

# **A Business Plan for the Company “Bagetárna”**

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## **ABSTRAKT**

Tato bakalářská práce se zabývá sestavením podnikatelského záměru pro novou společnost s názvem Bagetárna, která se specializuje na přípravu čerstvých domácích baget. Práce obsahuje dvě části a to jak teoretickou tak praktickou část. V teoretické části jsou vysvětleny základní podnikatelské pojmy a také jsou zde popsány jednotlivé části podnikatelského záměru. V praktické části je již sepsán samotný podnikatelský plán, ve kterém jsou zpracovány jednotlivé kapitoly – popis společnosti, organizační struktura, marketingový plán, finanční plán a také analýza rizik. Cílem restaurace je sestavit podnikatelský plán pro restauraci s rychlým občerstvením tak, aby byl reálný a to za pomoci jednotlivých analýz – SWOT, PEST, marketingový mix (4P), apod.

Klíčová slova: podnikatelský záměr, marketingový plán, finanční plán, SWOT, PEST, marketing mix

## **ABSTRACT**

This bachelor's thesis deals with the creating of the business plan for the new company named Bagetárna which specialise in the making of fresh home-made baguettes. The thesis contains two parts; theoretical as well as practical part. In the theoretical part, there are described basic business terms and also there are specified particular parts of the business plan. In the practical part, there is the already constructed business plan in which there are individual chapters defined – company description, organizational structure, marketing plan, financial plan, and also risk analysis. The aim is to set up a real business plan for the fast food restaurant with the help of the particular analyses – SWOT, PEST, marketing mix (4Ps), etc.

Keywords: business plan, marketing plan, financial plan, SWOT, PEST, marketing mix

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

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## INTRODUCTION

The aim of this bachelor's thesis is a business plan for a new company named "Bagetárna". Bagetárna is a fast food restaurant providing home-made baguettes. This plan was chosen according to the author's interest in gastronomy and baking itself. The main focus of this company is the bakery field which offer new kind of fast food meal in the chosen location. In Vsetín, there are fast food restaurant offering different types of meals and this was a reason for choosing this business.

This bachelor thesis includes both theoretical and also practical part. In the theoretical part of the thesis, there are basic business terms including entrepreneurship of natural person, entrepreneurship of legal entity, characteristics of an entrepreneur, and the business environment. The second chapter of the theoretical part is a business plan. It comprises theory about business plan purposes, types, main principles, and also structure of the business plan which is subsequently explained in detail. This structure mentioned in the theoretical part was used as guidance for the practical part of the thesis.

In the practical part, there is already written business plan for a company "Bagetárna". This business plan is based on the structure mentioned in the theoretical part and the individual chapters of the business plan include: title page, executive summary, basic company description, operational structure, target market and competition analysis, marketing plan, financial analysis, and risk evaluation. The chapter about the target market and competition analysis consists of PEST analysis, SWOT analysis, analysis of the target market and competition. Moreover, the author of this bachelor's thesis uses the marketing mix as a tool for the marketing plan. Financial analysis comprises the calculation of the start-up costs, labour costs, fixed costs, revenues calculation and variable costs, and the result of the business plan and proving its possible success is provided in the income statement. In the final chapter of the thesis, there are evaluated possible internal and external risks which influence the business activity.

## **I. THEORY**

## 1 ENTREPRENEURSHIP

The transformation of the Czech national economy from the statism (centrally controlled economy) to the market economy made possible to the small and medium-sized enterprises to arise. Due to the fact, that at the beginning of the 90s, the number of the economic entities in the Czech Republic was multiply increased, the demands on the legislation and justice grew rapidly. The big amount of new laws was being created in that times which tried to create conditions for the market economy and its functionality. Today, the contemporary enterprise system is regulated especially by The Corporations Act 90/2012 Coll. and law no. 455/1991 Sb., Trade Licensing Act (Malach et. al 2005, 25).

The Commercial Code defines carrying on a business as *“a regular course of activities carried independently in its own name, at its own responsibility and for the purpose of profit”* (Chapman et al. 2013, 1).

In The Trade Licensing Act, there can be found this definition of the trade: *“A trade shall mean a systematic activity carried out independently under the conditions laid down in this Act, under a person’s own name and liability, with a view to making a profit”* (MPO 2018, 2).

To be able to understand these definitions correctly, there are important terms to be clarified:

- **Systematicity** – it means that the activity has to be performed repetitively and regularly, not occasionally
- **Independence** – in case the entrepreneur is the natural person, he/she acts personally; legal entity negotiates via company agents and he or she determines his/her own working hours and the place of work (otherwise it concerns illicit work/moonlighting; in Czech Švarc system)
- **Own name** – natural person does the legal actions via his own name and surname, legal entity via name of the company (business name/company name)
- **Own responsibility** – entrepreneur (natural person and also legal entity) takes all the risks for the outcomes of his business
- **Making a profit** – activity has to be performed with a view of making a profit (however the profit does not have to be achieved) (Srpová, Řehoř et al. 2010, 20).

The term enterprise has many other interpretations such as:

- **Economic** – enterprise is the connection between the economic sources and the other activities in that way in which it increases its primary/original value. It is and dynamic process of creating the added value.
- **Psychologic** – business is the activity motivated by the need to get something, to achieve something, try something, to be independent, etc.
- **Sociologic** – business is the creating the wealth for all with the interest, finding the way for the better use of the sources (Veber, Srpová et al. 2012, 14).

Even though there are many of the definitions, general features of the entrepreneurship are:

- Purposeful activity,
- Initiative, creative approach,
- Organizing and management of the transforming processes,
- Practical contribution, profit, added value,
- Undertaking risks,
- Repeating, cyclic process (Veber, Srpová et al. 2012, 14).

The principle of the entrepreneurship is the conversion of the inputs (production or operational factors) to the outputs (products or services) which will satisfy the customer's needs. This activity makes a profit for the entrepreneur (Mulačová, Mulač et al. 2013, 15).

As was mentioned in the paragraph above, an entrepreneur satisfies the customer's needs by the products and services through the market which leads to fact that the entrepreneur has to confront the risk. The entrepreneur's effort is to keep track of such kind of strategy and policy which could decrease the risk on the acceptable level. The level of what is still acceptable risk depends on the certain circumstances, the scope of business, dynamics of the wider world, and last an but not least also depends on the entrepreneur's personality. Generally, effort of the majority of entrepreneurs is the tendency to minimize the risk (Synek 2010, 3).

## 1.1 Business environment

Business environment includes externalities and factors which influence an entrepreneurial activity. These externalities and factors may facilitate this activity, for example thanks to

beneficial taxes, prompt resolution of commercial disputes, explicit laws, or a possibility to obtain a venture capital. On the other hand, corruption increases transaction costs and they are found on places where the aim is to achieve an undue and quick profit (Malach 2005, 69).

A term “business environment” is a wide-ranging concept and also in the literature it is not envisaged uniformly. Generally, business environment can be understood as all externalities and factors which influence an enterprise. These factors may be divided into external factors of micro-environment and macro-environment and internal factors of an enterprise itself. In this interpretation, a business environment is specified as a complex of political, socio-cultural, technological, economic, legislative, and environmental factors at macro-environment level. Of course, there is also competition and features of particular sectors in which a company runs a business including its status and relationships with suppliers and purchasers. Internal factors are physical, financial, technological and intangible aspects of the entrepreneurship (Mulačová, Mulač et al. 2013, 43).

There is also another definition of the term “business environment” according to the national general government or supranational institutions which tackling inter alia influencing the economy and create conditions for the entrepreneurship and growth performance. In this interpretation, the business environment is a set of policies, instruments and factors which affect the enterprise and enhance its competitiveness and growth potential. In particular, they monitor these areas and activities:

- Entrepreneurship situation of a certain state – legislative conditions, investment climate, focal sectors, education, science, and research;
- Entrepreneurship characteristics and market conditions – scope of business diversification, features and trends of particular sectors, size of an enterprise, the structure of ownership, competition in the sector, corruption environment, criminality;
- Legislative environment – suitability and unsuitability of the legislation, law enforcement, administrative burden and clarity of the legislation, investor protection;
- Finance and taxation – availability of the business credits, secondary insolvency, tax burden;
- Labour market – staff costs, flexibility and inflexibility of the labour market, staff qualification, territorial and age structure;

- Technological excellence and innovation;
- Purchaser and supplier cooperation level (geographic and commodity view, home market or export orientation, integration);
- Offered services for entrepreneurship – infrastructure and accessibility, ICT services, business premises, property rental rates);
- Promotion of entrepreneurship – suitable programmes offer, availability of advisory services (Mulačová, Mulač et al., 43-44).

## 1.2 Entrepreneur

It is important to note, that the entrepreneur has to obtain the business or another license for each of the particular activity. He or she has to decide whether to run a business as a legal or natural person (Srpková, Řehoř et al. 2010, 56). According to Srpková and Řehoř et al. it is better to choose between the legal forms of business after the creating of the business plan because the in this phase, the entrepreneur should be clear about what type of activity he wants to do and what he wants to start a business in (2010, 56). The entrepreneur is the person who carries a business; it can be natural person or legal entity (Mulačová, Mulač et al. 2013, 15).

There are also many definitions of the term entrepreneur:

- It is a person who realizes the business activities and undergoes risks of increasing or loss of his or her capital,
- He or she is able to recognize the opportunities, mobilise and use the resources in order to achieve the goal that has been set and is able to be willing to undergo the adequate risks,
- The initiator and the holder of the entrepreneurship – he or she invests his/her own resources, time, effort and the name, takes the responsibility, bears the risks with the aim to achieve his/her own financial and personal satisfaction (Veber, Srpková et al. 2012, 15).

The New Czech Civil Code defines an entrepreneur *as a person who acts independently, on his own account and responsibility, and who performs an economic activity in a self-employed or similar way with the aim to do it constantly in order to make a profit* (iPodnikatel 2014).

As was claimed before, the fundamental part of starting a business is to choose the right type of the legal form of the business. The choice of the type of the legal form of the business is a very important decision. Of course, this choice is not irreversible. The chosen type can be transformed into the different one in the future. Nevertheless, it may bring another burdens and costs (Srpová, Řehoř et al. 2010, 67).

An entrepreneur in the Czech Republic can choose between two types of the entrepreneurship – entrepreneurship of natural person or legal entity (Veber, Srpová et al. 2012, 68).

