

A Business Plan for the Cafe Pet Friend

Simona Zelinová

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Ing. Jiří Dokulil
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Mgr. Libor Marek, Ph.D.
děkan



Mgr. Roman Trušník, Ph.D.
ředitel ústavu

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ABSTRAKT

Bakalářská práce se zabývá zpracováním podnikatelského plánu pro kavárnu Pet Friend. Tato práce má dvě části a to teoretickou a praktickou. Teoretická část pojednává o teorii podnikání a sestavení podnikatelského plánu. Praktická část se zaměřuje na vypracování samotného podnikatelského plánu a zhodnocuje, zda je projekt realizovatelný.

Klíčová slova: podnikání, podnikatelský plán, kavárna, realizovatelnost

ABSTRACT

The bachelor's thesis is focused on the elaboration of the business plan for Pet Friend Cafe. The thesis has a theoretical and analytical part. The theoretical part focus on the theory of entrepreneurship and has a business plan. The practical part focuses on the elaboration of the business plan and evaluates the feasibility of the business plan.

Keywords: entrepreneurship, business plan, cafe, feasibility

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

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INTRODUCTION

I have chosen a business plan for the cafe as my bachelor thesis topic. I chose this topic because I like visiting new cafes but unfortunately many of them are not open for dogs. The idea of a free animal entry cafe came to my mind when I visited Cafe La Micina in Kroměříž. The Cafe has cats around and visitors may pet them if they want to. There is no place like this in Zlín and as a big lover of dogs, I would be glad to have this kind of place in town. The concept is not the same there will not be puppies in the Pet Friend Cafe but visitors may sit inside with their dog. The cafe has a menu for dogs and the interior is adapted for dogs as well.

The purpose of Pet Friend Cafe is to fill a niche in the market in Zlín. According to the popularity of cat cafes in other towns, a dog cafe is a great opportunity and alternative to anyone who is allergic to cats or just wants to experience something new. Although the concept is not the same, there are no puppies inside. However, the cafe can offer treats and a playground for dogs.

The objective of the bachelor thesis is to compile a business plan for a new cafe and to assess its profitability.

The bachelor thesis has two parts – theoretical and analytical. The theoretical part focuses on the business environment and describes the position of an entrepreneur in the Czech Republic. The second half of the theoretical part deals with the theory of the business plan, its structure and analyses which will be used in the analytical part. The analytical part focus on the author's business plan for the cafe. The business plan is created by the author's ideas and thoughts which were acquired while creating the theoretical part. At the end, the author summarizes the bachelor thesis and state if the business plan may be successful or not.

I. THEORY

1 BUSINESS ENVIRONMENT

Businesses can be differentiated in terms of their size, type, legal status and other features. One thing which they have in common is that all businesses focus on the transformation of inputs (finance, material, labour) to outputs (goods and services) which are needed by customers (Worthington and Britton 2009, 4). Businesses have a mostly economical function since the beginning. As a fundamental unit of the modern world, businesses were the source of jobs, the centre of production and taxpayers. Businesses created economic value and its innovations affected the entire society. Countries without thriving businesses were and always be poor. However, businesses have changed society in many other ways. The television and radio changed consumer life and increased the productivity of labour – working hours decreased markedly. Thanks to technical innovations series assembly-line production started and because prices went down, goods started to be a part of people's lives. The influence and social status made them important political entities – they were employers but also taxpayers. Some of these businesses had significant social status because of their job – e.g. a provider of state defence (Geršlová 2012, 18-21).

Organizations can serve as a source of capital equipment or basic materials for another company. The so-called transformation system shows that the outputs of one organization can be an input for another. That shows how complex the whole business environment is and that wealth of one company is linked with the others (Worthington and Britton 2009, 4-5).

1.1 Entrepreneurship

Enterprises can be considered to be driving force of the national economy. They offer goods and services for their customers and they are also an important source of economic and social development. Business activities in the Czech Republic have a long history. The very first steps were taken the 13th and 14th centuries. In this period, craftsmen united themselves into guilds, some of which lasted until the 19th century. The Czechoslovak Republic was one of the most developed industrial countries in the world until World War II. Then decline in business activity occurred, followed by the liquidation of private small and medium enterprises during the communist regime. Even though the Czech economy took a long path from a centrally-planned economy to a market economy there are still barriers obstructing the development of business activities which have not been overcome yet. The stabilization of the business environment in the Czech Republic has not been finished yet (Malach 2005, 492-495).

1.2 Entrepreneur

The point of entrepreneurship is to create new values which can take a non-financial or financial form. To create a successful business, the attitude of the person and the knowledge of the processes which occurs in business are important. There is no „entrepreneur gene” – everything depends on the ability to learn and enthusiastic about the business. Even though we can learn about business, we must be dedicated to doing it right. The knowledge of the processes is described in a lot of publications and we can learn how to establish our company or how to analyse the market. The vision that the entrepreneur is his/her own boss is also wrong. Even though we own the business, there is another boss – our customers. If we do not satisfy their needs, the company cannot be as profitable as they wish. The entrepreneur applies the entrepreneurial approach and his/her social status is legally defined in the Business Register (Srbová and Řehoř et al. 2010, 19-21).

The right to start a business in the Czech Republic is protected by the Charter of Fundamental Rights and Freedoms (Veber and Srbová et al. 2005, 65). Specific legislation can be found in the Civil Code, the Labour Code, the Business Corporation Act and the Trade Licencing Act (zacatek-podnikani.cz 2016).

Starting an Enterprise

Act no. 455/1991 Coll. says that any natural person who fulfils the general conditions may start a business. The conditions are:

- minimum age of 18 years,
- integrity,
- legal capacity (mpo.cz 2019).

Entrepreneurship is defined in Act 455/1991 Coll. as a systematic activity pursued independently, in one's name and on one's account conducted for the purpose of earning profits and pursued under the terms and conditions (mpo.cz 2019).

That means:

- **systematic activity** – business must be done regularly, not occasionally
- **pursued independently** - natural person act personally and determine the location of business and working hours, legal person act via executives
- **in one's name** – a natural person does his/her legal acts by their name and surname, a legal person by the company's name
- **on one's account for the purpose of earning profits** – business must be done with the intention of profit

- **on one's responsibility** – a natural person or legal person carries all risk for the outcome of its business (Srpková and Řehoř et al. 2010, 20).

An entrepreneur is a person who is registered in the commercial register. It can be also the person who is authorized to conduct his/her business activities based on trade or another licence under another statute (zakonyprolidi.cz 2019).

Trade Certificate

While pursuing the trade certificate, a person must notify the Trades Licensing Office appropriate to the residential address of a natural person. The person must provide information about

- Personal data
- Name, scope and location of the business
- Identification number (if there has been any).

A natural person must prove a professional qualification, an extract from the judicial register and extract from the criminal record. If the person meets all requirements, the trade license is issued within 15 days of the date of receipt (mpo.cz 2019).

Termination of a Trade

According to the Trade Licensing Act, the trade expires

- On the death of the entrepreneur
- By the cessation of existence of a legal person
- By the expiry of the period of time (if authorization was issued for a certain period of time)
- If it is stipulated in a special law.

If the entrepreneur wants to cancel a business on their own initiative, they have to

- deliver an application for annulment of trade license to Trade Licensing Office
- deliver a tax return to the Financial Office
- notify the insurance company and the Czech Social Security Administration.

The notice period for the entrepreneur is 2 months if they have employees and redundancy payment three times the salary. The trade is cancelled when the application for annulment comes into force (mpo.cz 2019).

2 TYPES OF BUSINESSES

Businesses can be classified by size, legal status, sector or type of industry (Worthington and Britton 2009, 238). There are factors which affect the establishment of new company and an entrepreneur may just perceive those factors which negatively affects their business, for example situation on the market or business partners (Zemánek and Konečný 2012, 39-41).

2.1 The business of a natural person

This is the simplest and most popular form of business for those who want to be their own boss and who have decided to turn their dreams into reality. The individual decides on the type for service or goods he/she wants to produce, what capital is needed, what the target market is and many other aspects which must be considered while establishing their enterprise. All profits earned by the business belongs solely to the owner. However, the losses from the business are the responsibility of the sole trader who has unlimited personal liability for debts of his/her business (Worthington and Britton 2009, 328). The entrepreneur is not obligated to deposit the registered capital and he/she has a free hand in the decision-making process (Veber and Srpová et al. 2005, 68).

The business of a natural person is owned by one person. This type of business is mostly in the form of a trade, in the Czech language „živnost” (Synek and Kislingerová et al. 2015, 80). The Trade Licensing Act divides them into

- **Trades liable to notification** – based on notification if specified terms and conditions are met
- **Licensed trades** – based on a trade license (mpo.cz 2019).

Act 455/1991 Coll. continues with the classification of trades to notifiable trades considering

- **Crafts** – a professional qualification is proven by a certificate of apprenticeship or another document which certifies the completion of an apprentice training or a document confirming the completion of three years' practical experience in the trade.
- **Regulated trades** – professional qualification is regulated by special regulations.
- **Unregulated trades** – there are no professional or other qualifications required.

Another classification of trades by trading activities is

- **Commercial trades** - Commercial trades are considered as the purchase and sale of goods to end customer or resale to wholesale or catering activities. An entrepreneur is allowed to lease goods, to sell goods which do not require a trade license and other practices mentioned in Article 34.

