-up costs that are needed to set up the business. The start-up budget is then used to buy necessary facilities, equipment, software, licenses, etc. The next step is to compile start-up balance sheet, but also other

financial documents can be included, for example income statement, cash flow or breakeven point analysis. (Staňková, 2007, 110)

Balance sheet

First of the financial documents is balance sheet that shows financial structure of a company; i. e. company's assets, liabilities and net worth. Basically, assets mean what company owns. Assets can be divided into current assets, that change their form, and long-term assets, that mostly remain durable. On the other hand, liabilities show how assets are financed. Assets can be covered by equity, which mean finances provided by owners, or by other sources, which represent obligations of a company. Lastly, net worth is the equity of owner. (Srpová and Řehoř, 2010, 314-316)

Generally, balance sheet reveals if the project is financed from entrepreneur's capital or if there was need to gain finances from external sources. Generally, it is recommended to combine both of financing sources. On the one hand, it is necessary invest some amount of money into the project. By investing entrepreneur's own finances, he/she demonstrates that he/she believes in the project. Moreover, this may persuade other investors to put their money in. On the other hand, it is beneficial to finance the project from other sources, for example from bank loans, investors and other entities. By borrowing financial instruments, a company pays a charge, for instance the charge from taking out a bank loan is interest. Because interests are costs, they reduce income and accordingly taxes. A company should find optimal capital structure in order to use the finances in proper way – with higher debt the risk increases but with low debt the use of financial means is ineffective. (Koráb, Peterka and Režňáková, 2007, 130-131)

Income statement

Income statement, also known as Profit and Loss statement, is one of the financial documents included in financial plan. This document shows financial activity and reveals whether the company is profitable or not over a certain period of time. In order to prepare this statement, an entrepreneur has to be familiar with his/her sales and expenses. Even though income statement shows sales and expenses of the company, it does not show overall picture of company value. (Abrams, 2010, 278-279)

Cash Flow

A company does not necessarily have to receive full payment from customer at the point of sale. Because of this, it may seem that the company does well, however it may have high amount of receivables. For example, income statement may embody high revenues but

those revenues may not be connected to actual income. For this reason, it is useful for the company to compile cash flow in order to be aware of its cash operations. Based on its nature, payment can be divided into operating, investing or financing activities. (Koráb, Peterka and Režňáková, 2007, 136-137)

Breakeven Analysis

Breakeven point is a state in which company has neither profit nor loss. Put in other words, at this point company's total revenues are equal to its total costs. Breakeven analysis operates with 3 projections:

1. Fixed costs - costs that remain stable irrespective of production changes.
2. Variable costs - costs that changes when changes in production appear.
3. Total sales volume.

Breakeven point is then calculated as follows:

$$\text{BEP} = \text{Fixed costs} + [(\text{Variable costs}/\text{Estimated revenues}) * \text{sales}] \text{ (Pinson, 2008, 92-93)}$$

3.3.9 Risk evaluation

Abrams (2010, 140-141) states that every business plan faces risk and therefore, risk evaluation should be part of every business plan. Its role is to assess and prevent threats the business faces. There are many kinds of potential risks a company may encounter, that is market risk, competitive risk, technology risk, execution risk, capitalization risk, or global risk.

Finch (2010, 109) suggests, that many entrepreneurs are afraid of including this part into their business plan as they think it will frighten potential investors. Nonetheless, by completing this section, investors can see that entrepreneur is aware of risks and threats and is not dazzled by perfection of his/her concept. By not including this part into the business plan, the concept might not be taken seriously.

3.3.10 Supporting documents and appendices

The last section of business plan is supporting documents and appendices. They benefit the business plan as they support and reinforce statements and decisions that were previously mentioned. This is the right place to provide detailed information about certain issues. (Abrams, 2010, 311-313)

Some of the following documents can be included:

- **Curriculum vitae** - for example CV of owners/managers/sole proprietors/key personnel, etc. It is up to entrepreneur which CV he/she decides to include.

- **Contracts** - contracts of high importance can be also enclosed, for instance contract from a key customer, or loan contract.
- **Owner's financial statement** - this statement provides information about personal assets and liabilities of owners. (Pinson, 2008, 114-116)
- **Market research results** - if market research was conducted, the description of results can be attached there.
- **Marketing material** - for example, brochures, leaflets or packaging can be included.
- **Location description** - there is detailed description of stores, branch offices, plants, etc. Moreover, floor plan that depicts layout and use of space can be also included.
- **Other information** - such as technical information if new technology is too demanding, manufacturing information if an entrepreneur wants to include manufacturing process, work schedule, photos and others. (Abrams, 2010, 311-313)

4 SUMMARY OF THEORETICAL PART

Firstly, the theoretical part deals with the meaning of entrepreneurship, enterprise and entrepreneur. Then, the thesis demonstrates the possibilities an entrepreneur has when establishing a business in the Czech Republic. It concerns with business of a natural person and business of a legal entity that is described in more detail. The main section of the theoretical part deals with the business plan itself. It describes what the business plan is, what the principles and benefits are and most importantly, what the structure of business plan should look like. Appropriate attention is paid to company description, marketing plan and financial plan, which shows if the concept is feasible or not.

II. ANALYSIS

5 THE BUSINESS PLAN

The analysis part concentrates on a specific business plan for establishment of new company MyCafé. The business plan is based on information from theoretical part.

5.1 Title page

A Business Plan for MyCafé

Name of the company:	MyCafé						
Legal form:	Limited liability company						
Residence of the company:	Mariánské náměstí, 686 01 Uherské Hradiště						
Date:	1 January 2017						
Created by:	Pavλίna Bílá						
Contact details:	Telephone: 774 654 577 Email: bilapavlina2@gmail.com						
Creator's address:	Babice 391, 687 03 Babice						
Description of the company:	The purpose of the business is to provide high-quality services, such as beverage and desserts serving and live music performances.						
Financing:	Start-up costs will be covered by building society account of the creator, the sum available is 600 000 CZK and the rest (250 000 CZK) will be covered by bank loan. The total sum is 850 000 CZK. <table><tr><td>Building society account</td><td>600 000 CZK</td></tr><tr><td>Bank loan</td><td>250 000 CZK</td></tr><tr><td>Total sum</td><td>850 000 CZK</td></tr></table>	Building society account	600 000 CZK	Bank loan	250 000 CZK	Total sum	850 000 CZK
Building society account	600 000 CZK						
Bank loan	250 000 CZK						
Total sum	850 000 CZK						

5.2 Executive summary

Company description

The business plan deals with the concept of café with live music performances called MyCafé that is established by one natural person - Pavlína Bílá. She will be employed in the business as an accountant and manager. MyCafé will be situated in Uherské Hradiště, more precisely on Marian Square. Legal form of this business is limited liability company on the basis of trade license. MyCafé will differ from its competition in many ways. It will organize live music performances regularly - on Fridays and Saturdays. Moreover, from time to time the founder intends to hold lectures of inspiring people. The whole setting and atmosphere will be adapted in such way to evoke feeling of living room. The reason is that the owner wants customers to feel like at home.

Product description

MyCafé offers wide range of beverages. Attention will be paid to coffee, each day customer can choose from two coffee blends - one of them will be bitter and the other softer

with tones of sweetness. MyCafé will also concentrate on teas, as the ingredients will be mostly fresh. Considering teas, MyCafé also offers homemade ice teas. Apart from coffee and tea, we will also focus on fresh juices from fresh fruits and vegetables according to daily offer. Furthermore, there is also opportunity to try homemade desserts or other meals (variations of wraps). Along with these services, MyCafé will organize live music performances and lectures, as mentioned above.

