

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Trade and Accounting



Diploma Thesis

**Business Plan for a new Coffeehouse in Liberec
– Case Study**

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

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DIPLOMA THESIS ASSIGNMENT

Cestrová Barbora

Economics and Management

Thesis title

Business plan for a new coffee house in Liberec - case study

Objectives of thesis

The aim of the thesis is to create a comprehensive business plan for a new business - a coffee house in Liberec, including business and industry overview, product and services plan, marketing plan, human resources and financial management plan.

Methodology

Methodology for the literature overview will be based on data collection from relevant specialized publications and other written or online sources. The methods of analysis, synthesis, comparison and deduction will be used to prepare the practical part and to formulate the conclusions of the thesis. The proposed business plan will be compiled according to literature overview, and will use PEST analysis, SWOT analysis and Porter's Five force analysis. For the financial management plan Pro-forma financial statements will be compiled.

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GOOD, Walter. S.: Building a Dream – A Canadian Guide to Starting Your Own Business. 5th Edition. Toronto: McGraw-Hill, 2003 ISBN: 0-07-08910-3.

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MALLOUK, B., MEIGS, R.F., WAI, P.L.: Financial Accounting. 9th Canadian Edition. Toronto: McGraw-Hill Ryerson Limited, 2002 ISBN: 0-07-089075-

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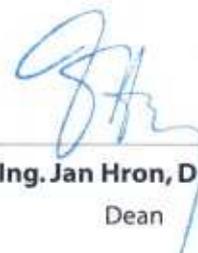
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Declaration

Hereby I declare that I have worked on my Diploma Thesis titled 'Business Plan for a new Coffeehouse in Liberec – Case Study' solely and completely on my own and that I have marked all quotations in the text. The literature and other materials I have used are to be found in the Bibliography section of this Thesis.

.....
Barbora Cestrová

April 1, 2012
In Prague

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I would like to express special thanks to my supervisor Ing. Enikő Lőrinczová Ph.D. for her professional advice and help.

**Návrh podnikatelského plánu pro kavárnu v Liberci
– Případová studie**

**Business Plan for a new Coffee house in Liberec
– Case Study**

Souhrn

Hlavním tématem této práce je vytvoření detailního podnikatelského plánu pro zcela nový podnikatelský subjekt - kavárnu situovanou v městě Liberci. Záměrem je využít mezery na trhu a představit veřejnosti nový koncept kavárny zaměřený na zdravý životní styl.

Teoretická část této práce se zabývá samotným vytvořením a optimální strukturou podnikatelského plánu. Dále jsou zde detailně popsány jednotlivé části podnikatelského plánu - analýza průmyslového odvětví, plán produktů a služeb, marketingový plán, plán lidských zdrojů a organizační plán a nakonec finanční plán.

V druhé, praktické části jsou tyto analýzy vnějšího a vnitřního prostředí podniku aplikovány na samotný projekt kavárny. Díky nim mohla být podrobně popsána strategická a ekonomická situace kavárny na trhu v městě Liberci a vytvořen samotný podnikatelský plán.

Klíčová slova

Podnikatelský plán, Začínající společnost, Kavárna, Marketingový plán, Plán personálu, Plán produktů a služeb, Finanční prognózování, Pro forma finanční výkazy, PEST analýza, SWOT analýza

Summary

The core issue of this work is to create a comprehensive and consistent business plan for a new business – a coffee house in the city of Liberec. The main intention is to take advantage of a gap on the market and introduce to a general public an innovative and new concept of a coffee house focusing on healthy diet and lifestyle.

The theoretical part of this work deals with the creation and optimal structure of a business plan. It further covers in detail all the necessary parts which such a document requires. These are: Business and Industry Overview, Products and Services plan, Marketing plan, Human Resources and Operating plan and Financial Management plan.

In the second, practical part, the theoretical background of the internal and external business environment was used to assess the coffee house's business competitiveness, strategic position on the market and financial situation. Thanks to these analyses a real business plan was created.

Key Words

Business Plan, Start-up Business, Coffee house, Marketing Plan, Human Resources Plan, Products and Services Plan, Financial Forecasting, Pro-forma Financial Statements, PEST analysis, SWOT analysis

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1. Introduction

Coffee is a lifelong love and passion for some of us, hence opening a coffee house might be a realization of dreams. However, passion is not sufficient for successful running of a business. Therefore a business plan template can be a useful tool for coffee-lovers heading to opening their own coffee house. Therefore, I have chosen this topic, to come up with an illustration of how it might look like when one would like to open a coffee house.

Opening a coffee house in the time of economic slow-down might seem to be a business suicide, but based on the research conducted, there is a general interest in such a business activity, which comes to the market with a slightly new approach of a coffee house.

If we compare the worldwide data, the consumption of coffee has been continuously increasing, which indicates that the overall demand must have risen as well. It is illustrated in the figure below.

Figure 1: World consumption of coffee

Country	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Total	87 970	85 759	90 260	87 980	89 838	88 073	98 425	94 119	95 428	94 565	103 177

Source: International Coffee Organization: World consumption of coffee., 2012. [online]. [cit. 2012-02-25]. Available at: <http://www.ico.org/>

In general, people tend to search for better quality coffee and consequently, they are willing to pay more for a cup of higher quality coffee than for a regular coffee. In reality, Czech people are willing to pay more for a cup of coffee than other consumers in richer countries, as stated in the article *Our Expensive Paradise* written by Petr Holec. The Czech mark-up on coffee and water is one of the highest in Europe. So, coming to the market with a little bit lower prices that must however sustain profitability, can be a key strategic advantage.

In general, coffee is available in different forms and quality. Very often it is marked as fair-trade and bio. The fair trade sign should be an indicator of fair treatment of farmers. Although coffee is mostly drunk in developed countries which are located in the northern hemisphere, it is grown in developing countries in the south. The fair-trade movement should be a source of fair exchange between rich north and poor south – coffee delivery for a fair price, so that the less advantaged people can gain from the sale of the product that earns them their living. There are some controversies related to the fair-trade movement. In the Czech Republic, people are sceptical about this movement, but by explaining them the

gist of the approach, in my experience, they turn to be more supportive and purchase fair-trade products by privilege. Thus having a fair-trade coffee is also a competitive advantage.

Further, there is a new trend in the lifestyle of Czech people. In general, there is an inclination to a healthier diet as stated in an article about food quality written by Táňa Králová in the euro magazine. Among other, the journalist Táňa Králová also interviewed the Head of the Czech national agricultural inspection and he said: ‘ People tend to buy Czech products – after a quality test of butters, Czech consumers started demanding much more Czech products, so that the milk factory situated in the Czech city Kunín was forced to increase production’. This proves, that a coffee house offering refreshments made preferentially from Czech local food, will be successful as there is a demand for such a product.

A famous quote by Jonathan Doris: ‘*You may laugh because I am different, but I laugh because you are all the same*’, is a good example of a corporate strategy. A coffee house that is special and unique has a bigger chance to ‘fish’ more customers, than a concept that has already been seen.

2. Objectives and Methodology

2.1. Objectives

The aim of this thesis is to form a comprehensive and consistent business plan for a start-up business – a coffee house in Liberec. A proper business plan consists of these parts: business and industry overview, product and services plan, marketing plan, human resources plan and financial plan. A business plan in general serves the owner of a business as a tool for an official business presentation. Also, a well prepared business plan can help the owner to spot potential drawbacks, focus on development efforts and act as a measure of success.

The main ambition is to come to a market with a unique service. In other words, the idea is to give a new coat to a tried and tested concept of a coffee house. By the use of external and internal analyses of a business, the competitive advantage and position on the market will be evaluated.