- **Manufacturing trades** - This trade is based upon trade authorization and the entrepreneur has the right to sell and repair the products if the nature of the trade is maintained, to make machinery intended for manufacturing of a final product or pursue a series of services which are related to the provision of production of the final product.
- **Service-rendering trades** - Service is considered are the maintenance and repair of items and other performances which are aimed to satisfy other needs. An entrepreneur offering services is authorized to provide snacks and non-alcoholic drinks if it is intended for direct consumption on the spot. (mpo.cz 2019).

The annual overview of entrepreneurs and trade licenses shows that at the end of 2018 there were 3 743 413 trade licenses issued in the Czech Republic (mpo.cz 2019). Another overview of the website of the Ministry of Industry and Trade is the number of trade licenses according to professions in regions. At the end of the year 2018, there were 194 215 trade licenses in Zlín region compared to a total of 737 709 trade licenses in the Prague Region (mpo.cz 2019).

2.2 The business of a legal entity

A typical feature of the business of a legal entity is that there are one or more partners who take part in the business. There are two types of business in the Czech Republic and that is partnerships and capital companies (Synek and Kislingerová et al. 2015, 82).

Partnerships

There are two types of partnerships - a general partnership and a limited partnership. Businesses are owned by one or more person and the law assumes their involvement in the business. The advantage of a partnership over the business of natural person is the better access to capital (Mulačová, Mulač et al. 2013, 30-31).

General Partnership

This type of private company is owned by two partners, who run the business with one name and part of this name has to be „veřejná obchodní společnost” or the shortcut „v.o.s.”, or alternatively, „veř. obch. spol”. The company must be registered at the Business Register. The partners put money and other non-financial investment into the company and they are responsible for the company’s liability with all their assets (Synek and Kislingerová et al. 2015, 81-82).

Limited Partnership

This type of company has a legal form where one or more partners are responsible for the liabilities of the business up to their contribution – so-called limited partners, in the Czech language „komanditista”. One or more partners are liable with all of the assets – so-called general partners, in the Czech language „komplementár”. The name of the business must have „komanditní společnost” alternatively „k. s.” in its name. Limited partners must contribute a minimum of CZK 5,000 and they cannot get out of the business (Srpková, Řehoř et al. 2010, 72-74).

Capital companies

The main difference between a partnership and a capital company is that capital companies' partners are liable only for their investments, not as partners of private companies. There are two types of capital companies in the Czech Republic - a Limited Liability Company and a Joint Stock Company (Synek and Kislingerová et al. 2015, 82).

Limited liability company

The first limited liability companies were established in the 20th century – the first law is in the books from 1906. The company can be established by one or more natural or legal persons. The company must be registered at the Business Register with trademark “spol. s r. o.” or “s. r. o.”. The company is responsible for its liabilities with all assets; the partners are responsible just up to the amount of money they invested in the company (Synek and Kislingerová et al. 2015, 82). The minimum amount of contribution is 1 CZK unless the memorandum of association stipulates a higher amount. There can be a different amount of contribution depending on different business shares (zakonyprolidi.cz 2019).

Joint Stock Company

A company whose registered capital is apportioned among a certain number of shares. The establishing requires the adoption of its articles of association and the person who adopted them is the founder. The registered capital must be at least 2 000 000 Czech crowns or 80 000 euros and this type of company has to carry the designation „akciová společnost” or one of the abbreviations either “akc. spol” or “a.s.” in its name (Srpková and Řehoř et al. 2010, 78-81).

Cooperative

A cooperative is a community of at least 3 persons which is established for mutual support of its members or third parties or to do business. The trade name must include the word “družstvo”. Every cooperative must have these bodies: a members’ meeting, a board of directors and an auditing committee (zakonyprolidi.cz 2019).

2.3 Other types of businesses

There are other types of business organizations which have a legal aspect - franchising, licensing and joint venture (Worthington and Britton 2009, 261).

Franchising

Franchising is an agreement where a franchiser sells the right to the franchisee to market its product or service. Both of the sides have a separate legal identity but the nature of the contract between them makes the relationship independent. A popular form of franchising is the “trade name franchise” where the franchisee gets the help in the form of a franchise package containing all the elements needed to set up and run the business plus, while the franchiser allows them to sell the product or service. In exchange, the franchisee gets the brand name, promotional material and other types of support (e.g. Burger King). Another form of the franchise is manufacturer/retailer (e.g. car dealers), manufacturer/wholesaler (e.g. Pepsi) and a wholesaler/retailer franchise (Worthington and Britton 2009, 261).

Licensing

Licensing is a non-equity agreement under which a licensor in one country authorizes the licensee in another country to use its intellectual property (e.g. patent, know-how...). License rights can be non-exclusive or exclusive and can be granted to government agencies, multinational companies or even individuals. Considering the terms of the licenses, there is the possibility that the licensee will dominate the market after the agreement ends or the owner loses control over the production which can affect their sales and product image. (Worthington and Britton 2009, 262).

Joint Venture

A joint venture can be used in two ways. To describe a contractual agreement involving two or more parties or to describe a jointly owned and independently incorporated business venture involving more than one organisation. Joint ventures are popular with international

companies. It can take a variety of legal forms and almost every conceivable type of partnership may exist, ranging from two companies joining together in the same domestic market, to joint ventures between participant from different countries. It is a good way for companies to diversify and enter markets in foreign countries (Worthington and Britton 2009, 262).

3 BUSINESS PLAN

A business plan is a written document compiled by entrepreneur containing all-important external and internal factors which are connected with entrepreneurship (Srpová and Řehoř et al. 2010, 59). The main users of the business plan are the owners of the business, the managers (who run the business) and potential investors. A business plan helps one compare their plan with reality and if it differs, identify where, why and to what degree. It helps with the planning of costs and getting better terms from suppliers (Koráb 2007, 13-21). A business plan helps one get money from investors or on the other hand, helps one to decide to proceed or stop. If there is an analysis which shows that the idea will not work, they would be able to avoid starting the business (McKeever 2012, 9.)

A business plan represents the first image of a business to banks and investors. This document must persuade our grantors – by content and the way it is compiled (Wupperfeld 2003, 14).

While compiling the business plan we should follow these principles:

- **comprehensive and brief**
- **innovative** – showing added value for the customer
- **logical and well-arranged**
- **truthful and real**
- **respecting risks** (Srpová and Řehoř et al. 2010, 59).

The core of the business plan is formulating the business perspective, the opportunities for development and risk expectations. The concept must be realistic and coherent, the product should have a unique selling point and the market should be big enough for our product (Wupperfeld 2003, 12).

A business plan is often judged by the way the authors express themselves and as such

- Keep the language simple
- Use adjectives wisely
- Tabulate wherever it is appropriate (Blackwell 2017, 5).

There are four aspects which must be covered if we want our business plan to succeed. It must properly show that:

- A sufficient market exists
- The management is capable and sound
- The benefits of the product or service
- The finances are appropriate to meet requirements (Blackwell 2017, 161).

3.1 The structure of the business plan

The structure of the business plan will vary from business to business. According to Abrams (2014, 51), the basic structure is:

- The Executive Summary
- Company Description
- Industry Analysis and Trends
- Target Market
- The Competition
- Strategic Position and Risk Assessment
- Marketing Plan and Sales Strategy
- Operations
- Management and Organization
- The Financials
- The Appendix.

Although the content of the business plan is individual for each business there are attributes which should be covered in every business plan. The attributes form a universal base of business plans and refer to information about the company, the financial aspects and other business intentions (Zemánek and Konečný 2012, 42).

3.1.1 The executive summary

The summary is the most important part and persuades the reader to spend their time on the business plan. It gives an opportunity to understand our concept better and whether or not to read the plan. The writers must let the reader know that the basic business concept makes sense, a clear-cut market exists, our projections are realistic and that the management is capable (Abrams, 2014 54-55). The summary represents an abstract of the whole business plan. The readers should get all information in a short and concise form (Koráb 2007, 75). The summary is at the beginning of the plan but is written last. The prospective entrepreneurs must explain themselves, the team and background, why it will succeed and other aspects. Whatever the key points are, they must be in the summary. The brief outline is:

- The business,
- The team,
- The proposal,
- Why it will succeed,
- Major risks and their minimising,
- What we want from the reader (Finch 2010, 23-24).

There are two types of summaries – the synopsis summary or the narrative summary. The synopsis summary briefly covers all aspects of the business plan. It is easy to prepare but it

tends to be rather dry. Furthermore, it reports what is being asked in terms of financing. The narrative summary is about telling the story, communicating the necessary information. It is useful for businesses with a new product or new operational techniques which need an explanation. We may place the topics in any order that will show our company in the best way possible (Abrams, 2014 55-56).

3.1.2 Company description

This chapter aims to convey information about the legal status, the ownership or product and services. Despite the simplicity, there are some issues which require thinking and planning. The most challenging is to develop a “mission statement”, which describes the goals and objectives of the company. These topics should be discussed in this chapter of the business plan (Abrams 68-70).

Company name

While choosing the name we should think about what we want to communicate. Choosing the right business name can be complicated and the more the name communicates to the customer about the business, the less we have to explain it. We should keep in mind that people like words which they understand or familiar name that evokes nice memories as opposed to make-up words. The name of the company should attract the kind of customer we would like to see in our business (entrepreneur.com 2019).

There are several different “names” associated with the business such as

- Your own name
- Company name
- Subsidiary company name
- Domain name.

The number of names depends on the kinds of businesses we are in or how we interact with the public. The name should meet our current need and should be flexible over the years. A company’s competitive advantage can be that the company has the legal right to the website name and that it has secured the rights to the name (Abrams 2014, 68-70).