Objectives of the company

Among all of the objectives of MyCafé, the most important objective is to differentiate from its competition. As there is huge competition in Uherské Hradiště, the key to success is to differentiate and to offer customers something new. As soon as MyCafé is working, it will do its best to obtain loyal customers.

Financial plan

The registered capital of MyCafé is 850 000 CZK. Partial source of finances is the owner herself - she invests 600 000 CZK into the business. The rest of the finances will be covered by bank loan from Komerční banka with interest rate of 10.07 %. The financial plan includes start-up budget, expected start-up costs and regular costs, expected revenues and expected profit or loss.

5.3 Company description

This section is divided into several parts. It describes specialization of the business, MyCafé's objectives, its legal form, location and opening hours.

5.3.1 Business specialization

Purpose of MyCafé is to satisfy customer's wants and needs with high-quality services. Main idea is to make customers feel like if they were sitting in the living room by combining pleasure of freshly ground coffee and melodious tones of live music. MyCafé will provide wide range of services and customer will have opportunity to enjoy wide range of beverages, desserts, limited selection of wraps, books from book case, live performances, etc.

5.3.2 MyCafé's objectives

- to differentiate from competition,
- to find loyal customers,
- to organize some event (music, lecture, etc.) every week,
- to satisfy customers as much as possible,
- to pay obligations in time,
- to gain profit within 2 years from the establishment of the company.

5.3.3 Legal form

MyCafé is established by one natural person - Pavlína Bílá. Suitable legal form for this business is limited liability company upon the following trade licenses based on Trade Licensing Act 455/1991 Coll.:

- Catering services - this trade allows preparation and sale of beverages and dishes that are consumed in premise.
- Bakery and pastry products - this trade enables storage and preparation of raw materials, production of doughs and their processing, heat treatment, filling, etc.
- Manufacture, trade and services unspecified in Annexes 1 - 3 in the Trade Licensing Act.

5.3.4 Location

Premise of MyCafé will be located on Marian Square. The founder has decided to choose this location for several reasons. This square is located in the nearest center of the Uherské Hradiště and it is few minutes by walk from bus and train station. In addition to this,

with comparison to town's main square (Masaryk Square), on Marian Square there is cheaper rent.

5.3.5 Opening hours

Opening hours of MyCafé will differ on workdays and weekends. Specific opening hours are further demarcated in the following table:

Opening hours of MyCafé	
Monday - Thursday	10:00 - 22:00
Friday	10:00 - 24:00
Saturday	12:00 - 24:00
Sunday	12:00 - 18:00

Table 1: Opening hours of MyCafé (own creation)

5.4 Product description

Beverages

Considering beverages, customer can choose from several coffee beverages. The coffee beans will be grounded right in the premise. Every day, customer will have opportunity to choose from two coffee blends with distinctive taste. One of the blends will be bitter and the other one will be softer with tones of sweetness.

MyCafé will be particular about teas as well. It will offer fresh teas using fresh leaves or fresh roots, such as mint leaves or ginger root. Moreover, the offer includes home-made ice teas with fresh herbs.

Another area of beverages, that MyCafé will specialize in, are beverages from fruits and vegetables, so called fresh juices. Customers will have opportunity to compose their own fresh juice according to daily offer of fruits and vegetables. If customers do not know what combination to choose, they may try recommended combination that will differ from day to day.

Lastly, MyCafé's beverage offer is completed with ordinary beverages that can be found in every café, such as lemonade, water, juices, bottled beer, wine, alcoholic and non-alcoholic drinks, etc.

Meals

Customers will be offered home-made desserts. They will be made from fresh ingredients, fruits, etc. MyCafé will go along with trends in confectionery, it will offer for example trendy raw desserts but it will also stick with traditional cakes. Every day, customers may choose from three different home-made desserts.

In order to satisfy hunger of our customers, MyCafé will have offer of three types of wraps. Again, wraps will be made from fresh ingredients.

Music

Nice seating will be enriched by occasional live music performances. They will be held especially during Friday and Sunday evenings. Furthermore, MyCafé will be equipped with piano that will be available to its customers.

Other services

As MyCafé intends to evoke living room feeling, customers can borrow several books from a book case that will be available to them. Apart from books, customers can also read daily press. There will be free Wi-Fi connection as well.

5.5 Market Analysis

In order to get to know whether the concept of MyCafé will be successful among customers or not, it is necessary to conduct market analysis. The founder released questionnaire among its potential customers. After definition of target market, an analysis of competition was made on the basis of data from questionnaire.

5.5.1 Questionnaire

The questionnaire was focused on potential customers. The founder believes that customers, who will be interested in a concept of café with live music, are predominantly from 18 to 35 years old. So as to guarantee the questionnaire to be objective, the owner decided to disseminate it among the people of this age bracket. Overall amount of respondents was 160. The questionnaire was conducted via internet. The questions were targeted in a way to ascertain if customers have awareness of cafés located in Uherské Hradiště and if there is anything they miss in these cafés. Nonetheless, main aim of the questionnaire was to ascertain if these respondents have interest in new café with live music performances. The whole questionnaire and its results in the form of graphs can be found in appendix P IV.

One of the questions in the questionnaire was if there was anything respondents miss in cafés in Uherské Hradiště. Because this question was open, there were many different

answers. For that reason, the author selected key frequent problems. The questionnaire showed, that 19,4 % of respondents miss live music performances, 17, 2 % miss homemade desserts and 16,1 % miss tasteful cup of coffee. Apart from this, respondents also miss nice serving staff, pleasing setting, tap water for free, vegan products, non-smoking place and other.

7. Is there anything you miss in cafés in Uherské Hradiště?

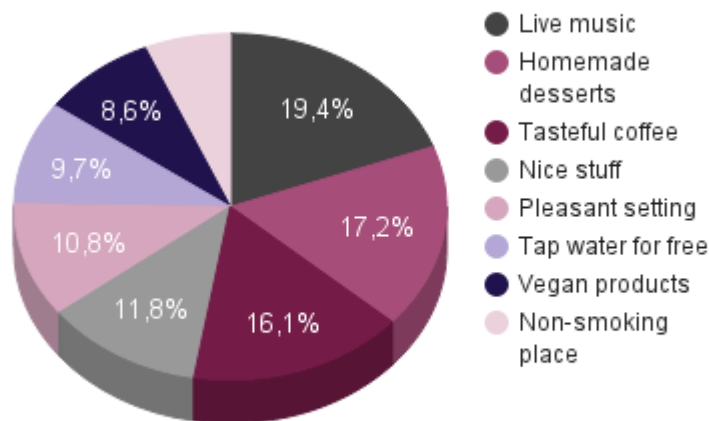


Figure 1: Is there anything you miss in cafés in Uherské Hradiště? (own creation)

Next question was the most important for the owner. It asked if the respondents would like the concept of café with live music. Basically, this question showed if there are people in Uherské Hradiště and its surroundings who are interested in MyCafé concept. It was confirmed that most of the respondents (86.3%) are interested.

8. Would you like a café with live music in Uherské Hradiště?

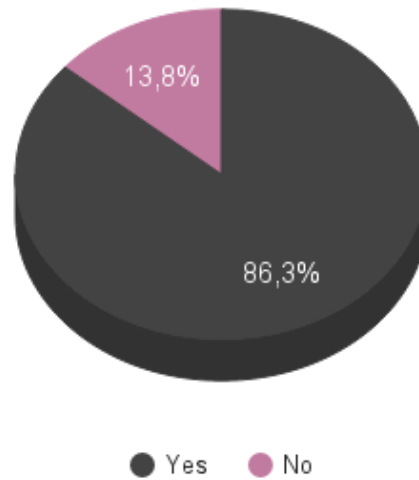


Figure 2: Would you like a café with live music in Uherské Hradiště? (own creation)

5.5.2 Target market

Target customers of MyCafé are residents of Uherské Hradiště and its surroundings. The founder assumes that highest amount of customers will be people between 18-30 years of age. From the founder's experience, such people are usually interested in live music performances held in cafés. As a result, MyCafé would like to adapt its products and service to this age bracket.