### **1.3 Entrepreneurship of Natural Person**

In connection with the entrepreneurship of natural person there is an important term “self-employed person (in Czech OSVČ)”. It is a term used in the Income Tax Act, Social Security Act, and Health Insurance Act for natural person, who has an income from the business or another self-employment. A typical self-employed person is for example:

- Sole trader,
- Sole farmer,
- Self-employed artist,
- Expert witness, etc.

To be able to run a business as a natural person, it is crucial to obtain a trade certificate or another kind of permission (concession document) (Srpová et. al.2010, 67).



Malach et al. (2005, 27) claim that trade licences are divided according to the form of acquisition of the trade license and according to the scope of business.

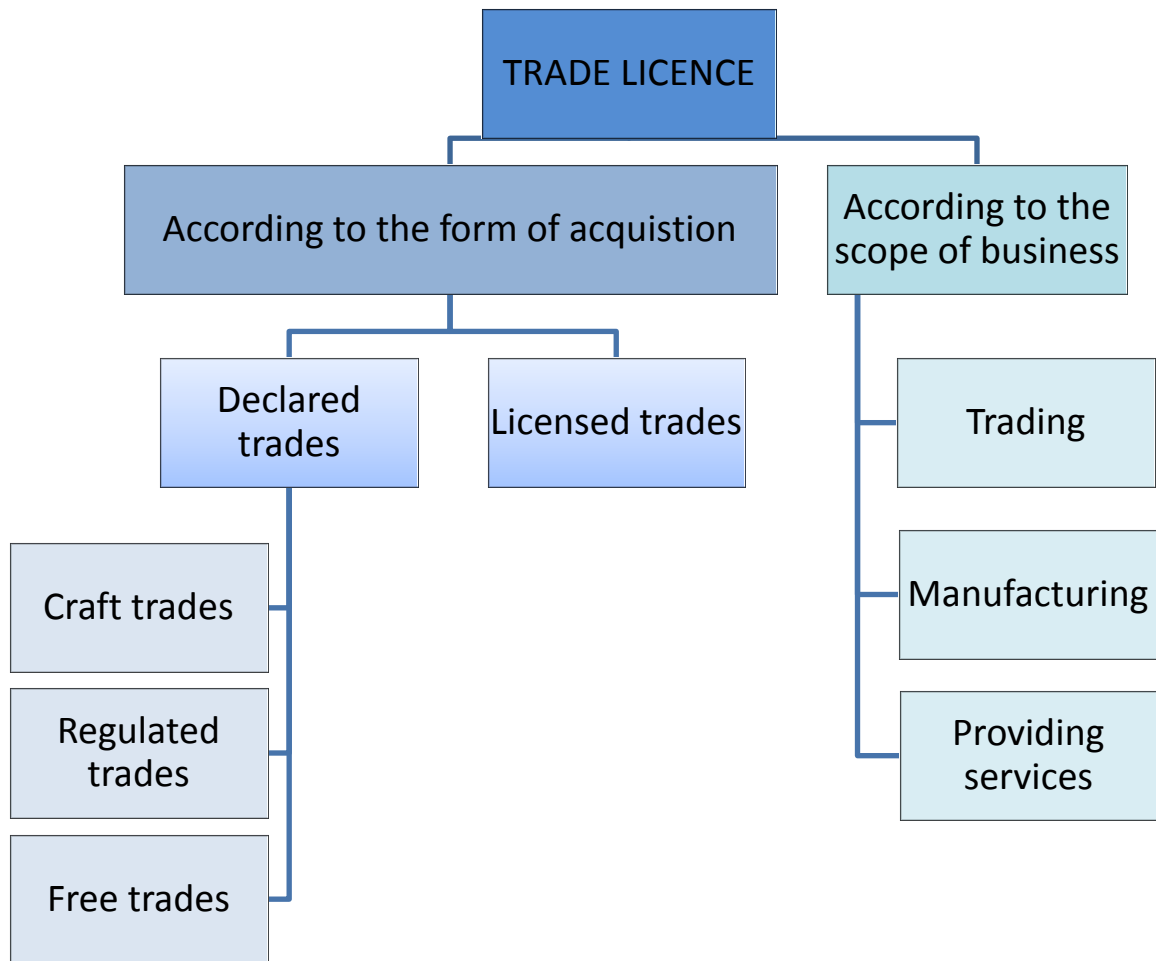


Table 1 – Trade Licences (Malach et al. 2005, 27)

According to Malach et al (2005, 28) and Srpová, Řehoř et al. (2010, 67) trade licences according to the form of acquisition of trade license and according terms, which has to be accomplished by the trade license applicant – especially according to the required professional competence, are divided into:

- 1) **Declared trades** created and operated by virtue of the announcement, they are divided into
  - **Craft trades** – to be able to run this business, the necessary condition is to have an apprenticeship certificate, the Maturita examination, a degree in a field, or six years of apprenticeship. For example butchery, tinsmithing and coachbuilding, bricklay-

ing, restaurant services, assembling, repairing, revisions and testing of the electrical equipment etc.

- **Regulated trades** – professional competence is an important precondition for obtaining and conducting regulated trades. For example massage services, accounting, executing works, their changes, and elimination, running a driving school, etc.
  - **Free trades** – an entrepreneur does not need any kind of the professional competence. For example wholesale and retail, mediating trade and services, accommodation services, photographic services, etc.
- 2) **Licensed trades** are created and conducted by virtue of the administrative decision. They have to be approved by the extract from the trade register. Beside the professional competence, to obtain a licensed trade it is necessary to acquire the positive statement by the competent administrative department. For example providing funeral services, travel agency, road transport, taxis (Srpová et al. 2010, 67).

Another crucial thing is to find out whether the person who wants to operate a trade as a natural person meets the conditions for obtaining a trade license appointed by the Trade Licensing Act.

General conditions:

- A minimum age of 18;
- Legal capacity to act;
- Integrity;

Special conditions:

- The professional or other competence whether is required by the Trade Licensing Act (Srpová, Řehoř et al. 2010, 67).

## 1.4 Entrepreneurship of Legal Entity

As reported by Srpová and Řehoř et al. (2010, 68), the choice of the entrepreneurship of legal entity is more administratively demanding. In some cases, an entrepreneur has to invest into the company in form of the registered capital (Srpová, Řehoř 2010, 68).

The Czech Commercial Code defines following types of legal entities which all of them have to be registered in the Commercial Register (Veber, Srpová et al. 2012, 69).

- 1) **Partnership** (osobní společnost) - the general characteristics of the partnership is that they are created and owned by two or more persons who divide the profits and they are responsible for all of the losses (Synek 2010, 77).
  - General partnership (veřejná obchodní společnost)
  - Limited partnership (komanditní společnost)
- 2) **Capital Company** (kapitálová společnost) - the main characteristic feature of the capital companies is shareholder contribution, not their personal participation in business or managing a business. Partners' obligation is to guarantee for the liabilities only to the extent of their deposits (Synek 2010, 78).
  - Limited liability company (společnost s ručením omezeným)
  - Joint-Stock company (akciová společnost)
- 3) **Cooperative** (družstvo) – in literature the cooperatives are characterised as an organisation conducted by a group of people which aim is to bring mutual support to its members or third party, eventually with the aim to make a profit. According to Srpová and Řehoř et al. (2010, 68), this type of the legal form is less common in entrepreneurial activity.

#### 1.4.1 General Partnership

General partnership is the corporation of at minimum two entrepreneurs who conduct a business under the same name which has to contain the signature of the “General Partnership” (an abbreviation “veř. obch. spol.” or “v.o.s.”). It is a legal entity and is registered in the Commercial Register. Partners put to the company pecuniary and also non-pecuniary deposits which are the company's property (Synek 2010, 77-78).

A partner could be both natural person and legal entity. Natural person has to comply with the general conditions for the running a business irrespective of scope of business. The profit is divided among partners equally (Veber, Srpová et al. 72, 2012). General Partnership can be established only by signing the partnership agreement (Srpová, Řehoř 2010, 70).

#### 1.4.2 Limited Partnership

Another type of the partnership is the limited partnership (an abbreviation “k.s.” or “kom. spol.”). It is a company with two or more partners who one or more of the partners are responsible for the company liabilities to the extent of their deposits (so-called limited partners) and one or more partners are responsible for the company liabilities by all their property (so-called general partner) (Synek 2010, 78).

Limited partnership has its roots in the middle ages. This type of partnership enabled people who could not be businessmen (because of their profession) to run a business through other persons, for example, priests, commissioned officers, patricians. With the occurrence of the limited liability company, this type of partnership went into decline (Srpková, Řehoř 2010, 72).

### **1.4.3 Limited Liability Company**

Limited Liability Company (an abbreviation “LLC”, in Czech “spol. s r.o.” or “s.r.o.”) is a capital company and the most widespread type of the legal entity entrepreneurship. Partners insert deposits to the company which create the registered capital and all these partners are equally liable for the obligations up to the amount of the company’s outstanding deposits until the full repayment of deposits is realised and entered in the Commercial Register. Company is responsible for the breaches out of its own assets. LLC can be established by one person and there could be up to fifty partners (Veber, Srpková 2012, 74).

Nowadays, the minimum amount of the registered capital for the establishing the limited liability company is only one Czech crown unless the partnership agreement proposes the higher sum. However, until 1 January 2014, the obligatory registered capital for this type of entrepreneurship has been 200 000 Czech crowns. The limited liability company is one of the most favourite trading company types (Business Center 2018). In the first quarter of 2018, there were 454 272 limited liability companies in the Czech Republic (Business Info 2018)

### **1.4.4 Joint-Stock Company**

Joint-Stock company is also a type of the capital company. Property of this legal form of the business is divided into the certain number of shares with the certain nominal value (Synek 2010, 78). Obligatory minimal amount of the registered capital is 2 000 000 Czech crowns or 80 000 Euro (Doleček 2014).

According to Veber and Srpková et al. (2012, 74), it is one of the oldest capital legal forms. With regard to its demandingness, it is not quite often type of the business among small and medium-sized enterprises. In the first quarter of 2018, there were 26 319 joint-stock companies which is much less than the number of the limited liability companies.