Mission statement

Every company was established to fulfil its mission. This mission corresponds with the basic vision of founders, the objective of the business and which products and services will satisfy customer needs. The mission statement has several functions at the same time, it expresses the intention of the founder, has an informative significance because it declares

the intention of the company to the public and provides basic information to the public so they can form their opinion (Červený et. al 2014, 14)

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Legal issues

One of the legal issues is the type of legal entity we choose for the business. It is often a sole proprietorship or a partnership. There are other legal issues to address in the business plan e.g. trademarks, patent, copyrights or licensing (Abrams 2014, 71).

Products and services

This chapter focus on the description of the products and services which the company offers. The products and services should be clearly identified and described if we are seeking funding. If the product or service is innovative or technological in particular, we have to describe it in details and provide sufficient details to give a clear idea of what the product does. (Abrams 2014, 74).

Management

Management is a crucial factor determining the success of the businesses and the management plan should deal with the main aspects, including the personal strategy includes. These aspects are the qualifications and number of employees, wages, the motivation and company culture. The first step is to formulate the qualification requirements of employees. It is also important to estimate how many employees are needed for each operation in the company. Based on this research an operation structure which will fit the business can be suggested. Bearing that in mind, one has to think about education, motivation and rewarding employees. In management, harmony between communication and the implementation of changes is important (Červený et. al 2014, 155-156).

Business location

If business location has not yet been determined, the general position of the company can be indicated. The location of the headquarters and the geographical area in which the company serves should be stated (Abrams 2014, 75).

Development stage

The development stage identifies the accomplishments of the company - starting with the date of the company's founding and continues with an indication of development – a

seed company, a start-up etc. In this chapter, we should identify how far our plans have progressed (Abrams 2014, 75-79).

Financial status

The financial status should briefly describe the status of the company in financial and personnel terms. The readers will want to know how the company is funded to date and any major financial obligations. Loans or investments which were received and on what terms should also be mentioned. If funding is being sought we should briefly indicate how much money and for what purpose. Other financial obligations and how they are being used should be described in the Financial section of the business plan (Abrams 2014, 79).

3.1.3 Target market

The particular target market segments should be identified. These segments give the specific characteristics which identify the target market and this definition must fulfil these criteria:

- **reachable** – definition and size must lead to effective and affordable ways to market to a potential customer
- **sizable** – large enough so the business is profitable
- **meaningful** – characteristics must relate to the decision to purchase
- **definable** – specific characteristics which specify what potential customers have in common (Abrams 2014, 105).

The market can be segmented in many ways, dividing the market into groups of buyers who share the same attitude or pattern of behaviour. Businesses can focus their marketing efforts more effectively and efficiently if they segment their market (Worthington and Britton 2009, 151).

The market can be segmented by

- **demographic description** – basic, objective aspect of the customer base. It is a definition of the target market which relates to the needs, interests and ability of the customer to purchase the product or service. This is useful when devising the marketing plan (Abrams 2014, 105).
- **geographic description** – definition of primary geographic areas we intend to serve. It should be as concrete as possible and should indicate a particular city, region or country of the market. Furthermore, the density of the area and the location must be identified e.g. a mall (Abrams 2014, 106).

Abrams (2018, 111) also mentions another two types of description:

- **buying sensitivities description** – factors which are important for the customer during the buying process;

- **purchasing pattern description** – particular buying patterns of the customer

Besides the definition of target characteristics, the size of this market has to be assessed and evaluate trends which might influence the market size and customer behaviour in the near future. It is important to make sure that the customer base is large enough to sustain the business and if seeking funding, to convince investors that the company will make their investment profitable. An evaluation of the trends will give a sense of the company's strategic opportunities the market presents and how the company must plan to respond to changing the behaviour of the customer. The analysis may be based on observable changes in demographics and customer behaviour. It is essential to make certain that the target market is both reachable and definable (Abrams 2014, 112-114).

3.1.4 The competition

An honest evaluation of the company can help by giving the investors a sense of the company's strengths. The analysis of the competition helps understand the customer's needs (Abrams 2014, 122).

The competition is considered every business which distributes the same good or service to the customer as our business. Their strengths and weaknesses should be analysed and evaluated by their profit, revenue and market share. Besides them, there are other competitors which do not exist at the present but might be competitors in the future (Wupperfeld 2003, 72). Competitors that control a large percentage of market sales are important. They define the standard features of the product or service, influence the perception of the customer and dedicate resources to maintain their market share. Their products may not have the best price; however, they are an important part of the analysis. The competition can be intense in the future and the company should be prepared for new competitors which will enter the market (Abrams 2014, 129-132).

3.1.5 Marketing plan and sales strategy

Marketing covers every activity needed to reach a permanent competitive advantage perceived by the customer. A company needs a good marketing concept because it will influence the future of the business and only products and services developed by the need of customer are successful on the market. Business communication should be professional and should highlight the features of the products in the best light possible while persuading the customer to buy it. Yet, marketing is not just about advertisement - it is a mental attitude

which was created through competition surplus of demand and lack of customers (Wupperfeld 2003, 75).

A marketing plan must define

- A concept of the awareness of our product or service
- The message which we want to convey about our product, service or company to our customers
- Methods of delivering and reinforcing the message
- Security of actual sales.

Although marketing and sales are connected, they are different activities. Marketing is about customer awareness and delivering the message while sales are a direct action to obtain customer orders. Moreover, sales focus on telemarketing or e-commerce sales (Abrams 2014, 158).

The sales strategy should describe two main components of the sales system – the sales force and the sales process. The salesforce is the people who come in direct contact with the customer and determines whether the customer will purchase our product or service or not. These members are the sales team and we must plan how to use their skills and time efficiently. We should keep in mind how we will continue to motivate, train and supervise our sales force. The sale process identifies the techniques used in presentations and projects the level of results expected from salesforce (Abrams 2014, 175-176).

3.1.6 Operational structure

The chapter called operational structure explains the everyday function of the company. The aim is to show that the operational necessities of the business is understood and that business achieves maximum efficiency at the least cost (Abrams 2014, 190-211).

Finch (2010, 61) claims that it is essential to provide information about the organizational structure and how the whole organization works together. The last aspect we should pay attention to is financial control and contingency plan, which do not have to be in the business plan but it is an advantage for the company's future (Abrams 2014, 207-209).

3.1.7 Financial analysis

The primary function of the financial analysis is to evaluate the overall performance of the company. It is a universally used technique for enterprises and proves that a business plan is objective from an economic point of view (Mulačová, Mulač et al. 2013, 147). According to Finch (2010, 90), there are parts which should be covered in the financial part. Those parts are:

- Income statement,
- Cash flow,
- Balance sheet.

The income statement indicates profit and costs of the company and refers to a certain period of time. According to law, it is necessary to provide a financial statement (Grünwald and Holečková 2007, 41).

Cash flow is fundamental for liquidity management of the company and represents money which is in a certain period of time in the company. The main role of cash flow is to identify the causes of changes in funds. There are three types of cash flow:

- Operating,
- Investment,
- Financing (Taušl Procházková and Jelínková 2018, 104-105).

The balance sheet is a statement of liabilities and assets of the business (Finch 2010, 100). The balance sheet must balance as Finch (2010, 102) claims, the assets of the business must be completely financed by shareholders' funds and by borrowing. It provides information about the economic and financial situation of the company and about capital from which the assets were paid. The balance sheet is a fundamental accounting statement and enables one to find out if the value of assets increases or not. The compilation and publication of financial statements is obligatory for entities registered in the Commercial Register, not for natural person. (Sedláček, 2003, 33-35).

3.1.8 Risk evaluation

According to Finch (2010, 109), inserting assumptions about risks in the business plan highlights that one is aware that there are risks to the business plan. If they pretend that there are no risks to business plan investors or business partners will not take the business plan seriously.

There are ways of dealing with risk, we can:

- Show that the probability of something happening is small,
- Show that the impact of the event would not damage the business seriously.

Finch (2010, 110) states that there are four types of risks in general and that

- Sales are low
- Margins are low
- Costs are high
- Major operational problem occurs.

According to Abrams (2018, 148), some risks are more important to different investors or founder. These risks are

- **Market risks** – there is no real market for product/service or market is not ready yet for it
- **Competitive risks** – new competitors on the market
- **Technology risks** – depends on the nature of the company, can be critical or unimportant
- **Product risks** – the product will not be finished in time
- **Execution risks** – management is not sufficient enough to manage the growth and rollout
- **Capitalization risks** – underestimation costs or overestimated income (Abrams 2014, 149).

3.1.9 The appendices

A business plan may have detailed evidence to support it. We should consider whether the evidence needs to be included or not. If it could be significant to establishing credibility, appendices should be in separated bound document.

The data which should be included in appendices are:

- Copies of patents
- Copies of leases
- Accounts in detail
- CVs
- Product brochures
- Technical description

Detailed data or evidence should not be in the plan itself, as it disrupts the story and makes the document boring. Instead, we should summarise what the evidence says and refer to it (Finch 2010, 20-21).

4 ANALYSES USED IN BUSINESS PLAN

Every analysis used in the business plan should provide only facts which are needed for the formulation of the business strategy (Červený et. al. 2014, 45). These analyses will be used for the author's business plan:

- PEST analysis
- PORTER analysis
- Marketing mix
- SWOT analysis

PEST analysis

PEST analysis is used to analyse the macro environment of the company, defines the type of environment and analyses the factors which influence the company. The name is a shortcut which stands for Political, Economic, Social and Technological factors. The analysis assumes and analyses future environmental factors in four areas:

- Political – legislation, tax policy
- Economic – inflation, unemployment, interest rate
- Social – education, demography, income
- Technological – research, technological activities (Cimbálníková et al. 2013, 45).