2.2. Methodology

Methodology for the literature review will be based on data collection from relevant specialized publications and other written or online sources. The methods of analysis, synthesis, comparison and deduction will be used to prepare the practical part and to formulate the conclusion of the thesis. The proposed business plan will be compiled according to literature overview and by the use of PEST and SWOT and M.Porter's Five Forces Analysis, the macro and micro environment of the business will be analyzed. For the financial management plan, the pro-forma financial statements will be compiled.

Since the main interest is to create a business plan for a coffeehouse, there are several areas which must be studied before this concept can move from paper to the reality. The most important one is the financial planning, by which the actual point of profitability, expected total expenses and other main figures can be forecasted.

Further, a general public interest of provided service will be analyzed by the use of a questionnaire. The main intention is to find out, which of these: new trends in eating habits or stereotypes in diet prevail. The reason for this is to find out whether there is a demand for the products which are going to be offered in the coffeehouse.

3. Literature Overview

3.1. Business Plan – Introduction

Business Plan is a comprehensive and concise description of a business. It has a form of a written document. In a nutshell, a business plan compiles the overall activities of a company. De facto, it summarizes records on business products and production technique, defines the market which the business operates in, reveals what the marketing and management strategies are and shows the financial situation of the business (Good, 2003). It should be consistent, factual and well-organized, so that finding desired information would be an easy job for a ‘first-time’ reader. A business plan can be written for any kind of business.

The business plan should show some historical development of a business, especially in the financial part. Also, an estimation of future development is fundamental. With such a prediction, some major changes might be anticipated and major losses eliminated (Good, 2003).

Moreover, mission and vision of a business should never be omitted. Knowing what the business does and where it is heading is foundation stone of any business. Without these two statements, a business has no goals and hence, no right direction.

Finally, it cannot be anticipated that the business goes exactly as it was planned. Nonetheless, knowing and understanding the processes of planning the business plan will prepare the business owner for change and appropriate reaction.

3.2. Purpose of a Business Plan

Business Plan is one of the pillars of successful entrepreneurship. It is commonly written for the purpose of investment acquisition. It is a crucial component of any funding. There are several people and institutions that might be interested in reading your business plan at some point in time. These are: bankers, external investors, grant providers, anyone interested in buying your business and potential partners (Business Link, 2009 [online]). Nevertheless, the most important are the investors – a banker or other ‘money lending’ person. Bankers are mostly interested in numbers, therefore, the financial plan of a business plan is the part one should work hard on and make meticulous calculations, so that all numbers are correctly recorded and mistakes avoided. As an investor, the banker needs to be assured, that your business will be profitable at one point in a time. Of course,

the sooner, the better, but one must not forget to be careful. The numbers must be realistic – bankers are pretty well informed of how much can be earned in various industries on average (Czech Invest, 2005. [online]). However, for an owner of a business, a business plan is a document full of valuable information. For instance, it might be helpful in strategic planning, in hiring new employees – you can see or analyze how much money you can spend on payrolls, so that you are not in red numbers.

In Viorica Ioan’s paper called Financing Investment Projects the Relationship between Feasibility Study and Business Plan, there are four basic functions of a business plan identified. They are pictured in the below in figure 1.

Table 1: Viorica Ioan: Specific Functions of a Business Plan

Business Plan	Prospective Evaluation	Implies the analysis, evaluation, comparing and classification of business projects
	Development of ideas	Identifying and establishing the purposes, objectives and associated risk
	Obtaining Financing	Solutions regarding the obtaining credit, grants, etc.
	Retrospective Evaluation	Causes of recrded deciations, directions of actions.

Source: Viorica Ioan: *Specific Functions of a Business Plan*. 2010. [online] [cited 2012-01-29] Available at: <http://www.ann.uqal.ro/eco/Doc2010/loan.pdf>

3.3. Content of a Business Plan

As it has been already outlined, a business plan consists of several parts. All together it is a consistent document providing a reader with a summary of overall activities of a business. Commonly, there are two forms of a business plan. The more descriptive one and a shorter version called an executive summary. It should be written last and it should provide a reader with an overview of a business plan.

Content of a Business Plan is following:

1. Business and Industry Overview
2. Product and Services Plan
3. Marketing Plan
4. Human Resources and Operations Plan
5. Financial Management Plan

3.4. Business & Industry Overview

Business and Industry Overview is a chapter, where the information about a business is revealed and it mainly focuses on the external environment.

An appropriate tool for the macro-environment study is the PEST analysis, which categorizes environmental influences into four main types (Johnson et.al.,2005).

Table 2: PEST analysis

<p>1. <i>Political and Legal factors</i></p> <ul style="list-style-type: none"> • Government stability, • Taxation policy, • Foreign trade regulations, • Social welfare policies, etc. 	<p>2. <i>Economic factors</i></p> <ul style="list-style-type: none"> • Interest Rates, • Inflation, • Unemployment, • Disposable Income, etc.
<p>3. <i>Social and Cultural factors</i></p> <ul style="list-style-type: none"> • Population demographics • Social mobility • Lifestyle changes • Consumerism, etc. 	<p>4. <i>Technological factors</i></p> <ul style="list-style-type: none"> • New discoveries • New developments • Speed of technology transfer • Gvmt. spending on R&D, etc.

Source: Johnson et.al.,2005

Owners or managers of businesses need to understand these factors and also the different impacts these factors have on the particular industry, their business is in. ‘*It provides a link between the general and competitive environments in that weak signals in the general environment can become key forces for change in the competitive environment*’ (Henry, 2008). In general, the factors are interrelated. For instance, a high unemployment might cause changes in demographics.

Apart from that, the history of the business should be written down. Also, the **mission** and **vision** statement must be formed. A mission is a statement is basically a reply to a question: What business you are in? In detail it is “a general expression of the overall purpose of the organisation, which ideally, is in line with the values and expectations of major stakeholders and concerned with the scope and boundaries of the organisation” (Johnson et al., 2005). Whereas a vision statement is commonly an answer to a question: Where do we want our business to be in the future? According to Johnson et al., the vision “or a strategic intent is the desired future state of the organisation.”

Further, the type of an organisation must be specified. Are you a sole proprietor or do you have business partners? As reported by Mallouk et al. in Financial Accounting, we distinguish 3 basic forms of business organisations. They are in detail explained in Figure 3 below.

Table 3: Mallouk et al.: Characteristics of Forms of Business Organisation

	Sole Proprietorship	Partnership	Corporation
1. Legal Status	Not a separate legal entity	Not a separate legal entity	Separate legal entity
2. Liability of Owners for Business Debts	Personal liability for business debts	Personal liability for partnership debts	No personal liability for corporate debts
3. Accounting Status	Separate entity	Separate entity	Separate entity
4. Tax Status	Income taxable to owner	Income taxable to partners	Files a corporate tax return and pays income taxes on its earnings
5. Persons with Managerial Authority	Owner	Every partner	Hired professional managers
6. Continuity of the Business	Entity ceases at the discretion or with retirement or death of owner	New partnership is formed with a change in partners	Indefinite existence

Source: Mallouk et. al., 2002.

In the Czech Republic, the most common type of partnership is ‘Společnost s ručením omezeným – s.r.o.’ - Limited Liability Partnership. It can have 1 to 50 partners, the minimal initial capital is 200,000 CZK – is available for business purposes (not frozen). The amount of the individual member’s investment contribution must be at least 20,000 CZK and all partners might contribute by different amounts, nevertheless, the total paid up investment contributions must amount to at least 100,000 CZK (Businessinfo.cz, 2010. [online]). Finally, the abbreviation of s.r.o. is commonly used as opposed to Ltd. abbreviation, which is commonly used in the western world.