5.5.3 Analysis of competition

Competition in Uherské Hradiště is huge as there are more than 20 cafés, bars and other premises in the nearest centre of Uherské Hradiště. Therefore, the analysis of main competitors has to be done. Basically, main competitors were chosen according to owner's experience and according to answers in questionnaire that shows which cafés and bars are respondents' favorites. These businesses are analyzed in more detail:

- Jiné Café,
- Café Portal,
- Skandal Bar,
- Café-bistro Titique,
- Aquarium Bar.

Jiné Café

Jiné Café is probably the most popular café among citizens of Uherské Hradiště and its surroundings. It has two premises; both of them are situated in the center of the town. Therefore both of them have strategic location as it is not far from bus and train station.

Jiné Café, that is located on the Havlíčkova Street, is older with comparison to Jiné Café on Masaryk Square, but throughout the years it built solid customer base that includes customers of any age. They offer wide range of beverages and meals. For example recently they started to offer pizza that became popular among its customers. In the Jiné Café, there are smoking and non-smoking areas, however the place is small and smoke easily get in non-smoking area. That is why many non-smokers do not visit this place.

Jiné Café that is located in Masaryk Square is just the opposite of older Jiné Café. It is relatively new, spacious and non-smoking. This Jiné Café gained its popularity for non-smoking place with tasteful desserts and coffee. There is also piano that is available for its customers. One of the disadvantages is that this place is big and it sometimes takes time before customers can make their order. Furthermore, because of the bare wall the acoustics is inappropriate.

Cafe Portal

Cafe Portal is located on Masaryk Square in the 3rd floor of building called Portal. On the one hand, its location is beneficial as it is in the center of Uherské Hradiště but on the other hand some customers might not even notice it because there are no signs or logos to draw new customers' attention. Despite poor promotion, Cafe Portal has its customer base that is usually made by students. The reason why customers like the place is that it offers quality beverages and limited meal offer for reasonable prices. Occasionally, it also holds concerts and other live performances that attract customers. However, the place itself is equipped by obsolete and uncomfortable furniture.

Skandal Bar

Because Skandal Bar is situated on Marian Square, it has also good position because it is not far from bus and train stations. It is cocktail bar and café, therefore it offers wide range of beverages, including coffee, tea, homemade lemonades and special alcoholic drinks. Considering meals, during summer Skandal Bar offers specialties on grill which attracts many customers. The place is small and cozy and customers often have to book the table in advance. Skandal bar used to be smoking place but recently it changed into non-smoking place. Nevertheless, there still is a cigarette smoke smell and to get rid of it they would have to repaint the premise and to change settees.

Café-bistro Titique

Café-bistro Titique is found in Nádražní Street. It is located near train station and Masaryk Square. Because it is not only café but also bistro, they offer delicious home-made desserts, baguettes, salt cakes and many other meals that are baked, cooked and prepared right in their premise. Moreover, they also make cakes to order. In Café-bistro Titique, there is cozy setting, modern design, and pleasant service. Another strong point is opening hours. During the weekdays, they open in 6.30 a.m. and therefore many customers visit this place for breakfast. And even during Saturdays, they open in 7 a.m. This enterprise is relatively new, it functions since June 2015. Therefore, it slowly builds its customer base that is growing every day.

Aquarium Bar

Aquarium Bar is located in Josef Stancl Street and it is near bus station and Masaryk Square which means that the location is good. This bar is designed to make customers feel as if they are in aquarium – the setting is clean, the design is white and blue and there is also big aquarium built in wall. Aquarium Bar offers basic types of coffee, alcoholic and non-alcoholic drinks, beer, wine, and many others. Furthermore, it is non-smoking place. This bar is working since 2004 and therefore it has already gained its loyal customer base.

5.6 Marketing plan

The results of market analysis shows, that MyCafé could have some potential customers and therefore marketing plan can be compiled. The marketing plan includes information about marketing mix of the company. Moreover, another part of this section is SWOT analysis which is essential to understand strengths, weaknesses, opportunities and threats of the company.

5.6.1 Marketing mix

Product

The product is described in the section 5.4 Product description.

Price

The founder has decided to price the products based on competition pricing strategy. In Uherské Hradiště, there are many cafés and most of them have similar prices of their products. This shows that customers become accustomed to these prices. That is why the founder decided to choose competition pricing strategy, she intends to sell the products

for valuable prices customers are used to. Simultaneously, the founder also takes costs into consideration and then, the margin will be determined adequately.

Furthermore, MyCafé will also offer special price discounts in order to attract potential customers. For example, during midday there will be a cup of coffee with dessert for lower price. The founder also considers happy hours and discounts for students.

Place

Location of MyCafé premise is on the Marian Square. The distribution of the products will happen directly in the MyCafé premise. Most of the products are determined to immediate consumption right in the premise but customers will have also option to take their coffee/tea away.

Promotion

Because it is crucial to build customers' awareness, there is necessity of informing potential customers about new café MyCafé. Therefore, effective promotion has to be done even before the business opens. The founder focuses on low-cost promotion and uses following ways:

- **Leaflets** - In order to raise awareness about MyCafé, leaflets with all the necessary information (date of opening, logo, opening hours, special offering, and web page) will be distributed not only in the center of Uherské Hradiště, but also in its densely inhabited areas, such as Mařatice and Štěpnice. Distribution of the leaflets will be provided by the founder herself and her acquaintances.
- **Internet** - Fundamental of good advertisement is to have well-processed web page with all the necessary information included. The founder is particular about simplicity of the web page but with likeable design. Moreover, as social pages, such as Facebook or Instagram, are widely spread in nowadays society, MyCafé will have profile on both of the sites. There, customers will have opportunity to see daily offer of desserts, new live music events and other performances. Also, the founder wants to use YouTube channel, for instance to inform about new products, but also to make edited versions of live music performances.
- **Noticeboard**- As soon as MyCafé open, there will be noticeboard in front of its entrance. First few months, this noticeboard will inform

passersby about new café. Then, the owner plans to write here up-to-date discounts, performances, etc.

People

Because MyCafé will provide services, the employees will be in constant contact with customers. In order to secure high-quality services, employees will be admitted carefully. Personnel should behave pleasantly, in such way to influence customers' perception and to create good first impression. Also, personnel should perform in a way to create homely attitude as it may have considerable impact on customers' satisfaction. The founder will do her best to motivate the employees and to make them enjoy their job.

Process

The process of MyCafé starts with order and purchase of goods and raw materials. Then, raw materials are processed into suitable form and then served to customers. Goods are directly sold to customers since there is no need to transform them. Products are then consumed right in the MyCafé premise; the only exception is when customer orders coffee or tea to go. Additionally, an entrepreneur will check inventory to ensure smooth running.

Physical evidence

The physical evidence of MyCafé is represented by premise and the menu (Appendix P V).