The object of the analysis is the market of product and services in which the company runs a business. The information about the development of target markets can be important, the development of the economy, the lifestyle of target customers or information about the future infrastructure. The first step of PEST analysis is to identify the trends which may influence our decisions. Subsequently, we have to analyse the previous development and current state. The last step is to predict the development of trends which we defined and a conclusion if the trend is opportunity or threat for the company (Červený et al. 2014, 54 -57).

PORTER analysis

PORTER analysis focus on the definition of competition on the market. It is based on the premise that the company's position on the market is based on five industry forces:

- the current competition
- the potential competition,
- the power of buyers,
- the power of suppliers
- the threat of substitute products.

First, we have to identify the threats and then we have to find ways to eliminate them e.g. the power of buyers can be reduced by proportional price while maintaining or increasing

the quality of the product. If there are no threats, the analysis is irrelevant or it can also help to find other opportunities which would be of advantage to the company and its realization could payoff (Červený et al. 2014, 75-77).

Marketing Mix

The marketing mix is a combination of four aspects which influences each other:

- *Product* – product or service, design, brand, warranty, package and overall image it delivers
- *Price* – price, discounts, payment condition
- *Place* – how and where will be product or service sold, distribution channels, availability of product or services, supply, delivery
- *Promotion* – public relations, advertisement, sales promotion.

In terms of services, the marketing mix has another 3 aspects. The aspect *People* is specific for its independence because we cannot fully control it. Basic features are independence, individuality and human freedom. It analyses the number of employees, their education and motivation. Another aspect, *Process*, analyses the key processes which lead to the realization of offered products and their efficiency and the *Physical evidence* aspect which refers to every way the customer interacts with the business (Cimbálníková et al. 2013, 61-81).

SWOT analysis

SWOT analysis summarizes previous analyses and assumes that the company will be successful by maximizing the strengths and opportunities and minimizing the weaknesses and threats.

The strengths of the company and internal positive factors are what lead to dominance on the market such as the quality of products. The weaknesses are internal negative factors which may lead to low productivity e.g. obsolete technology. The opportunities are current or future conditions which may be positive for the company like export or differentiation. Finally, threats are the current or future negative conditions for the company e.g. foreign competition (Cimbálníková et al. 2013, 63).

The analysis should be focused on substantial factors, be relevant and be objective. Too many factors may complicate setting the right strategy and the conclusion should be relevant (Černý et. al 2014, 136).

5 SUMMARY OF THE THEORETICAL PART

The theoretical part is divided into two parts. The first part explains the business environment in the Czech Republic and the conditions which must be fulfilled to become an entrepreneur. The subsequent chapters focus on a division and description of the types of businesses – as a natural person and legal entity. Besides the standard type of businesses, this part also includes information about special types of business – franchising, licensing and joint ventures. The second part deals with the theory of a business plan - the purpose, types, principles and structure. The author describes analyses will be used in the analytical part. Finally, there is a description of the particular parts of the business plan which are used as a guide in the analytical part of the thesis.

II. ANALYSIS

6 A BUSINESS PLAN FOR PET FRIEND CAFE

6.1 Title Page

Name of the company:	Pet Friend Cafe
Legal form:	Natural Person
Address:	Benešovo nábřeží 2732, 760 01 Zlín
Date of Establishment:	1. 1. 2020
Owner:	Simona Zelinová
Founder:	Simona Zelinová
Founder address:	Míškovice 158, 76582 Míškovice
Phone:	+420 123456789
E-mail:	petfriend@cafe.cz
Website:	www.petfriendcafe.cz
Financing:	founder savings in the amount of CZK 700,000

About us: Pet Friend Cafe is a new coffee shop for coffee enthusiasts and dog owners. We offer coffee, juices, home-made cakes and other delicious food. As the name of our company suggests we are pet-friendly and we have homemade dog treats on offer as well. We have a small garden in the back with little pool for dogs during summer and our interior has been adapted for dogs as well. Everyone is welcomed here, with or without a dog.

6.2 Executive summary

The business plan proposes opening of a new café Pet Friend, for everyone who wants to enjoy a coffee and a snack with or without their dog. It is a gastronomic facility based on animal-free entry founded by Simona Zelinová. The aim is to create a place for people with or without a dog where they can spend time while enjoying a cup of coffee. Her idea of dog-friendly cafe came to mind when she was in Kroměříž and visited the La Micina Cafe with many cats freely moving around the place. She was inspired by this place and because she is the owner of a dog, she wanted to create a place for dog owners where they could spend an afternoon with their best friend – their dog. The new cafe is located close to the centre of the city Zlín and is accessible for everyone by foot or other means of transport.

The cafe has a special offer for customers but even dogs. Because the cafe is open all day, the range of products is wide. Besides three types of coffee, you can find small snacks like croissants, muffins, salads or paninis for customers and also special treats for dogs. The cafe will not offer alcohol - just fresh water with lemon and mint or fresh juices. Apart from this, there will be a small open area where there will be a playground for dogs. The cafe is particular about using only local ingredients and the juices are made from local fruits.

The cafe will be established as the business of natural person and will be financed by the founder's savings with registered capital CZK 700,000 without a loan.

6.3 Company Description

Pet Friend Cafe is a new cafe located close to the centre of Zlín in Benešovo nábřeží. The location of the cafe is near the public transport, train and bus station. This location is at the end of the bicycle path and accessible for everyone by foot or other means of transport.

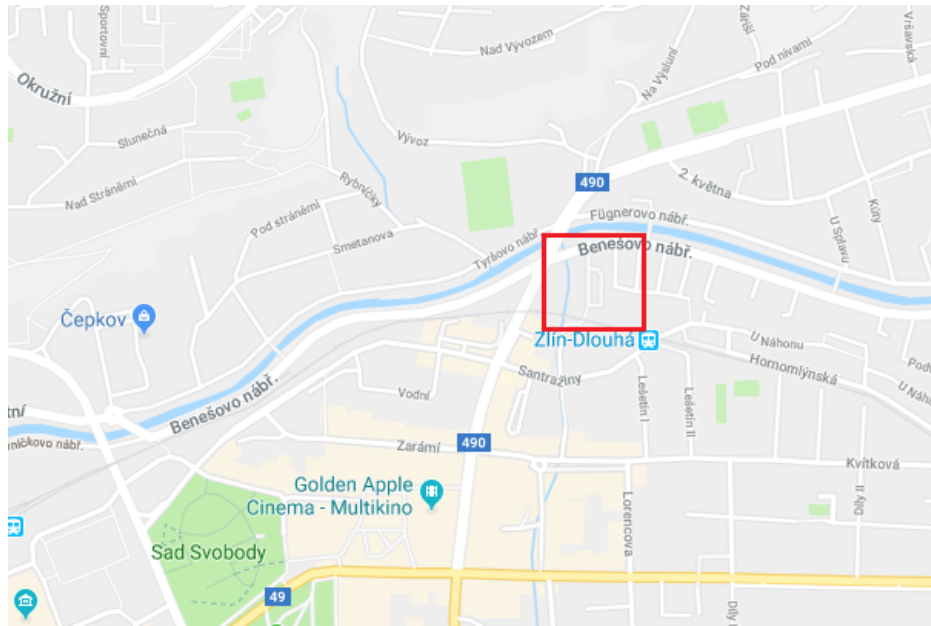


Figure 1 - The Location of Cafe (accessed from Google Maps)

The Pet Friend Cafe will be established as a business of a natural person because the founder will be also the owner and she wants to make decision by herself and have manage the business by herself. The opening hours of the cafe are in the table below:

Monday	6:30 – 18:30
Tuesday	6:30 – 18:30
Wednesday	6:30 – 18:30
Thursday	6:30 – 18:30
Friday	6:30 – 18:30
Saturday	6:30 – 18:30
Sunday	6:30 – 18:30

Table 1 – Opening Hours of Pet Friend Cafe (created by the author)

Regarding to range of products and service offered in Pet Friend Cafe, customers can choose from 3 types of coffee and from a variety of cakes, croissants or muffins as well as treats for their dogs. As for the service, the cafe will be accessible to dogs – bowls with water, toys with a small playground with obstacles outside the back of the cafe. It will be free of charge but customers can contribute to shelter in Vršava voluntarily.

It is important to mention that the owner of the cafe does not assume the responsibility for any damage caused by the dog.

6.4 Organizational structure

The owner of Pet Friend Cafe is Simona Zelinová. She is responsible for running the cafe, facilities, marketing and the employees working in the cafe. The owner's responsibility will be making dog treats which will be sold in the cafe. Because the cafe is a small place, there will be 3 employees plus the owner who will work there as well. Her wage will be based on the company's profit. The cook and waitress will work full time, the cleaner will work based on the work performance agreement.

The waitress or waiter will be responsible for the preparation of coffee, juices and for serving snacks to customers. She/he will also be responsible also for refilling the dog's bowls and smooth running of the business when the owner will not be present. The wage per month for a waitress will be CZK 22,248.

The cook will be responsible for preparing salads and the dough for muffins and croissants. The pastries should be prepared in the morning every day and the salads should be prepared fresh after the customer's orders. The wage per month for cook will be CZK 22,248.

The cleaner will clean the premises every day at the end of opening hours. Besides emptying the bin, cleaning the restrooms and sweeping he/she have to disinfect dog bowls. The wage per hour for the cleaner will be CZK 85 for and estimated 2,5 hours per day. The figure shows the structure of the relationship between the owner and employees.