Moreover, it is essential to mention your future business objectives. Specifically, you should have SMART goals – Specific, Measurable, Achievable, Realistic & Relevant and Time specific. The individual parts are in more details defined below.

Figure 2: The SMART model for setting goals



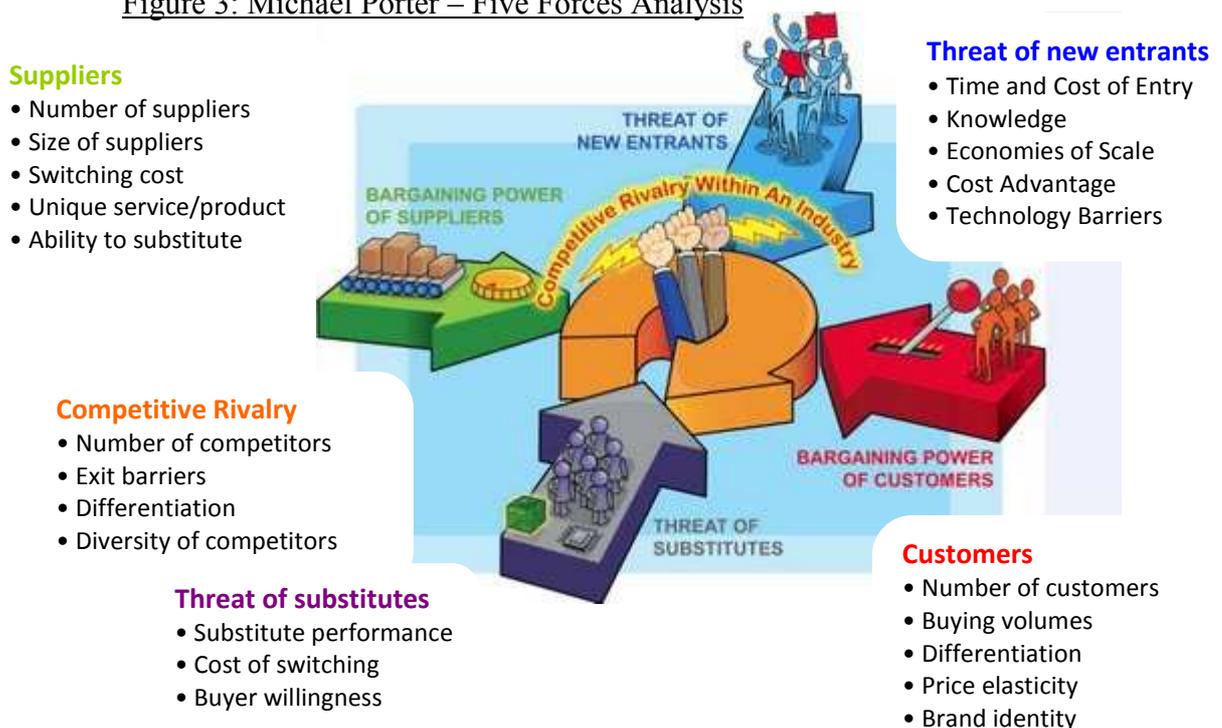
Source: REDMOND, Brian. Goal Setting Theory. Wikispaces.psu.edu. 2012. [online]. [cit. 2012-03-26]. Available at: <https://wikispaces.psu.edu/display/PSYCH484/6.+Goal+Setting+Theory>

For instance – an increase in operating margin by 10%, increase or number of satisfied customers or to increase your current customers’ buying rate by 20%, are examples of quantifiable objectives.

Lastly, you need to know what industry you operate in. In agreement with Johnson et al., in their book Exploring corporate strategy, an industry is a “group of firms producing products that are close substitutes for each other.” Owner(s) or manager(s) of any organisations should be able to distinguish the competitive forces acting on and between organisations in the same industry or sector since. A thorough examination of a market may bring information fundamental for decision making about product or service market strategy.

For the purpose of industry analysis, M. E. Porter’s Five Forces Analysis can be applied. Michael Porter was mainly interested why some industries, economic institutions and nations are better off than others, e.g. some succeed and blossom whereas other have to close down or their business activities deteriorate. He found out that the key to success is the ability of an enterprise (industry or nation) to sustain the so called competitive advantage. Michael Porter analyzed that there are five most important forces that influence the competitive advantage of an enterprise. These are: Threat of new entrants, Threat of Substitutes, Bargaining Power of Suppliers, Bargaining Power of Customers and Competitive Rivalry within an industry. They are in detail explained in the figure below.

Figure 3: Michael Porter – Five Forces Analysis



Source: :LEE, Keng. *Braindancing Smorgasbord: he Five Competitive Forces*. [online]. [cit. 2012-03-26]. Available at: <http://4.bp.blogspot.com>

Strategic implication of this model is that there are either attractive or unattractive industries. An attractive industry is specified by ‘weak forces’ – entry is difficult, suppliers and/or buyers have little bargaining power, there are few competitive threats from product substitutes and rivalry is relatively low or mediate. Conversely, an unattractive industry has low entry barriers, suppliers and customers have strong bargaining powers, there are strong substitutes and very strong competition/rivalry within the industry.

In order to well anticipate the rivalry within an industry, the competition analysis must be conducted. It is an analysis of all competitors that can affect more or less our business. According to Michael Porter, there are four main objectives of competitor analysis (Johnson et. al., 2005):

1. *Identify future competitors’ plans and strategies,*
2. *Predict competitors’ likely reactions to competitive initiatives,*
3. *Determine the match between a competitor’s strategy and its capabilities,*
4. *Understand a competitor’s inabilities or weaknesses.*

An effective tool for this analysis is for instance the SWOT analysis. ‘*A SWOT analysis allows an organisation to determine the extent of the strategic fit between its capabilities and the needs of its external environment*’ (Henry, 2008). SWOT analysis refers to strengths, weaknesses, opportunities and threats. Strengths and weaknesses refer to the internal environment whereas threats and opportunities refer to the external environment.

Table 4: SWOT Analysis – examples of possible inputs in the analysis

	Helpful to achieving the objective	Harmful to achieving the objective
Internal Environment (attributes of the organisation)	STRENGTHS	WEAKNESSES
	<ul style="list-style-type: none"> • Existing customer base • Brand recognition/awareness • High quality products • Affordable services 	<ul style="list-style-type: none"> • High costs • Non-efficient processes • No innovation • Wrong price – setting
External Environment (attributes of the external environment)	OPPORTUNITIES	THREATS
	<ul style="list-style-type: none"> • New customer groups • New technologies available • New market(s) penetration • Diversification • Better corporate strategy 	<ul style="list-style-type: none"> • New and stronger competitors • Obsolesce • Financial vulnerability • Damaged company reputation • Shortage of resources

Source: Johnson et.al., 2005.

Suggested Subcategories

1. Introduction and History of the Business
2. Vision and Mission Statements
3. Business Objectives
4. Ownership
5. Industry Overview
6. Description of Industry Participants

3.5. Product and Services Plan

Product/ Service plan summarizes information about your current product(s) or service(s) and your expectation of a future progress or improvement of your product(s) or service(s). These new ideas might be supported by a research conducted by the company and focusing on needs and wants of potential customers.

Basically, the product's features, its advantages over competitor's products should be analyzed. A product is an item which satisfies consumers' needs and wants. Every product has a life cycle showing the development of the product in time with relation to sales and profit. There are four stages in product life cycle – introduction, growth, maturity and decline. If the product moves to its last, declining stage, the company should take one of the following measures (Hollensen, 2004):

- Improve product's features or appearance, or just give it new packaging,
- alter the perception of the product,
- find you customers,
- promote new features or uses of the product.