Company can be established by the one founder - if it is a legal entity – in case of natural person more founders are needed. Joint-stock company is responsible for its liabilities by all of its assets; on the other hand, shareholders are not liable for the

company's obligations. And this is one of the main advantages of this type of the business. Among disadvantages there are: complicated establishment, state control, keeping of accounts, financial reporting), shareholder's disinterest about the company's affairs, double taxation of income (profit of the company and also the shareholder's dividends) (Synek 2010, 78-79).

## 2 A BUSINESS PLAN

Ján Košťuriak (2016, 12-13) claims that every successful entrepreneur, he has met in his life, had three common characteristics:

- Performance – they were both able to aim at the important elements and also to quickly assess the situation, to test, to revise, and to learn, and also to go forward.
- Passion – they had passion for their business and this passion which was a bigger driving force than making money – as if money was only a by-product.
- Effort – they have an effort to be the best in their field, they were satisfied neither with the averageness nor with the copying the competition.

Rhonda Abrams (2014, 4) claims that the very key in creating a business plan is having a prospering and successful business. She also states that it is unavailing to write a business plan for a badly drafted enterprise and that while writing or planning a plan it is vital to look at the needs of a business in a long run and find out the strategy which will improve both personal fulfilment and also overall company performance.

Business plan should describe all of the external and internal factors related either to the setting up a business or already existing entrepreneurship. It can be assimilated to the road atlas which should make easier to answer the questions such as: “Where are we, what place we want to get to and how to get there?” (Veber, Srpová 2012, 95).

Before writing a business plan there is a willingness and courage of the future entrepreneur to become fully independent and to build his or her own existence, company. Nevertheless, not only the newcomer companies create their business plans. Also already set up business create business plans in case they want to extend their scope of business or in the event of the controlled dampening of the certain part of the business. Business plan is understood as a concept of the creation a new company or its part in written form. It is a document which helps an entrepreneur both in the beginnings of the creation the needed conditions for the setting up a business and also later during the managing already developed business activity. Such business plan in which there are aims that should be reached in the longer period of time, may be used also for the control of the successful entrepreneurship – what was planned and whether the reality is compatible to the theory (Červený et al. 2014, 1).

Mike McKeever (2016, 3) describes a business plan as a document which analyses and describes an entrepreneur’s business and also provides a future perspective. It also encompasses the financial side of a setting up a new business or enlargement of an existing

business. What amount of money is needed and what way it will be re-paid. Business plan should cover not only the description of the company but also marketing plan, risk analysis, and aforementioned financial forecasts.

As well as there are general principles for the creation of the business plan and also there are general criteria for its evaluation. However, it should be mentioned, that each bank and each investor has its own specific requirements and criteria for the evaluation of the submitted business plan (Srpková, Svobodová et al. 2011, 1).

As Brian Finch (2010, 2) claims, before the very start of the writing the business plan, it is important to find out who is the business plan for and what should be target audience feedback. Based on what message entrepreneur wants to the target audience give, he or she has to concentrate on different explanations in his or her business plan. Each message you want to give to the audience has a certain issues which should be covered in a business plan. These business plan messages may be for example:

- investments in a new or an existing business,
- purchasing a business,
- granting a business or getting an approval,
- getting an assistance in running a business, etc.

In case an entrepreneur wants investors to invest in business, a business plan should include great returns at very low risk which an entrepreneur is going to provide to the investors. Moreover, it is vital to provide information about excellent company's management if an entrepreneur wants to raise money (Finch 2010, 3).

## **2.1 Purposes of Business Plans**

As McKeever (2016, 5-7) claims, almost every entrepreneur owning a business is glad to have a business plan and those who do not have a business plan they wish they had written it. He also points out five purposes of writing them:

- **Helps to get money**
- **Helps to decide to proceed or stop**
- **Helps to improve a business concept**
- **Improves odds of success**
- **Helps to keep on track**

Business plan serves for the internal purposes but on the other hand, business plans are in particular required by external bodies. Internal purposes of business plan is that it serves as a planning tool, a basis for decision-making process, control instrument, etc. Significantly in cases when is an entrepreneur setting up a new business or there are some changes on the horizon which may have long-term consequences for its operations. Those changes may be for example large investment, merging with another company, or on the other hand, company division into the smaller parts, etc. Some entrepreneurs make extract of business plans available to the employees to make them familiarise with the basic aims of the company and to strengthen the employees' identity with the company (Veber, Srpová et al. 2012, 95-96)

As was mentioned before, business plan is used also for external purposes. External bodies analyse a company's ability to realise more difficult investing programme, or whether is a company prepared to apply for some type of an entrepreneurs support. In this case it is crucial to convince investors (capital providers) that project for which the fund is needed is beneficial (Veber, Srpová et al. 2012, 96).

## 2.2 Types of Business Plans

Radim Červený (2014, 3-9) suggests three types of business plans:

1. **Business plan according to company activities** – business plan and business strategies requirements are based on the scope of business and business activities.
2. **Business plan according to product/service life cycle** – business plan and business strategies are significantly influenced by the life cycle of the company and its products and services. It is important to choose the right approach towards a business plan according to the specific situation – product/service introduction to the market (or simultaneously establishing new company), product/services in expansion stage, saturation, or decline.
3. **Business plan according to purpose of use/processing** – another important aspect of business plan division is the purpose and motif aspects for which business plans are created. Generally, there might be following situations:
  - a) Business plan drawn up for an already existing company or business starters
  - b) Business plan drawn up with the aim to get a business partner



c) Business plan drawn up for a bank (or an investor as a capital provider) – the main aim is to obtain needed financing – credit for development of business. In this case, banks can be divided into two groups:

- Banks which do not need a company business plan.
- Banks which need a company business plan for obtaining a credit (Červený 2014, 3-9).

Moreover, Evans (2011, 13) claims that whenever an entrepreneur needs backing he always needs a business plan too. Hence he diversifies following cases in which a business plan is important to write:

- “For a start-up
- For raising equity finance
- For raising debt finance
- For board approval
- For a joint venture partner
- For the sale of the business
- For differentiating from a project plan
- For use as a managerial tool.”

### 2.3 Main Principles

It has to be claimed that during the writing a business plan there are several general principles which should be observed. Their purpose is not to limit the creator of a business plan. Nevertheless, it is more than possible that the reader of a business plan has several more business plans to read. And therefore it is important to write a business plan according to following principles suggested by Veber and Srpová et al. (2012, 96-97) in order to increase its rating in the eyes of people outside of the business:

- **Clarity** – during the structuring a business plan it is vital to provide information in a way it is easy to read and easy to understand. It is not a good idea to provide a big amount of thoughts and ideas in one sentence. In case there is something complicated and in the same time it is important to be understood, it is significant to add a chart.

- **Consistency** – it is crucial that thoughts and facts mentioned in a plan should relate to each other. Everything has to be based on facts.
- **Briefness** – thoughts and conclusions should be brief.
- **Truthfulness and objectivity** – truthfulness of the presented data should be used as a matter of course.
- **Respecting risks** – business plan is about a future of a company. Respecting risks, risk identification, variety of the proposed solutions in crisis situations of future development enhances the credibility of the business plan.

Moreover, Rhonda Abrams (2014, 18) points out five important steps in order to find out where to start the writing a business plan:

1. “Laying out your basic business concept,
2. Gathering data on the feasibility and specifics of your concept,
3. Focusing and refining the concept based on data you compile,
4. Outlining the specifics of your business,
5. Putting you plan in compelling form.”

## 2.4 Chapters of a Business Plan

As was mentioned before, the content of business plan is not strictly prescribed. Each investor and each bank has its own requirements about the structure. According to Srpová et al. (2011, 14) in these days, some investors requires business plans in a form of the presentations in MS PowerPoint programme because of the lack of time.

Srpová et al. (2011), Rhonda Abrams (2014), Edward Blackwell (2008) and Brian Finch (2010) each suggest their own types of the many possible structures of a business plans. These types of a business plan structures in a bit altered form will be used as guidance for this bachelor thesis. The individual parts will be theoretically explained on the following pages and then used for the practical part of the bachelor thesis. Hence, here is the business plan structure:

1. Title page
2. Executive summary
3. Company description
4. Organizational structure
5. Target market and competition analysis

6. Marketing strategy
7. Financial analysis
8. Risk evaluation

#### **2.4.1 Title Page**

Title page of the business plan should include business name and logo of the company (in case it already exists), title of the business plan, name of the author, key persons, founders, date of the establishment, etc. (Srpková et al. 2011, 15).

#### **2.4.2 Executive Summary**

Executive summary is a kind of a shortened form of business plan. It is a written presentation which is mostly two pages long which is submitted to the banks and investors (iPodnikatel 2011).

Abrams (2014, 54) claims that the very fundamental part of business plan is the Executive Summary. Executive summary has to be brief, clear and impressive in order to make readers to read the whole business plan and go through it briefly. Thus this is why Executive Summary is a crucial part of the whole business plan. It does not depend on the product or service an entrepreneur wants to provide, only thing that matters is executive summary which should be compelling and make a target audience to read all information about entrepreneur's techniques, market, and product.

According to Evans (2011, 181) executive summary is very similar to the conclusion but in an enhanced version. Executive summary is the very first pages of a business plan which readers read therefore presentation in executive summary is very important.

Abrams (2014, 48) suggest what should be included in executive summary and that a target audience should be informed that:

- “Basic business concept makes sense.
- Management is capable.
- A clear-cut market exists.
- Business itself has been planned thoroughly.
- Business incorporates significant competitive advantages.
- Investors or lenders have an excellent chance to make money.
- Financial projections are realistic.”

### 2.4.3 Company Description

The fourth part of a business plan is company description and according to Abrams (2014, 59-60) it is crucial to inform target audience about the basics of a business before detailed sections such as marketing plan and new technologies. This section should comprise information about ownership, legal status, products/services, and company mission and achieved milestones. It may be simple task to do but on the other hand, writing a company description may take a big amount of time in case a business plan is being written for a start-up company. It may be in virtue of the selection of the right legal form and choosing the right business name etc.

Another part of the company description is Mission Statement which should specify the objectives, goals and principles of a company. It helps both an entrepreneur himself and also target audience to understand the business intentions and helps to describe what business entrepreneur is in (Abrams 2014, 60).

### 2.4.4 Operational Structure

Brian Finch (2010, 61) claims that it is vital to provide a diagram of the proposed or actual organisation in case there is a more complex business. It should provide information about how the whole organisation works together, how many employees work in certain areas, etc.