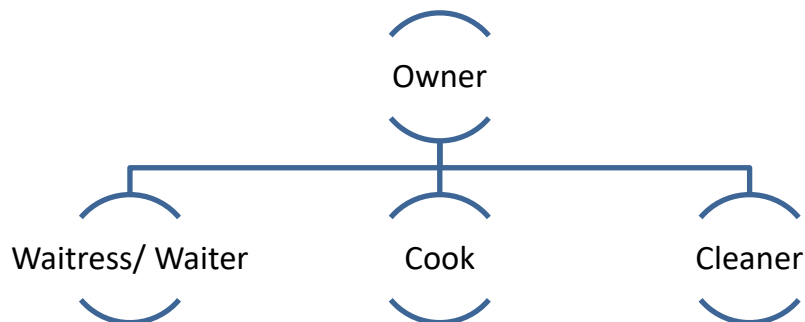


Figure 2 - Organizational Structure (authors creation)

6.5 Target Market and Competition Analysis

This chapter focus on market segmentation and analysis of possible competition using analyses mentioned in *Chapter 4 Analyses Used in Business Plan*.

6.5.1 PEST Analysis

PEST is an analysis which focuses on the political, economic, socio-cultural and technological environment which influence particular entrepreneurship.

Political environment

Besides the conditions mentioned in the Trade Licencing Act and Business Corporation Act, there are other legal aspects which must be fulfilled as well. Because the legal form of business is the business of natural person it is compulsory to pay social and health insurance. In 2019 the minimum for social insurance is CZK 2,388 and for health insurance CZK 2,208 (finance.cz 2019). Then there are requirements of the Czech Agriculture and Food Inspection Authority (szpi.gov.cz 2017) and required is also control and analysis system HACCP (itczlin.cz 2019).

Economic environment

The main factor which influences the business is unemployment. According to the Czech Statistical Office, the unemployment rate in Zlín region is 1,5% (CZSO 2019) and the average gross wage was in the first quarter of 2019 in the Zlín region CZK 28,533, compared to the average gross wage in the Czech Republic CZK 32,466 (CZSO 2019). Zlín has the second lowest average gross wage in the country but it has increased by 7.5% (CZSO 2019).

Socio-cultural environment

There are 74,947 inhabitants in Zlín with an average age of 43 (CZSO 2019). Because the cafe focusses mostly on dog owners, the presence of five dog training centres in Zlín shows that there is a high possibility for the demand for the cafe. The advantage of a company may be the possibility to stay with a dog inside of the café, because that is not possible in any cafe in Zlín.

There are also eleven high schools and university which shows that there are many possible customers as well. The number of schools shows that there are many young people who like to visit new places and try new things. The demand for healthier food is high nowadays and that can be a reason for customers to buy the company's products.

Technological environment

One of the main factors is infrastructure in Zlín. Because the town is close to the highway it is beneficial for supplying it and the suppliers will be able to deliver the ingredients in time and quickly.

Other technological factors are modern devices which can ease the production process and save money and factors which influence the business such as digital representation on the Internet (website, Instagram, Facebook etc.), Wi-Fi or an efficient cash box.

6.5.2 Segmentation of customers

The author defines three types of target customer:

1) Dog owners

Customers in this segment are open to new things. They are seeking new places where they can take their dog and a lot of them are willing to spend money on their dog. This may be significant for the company because the cafe offers dog treats which are not accessible in most pet shops.

2) People looking for a new experience

These customers are seeking a new experience, a new place where they can spend their time. The customer pays attention to the design of the interior as well - mood of the whole place. They may visit the place one time or they can become a regular customer. We have to impress them during their first visit otherwise they may not come back. The advantage may be a wide selection of coffee and a fresh offer of salads and pastries.

3) The general public, students

The biggest group of customers are those who pass on their way to school or work. They do not care about the interior but the price and offer of the cafe. During their way to school or work, they do not have time to spend an hour in the cafe so there will be an offer of coffee to go for them at a lower price than regular coffee.

6.5.3 SWOT analysis

Evaluation of strengths, weaknesses, opportunities and threats of Pet Friend Cafe is listed below.

STRENGTHS	WEAKNESSES
Unique concept	Less experience in operating a business
Home-made products	No customer base
Location	
OPPORTUNITIES	THREATS
Gain regular customers	Low demand
Higher demand for products/service	Increase in the price of ingredients
	Changes in legislation
	Cafe competition in town

Table 2 – SWOT Analysis (created by the author)

Strengths

Company strengths are based on the unique concept of the cafe. There is no cafe with the same concept as Pet Friend Cafe where customer can freely enter with a dog. In addition to that, there will be a playground for dogs which is not common and it is something unique. Another strength is the home-made products. Although nowadays it is common to offer a home-made product, the cafe offers also 5 kinds of home-made dog treats besides home-made pastries. Home-made treats are rare because the only place where customer can buy them are pet shops. The final strength is the location because the cafe is close to the centre of Zlín as well as to bus and train stops and a cycle path.

Weaknesses

The major weakness is that the owner does not have experience in operating the business. This may be difficult in the first months of running the business, especially in terms of coordinating the employees and financial supervision. Because the cafe is new on the market in Zlín, there is no customer base yet due to the stiff competition in the, it may be hard to gain new customers.

Opportunities

However, one of the opportunities is gaining regular customers. Because the cafe is the only one in Zlín open for dogs, it is an opportunity for the company to find new regular customers among dog owners. As mentioned above, the home-made treats for the dog may cause a higher demand for them. Therefore, it can raise public awareness of the cafe.

Threats

As a very serious threat can be considered the low demand in the first months of the cafe which can lead to financial problems. Another threat is a possibility that there will be a new cafe with the same concept as Pet Friend Cafe and that would cause a decline in customer and demand for our products. Prices of ingredients may also increase because of inflation. Because the company has to meet specific requirements as stated by law, there is the possibility of a change in legislation.

6.5.4 PORTER analysis

The author uses Porter analysis to analyse the current competition, potential competition, the power of buyers and suppliers and the threat of substitute products.

Current competition

There are a lot of pubs and restaurants nearby the Pet Friend Cafe but just one cafe. The biggest competition is the Cocktail Bar Terasa, which is popular among people. The bar is located in Golden Apple's parking building and is currently under reconstruction. They offer coffee, drinks, wine and also paninis and cakes.

There are two bars in the centre of town - Pštros and Bürger. Both have inside and outside seating. They offer food, drinks, beer and juices and their advantage is that their seating is in a newly reconstructed park and they may be the company's biggest competitors.

Another competition is the pub/bar Nový Svět. This place is unique because they organize lectures, workshops, concerts and other events depending on their customers' wishes and promotes ecological thinking and relationship with nature. Their offer consists of beer, coffee, lemonades and alcohol.

There are 2 restaurants close to Pet Friend Cafe. The first restaurant, U Máců, is a popular pizzeria in town with a large heated outside seating with free dog entry. They offer beer, wine, pizza, salads and during the season also grilled specialities. The second restaurant is La Strada 2. Their offer consists of pizza salads and pasta but they provide only take-home delivery services.

Potential competition

Zlín is a developing the city with a lot of small cafes all around. Pet Friend Cafe must build up a base of regular customers because there is a threat of opening a new similar company nearby. There is a threat of barriers to entering the market, particularly financial issues with rent, costs of equipment etc., legal issues (hygiene requirements) and differentiation of products.

The power of buyers

The cafe is aimed at customers who are walking their dog and want to have a cup of coffee as well as customers who are in rush and looking to buy a coffee to go. Because the main offer can be found at any competitor, it is important to have a strong bond with the customers. The communication with the customer will be significant for the cafe.

The reasons for customers not to visit the competition may be the same offer every day, high prices and no special offers. Therefore, it is necessary to change the offer frequently and set the prices right.

The Power of suppliers

The main supplier of coffee and tea is company Oxalis. This company is stable on the market and they are popular among the local population. Because they offer coffee as well as tea there is no need to have one supplier of coffee and another for tea. If there would be any difficulty with supply from their side there are a lot of retailers on the market, for example, the e-shop cajovydychanek.cz and coffeespot.cz. The rest of the ingredients needed for pastries will be supplied by the Makro or Lesko wholesale companies. Therefore, the cafe is not reliant on any particular supplier.

The Threat of substitute products

The biggest threat is coffee capsules. Because of the popularity of coffee machines which make coffee out of capsules and instant coffee, there is a threat that people will not be willing to spend their money on classic coffee from the coffeemaker. On the other hand, the “coffee culture” is still very popular and that may lead to the attractiveness of the company.

6.5.5 Marketing plan

It is essential to have a good marketing strategy. The marketing mix is compiled to achieve the company’s goals – profit and awareness about the company. As a part of the marketing plan, the author uses the Marketing Mix which is also known as 7Ps – product, place, price, promotion, people and physical environment. Product and price will be firstly described in general, thereafter the author describes the specific description of product and price for three target groups of customers mentioned in chapter 6.5.2. *Segmentation*.

Product - The Pet Friend Cafe offers a variety of products for customers as well as for their dogs. There are five types of food for the customer in the offer and the cuisine may change every day.

Because a lot of people nowadays want to eat healthily, there will be one kind of gluten-free pastry every week. This decision is made to satisfy the needs of every customer.