Suggested Subcategories:

1. Key Product Segments
2. Description of Products and Services
3. Future Products and Services

3.6. Marketing Plan

The core of marketing is to satisfy customers' needs and wants. To do so, we need to know what these needs and wants are and therefore, a market analysis or research is conducted.

What motivates consumers to purchase blue picture instead of red picture is not 'black and white' anymore. Consumers have never been truly predictable, but as we live in

a globalization era, all tastes are mixed. Hence, the predictability of consumer behaviour is rather impossible.

Nevertheless, to find out whether there is an interest for particular product or service, a market research is always useful.

Knowing a market segment and relative market share is beyond any doubt useful. Market segment is ‘a group of customers who have similar needs that are different from customer needs in other parts of the market’ (Johnson et. al., 2005). Relative market share should be considered, because it is the share of the market relative to that of competitors.

A tool of marketing mix is commonly used in marketing researches. ‘When marketing their products, firms need to create a successful mix of: the right **product** sold at the right **price** in the right **place** using the most suitable **promotion**’ (Authors of the Business Case Studies, 2012). **Product** has been already described in Product Plan, the other 3Ps, nonetheless need to be specified. These are the **Price**, **Place** and **Promotion**.

Price setting is very important. As stated in Global Marketing, there are three general pricing strategies (Hollensen, 2004):

Picture 1: Price Setting



Source: Author, 2012

1. **Skimming** – high prices are charged for high quality products. This alternative will attract segments which are willing to pay high prices. With skimming the company has a low market share but high margin. A gradual lowering of the price is recommended if there are close substitutes.

2. **Market pricing** – this approach is recommended if there are similar products on the market – the price is quantified according to competitors’ prices or by prices, which

consumers are willing to pay. It is a reactive approach of pricing and might lead to insufficient returns.

3. **Penetration Pricing** – is a strategy of penetrating the market with low prices and capturing the highest market share. This approach is however feasible in huge markets, where mass consumption is present, so that enough products are sold and the company generates sufficient revenue.

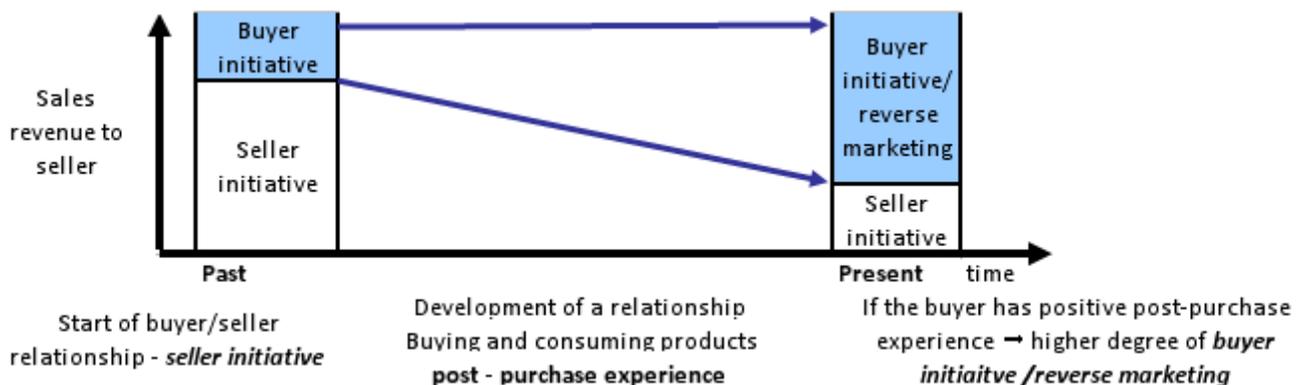
We can use brands of automobile producers to give practical examples of above mentioned strategies:

1. **Skimming – luxury products: Porsche.**
2. **Market pricing – regular, main stream products: Škoda.**
3. **Penetration Pricing – low cost products: Dacia.**

Promotion in the form of communication is important if you want the general public to know about our products or services. Promotion is designed to inform, remind or persuade. There are several media available to advertise your message – television, radio, newspapers, magazines, etc. The mix of these media of course depends on the budget of the organisation. Further, the objective of the promotion is important. Does the organisation want to attract larger or smaller audience?

The optimal situation is when the seller initiative converts into buyers' initiative, which can be found in a textbook of Global Marketing and as shown in the figure below. It fundamentally means that if the *'buyer has a positive experience with a given offering in one period of time this may dispose the buyer to rebuy on later occasions –that is take initiatives in the form of making enquiries or placing orders(so called reversed marketing).'*

Figure 4: The shift from seller initiative to buyer initiative



Source: Hollensen, 2004

Place is related to storing, transporting and delivering products to customers. There are several available distribution methods for successful delivery. A good logistics should be considered.

Where is the business going to be located? In what facility so that processes are done well and that the site is suitable for the kind of a business activity? These question should any owner of a business ask. Especially if he or she is going to be an entrepreneur and have just one shop – then the best way to succeed is location, location and location. What should a good location provide? There are two important:

1. the size of the place should correspond to the business activity,
2. in case of a coffee house – it must be reachable for targeted customers on foot or by public transportation
3. and most importantly, the shop must be **visible**.

Finally, if there are more possibilities where to have your business located, a cost-benefit analysis should be employed. Cost-benefit analysis is simply an analysis of advantages and disadvantages of given location. *‘The cost-benefit concept suggests that a money value can be put on all the costs and benefits of a strategy, including tangible and intangible returns.’* (Johnson et.al., 2005). It helps to predict whether the benefits outweigh the costs, and by how much. The general formula of BENEFITS = COSTS implies, that the best alternative is the one with the highest result.

According to Karen Spaeder, the author of an online article: How to find the best location, the factors in the chart below should be considered.

Table 5: Location characteristics

LOCATION	Is the facility located in an area zoned for your type of business?
	Is the population density of the area sufficient for your sales needs?
	Is the trade area heavily dependent on seasonal business?
	Is the facility located in a safe neighborhood with a low crime rate?
	Is the facility easily accessible to your potential customers?
	Does the building need any repairs?
BUILDING / FACILITY	Is the facility large enough for your business?
	Is the facility consistent with the image you'd like to maintain?
	Is there possibility of outside sitting?
	If your business expands in the future, will the facility be able to accommodate this growth?
	Are the lease terms and rent favorable?
	Are neighboring businesses likely to attract customers who will also patronize your business?
	Are there any competitors located close to the facility? If so, can you compete with them successfully?
RENT	Is exterior lighting in the area adequate to attract evening shoppers and make them feel safe?
EXTERNALITIES	Is the area served by public transportation?

Source: Spaeder: How to find the best location., 2011. [online]. [cit.2012-02-20] Available at: <http://www.entrepreneur.com/article/73784>

A short example of the application cost-benefit analysis on location of a business is shown below. There are two possible location of a business with given factors to consider. Each factor was assigned a value on the scale from -10 to 10 points – positive values expressing the intensity of advantage and conversely, minus values expressing the intensity of costs. If we sum up all values, we get the total of 9 points for Location 1 and 3 points for Location 2. As 9 is a higher number than 3, we should go for Location 1.