Another important thing is information about the key workers and their characteristics. That means highest educational attainment and practical experience of managers in management positions (Srpová, Řehoř et al. 2010, 63).

Rhonda Abrams (2014, 230) claims that an entrepreneur should focus on two main groups which are the core of a management:

1. “the people who run your business;
2. Your management structure and style.”

She also argues that “people are the heart of every business” (Abrams 2014, 230).

### 2.4.5 Target Market and Competition Analysis

To be successful in business it is important to understand to the customers and know who the customers are, what they want, what they can afford, and how they behave (Abrams 2014, 99).

The aim of the target market is to demonstrate that an entrepreneur has determined the market segments and he knows the range of customers to whom the products and services can be offered (Srpová, Řehoř et al. 2010, 62).

Abrams (2014, 100) supposes criteria which the definition of a target market should possess:

- **“Definable.** It should have specific characteristics identifying what the potential customers have in common.
- **Meaningful.** The characteristics must meaningfully relate to the decision to purchase.
- **Sizable.** It must be large enough to profitably sustain your business.
- **Reachable.** Both the definition and size must lead to affordable and effective ways to market to your potential customers” (Abrams 2014, 100).

Another thing which Abrams (2014, 101-104) points out is to describe a market according to particular features:

- **Demographic Description** – the most basic information about the target market – age, income, sex, occupation, marital status, family size, ethnic group, level of education, etc.
- **Geographic Description** – this includes intended areas for serving, it should inform whether a business serves a certain city, state, nation, region, or part of the international market.
- **Psychographic Description** – psychographic factors are not as tangible as other factors but they are also important in decision-making process. It is a description of a customer as he sees or wants to see himself/herself. There are several psychographic groups, e.g.: fun-seeking, smart shopper, status seeking, early adopter (it is a term for the customers who are happy to be among the first customers to try a new technology);
- **Purchasing Patterns Description** – reasons for the first purchase, interval between purchases, number of purchases, how long it takes to make decision to purchase, etc.;
- **Buying Sensitivities Description** – factors which are important for customers in decision-making processes. In other words customers’ sensitivity to various factors (Abrams 2014, 100).

The aim of the competition analysis is to explore the competitive ratio and influence on the possibilities of the sales of the offered products. It is crucial to include strengths and weaknesses, and procedures of the competition. At the beginning, it is important to map all of the existing competitors (Srpková, Řehoř et al. 2010, 62).

According to Finch (2010, 35) competition is important because competitors try to drive the others out of business and they motivate other entrepreneurs to “get the upper hand against them”. There are two types of competitors:

- Existing Competitors – it is a bit easier to compete with the existing competitor because they already exist and it is simpler to define their strengths, weaknesses, size, operation mean and then find out a complex way how to defeat them.
- New Entrants – new entrants may be a bit more dangerous. One business might be tougher than another one but in case a new competitor (for example a big company from another industry or another country) appears it can be hugely endangering.

Moreover, according to Abrams (2014, 116) for preparing a competitive analysis it is advisable to focus on:

- Major competitors;
- On what basis an entrepreneur compete;
- How an entrepreneur compare;
- Potential future competitors;
- Barriers to entry for new competitors (Abrams 2014, 116).

Brian Finch (2010, 40) claims that Competitive Advantage is the ingredient or ingredients that are fundamental to the service product and make an entrepreneur a winner. Cost is the most obvious advantage. If an entrepreneur is able to produce a something more inexpensively than someone else, he has a clear advantage over his competitors. Technological advance is another type competitive advantage. Another competitive advantage sources are:

- “Brand;
- Local monopoly (e.g. the only bookstore in a shopping centre);
- Location (e.g. the hotel with the best view);

- Distribution (e.g. an exclusive distribution agreement with a key retail chain);
- Buying (e.g. an exclusive purchasing arrangement with the only manufacturer)” (Finch 2010, 41-42).

### **SWOT Analysis**

SWOT analysis is a simple instrument which aim is to characterise key issues which influence a company strategic position. It is a method which illustrates balance risks and opportunities (Abrams 2014, 142). It is an analysis of:

- **Strengths**
- **Weaknesses**
- **Opportunities**
- **Threats**

Strengths and weaknesses analysis presents the internal analysis of a company, opportunities and threats analysis is the result of an external analysis of a company (Srpková, Řehoř et al. 2010, 132).

### **PEST analysis**

PEST is an acronym and stands for the Political, Economic, Socio-cultural and Technological environment which influence a particular entrepreneurship. PEST is used for the analysis of the macro-environment (Veber, Srpková et al. 2012, 299).

#### **2.4.6 Marketing Strategy**

As Srpková et al. (2011, 22) claim, marketing has a significant impact on the future success of the enterprise. Therefore, it is crucial to persuade the target audience of a business plan that a company has a good marketing and business strategy.

Majority of businessmen believe their product and services are unique and profitable. That is a good essence to be able to successfully sell the products and services – an entrepreneur has to believe in it. But it is not enough. It is fundamental to convince customers about product/service qualities which is often more difficult than development and production of a product itself. This has to do especially with brand new product which customers have not known yet. Equally important it is in case of ordinary products and services which has only slight differences between each other (iPodnikatel 2012).

According to Abrams (2014, 149) it is important to have customers to be able to stay in business. Marketing strategy has to be designed thoughtfully and carefully because reaching customers is expensive and finances are limited. In case an entrepreneur's aim is to reach funding, it is important to bear in mind that investors read marketing plan carefully. They want to be sure an entrepreneur has a price-conscious and realistic strategy for offering products and services to the customers. Marketing plan should include:

- How to make customers aware of certain products and services;
- What message about the product, service, or company should be conveyed to customers;
- Specific delivering and reinforcing method of that message;
- A way of securing actual sales.

Marketing Mix is a set of instruments through which is the marketing able to influence its aims, and to bring the production programme closer to the market needs and wishes. Traditional instruments of the marketing mix are labelled as "4P" (Veber, Srpová et al. 2012, 188):

- **Product** – product or service, its functions, quality, appearance, cover, brand, overall image it delivers;
- **Price** – pricing, costing, demand, competitor's price, brand concept, etc.;
- **Place** – distribution process by which is the product delivered to the customers. It is not only the physical distribution but also flow of information, financial flow, and the ownership relation changes;
- **Promotion** - set of activities providing notification of customers about the products and its characteristics, influencing customers' attitudes and behaviour, and convincing the customers that they should buy the product (Mulačová, Mulač 2013, 247-248).

#### 2.4.7 Financial Analysis

According to Mulačová and Mulač et al. (2013, 147) financial analysis is part of the traditional financial situation evaluation tool. It is a universally used technique for all types of enterprises. Its primary function is to evaluate the financial soundness and the overall performance of the company.



Financial plan proves the objectivity of the business plan from the economic point of view. The aim of the financial plan is to make an entrepreneur sure business plan makes sense. Outputs of the financial plan are primarily opening balance sheet, costs plan, income plan, profit and loss account plan, balance sheet plan, cash-flow plan, and breakeven point calculation, financing plan, and cost and revenues calculations. Planned statements include brief comments, outputs of the financial plan has to be materialised (Srpková, Řehoř et al. 2010, 65).

Financial analysis includes a huge amount of information and data about the activity of the company and its environments. It significantly both facilitates and updates the economic decisions made by management (Mulačková, Mulač et al. 2013, 147).

Brian Finch (2010, 90) suggest four parts which should be included in the financial analysis:

- “Profit and loss account;
- Balance sheet;
- Cash forecast;
- Funds flow.”

#### **2.4.8 Risk Evaluation**

Running a business involves risks. Risks are perceived as a negative derogating from the aim. Risk analysis makes an entrepreneur able to view a business plan in two ways. Besides illustrating the probability of obtaining the expected effects, it also serves for the preparation of measures which might be needed in case when the risk situation actually happens. Every risk situation has its causes. Thus the risk analysis may help to propose the appropriate precautionary steps. Among risk factors might be change in customer behaviour, legislative changes, technological progress, competitor’s change of behaviour and reactions, weaknesses of the business, management team errors, etc. (Srpková, Řehoř et al. 2010, 66).

Rhonda Abrams (2014, 141) points out there are seven types of risks which companies may face to:

- Market risk
- Competitive risk
- Technology risk
- Product risk
- Execution risk

- Capitalization risk
- Global risk

According to Finch (2010, 110) there are only four types of risks.

- “That sales are low;
- That margins are low;
- That costs are high;
- That a major operational problem occurs.”

Mulačová and Mulač et al. (2010, 147) claim that information in financial analysis serves not only for internal use but also for other external bodies. The financial analysis users are:

- “Management,
- Investors,
- Banks,
- Creditors,
- Purchasers,
- National authorities,
- Competitors,
- Employees,
- Other users” (Mulačová, Mulač et al. 2010 147).

### **3 SUMMARY OF THE THEORETICAL PART**

In the theoretical part, there are explained the basic business terms, such as enterprises, there is also described who is possible to be considered as an entrepreneur according to the New Commercial Code. Moreover, there are described types of entrepreneurships of natural person with the outlined particular types of trades and entrepreneurships of legal entity, which comprises the definitions of General Partnership, Limited Partnership, Limited Liability Company, and Joint-Stock Company. Another chapter of the theoretical part is the determination of the business plan, its purposes, types, main principles, structure and additionally, there are described particular chapters of a business plan which is subsequently used as guidance in the practical part.

## **II. ANALYSIS**

## 4 A BUSINESS PLAN FOR THE COMPANY “BAGETÁRNA”

### 4.1 Title page

<b>Name of the company:</b>	Bagetárna
<b>Legal form:</b>	Natural Person
<b>Address:</b>	Smetanova 1137, 755 01 Vsetín 1
<b>Date of establishment:</b>	1 October 2018
<b>Owner:</b>	Jaroslava Maňáková
<b>Founder:</b>	Jaroslava Maňáková
<b>Founder address:</b>	Benátky 1611, 755 01 Vsetín 1
<b>Phone:</b>	+420 987 654 321
<b>E-mail:</b>	bagetarna@vsetin.cz
<b>Website:</b>	www.bagetarnavsetin.cz
<b>Financing:</b>	founder savings in amount of 1,000,000 CZK
<b>About us:</b>	Bagetárna is a brand new fast food restaurant in Vsetín for everyone who wants to enjoy the unique tasty experience. Fast, good-quality, and delicious. Those are three words which characterize Bagetárna. In our modern fast food restaurant with the stylish atmosphere, you will be pampered by the best specialities by the chef’s recipes. Every baguette is home-made and you can choose according to your taste or a diet. Whether you are a vegetarian or a meat lover, vegan, or you have lactose or gluten intolerance, we will satisfy your taste buds!