The drink list consists of three types of coffee which will be different every week, tea, a jug of water with lemon or mint and soft drinks. The café will also provide coffee to go throughout the whole day. The cafe will not offer alcohol

Regarding the products for dogs, there are five types of dog treats – pork nose, chicken bites, carrot cookies, apple biscuit and cheese cracker. Pork noses and chicken bites will be from a local butcher while the other treats will be hand made by the owner of the cafe. In addition to this, there will be free bowls of water for dogs and a playground for them.

Price - The prices of the product were chosen based on the prices of ingredients and to cover all the fixed and variable costs while maintaining the profit. The prices of the product were set up according to that. The following table shows the price lists of food, drinks and dog treats.

Food	Price
Butter croissant	35 CZK
Muffin	35 CZK
Piece of cake	55 CZK
Panini	65 CZK
Our salad	90 CZK
Drinks	
Coffee	45 CZK
Coffee to go	30 CZK
Tea	30 CZK
Fresh juice	45 CZK
Jug of water	30 CZK
Coca Cola, Sprite	30 CZK
Dog treats	
Pork nose	30 CZK
Chicken bites	20 CZK

Carrot cookies	45 CZK
Apple biscuit	45 CZK
Cheese cracker	45 CZK

Table 3 – Price List of Offered Products (created by the author)

Mentioned at the beginning of this chapter, the author compiles a specific description of two parts of the marketing mix – *product* and *price* for each group of the target customer.

Dog owners

The group on which company focus the most. They are willing to spend money on their dog and they are open to new things. For this group, the author suggests promoting the company to target its customers.

Product - The Cafe offers a variety of products for dog owners. There are five types of dog treats – pork noses, chicken bites, carrot cookies, apple biscuits and cheese crackers. Pork nose and chicken bites will be from a local butcher while other treats will be hand made by the owner of the cafe. In addition to this, there will be free bowls of water for dogs.

Outside the Cafe, there will be a small playground for dogs. This service is free for customers, but they may contribute to the dog shelter in Vršava.

Price - The prices were chosen based on the ingredients and to fix costs while maintaining profits. The prices of dog treats are in the range from CZK 20-45. This is a reasonable price because regular dog treats offered in pet shops are more expensive and with preservatives and food colouring. The fact that it offers home-made dog treats without preservatives and food colouring is the company's advantages.

Specific promotion – Because of the specific type of customers, promotion of the company will be on places commonly used by dog owners – dog training centres, pet shops, shelter and dog trimming centres.

People looking for a new experience

This group of people pay attention to the design of the interior and the mood of the whole place. The company must impress them during their first visit.

Product - The offer is wide and consists of butter croissants, muffins, pieces of cake, panini and salads. All are home-made and fresh. The uniqueness is in the offer because it

changes every day. Every day there will be a different flavour of muffins and cakes and different ingredients in the panini and salad. Concerning the drinks, there are three types of coffee every day – the offer of coffee changes weekly. The tea will remain the same with a variety of 5 different flavours (black, green, herbal, rooibos and fruit tea).

Price - The prices of food are in the range from 35-90 CZK. These prices are proportional to the fact that they are all home-made and freshly baked every morning. The prices of drinks vary from CZK 25-45 and can be compared to the prices of the competition.

The general public, students

The biggest group of people are those who do not care about the interior nor the offer of the cafe. They do not have time to spend an hour in the cafe on their way to school or work.

Product - There is one main product for this group of people – coffee to go. Coffee to go will be made from 3 different flavours of coffee and it is up to customer which flavour they will choose. Because the company offers pastries, there is an option to wrap it and the customer can easily take it with themselves.

Price - The price of coffee to go is lower than regular coffee – CZK 30. The prices of pastries are the same, and a small box for pastry will be for free.

Place

The Pet Friend Cafe is situated on Benešovo nábřeží close to the centre of Zlín. There are 3 bus stops as well as a train stop. The cafe is easy to access via car or by foot and it is close to the cycle path. The surroundings are calm which makes it a nice place for coffee.

Promotion

Because the cafe is a new business it is necessary to promote it. The promotion has to be planned and scheduled at least two months before the opening. Part of the promotion will be on the Internet and social networks such as Facebook and Instagram. Another way of the promotion will be leaflets and an ad on Rádio Zlín.

Website – the website will serve as a presentation of the café's offer and other information, where visitors can find the address, photos of the interior, the products and also the offer for dogs – the playground and dog treats. The design will be simple and easy to manage. In first months, the founder will design the website in

a free web editor (e.g. wix.com) and after some time she will buy web hosting. Earmarked money for the website in free web editor CZK 0, later for web hosting CZK 2000.

Facebook – an account and Facebook page with the name of the cafe will be created on this social network – Pet Friend Cafe. The Facebook page will aim to inform the public of its offers. The target group of people is adults between 18-45 years, living in Zlín and their interests are coffee, food and dogs. The posts will inform readers of the coffee on offer as well as the food menu with an attached picture of the products or the interior of the cafe. Earmarked money for the Facebook page is CZK 1,000. The price covers ads through brand awareness and the reach of the ads.

Instagram – Instagram will be used to share pictures of baking, the interior as well as new offers or the daily menu. It is possible to use so-called “stories” to share the actual situation in the cafe as well as products or the atmosphere. The account will have the same name as a Facebook page – Pet Friend Cafe so people can find it immediately. There will be also special hashtag #PFcafe so visitors can share their pictures from the place online. The money earmarked for the Instagram account is CZK 2,000. The price covers propagation and ads via “stories”.

Leaflets and posters – leaflets will be available in pet shops, dog training places and in schools and university as well as in shelters and at bus stops. Besides containing information about the opening date and address, there will be a coupon for one free coffee or one free dog treat if they come during the first week with the dog and present the coupon. The customers will find leaflets with the coupon in A5 format at TBU University, František Bartoš Regional Library, 2 dog training centres, a dog shelter and 2 dog trimming centres. The number of leaflets for the university, library and shelter is 200, while there will be 100 for the dog training and dog trimming centre each. The leaflets will be available two weeks before the opening of the cafe. The

unit price for A5 format is CZK 1,5. Therefore, the price for 800 leaflets will be CZK 1,200. The owner will create the leaflets by herself and they will be distributed 1 week before the opening of the cafe.

There will be also 10 posters in A3 format for each place with the address, opening hours and offer of cafe. There will be 4 posters at TBU buildings, 1 in the regional library, 2 at dog training centres, 2 at dog trimming centres and 1 in a dog shelter. The unit price for one A3 poster is CZK 10. Therefore, the price for 10 A3 leaflets will be CZK 100. The posters will be distributed by the owner one week before the opening of the cafe.

Rádio Zlín – for the people who are busy and do not have time to check social media the cafe will invest in an ad in Rádio Zlín. It is an opportunity to reach the people of all ages and raise awareness about the cafe. The ad will be played every day from 6-9 o'clock, one week before the opening of the cafe. The money earmarked for the creation of the spot is CZK 5,000 the ad on the radio is CZK 6,000. The prices were determined based on consultation with radio a employee.

People

There are three employees plus the owner in the cafe. The owner is responsible ordering products (coffee, tea, soft drinks etc.) and administering the website and social networks. Her job in the cafe is to make dog treats every day and take care of the equipment (machines, dog equipment etc.) and deals with customer problems. The waitress is responsible for the service and the owner has to make sure that she/he treats customers nicely and that she does her job responsibly. The cook is responsible for pastries and will ensure quality of the pastries and give information about stock in the kitchen to the owner. The cleaner comes after opening hours and she/he is responsible for cleaning the whole place, disinfecting the equipment in the kitchen as well as the equipment for dogs (bowls) and makes sure that the cafe is ready for next day.

The employees will be chosen and hired based on their previous experience and personal impression. Because the cafe is for dogs, there will be an emphasis for people who like dogs and they are not allergic to them. There will be an opportunity for students to work in the cafe as a cleaner as a part-time job.

Process

The weekly offer will be shared on social networks and on the website every Saturday. The coffee and tea are from the Oxalis company, while the other goods are from the Makro or Lesko wholesalers. If there would be any problem with distribution there are e-shops such as cajovydychanek.cz which can serve as an alternative to the products from Oxalis.

The staff is trained to deliver customer orders in time and are responsible for the quality of the products. The owner orders products every Thursday and the staff has to report what products are lacking so they can be delivered in time. Because there is a playground in the back of the café, the owner takes care of it when it is needed and also takes care of the obstacles for dogs.

Physical evidence

The ambiance in the café will be relaxing and equipped with the modern wooden furniture and fitted out with bowls for dogs. The colours of the entire interior will be white, grey and green which are considered to be calming and relaxing colours. The nice atmosphere will be achieved by the photographs of dogs and nature. Because plants can create a cosy atmosphere as well, there will be plants hanging from the ceiling around the cafe. The Wi-Fi is available for each customer during their visit for free.

The cafe offers coffee to go which will be served in paper cups and on each the staff will stick a custom sticker of the cafe with the name of the coffee. Pastries will be packed in paper boxes as well and the packaging will be secured again with a bigger sticker with the name of the cafe and with the phrase „Looking forward to your next visit!“. There will be a small pool and obstacles with information on how to use it in the playground for dogs.

6.6 Financial analysis

Financial analysis is a key part of every business plan. The analysis has five parts:

- Initial expenses
- Labour costs
- Fixed costs
- Variable costs and calculation of revenue
- Income statement

The founder's registered capital which is invested by her is CZK 700,000. This amount of money should cover all initial expenses of the business (initial expenses, fixed costs and variable costs). The financial analysis does not cover the balance sheet and cash flow because the owner as a natural person is not required to compile them. All information is in CZK.