5.6.2 SWOT Analysis

STRENGTHS:	WEAKNESSES:
Concept of café with live music	Beginner on the market
Quality of services	High start-up costs
Good location and nice atmosphere	Limited finances
Homemade desserts	Possibility of failure
Alternate products for vegans	
OPPORTUNITIES:	THREATS:
Brand name building	Strong competition
Events in Uherské Hradiště	Lack of interest by customers
Gaining loyal customers	Increase in prices of ingredients
	Worsening in economic situation

Table 2: SWOT analysis (own creation)

The founder considers concept of café with live music as strength since café with live music is missing in Uherské Hradiště. Besides that questionnaire showed respondents are

missing such concept there. The owner intends to be particular about serving tasteful coffee and delicious homemade desserts. Furthermore, the owner wants to create cozy interior that will resemble living room. As the living room is place in which most of the people feel comfortable, the owner believes that MyCafé will become place where customers will love to come again. If this idea succeeds, it will be important strength of MyCafé.

On the other hand, the founder is aware that she has no experiences as an entrepreneur on the market and that there is possibility that the concept could fail. Also, there is also only limited amount of money available and the startup investment is high.

Probably biggest opportunities for MyCafé are events in Uherské Hradiště, such as Summer Film School or Slovácko Wine Festival. During this events, the town notices increased amount of tourists; that is why higher amount of customers, which may visit MyCafé, is expected.

The biggest threat of MyCafé is large amount of its competitors in Uherské Hradiště, there are more than 20 cafés, restaurants, hotels, confectioners, pubs and other premises right in the nearest center. For that reason it can be difficult for new enterprises to gain its position on the market as there is possibility, that customers already have their favorites. Another arising threat is that customers will not be interested in the concept.

Internal factor evaluation (IFE) matrix

IFE Matrix is tool to evaluate strengths and weaknesses of MyCafé. Regarding weights, each factor is evaluated from 0,0 (low importance) - 1,0 (high importance). The total sum of weights is 1,0. Rating shows how strong or weak each factor is. The scale of numbers is 1 - 4. The rating 1 means minor weakness and 2 means major weakness. These numbers can be used only with evaluation of weaknesses. On the other side, the numbers 3 and 4 are used to evaluate strengths - 3 means minor strength and 4 means major strength. After multiplying weights and rating, weighted score appears. The average score is 2,5. Total weighted scores below this number are internally weak business and with more than 2,5 score, business has strong internal strategy.

Internal Factor Evaluation Matrix	Weight	Rating	Weighted score
-----------------------------------	--------	--------	----------------

STRENGTHS			
Concept of café with live music	0,2	4	0,8
Quality of services	0,15	4	0,6
Good location and nice atmosphere	0,1	3	0,3
Homemade desserts	0,1	3	0,3
Alternate products for vegans	0,08	3	0,24
WEAKNESSES			
Beginner on the market	0,1	1	0,1
High start-up costs	0,08	2	0,16
Limited finances	0,07	2	0,14
Possibility of failure	0,12	1	0,12
Total	1	-	1,98

Table 3: IFE matrix (own creation)

IFE Matrix shows, that internal strategy of MyCafé is not strong enough because the total weight score does not surpass average score 2,5 but has only 1,98. Therefore, the founder should think of other strong points MyCafé can offer and try to incorporate better internal strategy.

External Factor Evaluation (EFE) Matrix

EFE Matrix deals with factors that may influence MyCafé externally - opportunities and threats. In this matrix, weights have the same function as with IFE Matrix. Nevertheless, ratings, which show how effectively the business is responding to external factors, are different in EFE Matrix. The range of numbers is 1- 4, where 1 is poor response, 2 is average response, 3 is above average response and 4 is superior response. Weighted score and total weighted total scores are the same in both matrices.

External Factor Evaluation Matrix	Weight	Rating	Weighted score
-----------------------------------	--------	--------	----------------

OPPORTUNITIES			
Brand name building	0,1	3	0,3
Events in Uherské Hradiště	0,25	4	1,0
Gaining loyal customers	0,25	4	1,0
THREATS			
Strong competition	0,1	2	0,2
Lack of interest by customers	0,2	3	0,6
Increase in prices of ingredients	0,06	2	0,12
Worsening in economic situation	0,04	1	0,04
Total	1	-	3,26

Table 4: EFE Matrix (own creation)

EFE Matrix reveals that external strategy of MyCafé is relatively good since the total weighted score is above average (3,26). The strategy is designed in order to meet opportunities and to prevent threats.

5.7 Operative plan

5.7.1 Day-to-day operations

To get MyCafé ready for running, an employee will come to premise an hour before opening hour to arrange everything as it should be. On each shift, there will be usually two full-time workers but sometimes part-time worker can help them. The number of employees on each shift depends on various conditions; for example during live music performances more employees will be required as higher amount of customers is expected. Another part-timer in the position of baker will come two hours before opening hour so as to bake fresh desserts. Along with these day-to-day operations, MyCafé will organize live performances on Fridays and Saturdays. Occasionally, it will hold lectures on interesting topics.

5.7.2 Suppliers

The founder intends to agree on regular deliveries of goods with each of the suppliers. The total amount per one delivery will be determined after consultations with suppliers. The founder wants to cooperate with local suppliers. As a supplier of coffee, the founder has decided to approach coffee-roasting plant Coffeespot that is located in Kudlovice. They

also offer consultancy services thus they can help to choose the best coffee machine and coffee grinder. The supplier of loose tea will be Zelený dvorek in Uherské Hradiště. Next supplier is Kofola that will supply all sort of non-alcoholic beverages. Wine will be ensured by winery Lahofer.

5.8 Personal resources

The founder has decided to employ 4 waiters/waitresses on full-time job. The company requires two-shift operations and on each shift there will be shift leader in charge who carries responsibility for other employees on the same shift. Each shift will be covered either by 2 full-time workers or 1 full-time worker and 1 part-time worker. However, this system can change with increasing amount of customers.

Considering part-time workers, one part-time worker will help serving customers. He/she will be at work usually on Fridays and Saturdays but also during some events when higher amount of customers is expected. Another part-time worker will be in the position of baker. The baker will be going to the work during workdays, always 2 hours before MyCafé opens. He/she will bake 2-3 kinds of desserts every day. Estimated time is 4 hours per day.

Organizational structure

Organization structure of the MyCafé is simple because it is small company that does not require several levels. The owner will be top manager at the same time. She will also do the accountancy. There will be 4 employees in the position of waiter/waitress and 2 part-timers. All of them will be directly responsible to the owner, however if she is not present, employees will be responsible to a shift leader.

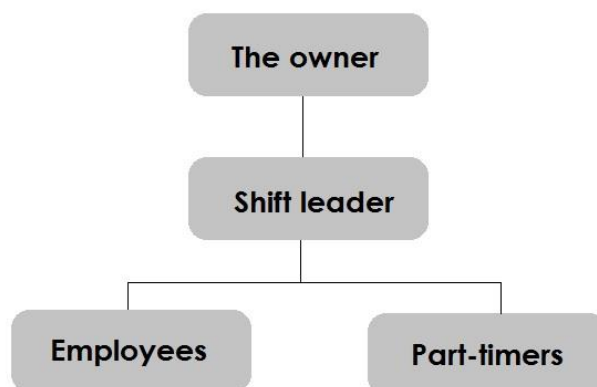


Figure 3: Organizational structure (own creation)

5.9 Financial plan

Financial plan is the most important part of the business plan. Firstly, the owner compiles start-up budget that shows the amount of finances needed to set up a business. Then, start-up balance sheet is completed on the basis of start-up budget. Lastly, the founder has to forecast costs and revenues that will be expected. Financial plan is compiled based on the founder's estimation.