Table 6: Cost-Benefit Analysis

LOCATION 1		LOCATION 2	
Benefits - Costs		Benefits - Costs	
Length of lease agreement	: 5	Length of lease agreement	: 8
Availability of sitting outside	: 5	Availability of sitting outside	: -2
Accessibility	: 1	Accessibility	: 3
Facility condition	: 5	Facility condition	: -2
Facility suitability	: -5	Facility suitability	: 3
Safety	: 5	Safety	: 3
Need for repairs	: -2	Need for repairs	: -5
Rent	: -5	Rent	: -5
TOTAL	: 9	TOTAL	: 3

Source: Author, 2012

Suggested Subcategories:

1. Customer Analysis
2. Marketing Strategy
3. Web Site
4. Pricing Strategy
5. Location

3.7. Human Resources & Operations Plan

Human Resources and Operations Plan concerns the people and processes in the organisation and their mutual interaction. For everything to work well and for no time to be lost, a proper organisation of people and tasks is necessary. Otherwise, time might be wasted and strategic business objectives never achieved (Johnson et. al., 2005).

A selection of the right people with appropriate skills for given positions should not be underestimated. Also, supervisors or managers should have large number of skills and qualifications, so that they can lead their subordinates in the right direction and motivate

them to do a better job. Additionally, a managerial or organisation structure must be plotted and span of control of managers worked out.

The gist of a good management should be the overall satisfaction of employees, managers and owners of an organisation. After all, people are the most important resource of any organisation.

There should be a written manual with an explanation of what is expected of employees performing different positions in every office, so that there is no confusion about the job content. Deadlines should be set and time limits achieved.

A key to success is training and other on-site learning.

Suggested Subcategories:

1. Management Issues
2. Employee Issues
3. Facilities' insides

3.8. Financial Management Plan

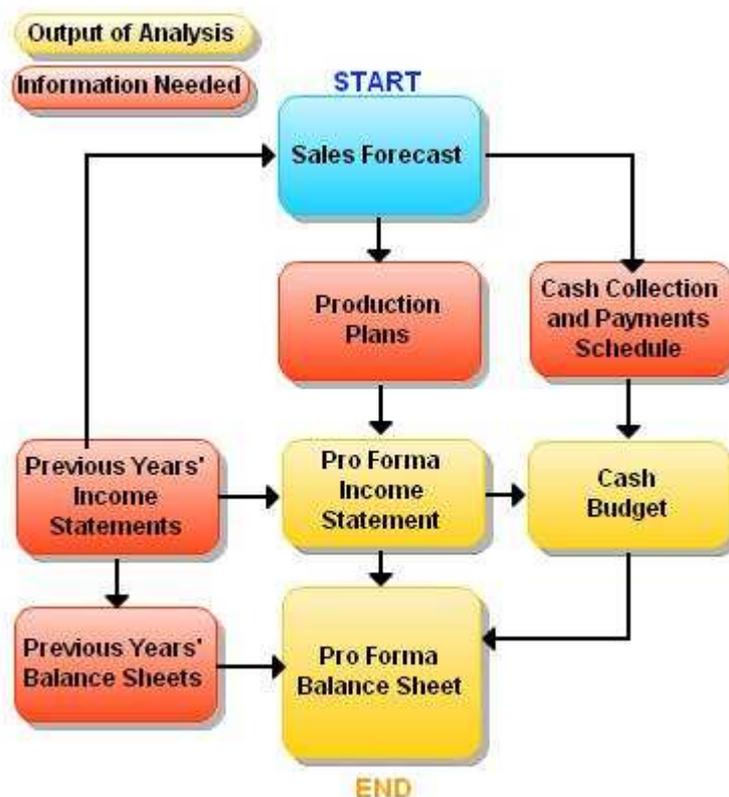
Financial Management Plan is the cherry on the top of the whole business plan. In this section the financial situation of your business is analyzed. Based on the current data, a forecast is worked out. So that you and potential investors can see whether you are going to have enough cash to pay your current liabilities and when you are actually going to be profitable. The cash flow forecast is arguably the most important part of the plan, but each other document is also important from the perspective of planning.

3.8.1. Financial Planning and Forecasting

Financial planning is an important aspect of the business plan. It provides a manual for guiding, coordinating, and controlling the firm's actions to achieve its objectives. 'Three key aspects of the financial planning process are cash planning (forecasting the need for cash), forecasting the future profitability, and forecasting the need for financing' (Gitman et.al, 2008). For the cash forecasting, the pro-forma cash flow statement needs to be prepared and similarly, for the forecast of profits, the pro-forma income statement must be worked out and finally, we must not forget the pro-forma balance sheet.

The financial planning process is outline in the flow diagram in the figure below. Firstly, the sales forecast is predicted. It is an essential tool for managing a business of any size. It is the prediction of firm’s sales over a given period (usually month-to-month). On the basis of this forecast, the pro-forma cash flow statement, income statement and balance sheet are formed.

Figure 5: Financial Planning



Source: Gitman et.al, 2008

3.8.2. Financial Planning Step by Step

3.8.2.1. Budgets

A budget is according to the Business Dictionary defined as an estimate of costs, revenues, and resources over a specified period, reflecting a reading of future financial conditions and goals. It can have many forms and functions. Although budgeting does not guarantee success, it can be a helpful tool for eliminating failure. By adhering to budget guidelines, the fulfilment of objectives is more probable if no budget or estimation is done (Walther, 2012).

1. Initial investment: Start-up budget and Start-up Funding

This budget indicates the funding needed before the business can start. What inventories and equipment must be bought and other foregone expenses are included. Start-up funding is an overview of how you plan to fund your business.

2. Personnel Plan

In this plan, the wages and salaries of employees are calculated.

3. Estimated monthly expenses

How much will it cost you every month to run your business? This plan includes wages, rent, utilities, insurance, interest instalment of a loan and other expenses which must be paid regularly.

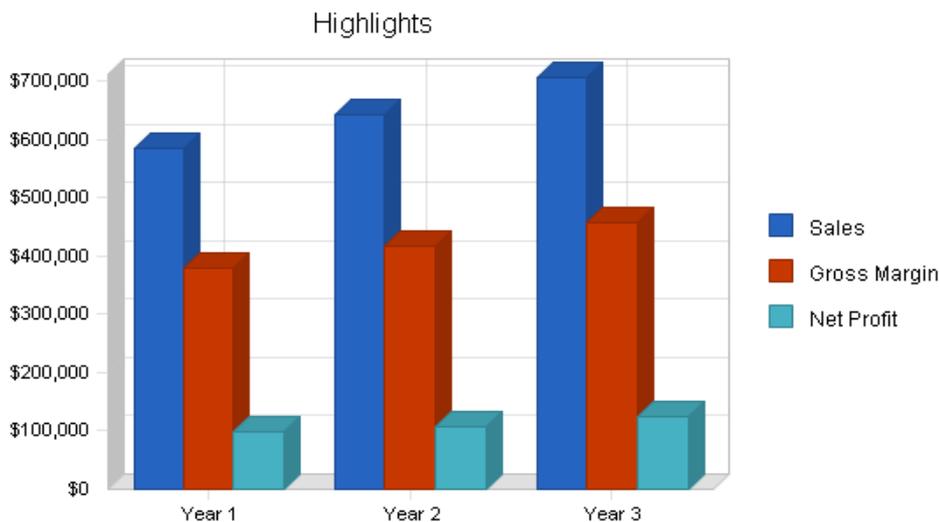
3.8.2.2. Sales and Costs Projections

Existing businesses can base their prediction on last years' sales. Contrasting to new businesses which must make assumptions and realistic judgement based on market analysis. The volume of sales should also respect the external factors, such as seasonality. Sales strategy should be described.

Along with the sales forecast, the total cost of goods sold can be calculated and consequently we will get the vales of gross margin and net profit. The final forecast might have similar look as the one illustrated in the figure below.