6.6.1 Initial expenses

Initial expenses cover all costs which are necessary for opening the cafe. The author divides them into two tables. The first table contains the initial expenses before opening the cafe. The big expense is reconstruction because the interior is outdated, Therefore, the floor, walls and kitchen have to be rebuild. The garden needs adjustment and dog playground must be safe for the dogs and customers. Another expense is HACCP analysis which will be provided by the Institute for Testing and Certification in Zlín. The entrepreneur needs a trade license to run business and give evidence of criminal record statement and certification of signatures.

Reconstruction	120 000
HACCP	2 000
Trade license	1 000
Certification of signatures and documents	300
Criminal record statement	100
Initial expenses	123 400

Table 4 – Initial expenses (created by the author)

The cafe and garden have to be equipped and furnished (there will be 4 tables and 8 chairs), therefore, there are other expenses for running the business. Besides the furniture and kitchen equipment cafe needs a cash desk with EET system, computer and internet connection. The biggest expense will be dog playground with expense CZK 20,000 for fence and adjustments so the playground will be safe for dogs and customers.

Cash desk with EET system	8 000
Internet	459
Wi-Fi Router	549
Computer	8 000
Furniture - 4 tables + 8 chairs	15 000
Lights	7 000
Dishes	3 000
Cutlery	2 000
Coffee cups	2 000
Kettle	700
Coffee machine	10 000
Kitchen robot	5 000
Oven	15 000
Small kitchen fridge	3 000
Beverage fridge	3 500
Sanitary products	6 000
Dog bowl – 3x	240
Dog toys – 5x	350
Dog playground – obstacles, fence	20 000
Equipment	109 798

Table 5 – The Costs of Equipment (created by the author)

The total expenses amount to CZK 233,198. The money should cover all expenses connected with starting the business. The author counts on the possibility that expenses may increase during the reconstruction because the prices of craftsmen may be higher.

Initial expenses	123 400
Equipment	109 798
Total	233 198

Table 6 – Formation expenses in Total (created by the author)

6.6.2 Labour costs

As mentioned in chapter 6.4 *Organizational Structure*, there are three employees and one employer. The numbers are rounded to the nearest whole number.

	Gross wage	Health insurance	Social insurance	Super-gross wage	Total expenses
Waiter	22 248	2 002	5 562	29 812	29 812
Cook	22 248	2 002	5 562	29 812	29 812
Cleaner	4 920	x	x	x	4 920

Table 7 – Labour Costs (created by the author)

6.6.3 Fixed costs

Fixed costs are paid monthly by the owner and include super-gross wage, energies, rent, insurance, internet and promotion. Total fixed costs per month are CZK 107,003.

Fixed costs	Per month	Per year
Super-Gross wage	59 624	715 488
Cleaner's wage	4 920	59 040
Energies	6 000	72 000
Rent	20 500	246 000
Insurance	3 000	36 000
Promotion	17 300	207 600
Internet	459	5 508
Total	111 803	1 341 636

Table 8 – Fixed Costs (created by the author)

6.6.4 Variable costs and calculation of revenue

The tables below show the calculation of variable costs, sales margin and the selling price of product and drinks for the customer as well as dog treats which will be offered in Pet Friend Cafe. Regarding the offer for customers and production cost differs. To make a profit the sales margin is in the range from CZK 25 to CZK 40.

Product	Variable cost	Sales margin	Selling price
Butter croissant	10 CZK	25 CZK	35 CZK
Muffin	10 CZK	25 CZK	35 CZK
Piece of cake	30 CZK	25 CZK	55 CZK
Panini	35 CZK	30 CZK	65 CZK
Our salad	50 CZK	40 CZK	90 CZK

Table 9 – Production Costs of Products (created by the author)

The offer of drinks is wide, the sales margin for drinks differ from CZK 15 to CZK 25. Tea, coffee and soft drinks are from wholesale and their sales margin is from CZK 15 to 25. The biggest sales margin is for coffee because Cafe wants to offer the best quality coffee and fresh juice which is made from fresh fruit.

Product	Variable cost	Sales margin	Selling price
Coffee	20 CZK	25 CZK	45 CZK
Coffee to go	15 CZK	15 CZK	30 CZK
Tea	10 CZK	20 CZK	30 CZK
Fresh juice	20 CZK	25 CZK	45 CZK
Jug of water	10 CZK	20 CZK	30 CZK
Coca Cola, Sprite	15 CZK	15 CZK	30 CZK

Table 10 – Production Costs of Drinks (created by the author)

An offer of dog treats and its sales margin is in the range from CZK 15 to CZK 30. A pork nose and chicken bites are from wholesale therefore the margin is CZK 15. The rest of the dog treats are home-made and has CZK 30 sales margin.

Dog treat	Variable cost	Sales margin	Selling price
Pork nose	15 CZK	15 CZK	30 CZK
Chicken bite	10 CZK	15 CZK	25 CZK
Carrot cookie	10 CZK	30 CZK	45 CZK
Apple biscuit	10 CZK	30 CZK	45 CZK
Cheese cracker	10 CZK	30 CZK	45 CZK

Table 11 – Production Costs of Dog Treats (created by the author)

Calculation of revenue - products

Because Pet Friend Cafe is a new company, the founder prepared three types of forecasts which predicts the amount of sold products, revenue and contribution to the fixed costs. The amount of sold products was established based on a discussion with the owner of one small cafe in town.

There are two products on the line in the table, variable costs, as well as revenues, were calculated separately for both products and add together in the calculation.

Variable costs, as well as revenues, were calculated separately for both products on the line in the table.

	Optimistic (per day)	Realistic (per day)	Pessimistic (per day)
Croissant, muffin	50	25	5
Cake	20	10	2
Panini	20	10	2
Salad	10	5	1
Variable costs	2 800	1 400	280
Variable costs per month	84 000	42 000	8 400
Variable costs per year	1 008 000	504 000	100 800
Revenues	6 800	3 400	680
Revenues per month	204 000	102 000	20 400
Revenues per year	2 448 000	1 224 000	244 880
Contribution margin per day	4 000	2 000	400
Contribution margin per month	120 000	60 000	12 000
Contribution margin per year	1 440 000	720 000	144 000

Table 12 – Prediction of Sold Products (created by the author)

Croissants, muffins – an optimistic prediction is that 50 croissants and muffins will be sold per day which means 1,500 pieces sold per month and expenses for production will be CZK 45 000 per month. A realistic prediction is that it 25 croissants and muffins will be sold per day, 750 pieces will be sold per month. The production expenses will be CZK 22,500. A pessimistic prediction is that 5 croissants and muffins per day will be sold, 150 per month. Production expenses for the pessimistic prediction are CZK 4,500.

Cake – the optimistic prediction is that 20 pieces of cake will be sold per day which means 600 pieces of cake per month. Expenses for production will be CZK 18,000. A realistic prediction is 10 pieces of cake per day, 300 per month. Production expenses are CZK 9,000. A pessimistic prediction is 2 pieces of cake per day, 60 per month and expenses amounting to CZK 1,800.

Panini – the optimistic prediction is that 20 paninis per day will be sold which means 600 paninis per month. Expenses for production will be CZK 18,000. A realistic prediction is 10 paninis per day, 300 per month. Production expenses are CZK 9,000. A pessimistic prediction is 2 paninis per day, 60 per month and expenses are CZK 1,800.

Salad – the optimistic prediction is 10 salads per day, 300 salad per month and expenses are CZK 9,000. Realistic prediction is that it will be sold 5 salad per day that means 150 salad per month and expenses CZK 4,500. A pessimistic prediction is 1 salad per day, 30 per month and expenses are CZK 900.

Overall monthly revenues and costs are calculated according to three different forecasts mention in Table 11.

Optimistic prediction – variable costs per month is CZK 84,000, revenues per month are CZK 204,000 and contribution margin per month is CZK 120,000.

Realistic prediction – variable costs per month is CZK 42,000, revenues per month are CZK 102,000 and contribution margin per month is CZK 60,000.

Pessimistic prediction – variable costs per month is CZK 8,400, revenues per month are CZK 20,400 and contribution margin per month is CZK 12,000.

Calculation of Revenue – drinks

The cafe offers seven types of drinks. Besides soft drinks such as Coca Cola and Sprite, there is also coffee, coffee to go, tea, a jug of water and fresh juice. The amount of sold drinks was established based on discussion with the owner of one small cafe in town.

Variable costs, as well as revenues, were calculated separately for all drinks on each line in the table.

	Optimistic (per day)	Realistic (per day)	Pessimistic (per day)
Tea, Jug of water, Coffee to go	50	30	10
Coca Cola, Sprite	20	15	5
Fresh juice, Coffee	30	15	5
Variable costs	3 350	2 100	700
Variable costs per month	100 500	63 000	21 000
Variable costs per year	1 206 000	756 000	252 000
Revenues	8 400	4 950	1 650
Revenues per month	252 000	148 500	49 500
Revenues per year	3 024 000	1 782 000	594 000
Contribution margin per day	5 050	2 850	950
Contribution margin per month	151 500	85 500	28 500
Contribution margin per year	1 818 00	1 026 000	342 000

Table 13 – Calculation of Sold Drinks (created by the author)

Tea, a jug of water, coffee to go – an optimistic prediction is 50 drinks per day, 1,500 drinks per month and monthly expenses CZK 45,000. A realistic prediction is 30 drinks per day, monthly 900 drinks and expenses CZK 27,000 per month. A pessimistic prediction is 10 drinks per day, 300 per month and expenses CZK 9,000 per month.