Figure 1 - Logo of the company (own creation) 1

## 4.2 Executive Summary

This business plan proposes the opening of the brand new fast food restaurant named Bagetárna for everyone who wants to enjoy the taste of the fresh baguettes in Vsetín. Bagetárna will focus on freshly baked home-made baguettes which will satisfy even the most demanding customers. In these days, there are people with special diets and health restrictions such as vegetarianism, veganism, and gluten and lactose intolerance. The aim of the company Bagetárna is to satisfy needs of customers who call for the fresh and healthy ingredients according to them.

The fast food restaurant Bageátrna is located on Smetanova Street 1137 in the city centre on the near the bus and train station. Moreover, approximately 200 metres which is 3 minutes of walking by foot there are two secondary schools and a college. Another important and significant spot near the restaurant (approximately 140 metres) is the Rock Club Beseda on the Svárov Street and the night club Hexagon on Žerotínova Street which can bring another amount of the possible customers.

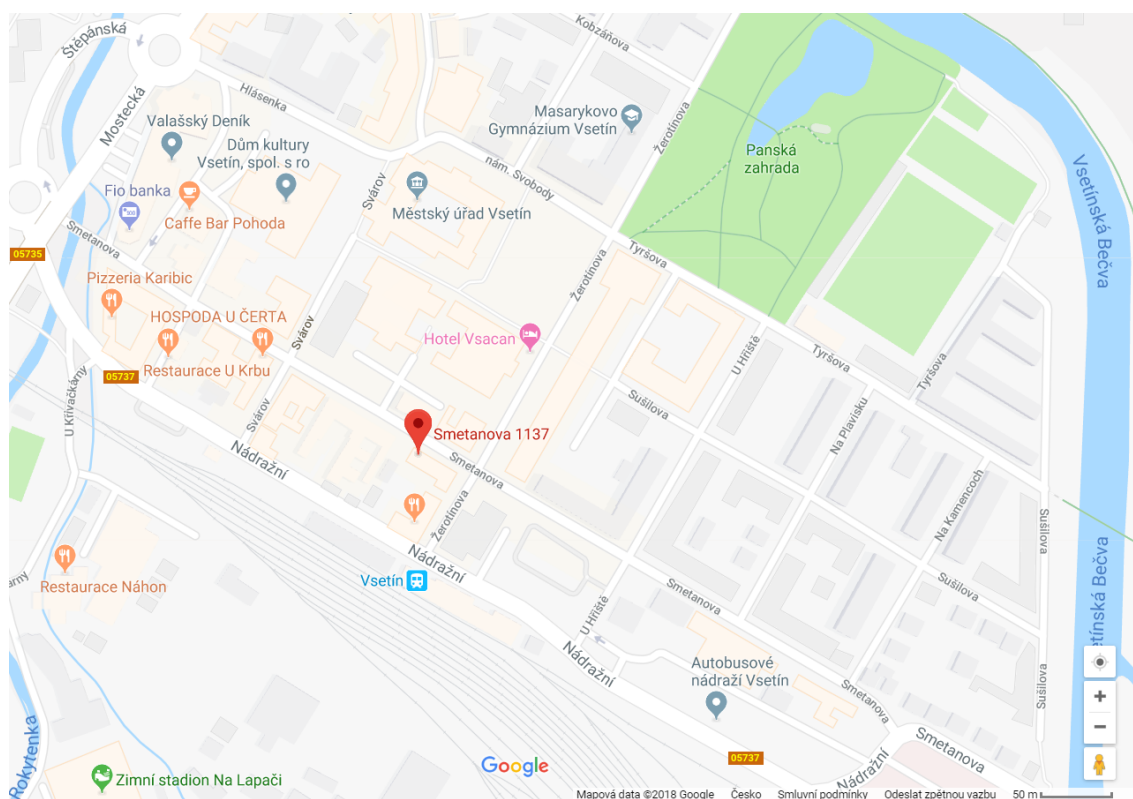


Figure 2 – Location (accessed from Maps by Google)

In addition, as was mentioned previously in the plan, there is a shopping gallery planned to be open on Easter or in summer 2019 neat the train station. It is most likely it brings both more possibilities to sell product to the new customers and also more parking lots for the customers in the city centre. Thus, the Bagetárna takes advantage of its location.

Furthermore to the previous paragraph, strengths of the company are the significant location in the city centre, uniqueness of the products which are simultaneously fresh and home-made product which will satisfy customers with special needs. As for the weaknesses, there can be included the fact that it is a new company with no previous experience, to comply with the company's vision of home-made and fresh product it is necessary to use only fresh ingredients which may be expensive in winter. Company Bagetárna will offer only one type of the product – baguettes with different fillings. And the last weakness is the fact that in this particular location there are three fast food restaurants offering kebab, hamburgers, and French fries and many other restaurants.

The owner and founder decided to establish a company as a natural person in virtue of its simplicity. Another reasons for choosing of entrepreneurship of natural person are: simpler administration (only the tax record not the accounting), lower tax rate (only 15% for natural person in comparison with legal entity with 19% tax rate). Because of the fact that the activity performed by a restaurant Bagetárna is the baking the baguettes with its subsequent sale the trade chosen for this business is a Craft Trade specified in annex no. 1 of the Trade Licensing Act No. 455/1991 Coll., Part A, Bakery and Pastry Products.

According to the Trade Licensing Act No. 455/1991 Coll. to be able to run this business in Craft Trade, the necessary condition is to have an apprenticeship certificate, the Maturita examination, a degree in a field, or six year of apprenticeship.

To be able to start a business, company was financed its owner in form of the registered capital in amount of 1,000,000 CZK.

### **4.3 Basic Company Description**

Bagetárna is a brand new fast Czech food restaurant located in the Zlín Region, in city centre of Vsetín on Smetanova Street 1137. To be able to run a business and provide products and services to the customers, Bagetárna will use the spaces provided by the real estate agency STING for 10,000 CZK per month plus energies. This place includes office, sanitary facility, and kitchen.

The location of the company is near the bus and train station. It is a place where daily goes the most inhabitants of the Vsetin city because it lies on the road connecting the housing estates.

The owner and founder of the company Bagetárna is Jaroslava Maňáková,, 23 years old TBU graduate from Vsetin, whose the biggest whole lifetime hobby is both baking pizzas, bread, rolls, baguettes, and also baking cakes, muffins, cupcakes and other desserts etc. The name “Bagetárna” was derived from the main and the only product of this fast food restaurant.

Bagetárna’s opening hours are chosen accordingly to the arrival of the buses and trains which are used by students and adults who commute to school and work every day. Thus, the opening hours are from Monday to Friday fixed – from 6:30 a. m. to 6:30 p. m.



OPENING HOURS	
MON	06:30 — 18:30
TUE	06:30 — 18:30
WED	06:30 — 18:30
THU	06:30 — 18:30
FRI	06:30 — 18:30
SAT	09:00 — 19:00
SUN	CLOSED

Figure 3 – Opening Hours (own creation)



As was mentioned in chapters before, Bagetárna's aim is to satisfy the needs of the very demanding customers with any kind of special dieting or health limitations, such as veganism, vegetarianism, and gluten and lactose intolerance.

Bagetárna will provide the wide range of baguettes based on the customer's choice and taste. A customer is able to choose both; a type of baguette and then also type of filling – fresh or grilled.

TYPE OF A BAGUETTES	PRICE
WHITE FLOUR	0 CZK
WHOLE GRAIN	+ 10 CZK
DAIRY FREE	+ 15 CZK
GLUTEN FREE	+ 10 CZK

Table 2 – Prices of Special Baguettes (own creation)

Prices of the individual baguettes are set up for the white flour baguette. In case a customer wants another type of the baguette has an opportunity to pay extra amount of money (from 10 to 15 CZK) and choose among special types: whole grain, dairy free, and gluten free baguettes.

FRESH	GRILLED
HAM 79 CZK	CHICKEN NUGGETS 89 CZK
TUNA 79 CZK	GYROS 79 CZK
CAESAR 89 CZK	CHEESE 79 CZK
CAPRESE 89 CZK	HAWAII 89 CZK
SALMON 89 CZK	BACON 89 CZK

Table 3 – Prices of the Fillings (own creation)

Of course, a company offer will also include non-alcoholic beverages, such as Coca-Cola, Fanta, Sprite, sparkling water and it is possible to order an espresso with coffee cream.

BEVERAGES	PRICE
COCA-COLA 0,5 L	39 CZK
FANTA 0,5 L	39 CZK
SPRITE 0,5 L	39 CZK
SPARKLING WATER 0,5 L	25 CZK
ESPRESSO 30 ML	29 CZK

Table 4 – Beverages Prices (own creation)

#### 4.4 Operational Structure

Operational structure of the company Bagetárna includes one director and three employees. Owner Jaroslava Maňáková is responsible for the financing/funding the company. She inserts to the company the registered capital in the amount of 1,000,000 CZK from life savings. She is also responsible for the company marketing, management and accounting, and also will serve as a waitress. The owner's wage will be based on the company's profits.

Baker will be responsible for the preparing the doughs for baguettes and consequently the baking the baguettes itself. Baker should prepare dough for baguettes on the following day and in the morning and also bake them for the following use. Wage per hour: 100 CZK. Estimated number of hours per day: 8 hours.

Waiter or waitress will be responsible for the preparation of the final product – baguettes filled with the ingredients according to the customers' wishes. Wage per hour: 100 CZK. Estimated number of hours per day: 8 hours.

Cleaner will be responsible for the clean-up at the end of the opening hours. This clean-up will include mopping the floor, sweeping, emptying the trash, and cleaning up the restroom. Wage per hour: 80 CZK. Estimated number of hours per day: 3 hours.