To make the calculations easier, an average unit price and cost can be used.

Figure 6: Graph of Sales Projections



Source: Berry, 2012. [online] http://www.bplans.com/common/gifs/Qa/bplans/SalesByMonth-Chart_small.gif

3.8.2.3. Inventory Budget

The Inventory budget shows the management of inventory. How much do you need to purchase in order to never run out of inventory? Knowing beginning and ending inventory is important for the calculation of cash flows.

Table 7: Inventory Budget

	January	February
Beginning Inventory	500 000	400 000
Cash Purchases	<u>100 000</u>	
Available Inventory	600 000	
Cost of Goods Sold	<u>(200 000)</u>	
Ending Inventory	400 000	

This amount is recorded in the Cash Flow statement as an outflow

COGS is an outcome of the analysis of Direct Costs

Source: Mallouk et.al.,page 624, 2002

3.8.2.4. Pro Forma Financial Statements

‘Pro forma’ means that these financial statements are projected or forecasted. Based on the budgets and sales forecast, the forms of pro-forma statements can be finalized (Evans, 2000.[online]). All three statements are related. This relation is called articulation and is illustrated in the figure below.

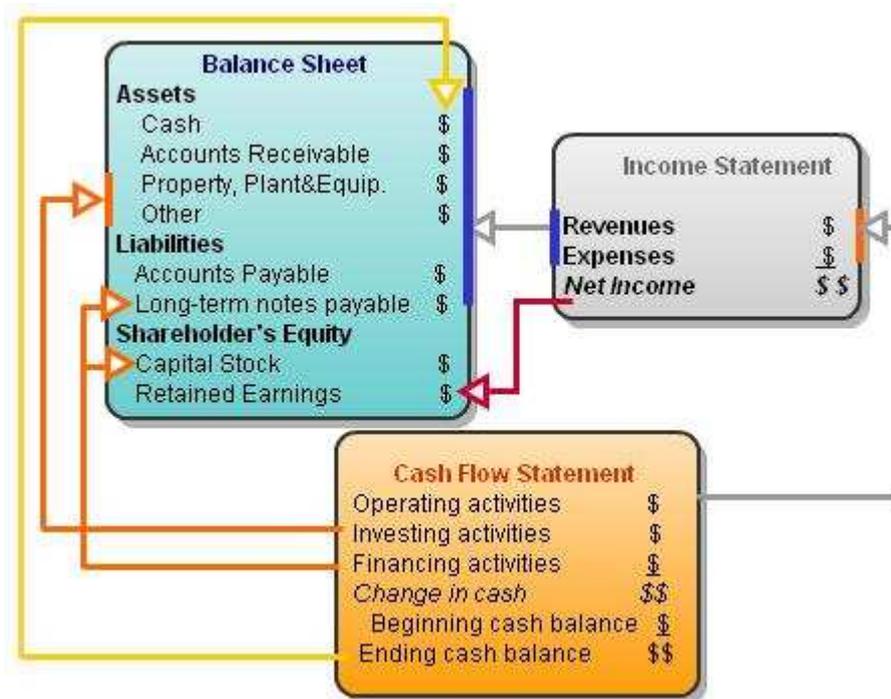
The income statement is in general ‘*a separate representation of the company’s revenue and expense transactions for the year*’ (Mallouk et. al., 2002). Revenues are increases in the company’s assets and expenses are decreases in the company’s assets. Net income represents an addition to the shareholders’ equity in the company. Income statement explains changes in financial position over a specified time period.

The balance sheet is a report showing the company condition in a particular day in a year. It ‘*represents an expansion of the accounting equation (Assets + Liabilities = Equity) and explains the various categories of assets, liabilities and shareholders’ equity*’ (Mallouk et. al., 2002).

And finally, the cash flow statement is an activity statement that ‘*explains the company’s change in cash in terms of its operating, investing and financing activities*’ (Mallouk et. al., 2002). For a small entrepreneur, having enough cash is more than

important. Cash is the tool by which we pay our suppliers and cover operating expenses. Therefore, we should always bear in mind that ‘cash is king’.

Figure 7: Financial Statements articulation



Source: Mallouk et.al. page 52, 2002

1. Pro Forma Income Statement

Pro forma Income Statement will put together all revenue and expenses estimated from our previously prepared detail budgets.

Table 8: Pro Forma Income Statement

Sales Revenue	300 000	Quarterly Sales from Sales Forecast
Cost of Goods Sold	(150 000)	Quarterly Costs of Goods Sold
<i>Gross Profit Margin</i>	150 000	<i>Sales – COGS</i>
Less: Operating Expenses	(50 000)	Quarterly Operating Expenses from Estimated monthly expenses
Less: Depreciation	0	Accumulated depreciation is deducted once a year
start-up expense	(60 000)	This amount is deducted only once in the life of the company
<i>Operating Earnings</i>	40 000	<i>OEarnings = GPM – OEexpenses-SUExpenses-Depreciation</i>
Less Interest Expenses	(3 000)	Quarterly interest instalments
Earnings Before Taxes	37 000	EBT = OE – Interest
Taxes (15%)	(5 550)	Tax is calculated from EBT
<i>Net Income After Tax</i>	31 450	<i>NI = EBT-taxes</i>
Less: Common Share Dividends	0	If there are shareholders, then dividend are deducted
<i>Reinvested Profits</i>	31 450	<i>RP = NI-dividends</i>

Source: Gitman et.al. page193. 2008

2. Pro Forma Cash Flow Statement

This statement is a statement of future cash inflows and outflows. As it is closely related to Sales forecast, we need to calculate cash flows for every month.

Table 9: Pro Forma Cash Flow Statement

	Jan	
Cash Sales	100 000	Sales Forecast total sales in January
Collections of accounts receivable	0	0
Paid in capital	200 000	This amount is recorded only once in the life of the company
Loan proceeds	<u>200 000</u>	This amount is recorded only once in the life of the company
<i>Total Cash received</i>	<i>500 000</i>	<i>Cash sales + accounts rec. + loan</i>
Less: Cash disbursements		
Cash Purchases	(100 000)	Inventories
Estimated monthly Expenses	(16 667)	Estimated monthly expenses
Inventory Start - up Purchase	(100 000)	This amount is recorded only once in the life of the company
Start-up expenses	(60 000)	This amount is deducted only once in the life of the company
Equipment Purchase	(50 000)	This amount is deducted only once in the life of the company
<i>Total Cash Disbursements</i>	<i>(326 667)</i>	<i>Sum of all cash disbursements</i>
Net Cash Flow	173 333	Total cash received – total cash disbursements
Add: Beginning Cash	0	Next month there will be the ending cash of this month
Ending Cash	173 333	
Less: Minimum Cash Balance	50 000	Minimum cash balance needed to cover current liabilities
Required total financing	0	0
Excess Cash Balance	123 333	

Source: Gitman et.al. page 179. 2008

3. Pro-Forma Balance Sheet

Pro-forma Balance Sheet is similar to normal – history based balance sheet, but it represents a future projection. It is formed to assist the business with projection of future management of the company's assets. It has a form of a classic balance sheet, so the traditional recording style of Assets, Liabilities and Shareholders' Equity should be retained. Finally, the same rule of Assets = Liabilities + Equity applies also for pro-forma balance sheet.

3.8.3. 5. Break-even point analysis

Break – even point analysis sometimes called cost-volume-profit analysis, is used by the firm:

1. to find the level of operations necessary to cover all operating costs and
2. to assess the profitability associated with various levels of sales (Gitman, 2008).