Coca Cola, Sprite – an optimistic prediction is 20 soft drinks per day, 600 per month and monthly expenses CZK 18,000. A realistic prediction is 15 soft drinks per day, 450 per month and expenses CZK 13,500 per month. A pessimistic prediction is 5 soft drinks a day, 150 per month and expenses per month CZK 4,500.

Fresh juice, coffee – an optimistic prediction is 30 drinks per day, 900 per month and expenses of 27,000 monthly. A realistic prediction is 15 drinks per day, 450 per month and expenses of CZK 13,500 per month. A pessimistic prediction is 5 drinks a day, 150 per month and expenses per month of CZK 4,500.

Overall monthly revenues and costs are calculated according to forecasts mention in Table 12.

Optimistic prediction – variable costs per month is CZK 100,500, revenues per month is CZK 252,000 and contribution margin per month is CZK 151,500.

Realistic prediction – variable costs per month is CZK 63,000, revenues per month is CZK 148,500 and contribution margin per month is CZK 85,500.

Pessimistic prediction – variable costs per month is CZK 21,000, revenues per month is CZK 49,500 and contribution margin per month is CZK 28,500.

Calculation of revenue – dog treats

Because the cafe offer dog treats, the author prepared another forecast for dog treats which predicts the amount of products sold, the revenue and contribution to the fixed costs. There are five different dog treats ranging from CZK 25 – 45. Variable costs, as well as revenues, were calculated separately for all dog treats on each line in the table.

	Optimistic (per day)	Realistic (per day)	Pessimistic (per day)
Chicken bite	50	20	5
Pork nose	40	20	5
Carrot cookie, Apple biscuit, Cheese cracker	20	10	2
Variable costs	1 500	700	160
Variable costs per month	45 000	21 000	4 800
Variable costs per year	540 000	252 000	57 600
Revenues	5 150	2 450	545
Revenues per month	154 500	73 500	16 350
Revenues per year	1 854 000	882 000	196 200
Contribution margin per day	3 650	1 750	385
Contribution margin per month	109 500	52 500	11 550
Contribution margin per year	1 314 000	630 000	138 660

Table 14 – Calculation of Sold Dog Treats (created by the author)

Chicken bite – an optimistic prediction is 50 pieces per day, 1,500 monthly and expenses CZK 45,000. A realistic prediction is 20 pieces of chicken bite per day, 600 per month and expenses CZK 18,000. A pessimistic prediction is 5 pieces a day and 150 pieces monthly, expenses per month are CZK 4,500.

Pork nose – an optimistic prediction is 40 pieces per day, 1,200 pieces per month and expenses CZK 36,000 per month. A realistic prediction is 20 pieces per day, 600 per month and expenses CZK 18,000. A pessimistic prediction is 5 pieces a day and 150 pieces monthly, monthly expenses are CZK 4,500.

Carrot cookie, apple biscuit, cheese cracker – an optimistic prediction is 10 pieces per day, 300 pieces per month and expenses CZK 9,000. A realistic prediction is 20 pieces per day, 600 pieces monthly and expenses per month CZK 18,000. A pessimistic prediction is 2 pieces per day, 60 pieces monthly and expenses CZK 1,800.

Overall monthly revenues and costs are calculated according to Table 13.

Optimistic prediction – variable costs per month is CZK 45,000, revenues per month is CZK 154,500 and contribution margin per month is CZK 109,500.

Realistic prediction - variable costs per month is CZK 21,000, revenues per month is CZK 73,500 and contribution margin per month is CZK 52,500.

Pessimistic prediction - variable costs per month is CZK 4,800, revenues per month is CZK 16,350 and contribution margin per month is CZK 11,550.

6.6.5 Income statement

The income statement has been calculated according to the three predictions from the previous chapter. The fixed costs are those connected with wages, energies, rent, insurance, promotion and internet. The variable costs were calculated according to Tables 11-13. Formation expenses are expenses connected with starting the business (reconstruction, trade licence, HACCP etc.) and equipment of Cafe. The following table shows the yearly estimated income of Pet Friend Cafe.

	Optimistic	Realistic	Pessimistic
Fixed costs	1 341 634	1 341 634	1 341 634
Variable costs	2 754 000	1 512 000	410 400
Initial expenses	233 198	233 198	233 198
Revenue	7 326 000	3 888 000	1 034 880
EBT	2 997 168	801 168	-950 352
15% tax	449 575	120 175	x
EAT	2 547 593	680 993	x

Table 15 – Yearly Forecast of Income Statement (created by the author)

The optimistic prediction shows that yearly earnings after taxes are CZK 2,547,593. The realistic prediction is CZK 68, 993 after taxes. The pessimistic prediction shows that revenues cannot cover the costs of the Café; therefore, EBT is CZK -950,352. Because EBT is a negative number, 15% tax and EAT cannot be calculated. The calculation shows that the Cafe might be successful in future and that the business plan has potential.

6.6.6 Return of investment

ROI indicator measures the profitability or loss of the business or the efficiency of the invested money in the business. It evaluates the profit or loss based on the calculation of initial costs and money gained from investments. The return of investment has been calculated for three predictions (Janišová and Křivánek 2013, 224).

The formula for ROI calculation is:

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

ROI – optimistic prediction

$$ROI = \frac{2\,547\,593 - 700\,000}{700\,000} * 100$$
$$ROI = 263,9\%$$

The calculation shows the return of investment is 263,9%. The investment in the case of optimistic prediction is returnable and the café generates profit.

ROI – realistic prediction

$$ROI = \frac{680\,993 - 700\,000}{700\,000} * 100$$
$$ROI = -2,7\%$$

Because the earnings after taxes are lower than the initial capital of the café the result is ROI -2,7%. That means that the café is in a loss and it is necessary to consider if we want to continue with the business which does not repay the time and money devoted to the business.

ROI – pessimistic prediction

The earnings after taxes were not possible to calculate because of negative earnings before taxes. In this case, the café should consider terminating the business because it does not generate any profit and the initial capital is not returnable.

6.7 Risk evaluation

While establishing the company we have to think about risks that may occur during business and evaluate them. The risks can be divided into internal risks which we can affect and external risks which we cannot affected.

Regarding the internal risks, there is the possibility that a lack of experience together with certain failures may lead to a situation in which the employees will not be motivated enough to stay at company and they would rather leave their position.

The following table shows the probability of external risks, its prevention and their impact on the company's possible loss.

	Probability	Loss	Prevention
Criminal activity	medium	high	camera, alarm, insurance against theft
Lack of experience	high	high	training of staff
Competition in town	high	high	coupons, customer satisfaction survey

Table 16 – Risk Evaluation (created by the author)

A robbery or other criminal activity is a risk which can be prevented by insurance against theft and by installing cameras and an alarm in the cafe. Another risk is economic changes – low wages with unemployment may cause low demand because people will rather save money than spend it. Another problem could be considered an increase in the price of ingredients which may lead to higher costs; therefore, the products will have to be more expensive.

Change in legislation is another external risk – for example, change in taxes or hygiene regulations. If this situation happens, the advantage is that all entrepreneurs and competition will be affected equally. Another external risk can be considered competition in town. An increase in competition may lead to lower profit or if there would be an established company with the same concept (cafe with dog treats). There are also natural disasters which are not predictable nor we cannot anticipate them. We cannot determine the right way of preventing them; the only possibility is to have insurance against natural disasters.

CONCLUSION

The aim of this bachelor thesis was to compile a business plan for a new cafe named “Pet Friend Café”. To create and understand the theory of the business plan, the author worked with relevant literature and online sources. The author compiled a theoretical part from these sources.

The first part of the bachelor thesis is divided into two sections. The first starts with a basic description of entrepreneurship in general and later describes entrepreneurship in the Czech Republic. Then the author describes the legal forms under which it is possible to conduct business in the Czech Republic and their basic features which are stated in the Business Corporation Act. Because the author decided to do business as a natural person, part of the thesis focuses on the business of a natural person and its description. The second section of the theoretical part focuses on the theory of business plan and its structure which is relevant to create a successful business plan. At the end of this part, the author states analyses which will be used in the analytical part as well as their description. The author follows this structure in the second part of the bachelor thesis when she created a business plan for the cafe. The analytical part of the bachelor thesis begins with a title page and an executive summary, continues with the description of the company, operational structure and the marketing plan. The author analyses the internal and external factors using a SWOT analysis and competition using Porter's Five Force analysis. The last crucial part is the financial analysis where the author calculates initial as well as fixed and labour costs. The last part of financial analysis concerns the calculation of revenues and income statement of the company. At the end, the author evaluates all risks which may occur during business and divides them into internal and external. The author suggests ways of preventing risks.

The author's research on entering the market in Zlín is difficult. It is not because of government requirements or because of the lack of premises for new companies but it is because of the existing competition in town. There are cafes on every corner which may lead to low demand for the new cafe. Because of the lowest wages in the country coupled with the low buying purchasing power, the cafe may not succeed in long-term competition. There is one risk mentioned previously and that is competition; we can prevent this by a customer satisfaction survey.

The author, in the beginning, stated the objective of the thesis to compile a business plan for the cafe and assess its profitability. Based on the research and analyses, the business plan for the cafe is feasible and can be successful in future.

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LIST OF ABBREVIATIONS

EET	Elektronická evidence tržeb
HACCP	Hazard Analysis and Critical Control Points
PEST	Political, Economic, Social, Technological environment analysis
SWOT	Strengths, Weaknesses, Opportunities, Threats
ROI	Return of Investment

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