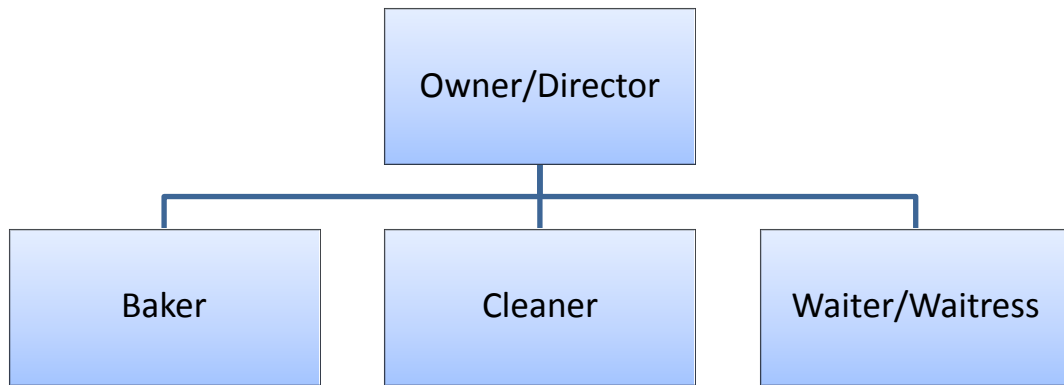


Figure 4 – Organizational Structure (own creation)

The figure above displays a simple line structure with the direct communication relations. Detailed Labour Costs are provided in the chapter 4.

## 4.5 Target Market and Competition Analysis

### 4.5.1 PEST analysis

As was noted in the theoretical part of this bachelor thesis, PEST is an acronym and stands for the Political, Economic, Socio-cultural and Technological environment which influence a particular entrepreneurship.

- **Political environment**

Because of the fact that the legal form of the future business will be a natural person, it is important to note that the income tax which is needed to be paid is only 15%. What is also crucial for this legal form is the fact, that it is compulsory for natural person to pay the health and the social insurance. In 2018, the minimum amount of health insurance reserves is 2189 CZK and the minimum amount of social insurance reserves is 2024 CZK.

To be able to start a business there are many conditions and steps which future entrepreneur has to go through. Below there are listed several duties an entrepreneur has:

1. “To obtain the building permit at the Building Authority
2. To prepare a project documentation for the Building Authority
3. To obtain the Department of Hygiene at the Department of Nutrition Statement
4. To obtain the Department of Labor Hygienic Station Statement
5. To obtain the fire brigade statement for the project
6. To obtain the Department of the Environment statement
7. To obtain a health card
8. To obtain the Trades License at the Trade Licensing Office
9. To obtain the professional competence
10. To obtain the notification of the establishment at the Trade Licensing Office
11. Personal income tax registration
12. To sign up for the road tax
13. EET authentication and its registration
14. Registration for the health insurance payment
15. Registration for the social insurance payment” (Hovorka 2017)

In case an entrepreneur wants to run a business in bakery and confectionery, he/she should bear in mind that there are several controls which can be made by State Institutions. Some of them are listed below:

1. “Public Health Authority
2. Czech Agriculture and Food Inspection Authority
3. Trade Licensing Authority
4. Czech Trade Inspection
5. Health Insurance Authority
6. Czech Social Security Administration
7. State Veterinary Administration
8. Czech Environmental Inspectorate” (Hovorka 2017)
- 9.

According to the type of the plant, it is possible to presuppose 20 to 30 types of the state institution controls during the running a business (Podnikatel 2017).

- **Economic environment**

Economic environment in Zlín region can be analysed according to unemployment. According to the Ministry of Labour and Social Affairs, in 2017 there were 14,830 unemployed people from which 51,3% were women. The unemployment rate was 3,64%. In comparison with the year 2016, the number of unemployed people decreased by 5,044 people, from which 2,646 were women. In case of Vsetín city, in Zlín region, the unemployment rate was 4,24% (CZSO 2018).

It is vital to mention that an unemployment rate may influence the buying behaviour of the inhabitants. Unemployed population is likely to save money and do not purchase goods. This may also cause lowering the revenues of the company.

In the first quarter of 2018, an average nominal gross wage increased by 2,200 CZK in comparison with 2016. Thus the average nominal gross wage is 26,431 CZK (CZSO 2018). This fact may together with the unemployment rate influence the customer's buying behaviour.

- **Socio-cultural environment**

As well as the economic and political environment, also socio-cultural environment may influence a business. A company Bagetárna is planned to be located in the city centre, there are many opportunities of approaching the target customers. In Zlín region, namely in Vsetín, there is 26,109 inhabitants from which 12,496 are men and 13,613 are women. Average age 43,4 (CZSO 2018).

Additionally, in Vsetín there are four secondary schools and one college which means there are many students who are a possible customers. Also, the presence of the schools in Vsetín may indicate a higher education of the inhabitants and from this reason, also the higher probability that the inhabitants are employed and thus have enough money to spend.

From the customers' preferences point of view, in these days there is a boom of vegan, dairy free and lactose free product. Each person has its own preferences regarding taste and special dieting. From this reason, the company's products (wholegrain, dairy free, and lactose free baguettes) might be desired by customers.

- **Technological environment**

Also the technological environment is vital to mention because of the fact that technologies have a great influence on business. New technologies which are able to do the work instead of the employee has a great impact on the quality and rapidity of the making the final product. Company Bagetárna will produce home-made baguettes which could be very dif-

difficult to make without new technologies – kitchen robot which has ability to mix dough quickly, effectively and painlessly.

#### 4.5.2 SWOT Analysis

SWOT analysis is used for the evaluation of the strengths, weaknesses, opportunities and threats of a company Bagetárna. Particular features of analysis are listed below in the table:

STRENGTHS	WEAKNESSES
▪ <b>Location</b>	▪ <b>No previous experience</b>
▪ <b>Uniqueness of the product on the market</b>	▪ <b>Need of the fresh ingredients</b>
▪ <b>Home-made products</b>	▪ <b>One type of the product</b>
▪ <b>Products available for the customer with special dieting</b>	▪ <b>Fast food competition in the location</b>
OPPORTUNITIES	THREATS
▪ <b>New shopping gallery near the company</b>	▪ <b>Higher price of the seasonal ingredients</b>
▪ <b>Subway under the Nádražní Street</b>	▪ <b>Legislative changes</b>
▪ <b>New car park</b>	▪ <b>Business with the similar concept in the new shopping gallery</b>

Table 5 – SWOT Analysis (own creation)

##### ▪ **Strengths**

Company strengths are based mainly on the location. Smetanova Street is located in the centre of a city near the secondary schools and college full of students. Moreover, on Nádražní Street there is a new shopping gallery being built and its opening is planned on the Easter or summer 2019 which is a great opportunity to approach new customers.

Another strength which should be listed is the uniqueness of the offered product. In Vsetín there are another four fast food restaurant but none of them offers baguettes. Home-made products are very modern and requested in these days. In connection with the home-

made products, it is vital to mention that these products can be made on special request by the customer with special dieting and health limitations.

- **Weaknesses**

Among the weaknesses of the company, there is important to mention that the entrepreneur has no previous experience with running a business. Moreover, the home-made products require fresh ingredients which could be difficult and expensive to buy during winter.

In addition, fast food restaurants, as direct competitors to the Bagetárna, offer more products, such as kebab, pljeskavica, hamburgers, French fries, etc.

- **Opportunities**

Opportunities of the company were severally mentioned before. Among opportunities can be mentioned a new shopping gallery which will provide more parking lots and in relation with building the new gallery it is planned to build a subway under the Nádražní Street which will simplify the access both to the city and also to the Bagetárna.

- **Threats**

The most threatening feature can be found in the higher price of the seasonal ingredients. Also there is a possibility that there will be another business with the similar concept in the new shopping gallery which would cause an outflow of the customers. Another threat can be found in possible legislative changes.

### 4.5.3 Target Market

Since the company Bagetárna has a significant location in the centre of the Vsetín city – near the bus station, train station, city centre is the main location where the day and night life takes place.

Bagetárna lies on the Smetanova Street which is connecting the roads from all the housing estates in Vsetín. Near the company there are three secondary schools and one college which is a great opportunity to address the students of these schools. Moreover, in the city centre there are many companies and that means many customers.

The aim of the company's target market is to attract both young customers and also middle-aged customers commuting to work. In this case, middle-aged population is the main target segment.

**SEGMENT 1** – customers in the age from 15 to 19 – the students of the local schools

**SEGMENT 2** – customers in the age from 20 to 39 – families with children

**SEGMENT 3** – customers in the age from 40 and more

**Segment 1** – customers in this segment are likely to call for the modern trends in gastronomy. They try to be different. There is an opportunity to offer them products which are trendy and also healthy. Many of the customers from this segment are vegetarians, vegans, or they have special diets. From this reason it may be significant to offer them whole grain, lactose free and dairy free baguettes with the fresh filling, such as Caesar (salad, dressing, chicken), Caprese (mozzarella, basil, tomatoes) and also Hawaii baguette which is different because it contains pineapple and ham.

**Segment 2** – customers in this segment are mainly families with children. Women are supposed to eat healthier than men and from this reason it will be valuable to offer them healthy baguettes (whole grain baguettes are made from the rye flour and it also contains many kinds of seeds which are the healthy and profitable source of omega-3-fatty acid). As was mentioned, men are supposed to eat less healthy. From this reason they will be target customers of the Bacon, Cheese, and Chicken nuggets baguettes. On the other they are not likely to eat whole grain baguettes.

**Segment 3** – customers in this segment are people in the age from 40 and more. Those could be also families with children – from that reason the offered products will be the same. Nevertheless, older inhabitants like home-made products because of the fact that they are more conservative and they like to eat products they know from their homes. It is supposed that the filling they will buy would be also on the conservative level and they will choose from the classic baguettes – Ham, Cheese, and Bacon.

#### ▪ **Demographic Description**

As was mentioned in the theoretical part demographic features of the target market are the most basic information – age, income, sex, occupation, marital status, family size, ethnic group, level of education, etc.

According to the Czech Statistical Office, Vsetín has 26,638 inhabitants from which there are 12,756 men and 13,882 women. There are 1,456 inhabitants in the age from 15 to 19, 7,651 inhabitants in the age from 20 to 39 and 7,295 inhabitants in the age from 40 to 59. That means that the main target market will be inhabitants in the age from 20 to 39 thus the Segment 2 is the preferred segment.