5.9.1 Start-up budget

Start-up budget means finances that are necessary for establishment of the MyCafé. Firstly, the owner lists finances that are necessary for the commencement of the MyCafé; that means trade license and promotion. Promotion has to be done not only during the MyCafé's lifetime, but also before its commencement in order to attract customers to new concept. Then, the owner sets aside finances that are needed for long-term assets purchase; i. e. furniture, machinery and other equipment. Lastly, there are finances necessary for current assets purchase, especially for merchandise.

Finances necessary for commencement of the company	7 000
Trade license	2 000
Promotion	5 000
Finances for purchase of long-term assets	598 000
Furniture	330 000
Machinery and other equipment	268 000
Finances for purchase of current assets	60 000
Merchandise	60 000
Total	665 000

Table 5: Start-up budget (own creation)

5.9.2 Start-up balance sheet

Another part of financial plan is balance sheet which consists of assets of the company and its liabilities and equity. The assets are partially covered by registered capital (600 000 CZK) invested into the company by the owner and partially by bank loan (250 000 CZK). Fixed assets consist of tangible fixed assets that are made mostly by equipment, and intangible fixed assets that comprises of incorporation expenses and trade license. Current assets are made of inventory, especially of materials and merchandise, and short-term financial assets. The next table shows simplified version of balance sheet.

Balance sheet (CZK)			
ASSETS		LIABILITIES & EQUITY	
Fixed assets	650 000	Equity	600 000
Tangible fixed assets	598 000	Registered capital	600 000
Intangible fixed assets	52 000		
Current assets	200 000	Liabilities	250 000
Inventory	60 000	Bank loan	250 000
Short-term financial assets	140 000		
Total assets	850 000	Total liabilities	850 000

Table 6: Start-up balance sheet (own creation)

Bank loan

The founder gets entrepreneurial bank loan for 250 000 CZK provided by Komerční banka. The bank loan will last for 48 months and instalments will be paid in the sum of 6350 CZK per month. This means, that interest rate is 10,07 %.

The founder decided to borrow money not only because the equity available was not enough for this concept, but also because these instalments are costs which reduce tax base and therefore financial leverage is working. On the other hand, entrepreneur decided to borrow moderate amount of money so as to be able to repay the loan.

5.9.3 Calculation of costs

Initial investment

Because MyCafé will have to invest into machinery and equipment, there will be high initial investment required. Smooth running will be ensured by purchase of machinery such as professional coffee maker, juice extractor, oven, refrigerator, etc. The founder takes furniture into account as well; there is necessity to purchase sofas, tables, sofas, chairs and other furniture. Following table includes list of all the equipment and furniture, the quantity needed and prices.

List of furniture and equipment					
Furniture	Quantity	CZK	Equipment	Quantity	CZK

Bar	1	115 000	Coffee machine	1	119 000
Bar stool	4	4 960	Icemaker	1	6 490
Couch	3	39 900	Bakery display case	1	25 000
Round table	8	15 290	Dishwasher	1	11 990
Square table	3	8 960	Oven	1	11 040
Chair	45	45 990	Refrigerator	1	9 490
Podium	1	20 000	Stainless table	1	9 990
Piano - second hand	1	25 000	Kitchen equipment	-	10 000
Bar wall	1	50 000	Point of sale system	1	25 000
Decoration	-	5 000	Porcelain ware	-	20 000
			Glassware	-	20 000
Total		330 000	Total		268 000

Table 7: List of furniture and equipment (own creation)

Depreciation

Tangible assets can be depreciated with input price higher than 40 000 CZK. This means that the founder will depreciate bar (115 000 CZK), bar wall (50 000 CZK) and coffee machine (119 000 CZK). Each of them falls within 2nd group of depreciation. The period of depreciation is 5 years. In the first year, the coefficient multiplying value of tangible fixed assets is 11 %. For the rest of years, value is multiplied by coefficient 22,25 %.

Depreciation (CZK)			
Year	Depreciation calculation	Depreciation/month	Depreciation/year
1.	$284\,000 * 0,11$	2 603	31 240
2.	$284\,000 * 0,2225$	5 266	63 190
3.	$284\,000 * 0,2225$	5 266	63 190
4.	$284\,000 * 0,2225$	5 266	63 190
5.	$284\,000 * 0,2225$	5 266	63 190

Table 8: Depreciation calculation (own creation)

Personnel expenses

In order to calculate personal expenses, it is vital to determine wages. By counting gross wage and social security expense (25 %) and health insurance (9 %), we get super-gross wage that is tax base at the same time. Then, the tax can be calculated – in the Czech Republic, tax is 15 %. After deduction of tax abatement (2 070 CZK), we get net wage.

The founder will employ 4 waitress/waitresses. On the condition that an employee works 160 hours per month, his/ her gross wage will be 13 500 CZK. However, if an employee works overtime or during the weekends, the wage will be increased by premium pay. In addition, the owner will employ 2 part-time workers. Supposing that each of them works 80 hours per month, his/her gross wage is 5 900 CZK. Because both of the part-time workers sign affidavit, no tax will be paid. The founder herself will get 22 000 CZK as a gross wage.

Total personnel expenses (CZK)					
	Gross wage	Social security expense and health insurance	Super-gross wage	Tax after abatement	Annual expense
Full-time workers (4)	54 000	18 360	72 360	2 580	899 280
Part-timers (2)	11 800	-	11 800	-	141 600
Founder	22 000	7 480	29 480	2 352	381 984
Total	87 800	25 840	113 640	4 932	1 422 864

Table 9: Total personnel expenses (own creation)

Monthly and annually costs

Monthly and annually costs include fixed assets, which are not depending on volume of products or services produced. For instance, typical fixed assets are rent, interest expense, depreciation and utilities (cost of electricity, phone, etc.) Regular costs also consist of variable costs that vary depending on the production volume. Among variable costs, there can be raw materials, wages, merchandise, etc. The following *table 10* shows expected costs.

Monthly and annually costs (CZK)		
Costs	Monthly	Annually

Fixed costs	41 953	503 436
Rent	25 000	300 000
Utilities	8 000	96 000
Interest expense	6 350	76 200
Depreciation in the 1st year	2 603	31 236
Variable costs	168 072	2 016 864
Wages	118 572	1 422 864
Purchase of merchandise	45 000	540 000
Purchase of raw materials	4 500	54 000
Total	210 007	2 520 300

Table 10: Monthly and annually costs (own creation)

It is assumed that the costs in the first year will be 3 118 300 CZK (initial costs + annual costs). For the next 2 years, the founder expects rise in costs about 3 – 5 % each year, because of higher depreciation and possible rise in wages. The following table counts with prediction of 5 % rise in costs.

Costs in the first 3 years	
Year	Costs (CZK)
1.	3 118 300
2.	2 646 315
3.	2 778 631

Table 11: Costs in the first 3 years

(own creation)

5.9.4 Calculation of revenues

The source of revenues of MyCafé will be revenues from sold goods. Because revenues are difficult to estimate, the calculations proceed from the questionnaire. On the basis of questionnaire data, the founder deduced that realistic number of customers coming to MyCafé is 100 per day. The founder also assumes that a customer spends 75 CZK on average.

Revenues (CZK)	
Daily revenues	7 500

Monthly revenues	225 000
Annual revenues	2 700 000

Table 12: Revenues (own creation)

The founder expects that revenues will rise every year as she raises awareness of MyCafé in public. MyCafé will pay sufficient attention to its customers in order to gain loyal customers. But even if MyCafé gets its clientele, it will be still seeking for new potential customers. That is why the founder expects increase in revenues up to 10 %. The table below counts with 8 % increases in revenues every year.