'Break – even point analysis is the analysis of the level of sales at which a company (or a project) would make zero profit. As its name implies, this approach

determines the sales needed to break even' (Tsorakidis, 2008). Break – even point is where total revenues equal total expenses – so at this point, there is neither loss nor profit, and the balance is simply zero. It provides a good indication of the viability of a business project.

Firstly, all operating costs need to be separated into two categories – fixed and variable costs operating costs. Variable costs change directly with sales. They may include: material used in production or wages. To the contrary, fixed costs are not directly related to the volume of sales and often include rent, building and machinery. Apart from these two groups, there exists third group – semi-variable costs, which covers costs that are neither fixed nor variable. It may include maintenance of machinery, repairs or utilities. Even these costs need special treatment; they are commonly separated into their fixed and variable components.

Figure 8: The basic formula for break-even point calculation

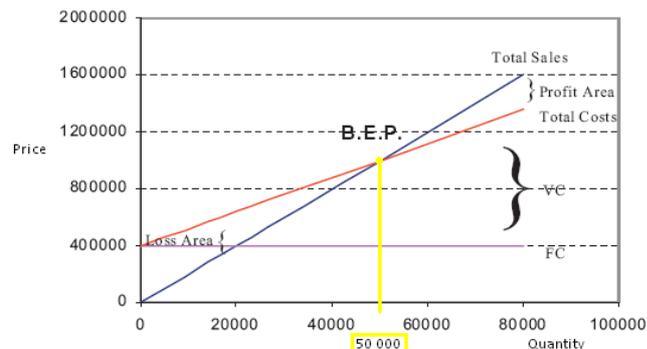
$$\frac{\text{Fixed Costs}}{\text{Avg Price} - \text{Avg Variable Costs per unit}} = \frac{\text{Fixed Costs}}{\text{Contribution Margin}}$$

Source :Tsorakidis: Break-even point Analysis. 2008.[online]. Available at:

<http://marshallsuniversity.edu.gh/marshallsuniversity/directory/gallery/ebooks/BREAK%20EVEN%20ANALYSIS%201%20.pdf>

To illustrate the quantification of this formulate, we can use an imaginary company selling glasses. Their fixed costs amount to 400,000, variable cost per unit is 12, and selling price of one unit is 20. The Break Even Point will be calculated as $400,000 / (20 - 12) = 400,000 / 8 = 50,000$. When the company sells 50,000, it does generate neither profit nor loss. The company should be selling more than 50,000 pens in order to be profitable. After plotting the data, we would get subsequent graph.

Figure 9: Graph of Break-Even Point analysis



Source :Tsorakidis Break-even point Analysis. 2008.[online]. Available at:

<http://marshallsuniversity.edu.gh/marshallsuniversity/directory/gallery/ebooks/BREAK%20EVEN%20ANALYSIS%201%20.pdf>

3.8.4. Financing your business – internal or external sources

To start a business, an entrepreneur needs to have a creative concept, find business location, assess the competition and most importantly identify methods to finance it. No business can be run without sufficient capital. If sufficient finance can't be raised, it is unlikely that the business will get off the ground. Fundamentally, there are two categories of funding a business – internal and external (Power, 2010).

1. Own investments – INTERNAL

These can be personal savings or other cash balances that have been accumulated. For instance, the entrepreneur might sell some other property in order to generate enough capital for the start-up.

- **Personal Savings** – is the best alternative. Since it is your own money, there is no interest issued. Standard personal assets may include cash, shares, house and land (Power, 2008). However, you must calculate the opportunity cost of investing into your own business. If you know that this money could earn you more somewhere else, it would be wise to take a bank loan and pay it off from interest earned on your other investment. You must be careful and make sure, that you will really earn more than you need to pay.

- **Borrowings from friends and family** – is very common. It is much cheaper and quicker than going for a loan to a bank. *‘However, borrowing in this way can add to the stress faced by an entrepreneur, particularly if the business gets into difficulties’* (Tutor2u, 2012 [online]).

- **Retained Earnings** – is income not paid out, rather reinvested into a business. For this options nonetheless, the business must be running for a while before it has some earnings to reinvest.

2. Foreign investment – EXTERNAL

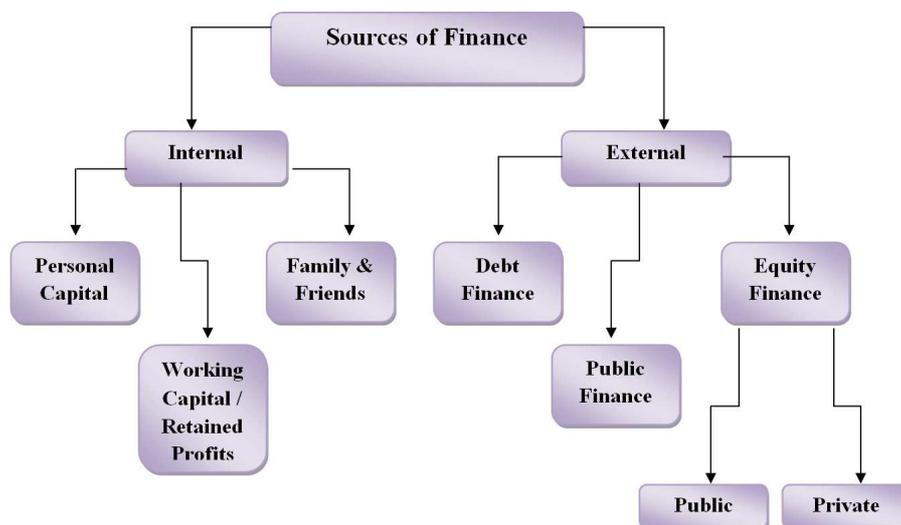
- **Bank loan or a mortgage (Debt finance)** - Bank loan is the most common type of funding a new business. Bank usually states the fixed period over which the loan is provided, the rate of interest and the timing and amount of repayments (Tutor2u, 2012 [online]). Further, bank commonly requires some security for the loan.

There are many banks on the market offering various loans. For a small coffee house, the most adequate will be some loan for operating purposes. Banks providing these loans are: GE Money Bank, Postal Savings Bank, Raiffeisenbank, Komerčni Banka or CSOB.

- **Government programs (Public finance)** – There are several programs or grants available for starting entrepreneurs provided by the Czech government and the European Union. They include financial assistance in forms of loans without interest. Program START or regional operation program ROP are examples of such programs (Businessinfo.cz, 2010 [online]).

- **Foreign investment (Equity finance)** - Foreign investor would invest some capital into your business. Depending on the type of agreement between you and the investor, he/she will profit. For example, you can agree that you will pay him/her some percentage of total sales every month/year. He/she will for the exchange of money require a share in the business. It should never be more than 49% otherwise, he/she would have the major decision right and the business would not be technically yours.

Figure 10: Sources of Finance



Source: Power, 2010 [online] <http://publish.ucc.ie/journals/boolean/2010/00/Power/33/33-Power-2010-00-en/media/image1.png>

Suggested Subcategories:

1. Sales Projections
2. Break-even Analysis
3. Projected Profit and Loss
4. Projected Cash Flow
5. Projected Balance Sheet
6. Risks Evaluation

3.9. Questionnaire

Questionnaire is a research tool consisting of a series of questions, which is commonly formed in order to collect information from respondents (Wikipedia, 2012. [online]).

3.9.1. Questionnaire and its structure

We distinguish three main questionnaire structures: structured, semi-structured and unstructured (Hague, 2008).

The main difference between them is in the types of questions, whether they are closed or open. In structured interviews, the answers are preset (e.g.: yes or no), whereas in unstructured interviews, the respondent is free to write his answers in his own sentences. The last form, the semi-structured interview lies somewhere in the middle of the other two. The questions are mixed – some of them having responses predefined and some to be answered based on individual opinion. All three types are used for different purposes.