#### ▪ **Geographic Description**

Geographic location of the company Bagetárna is in the centre of Vsetín. Smetanova Street is located in the very centre of the city which connects the particular house estates in Vsetín, such as Rybníky, Rokytnice, Trávníky and also Sychrov. From this reason it can be stated that the location of the company is attractive for the inhabitants of the city.



Moreover, company Valatrans located in Vsetín started to build shopping gallery near the location of Bagetárna. It means more opportunities for sales and getting more customers. According to the news, shopping gallery is planned to be open on Easter or in summer 2019. In addition, there are more plans to be reached simultaneously with the building this gallery, such as new car park and subway under the Nádražní Street which will simplify the accessibility of both the city centre and also a company Bagetárna.

#### ▪ **Psychographic Description**

Psychographic features describe the inhabitants and customers desires and their feelings about themselves. In Vsetín there is a quite big number of fast food restaurant which provides meals such as kebab, hamburgers, fried cheese, French fries etc. Nevertheless, a company Bagetárna provides home-made dough and offers different types of baguettes according to special diets, such as vegetarianism, veganism, and also baguettes for people with lactose and gluten intolerance.

Thus the target market based on this psychographic description are people who want to try something different from kebabs and hamburgers and who are restricted to special kinds of dieting and health problems.

#### **4.5.4 Competition Analysis**

A company's Bagetárna competitors are listed below, including the name, address, products and services, and opening hours:

<b>Name:</b>	<b>Istanbul Kebab</b>
<b>Address:</b>	Žerotínova 992, 755 01 Vsetín 1
<b>Products and services:</b>	Kebab, Kebab Box, French Fries, Beverages
<b>Opening Hours:</b>	Monday: 09:30 – 23:00
	Tuesday: 09:30 – 23:00
	Wednesday: 09:30 – 23:00
	Thursday: 09:30 – 23:00
	Friday: 09:30 – 23:00
	Saturday: 09:30 – 23:00
	Sunday: 09:30 – 23:00

Istanbul Kebab is the first fast food restaurant of its kind in Vsetín. Their opening hours are from 09:30 a.m. to 11:00 p. m. which are quite well chosen opening hours because of the

fact they may address wide amount of target customers – students, families with children, adults returning from and going at work. They offer classic Istanbul kebab, kebab boxes, French fries and also non-alcoholic beverages.

<b>Name:</b>	<b>Kebab Side</b>
<b>Address:</b>	Svárov 714, 755 01 Vsetín 1
<b>Products and services:</b>	Kebab, Kebab Box, Salads, French Fries, Beverages
<b>Opening Hours:</b>	Monday: 09:00 – 00:00 Tuesday: 09:00 – 00:00 Wednesday: 09:00 – 00:00 Thursday: 09:00 – 00:00 Friday: 09:00 – 05:00 Saturday: 09:00 – 05:00 Sunday: 11:00 – 23:00

Kebab Side is after the Istanbul Kebab the second most visited fast food restaurant in Vsetín. It is a favourite place of wide range of customers. Their long opening hours are carefully chosen according to the day of the week. On the days from Monday to Thursday they are open from 09:00 a.m. to midnight. On Fridays they have longer opening hours because of the fact that on Fridays there is a lot of people in the city and they are going out, for parties, and to the pubs. As well as the Istanbul Kebab, they offer kebab, kebab boxes, French fries, non-alcoholic beverages and in addition salads.

<b>Name:</b>	<b>Grillerie u Srba</b>
<b>Address:</b>	Svárov 75, 755 01 Vsetín 1
<b>Products and services:</b>	Pljeskavica, Hamburgers, French fries, Salads, Beverages
<b>Opening Hours:</b>	Monday: 14:00 – 10:00 Tuesday: 14:00 – 22:00 Wednesday: 14:00 – 22:00 Thursday: 14:00 – 22:00 Friday: 14:00 – 04:00 Saturday: 16:00 – 04:00 Sunday: CLOSED

Grillerie u Srba is a favourite place for hamburger lovers. Their opening hours are chosen according to the day of the week. On Fridays and Saturdays – the time when people get together and they go to the city – the opening hours are prolonged to the 04:00 a. m. Their offer includes Balkan pljeskavica, beef hamburgers, French fries, and alcoholic and non-alcoholic beverages.

## **4.6 Marketing Plan**

As a part of the marketing plan, there is used Marketing Mix also known as 4Ps – Product, Price, Place, and Promotion. Each “P” will be described according to the company’s features.

### **4.6.1 Marketing Mix**

#### **Product**

Company Bagetárna offers several types of baguettes and its fillings. There are four types of baguettes and ten types of filling which can be mixed according to the customer’s choice and taste. In order to satisfy the needs and preferences of all the customers, Bagetárna will offer the baguettes which are dairy free, lactose free and also wholegrain. The default type of the baguette is from white flour. This decision to make different types of baguettes is done in order to make possible to the customers to choose a baguette which would be suitable for their special types of dieting or just to satisfy their taste buds.

Company Bagetárna offers ten different types of fillings. Fresh fillings: Ham, Tuna, Caesar, Caprese, Salmon. Grilled fillings: Chicken Nuggets, Gyros, Cheese, Hawaii, and Bacon. There are also non-alcoholic beverages to be offered, such as Coca-Cola, Fanta, Sprite, sparkling water and espresso.

#### **Price**

A price is chosen in order to cover all the variable and fixed cost and simultaneously to make a profit. It should be claimed, that prices of individual ingredients were taken into the consideration and the final prices of the baguettes and fillings were set up according them.

The white flour baguette is the default type which is used in general. A customer has a possibility to choose from another three types according his or her taste or special dieting: dairy free, lactose free, and wholegrain baguettes. For the wholegrain and gluten free baguettes there is a 10 CZK fee and for the dairy free baguettes there is a 15 CZK fee. The prices of the fillings are based on the used ingredients: Ham – 79 CZK, Tuna – 79 CZK,

Caesar 89 CZK, Caprese 89 CZK, Salmon 89 CZK, Chicken Nuggets 89 CZK, Gyros CZK, Cheese 79 CZK, Hawai 89 CZK, and Bacon 89 CZK.

### **Place**

A company Bageárna will be situated on the Smetanova Street 1137 in Vsetín. Smetanova Street lies in the centre of Vsetín and it is a significant location for running a business. Near the Bageárna will be situated a new shopping gallery which is in reconstruction at this time. It is planned to be open on Easter or in summer 2018. It may bring more customers to the company and also it improve the access to the restaurant because simultaneously with the new shopping gallery there is planned to be new parking lots and a subway under the Nádražní Street. It improve not only the access for the customers but also for the distribution of goods which is planned to be delivered from the local shops.

### **Promotion**

The promotion of the Bageárna is scheduled at least a month before the very opening the restaurant. And because of the fact that the Bageárna is a new business in this location, a good promotion is extremely needed. Inhabitants will not know anything about a company until it will be promoted. An important part of the promotion will be situated on the internet. The main promotion will be done through the social sites such as Instagram and Facebook. Additional promotion will be the placing the billboard in the city centre.

**Instagram** – on this social site there will be an account with the name of the company – Bageárna. Instagram biggest strength is the fact that there is possible to add public pictures to the so called “stories” which can be watched by the potential customers. It is possible to add actual information to those stories, photos of the company daily routine, the atmosphere in the restaurant in order to attract the customers to visit the restaurant. It is also possible to arrange Instagram contest for the customers which also attract the attention.

**Facebook** – on this social site there will be also created account with the name of the company – Bageárna. The aim of the Facebook page will be to spread information about the company among the customers, inform about special offers and also about the Instagram contest to make the customer view an Instagram account. To run a business Facebook page, there is needed 3,000 CZK.

**Billboard** – to let customers know about a new enterprise in their city, it will be used billboard which will be located in the city centre. Price of this billboard is 7,000 CZK.

## 4.7 Financial Analysis

The financial plan is a crucial part of every business plan. The parts of this financial analysis are listed below:

- Start-Up Costs
- Labour Costs
- Fixed Costs
- Revenues Calculation and Variable Costs
- Income Statement

Firstly, there is a table showing the start-up costs. The registered capital which is invested by the founder is in an amount of 1,000,000 CZK. This amount of money are presupposed to cover all the costs required for the starting up a business, such as fixed costs, variable costs and of course also set up costs, these cost has been calculated and the result is 186,340 CZK.. It means that the amount of money needed for the initial investment will be deducted from the inserted capital. After the deducting the initial investment cost, the owner's remaining money from the capital is: 813,660 CZK.

### 4.7.1 Start-Up Costs

Start-Up Costs includes all the necessary costs which are fundamental for the opening a fast food restaurant. In these costs there are both long-term assets and also inevitable costs connected with the setting up a business.

Start-Up costs include kitchen equipment, such as dishes, cutlery, plates, oven, coffee maker and also certification of signatures and documents, criminal record statement, and internet, electricity etc.

<b>Start-Up Costs</b>	<b>1600,00</b>
Trade License	1000,00
Signatures and documents certification	500,00
Criminal record statement	100,00
<b>Equipment</b>	<b>184740,00</b>
EET Cashdesk	7 000,00
Contact Grill	17 000,00
Kitchen refrigerator	40 000,00
Beverage refrigerator	18 000,00
Oven	15 000,00
Dishwasher	8 000,00
Coffee Machine	8 000,00
Kettle	800,00
Kitchen Robot	15 000,00
Microwave oven	2 000,00
Kitchen Robot	6 000,00
Coffe cups	1 900,00
Dishes	3 000,00
Cutlery	2 000,00
Plates	1 500,00
Lights	5 000,00
Sanitary products	5 000,00
Internet	490,00
Wi-Fi Router	550,00
Laptop	7 000,00
Furniture (3 tables + 6 chairs)	10 000,00
Promotion	10 000,00
Electricity	1 500,00
<b>Total</b>	<b>186 340,00</b>

Table 6 - Start-Up Costs (own creation)

#### 4.7.2 Labour Costs

In a company there are three employees and one employer – a boss. This table shows a detailed summary of the labour costs. Waiter works 8 hours a day and the wage per hour is set up to 100 CZK. That means that the gross wage is in an amount of 16,000 CZK and the super-gross wage is 21,440 CZK.

Another employer is the baker. Baker is supposed to work 8 hours a day and the wage per hour is 100 CZK. It means that the gross wage is also 16,000 CZK and the super-gross wage is 21,440 CZK.