Revenues in the first 3 years	
Year	Revenues (CZK)
1.	2 700 000
2.	2 916 000
3.	3 149 280

Table 13: Revenues in the first 3 years

(own creation)

5.9.5 Profit/Loss

Thanks to calculation of expected costs and revenues, it is possible to ascertain profit or loss. Firstly, it is necessary to deduct costs from revenues and to get earnings before taxes (EBT). Then, to identify earnings after taxes (EAT), it is necessary to deduct tax. In the Czech Republic, corporate tax is 19 %.

Profit/loss			
Year	1.	2.	3.
Revenues	2 700 000	2 916 000	3 149 280
Costs	3 118 300	2 646 315	2 778 631
EBT	-418 300	269 685	370 649
Tax	-	51 240	70 423
EAT	-418 300	218 445	300 226

Table 14: Profit/loss (own creation)

5.9.6 Evaluation of financial situation

On the basis of *table 14* which shows profit and loss in the first 3 years of MyCafé's existence, the entrepreneur finds development of financial situation as positive. In the 1st year of existence there is loss but it was expected because of high initial investment. During rest of the years MyCafé will probably become profitable as it gains loyal customers and there will be no need for further investments.

5.10 Risk factors

Failure

Every new company entering market faces the risk of failure. The founder takes risk of failure into consideration. In the beginning, when she was considering whether to choose business of a natural person or business of a legal entity, she has decided for the second choice because in the case of limited liability company, the shareholder is liable for company's debts only up to sum of invested capital. In that case, the founder will not be liable with her personal property. Despite this, the founder should try to reduce this risk as much as possible.

Lack of interest by customers

There is possibility, that customers will not be interested in the concept of café with live music performances. In that case, the owner will invest money into marketing strategy to engage customers' attention. In addition to this, the questionnaire will be released for the purpose of getting to know the reasons of lack of interest.

Bad choice of employees

As many customers consider attitude of waiters/waitresses as one of the key indicators of their satisfaction, it is essential to be careful when hiring employees. In order to avoid this risk, employees should be skilled, personable and they should take proper care of MyCafé's customers.

Being uneconomical

The risk of being uneconomical appears. Especially, if the founder is uneconomical with finances, it might lead to insolvency. The moment the situation appears, the founder has to immediately solve this problem - if the costs are too high or revenues too low.

Other risks

There are many more risks that may influence MyCafé. For example, entrance on market of new competitor, unreliability of suppliers, bad reviews, legislative problems, and others.

Whatever the risk is, MyCafé company has to do its best to either prevent it or, if the risk appears, to remove it.

5.11 Conclusion

The main goal of this business plan was to create something new and to fill the gap on the market in Uherské Hradiště. MyCafé' idea is to serve high-quality beverages and homemade meals along with organizing live music performances and other events. These elements are assembled in the way to evoke living room feeling so as to allow customers to feel comfortable, just like at home. In order to be successful in market in Uherské Hradiště, there is need to stick to this culture.

Furthermore, as the financial plan presents, concept of MyCafé can be successful in Uherské Hradiště. Even though in the first year of its existence the numbers are negative because of high initial investment, in following years revenues surpass costs. The entrepreneur counts with rising interest in MyCafé because it will make small steps for improvement. For example, it is vital to focus on promotion even during the existence of the company. The more people aware of it the higher number of potential customers.

CONCLUSION

This bachelor thesis is focused on formulation of business plan for establishment of company MyCafé. Creator's main idea was to establish café that will fulfill missing concept of café with live music performances in Uherské Hradiště. Along with live music performances, MyCafé differ from its competition by organizing interesting lectures, by offering delicious coffee from local suppliers and by nice setting that evoke living room feeling.

As formulation of business plan is complex theme, the theoretical part deals with basic terms related to entrepreneurship, enterprise and entrepreneur. This part then elaborates legal forms in the Czech Republic that can be specific for different projects. Lastly, the broadest part is engaged to business plan itself, to its principles, benefits and structure.

The practical part is aimed at processing concrete business plan for establishment of company MyCafé that was compiled on the basis of the theoretical part. One of the crucial parts of the business plan is market analysis, especially questionnaire. The goal of questionnaire was to ascertain what respondents miss in cafés in Uherské Hradiště and if they would be interested in concept of café with live music performances. Respondents' questions proved interest in this concept. Moreover, the SWOT analysis helped to find external and internal factors that can influence MyCafé. However, the most important section of practical part is financial plan. It was formulated on the basis of questionnaire. Financial plan shows start-up costs, start-up balance sheet and cost and revenues forecast.

The main aim of this bachelor thesis was to determine if the project is feasible or not. According to financial plan results, the owner expects profit in the second year of MyCafé's existence. That is why MyCafé may be feasible and has possibility to succeed.

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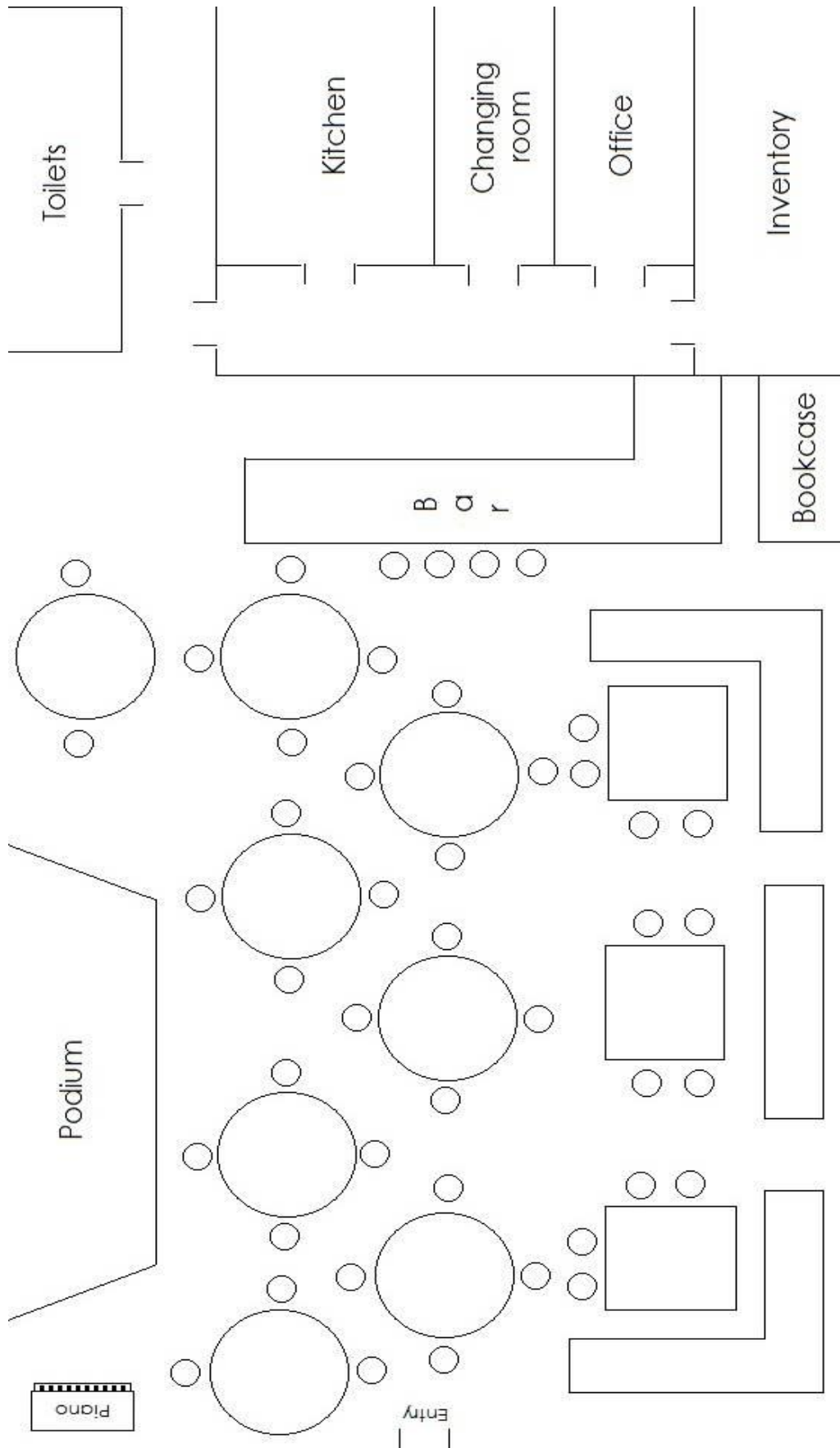
LIST OF ABBREVIATIONS

BEP	break-even point
CV	curriculum vitae
CZK	Czech Koruna
EAT	earnings after taxes
EBT	earnings before taxes

APPENDICES

- P I Ground plan of MyCafé
- P II Logo of MyCafé
- P III CV of founder
- P IV Questionnaire and its results
- P V Menu

APPENDIX P I: THE GROUND PLAN



APPENDIX P II: LOGO OF MYCAFÉ



APPENDIX III: CV OF FOUNDER



Pavlína Bílá

PERSONAL DETAILS

Name: Pavlína Bílá
Address: Babice 39, 687 03 Babice
Email: bilapavlina2@gmail.com
Tel: 662 558 882

EDUCATION

2013 – present Tomas Bata University in Zlín
▪ Field of study: English for Business Administration
▪ Candidate for a Bachelor
2009 – 2013 Secondary Technical, Hotel and Medical School Uherské Hradiště
▪ Field of study: Hotel Industry & Tourism

EMPLOYMENT

2010 – present Lion Car, s. r. o. (part-time job) in Kunovice
▪ Assistant – accountancy, administrative work, invoicing
2009 Sport Restaurant (part-time job) in Babice
▪ Ancillary work – cooking, service
till 2009 Seasonal part-time jobs

COMPETENCIES AND INTERESTS

Language skills:

English: Advanced (C1)
German: Elementary (A1)

Computer skills:

Microsoft Office, Google Docs, Windows

Other skills:

Driving license (B)

Certificates:

Sommelier Course (2012)
Bartender Course (2010)

Personal interests:

Cooking, sport (running, yoga), folklore

APPENDIX IV: QUESTIONNAIRE AND ITS RESULTS

Podnikatelský plán pro MyCafé

Dobrý den,

jsem studentkou 3. ročníku na Univerzitě Tomáše Bati ve Zlíně, obor Anglický jazyk pro manažerskou praxi. Prosím Vás o vyplnění tohoto dotazníku, který bude součástí mé bakalářské práce. Ta se zabývá podnikatelským plánem pro založení kavárny s živou hudbou MyCafé v Uherském Hradišti. Vyplněním tohoto krátkého dotazníku mi pomůžete určit, zda-li je tento koncept proveditelný, či ne.

Děkuji za Váš čas.

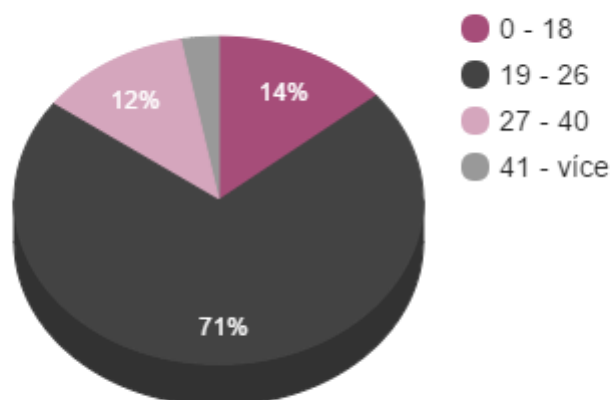
Pavčina Bílá

1. Kolik Vám je let?
 - 0 - 18
 - 19 - 26
 - 27 - 40
 - 41 - více
2. Kolikrát do měsíce navštěvujete kavárny?
 - 0 - 5x
 - 6 - 10x
 - 11 - 20x
 - 21 a více
3. Kolik peněz utratíte v kavárnách za měsíc?
 - 0 - 250 Kč
 - 251 - 500 Kč
 - 501 - 1000 Kč
 - 1001 - 2000 Kč
 - Více
4. Navštěvujete kavárny v Uherském Hradišti?
 - Ano
 - Ne
5. Jste spokojen/a se sítí kaváren v Uherském Hradišti?
 - Ano
 - Ne
6. Do které kavárny v Uherském Hradišti chodíte nejraději?
 - Jiné Café
 - Café Portal
 - Skandal Bar
 - Café-bistro Titique
 - Hunter Coffe Bar
 - Endli Coffee
 - Aquarium Bar
 - Jiné
7. Je něco, co Vám v kavárnách v Uherském Hradišti chybí?

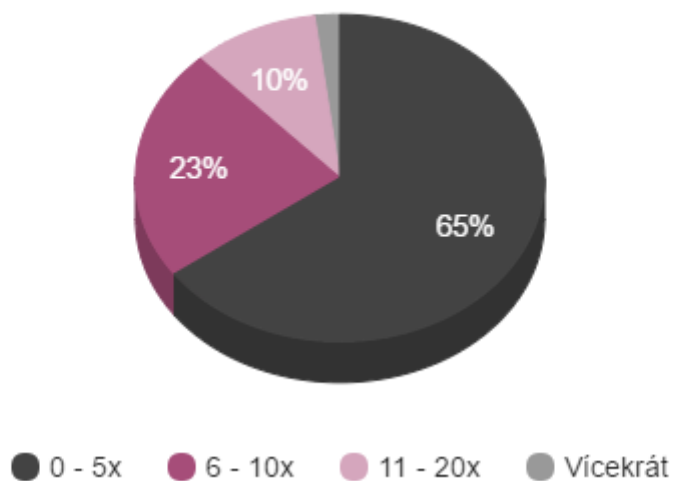
- Živá hudba
 - Domácí dezerty
 - Dobrá káva
 - Příjemná obsluha
 - Příjemné prostředí
 - Kohoutková voda zdarma
 - Vegan produkty
 - Nekuřácké prostředí
8. Líbila by se Vám kavárna s živou hudbou v Uherském Hradišti?
- Ano
 - Ne

Grafické vyhodnocení dotazníku:

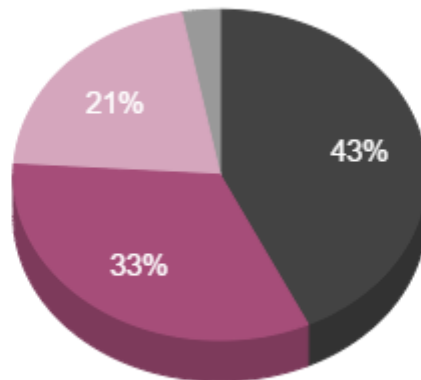
1. Kolik Vám je let?