Cleaner is supposed to work only 3 hours a day. A wage is in amount of 80 CZK. From this reason gross wage is 5760 CZK and the super-gross wage is 7718,40 CZK.

	Gross wage	Social insurance	Health insurance	Super-Gross wage	Total expenses
Waiter	16000,00	1040,00	720,00	21440,00	21440,00
Baker	16000,00	1040,00	720,00	21440,00	21440,00
Cleaner	5760,00	374,00	1129,00	7718,40	7718,40

Table 7 - Labour Costs (own creation)

### 4.7.3 Fixed Costs

Fixed costs include periodical payments which are required to be paid monthly by the owner. These fixed costs encompass energies, super-gross wages, internet fee, rent and insurance.

Fixed costs	Monthly	Annually
Energies	5000,00	60000,00
Super-Gross wage	76326,40	915916,80
Internet	490,00	5880,00
Promotion	10000,00	120000,00
Rent	10000,00	120000,00
Insurance	3000,00	36000,00
<b>Total</b>	<b>104816,40</b>	<b>1257796,80</b>

Table 8– Fixed Costs (own creation)

### 4.7.4 Revenues Calculation and Variable Costs

Production costs of the particular baguettes will be listed below in the table. An average production cost of the ham, tuna, gyros and cheese baguettes is 30 CZK. An average production cost of the Caesar, caprese, salmon, chicken nuggets, Hawai and bacon baguettes is 35 CZK. In order to make a profit, the selling price of the first group of the baguettes will be set up on 79 CZK and the selling price of the second group will be 89 CZK. Thus the sales margin will be 49 CZK and 54 CZK.



	Variable costs	Selling price	Sales margin
Ham	30,00	79,00	49,00
Tuna	30,00	79,00	49,00
Caesar	35,00	89,00	54,00
Caprese	35,00	89,00	54,00
Salmon	35,00	89,00	54,00
Chicken nuggets	35,00	89,00	54,00
Gyros	30,00	79,00	49,00
Cheese	30,00	79,00	49,00
Hawai	35,00	89,00	54,00
Bacon	35,00	89,00	54,00

Table 9 – Production Costs (own creation)

A company Bagetárna has prepared three different scenarios in order to predict sold products followed by the revenues and profit per month.

	Optimistic	Optimal	Pessimistic
1st group	100	50	10
2nd group	100	50	5
Variable costs	6500,00	3250,00	475,00
Revenues	16800,00	8400,00	1235,00
Profit per day	10300,00	5150,00	760,00
Variable costs per month	<b>195000,00</b>	<b>97500,00</b>	<b>14250,00</b>
Revenues per month	<b>504000,00</b>	<b>252000,00</b>	<b>37050,00</b>
Profit per month	<b>309000,00</b>	<b>154500,00</b>	<b>22800,00</b>

Table 10 – Sold products prediction (own creation)

Baguettes from the 1st group include baguettes in price of 79 CZK. Among these there are Ham, Tuna, Gyros and Cheese baguettes. Baguettes from the 2nd group include baguettes in price of 89 CZK, including Caesar, Caprese, Salmon, Chicken Nuggets, Hawai and Bacon baguettes.

### **Baguettes from the 1<sup>st</sup> group**

Optimistic scenario prediction is that it will be sold 100 per day. And as a result, it means 3000 baguettes sold per month, production expenses will be 90,000 CZK per month.

Optimal scenario prediction is that it will be sold 50 baguettes per day. And as a result, it means 1500 baguettes sold per month, production expenses will be 45,000 CZK per month.

Pessimistic scenario prediction is that it will be sold 10 baguettes per day. And as a result, it means 300 baguettes sold per month, production expenses will be 9000 CZK per month.

### **Baguettes from the 2<sup>nd</sup> group**

Optimistic scenario prediction is that it will be sold 100 per day. And as a result, it means 3000 baguettes sold per month, production expenses will be 105,000 CZK per month.

Optimal scenario prediction is that it will be sold 50 baguettes per day. And as a result, it means 1500 baguettes sold per month, production expenses will be 52,500 CZK per month.

Pessimistic scenario prediction is that it will be sold 5 baguettes per day. And as a result, it means 150 baguettes sold per month, production expenses will be 5250 CZK per month.

Based on what was written before, it is crucial to mention company's overall monthly revenues and costs. Again, these costs will be calculated according to the three different scenarios.

An overall amount of the variable costs for the optimistic scenario is 195,000 CZK per month. The amount of the revenues per month is 504,000 CZK and profit amount is 309,000 CZK.

In case of the optimal scenario, the variable costs are 97,500 CZK per month, revenues per month are 252,000 CZK and the profit per month 154,500 CZK.

Pessimistic scenario shows variable cost in amount of 14,250 CZK per month. Revenues would be 37,050 CZK per month and profit per month 22,800 CZK.

#### 4.7.5 Income Statement

Income statement has been proposed according to the optimal scenario. This table shows estimated incomes of the company.

	Monthly	Annually
<b>Revenues</b>	252000,00	3024000,00
<b>Variable Costs</b>	97500,00	1170000,00
<b>Fixed Costs</b>	104816,00	1147792,00
<b>EBT</b>	49684,00	706208,00
<b>Tax (15%)</b>	7452,60	105931,20
<b>EAT</b>	<b>42231,40</b>	<b>600276,80</b>

Table 11 – Income Statement (own creation)

Based on the previous tables in the practical part of the bachelor thesis, to calculate the revenues of the company the very first step is to deduct the costs from revenues. After the deducting the variable and fixed costs, there is a EBT which means Earnings Before Taxes. After this step, it is essential to deduct the personal income tax which is in amount of 15% in the Czech Republic. And the result of this income statement is to calculate the EAT which means Earnings After Taxes – a profit.

As a result, a company Bagetárna generates profit in the amount of 42,231 CZK per month and approximately 600,277 CZK per year. Calculations above show that the business plan has the potential and it also can be stated that this business might be possibly successful.

## 4.8 Risk Evaluation

To evaluate risks it is possible to use the already composed outcomes of the PEST and SWOT analyses which describe limiting factors and risks both in the internal and external environment.

According to PEST analysis there are factors which can be evaluated as risks. For example, wages, unemployment, preferences, taxes, legislative changes, etc. SWOT analysis shows other factors which influence a company negatively. For example, a higher price of the seasonal products and possible business with the similar concept in the new shopping gallery.

For the internal risk, the main risk factor may be the lack of previous experience and subsequent failure. There is also a threat that an employee or more employees leave his or her working position.

There are more external risks than internal risks. It is from the reason that they are not as simple manageable as those internal risks. There are possibilities of several external risks caused by economic changes, such as unemployment and low wages which would decrease the sales because people who do not have a job they also do not have money to spend on products.

A business plan is dealing with the production and selling home-made baguettes. It means that there are some limitations regarding technological risks. As the baguettes are mixed in the kitchen robot (to speed up the production process and to be more effective) there is a risk of damage. It would mean another spending and loss of effectivity until the new robot would be bought.

Another external risk can be the competition. It is a significant factor in business. There might be better or stronger competitors in business which would mean the loss of profits and also the eventual loss of customers. In Vsetín, there are three major competitors who offer fast food. They might decrease prices of their products and thus the customers will buy more there and our business will be as not as profitable as it could be. Another risk may be that there will be opened a restaurant with the similar concept.

Political factors which include also the recently established use of EET (sales electronic evidence). It should be mention that this type of implication influences small enterprises. In case of Bagetárna, there is supposed to be no problem because the restaurant is prepared for the financial costs which EET brings. Also, it should be stated that EU might ban the use of some ingredients.

For the economic risk, there it is vital to mention that the certain ingredients might be more expensive in some periods of the year, for example in winter the price of the vegetables is possible to increase. The same thing goes with the recent increase in the price of butter. Butter is an essential ingredient of the baguette dough and thus this would increase the production costs.

- Market risks – competitors who offer similar products and decrease its price
- Financial risks – more expensive ingredients
- Economic – unemployment, low wages
- Technological risks – damage of the technological devices
- Legislative risks – taxes, ingredients bans
- Political risks – EET
- Other – entrepreneur’s failure, employee might leave a job

In the table below, there are risks evaluated according to the risk level and how probable would be the risk based on the particular external risks.

	Loss	Probability
Market risks	High	high
Financial risks	High	High
Economic risks	High	Low
Technological risks	High	Low
Legislative risks	Low	Low
Political risks	Low	Low
Other	Medium	Medium

Table 12 – Risk evaluation (own creation)

The biggest external risk is visible in the market and financial environment. Moreover, the economic and technological risks may also influence the success of business. Legislative, political, and other risks are on the lower level of the probability and loss.

## CONCLUSION

The main aim of this bachelor's thesis was to write a business plan for a new company named "Bagetárna". In order to be able to write this business plan, it was essential to get through the basic business terms and conditions required for the establishment of a company. To understand to these terms, the author of this business plan used the relevant literature in order to make everything clear and equivalent to the reality.

Firstly, in the theoretical part, there are business terms explained according to the literature. Such as types of enterprises, natural person, legal entity, what does an entrepreneurship means according to the law. The next chapter of this thesis is very crucial – business plan. This chapter comprises the definition of a business plan, its purposes, aims, types, and of course, the structure of a business plan with the definition of the individual parts.

Secondary, in the practical part there is outlined the structure of the business plan according to theoretical part. Business plan of the company Bagetárna includes eight individual chapters. Those chapters are: title page including logo of the company, executive summary, basic company description, operational structure, target market and competition analysis, marketing plan, financial analysis, and risk evaluation.

As was mentioned in the previous paragraph, in the practical part, there is a financial analysis containing the calculations of start-up costs, labour costs, fixed costs, production costs, prediction of the sold products, and income statement.

Based on the calculations presented in the practical part (alongside with demonstrating them by tables), the result of the business plan is that the company Bagetárna generates a profit in the amount of 42,231 CZK per month and approximately 600,277 CZK per year. According to this fact, the business plan has the potential and it can be stated that this business plan can be successful.

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## **LIST OF ABBREVIATIONS**

CZK	Czech Koruna
EAT	Earnings After Taxes
EBT	Earnings Before Taxes
EET	Elektronická Evidence Tržeb
SWOT	Strengths, Weaknesses, Opportunities, Threats
PEST	Political, Economic, Social, Technological environment analysis

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