2. Kolikrát do měsíce navštěvujete kavárny?

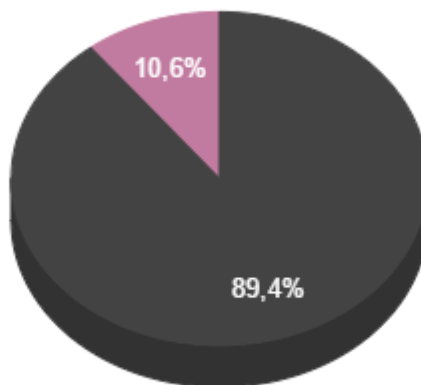


3. Kolik peněz utratíte v kavárnách za měsíc?



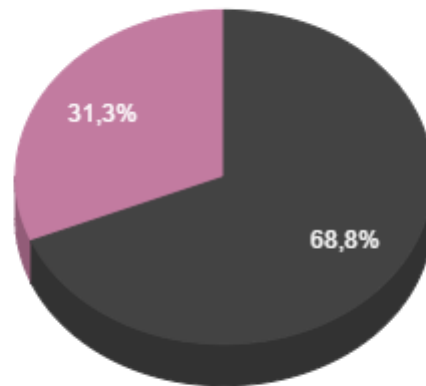
● 0 - 250 Kč ● 251 - 500 Kč ● 501 - 1000 Kč ● 1001 - 2000 Kč

4. Navštěvujete kavárny v Uherském Hradišti?



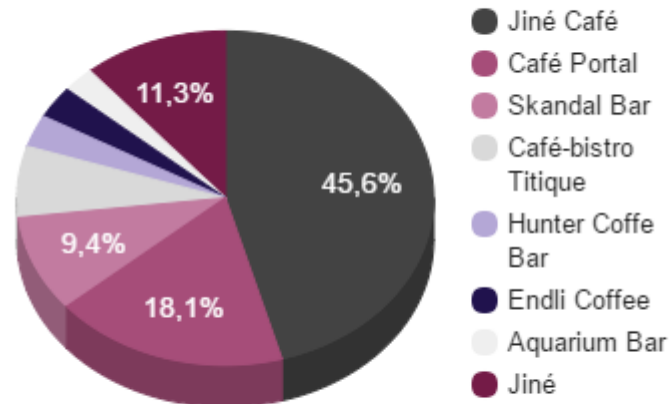
● Ano ● Ne

5. Jste spokojen/a se sítí kaváren v Uherském Hradišti?

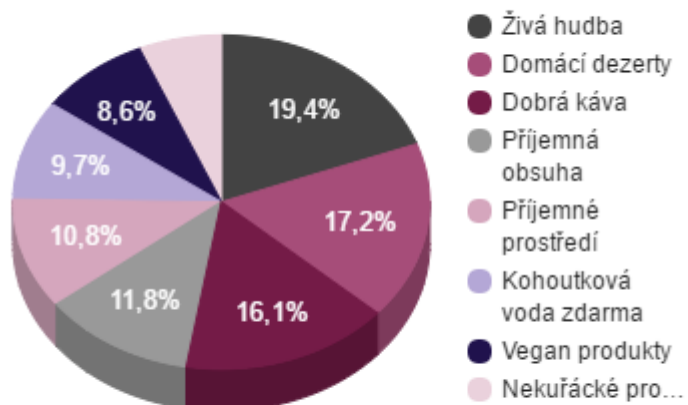


● Ano ● Ne

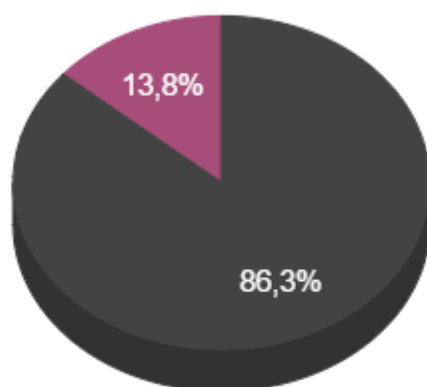
6. Do které kavárny v Uherském Hradišti chodíte nejraději?



7. Je něco, co Vám v kavárnách v Uherském Hradišti chybí?



8. Líbila by se vám kavárna s živou hudbou v UH?



● Ano ● Ne

APPENDIX V: MENU

KÁVA

Espresso ristretto malé espresso	8 g	33 Kč
Espresso klasické espresso	8 g	33 Kč
Espresso lungo velké espresso	8 g	33 Kč
Espresso doppio dvojitě espresso	16 g	49 Kč
Capuccino espresso s mléčnou pěnou	8 g	40 Kč
Café latté dvojitě espresso, horké mléko, mléčná pěna	16 g	43 Kč
Vídeňská káva velké espresso, domácí šlehačka	8 g	43 Kč
Alžírská káva velké espresso, vaječný likér, domácí šlehačka	8 g	48 Kč
Flatwhite dvojitě espresso s ohřátým mlékem	16 g	52 Kč
Frappé espresso, mléko, led	8 g	40 Kč
Frappé se zmrzlinou espresso, mléko, led, zmrzlina	8 g	48 Kč

ČAJE

Fresh mátový čaj konvička čaje z čerstvých mátových lístků	47 Kč
Fresh zázvorový čaj konvička čaje z čerstvého zázvorového kořene	47 Kč
Sypaný čaj dle nabídky konvička sypaného bylinného/ovocného čaje	47 Kč
Domácí ledový čaj čaj z čerstvých bylin dle nabídky s ledem	42 Kč
Chai latte čaj se směsí koření s mlékem	48 Kč

TEPLÉ NÁPOJE

Horká čokoláda hořká, mléčná, bílá	45 Kč
Horká hruška/javor horký džus s hřebíčkem a skořicí	38 Kč
Svařené víno	35 Kč

LIMONÁDY, DŽUSY A JINÉ NEALKOHOLICKÉ NÁPOJE

Domácí citronáda	32 Kč
Okurková limonáda	34 Kč
Fresh čerstvý džus dle aktuální nabídky ovoce a zeleniny	52 Kč
Smoothie jahoda, banán, malina	54 Kč
Coca cola	27 Kč
Fanta	27 Kč
Sprite	27 Kč
Kinley tonic originál, citron, zázvor	27 Kč
Bonaqua neperlivá, jemně perlivá, perlivá	23 Kč
Cappy džus pomeranč, banán, jablko, multivitamin, černý rybíz	27 Kč

ALKOHOLICKÉ NÁPOJE

VÍNA

Rozlévané víno bílé, červené dle nabídky (Lahofer)	0,2 l	34 Kč
Džbánek dle nabídky	0,5 l	75 Kč
Sauvignon bílé víno, suché, pozdní sběr, 2013	0,75 l	250 Kč
Rulandské šedé bílé víno, polosuché, pozdní sběr, 2014	0,75 l	189 Kč
Tramín červený bílé víno, polosuché, 2014	0,75 l	159 Kč
Zweigeltrebe rosé růžové víno, suché 2014	0,75 l	159 Kč
Modrý portugal červené víno, suché, 2012	0,75 l	159 Kč
Zweigeltrebe červené víno, suché, pozdní sběr, 2012	0,75 l	219 Kč

PIVA

Pilsner Urquell lahvové		33 Kč
Kingswood cider, dry, rosé		40 Kč

DESTILÁTY

Jägermeister bylinný likér	40 ml	42 Kč
Baileys krémový likér	40 ml	42 Kč
Cpt. Morgan rum	40 ml	40 Kč
Jack Daniels whisky	40 ml	56 Kč

NĚCO K ZAKOUSNUTÍ

Dezert | dle denní nabídky

Zeleninový wrap | tortila, rajče, okurek, avokádo, salát, mozzarella,
bazalkové pesto 49 Kč

Šunkový wrap | tortila, krůtí šunka, rajče, okurek, salát, eidam,
česnekový dresink 55 Kč

Vegan wrap | tortilla, tempeh, rajče, okurek, salát, sojanéza 49 Kč