Further, there are three different categories of questions: Behavioural, Attitudinal and Classification. In the chart below, you can see what they differ in.

Table 10: A Classification of Survey Questions (Hague, 2008)

Type of Question	Information sought	Types of surveys where used
Behavioural	Factual information on what the respondent is, does or owns. Also the frequency with which certain actions are carried out. Where people live.	Surveys to find out market size, market shares, awareness, usage rates.
Attitudinal	What people think of something. Their image and rating of things. Why they do things.	Image and attitude surveys. Brand mapping studies. Surveys to help build market share.
Classification	Information that can be used to group respondents to see how they differ one from the other - such as age, gender, social class, location of household, type of house, family composition.	All surveys.

Source: Hague. 2008. [online]. Available at: <http://www.b2binternational.com/b2b-blog/ebook/questionnaire-design-chap3.pdf>

4. Moca Café Business Plan - Case Study

4.1. Business and Industry Overview

4.1.1. Introduction and History of the Business

Moca café is a business concept not yet in operation. As the very name suggests, it is a coffee house. The idea has been to establish a nice non-smoking place, where people will go to enjoy an amiable atmosphere, high quality coffee and healthy food. Coffee beans will be purchased from the only one Czech importer of fair-trade coffee, which will gain moca café a significant advantage over its potential competitors since such an agreement guarantees regular supplies of the highest quality freshly roasted coffee beans.

Except of beverages, there will be meals on the menu as well. We would like our customers to have a chance to satisfy their stomachs with fresh and healthy food. Consequently, the intention is to use alternative healthy products in our cooking and baking. For instance, the regular white flour will be substituted by wholegrain flour. Nowadays, there are lots of undiscovered healthy products on the market. People are sometimes afraid of buying food they do not know as they are worried that they might not like their taste. We would like to offer our customers a chance to cross this barrier and inspire them by introducing them to new food tastes and variations.

4.1.2. Vision and Mission Statements

Mission

In our coffee house, we provide our customers with an atmosphere of hospitality and friendliness, so they can feel comfortable and fully enjoy our services and goods, which are offered for reasonable prices. We are aware of our responsibility to the community and environment we live and work in. We wish to inspire and motivate people around us to make their lives happier.

Vision

We will do our best not to loosen in our endeavour to promote our values: to offer high quality goods and services to our respectful customers, to respect and treat fairly our employees and to support the community we live in.

4.1.3. Business Objectives

- Profitability** Be profitable in two years and within three years earn net income in amount of 400,000 CZK.
- Employees:** To have employees who will stay in the business for a long time, to provide them with a nice and comfy work environment and build up an efficiently and effectively working team. At least 50% of the employees stay for more than one year.
- Customers:** To make customers so satisfied with our products and services that they return on a regular basis – create a group of loyal customers, e.g. 50% of customers come once a week.
- Products:** For the meals preparation, shop fruits and vegetables from local farmers to sustain freshness and high vitamin content. Be innovative and creative to differ from competitors. Apply competitive strategy of high quality and services offered for reasonable prices.
- Reputation:** Be considered a fair employer who seeks to support local community.

4.1.4. Ownership

Table 11: Ownership

Company name:	moca café, s r.o.
Location:	Liberec
Owners:	Bc. Barbora Cestrová Ing. Jan Vaner
Form of Business Organisation	Private Limited Company (Společnost s ručením omezeným)
Line of Business	Hospitality Industry Coffee House
Registration Capital	Both partners will contribute 100,000.00 CZK

Source: Author, 2012

4.1.5. Industry Overview

Moca café will compete in the small industry of coffee houses. Nevertheless, the range of competitors is quite wide – except of coffee houses, all other places where one can purchase a cup of coffee might represent a certain threat. There are a lot of “small players” on the market, so the industry is fragmented.

Unfortunately, there is no official statistics on how many people are employed in the industry or how much coffee has been consumed. Therefore, the size of the industry has to be estimated rather than defined. I conducted a little survey and found out, that in the whole city of Liberec, there are about 40 coffee houses. Among them we find both the small unique coffee houses and the well-known franchises, such as Costa Coffee and Coffeeshop Company. Just a few years ago, there were only some coffee houses in the centre of the city. Nowadays, as more shopping centres were built, more coffee houses were open in these shopping centres and people started to like their fast service.

4.1.5.1. PEST Analysis

PEST analysis is an analysis of the external environment of a business. The abbreviation PEST stands for Political, Economic, Social and Technological factors that affect the business from the outside. Our business will be located in Liberec, therefore, the environment of Liberec and the Czech Republic will be analyzed.

Political and Legal factors

- Since 2004, the Czech Republic is a member of the European Union. Thanks to this membership, Czech entrepreneurs can apply for EU financial support or subsidy.
- Liberec city is situated in the north of Bohemia. It profits from its close vicinity to both of the neighbouring countries – Germany and Poland. There exist several agreements of cooperation between German, Polish and Czech cities which are located close to the border line – the region is called EuroRegion Nisa. There has been a high rate of exchange of goods and services and also migration of inhabitants in this region for centuries.
- In Liberec, there is an advisory and consulting office for the new or already existing entrepreneurs (services - oriented) called JKM - ‘Jednotné kontaktní místo’ (Single point of contact). One can apply there for the entrepreneurship in the Czech Republic as well as other member countries in the EU. It saves time and money.

Picture 2: Euro Region NISA



Source: Author, 2012

- Laws and Regulations related to this line of business (Kysilková et. al., 2006):
 - Ministry of Health Decree 432/2003 Coll.
 - Basic hygiene rules and hygienic conditions of the establishment (ventilation, lightning, heating etc.)
 - Decree on hygiene requirements for food services No. 137/2004 Coll.
 - Hygienic requirements for food preparation – principles of personal and operational hygiene
 - HACCP (Hazard Analysis of Critical Control Points) – all food business operators should employ this analysis, no matter at which stage of preparation their business is.
 - Health and Safety at work – BOZP (Péče o bezpečnost a ochranu zdraví při práci)
- The Value Added Tax rates have been changed beginning January 1, 2012. The reduced VAT rose from 9% to 14% while the standard VAT remained unchanged - 20%. In the hospitality industry, which our coffee house will operate in, the reduced VAT is applied. The future prospect is not any brighter and might be a pain for entrepreneurs from this industry since the Czech government is anticipating further increase in reduced VAT from 14% to 17%. Prices of food will rise and prices of meals in restaurants will have to reflect this change.

Economic factors

- Although the Czech Republic is a member of the European Union, it has not yet adopted the common monetary unit – the Euro. The differences between the two currencies (Euro and Czech koruna) must be taken into account.
- Unemployment rate in Liberec has been quite high – about 10% in 2010. There are more people looking for a job, it should not be a problem to find enough employees.
- Historically, the main industries giving the largest portion of employment have been the textile and glass industries. Unfortunately, many of the small factories were closed down due to the world economic crisis in 2008 and a consequent economic slow down in 2009. Depending on the ability of the Industry to recover, people might find their jobs again.

Figure 11: Graph of GDP development in the Czech Republic (annual real growth)



Source: Patria online: Graph of GDP development in the Czech Republic (annual real growth) [online] [cit. 2.2.2012] Available at: <http://www.patria.cz/ekonomika/ukazatel/hdp.html>

Social and Cultural factors

- Liberec has about one hundred thousand inhabitants and area of 106 square kilometres. So there are enough inhabitants for a sufficient customer base.
- In general, the Czech population is aging – there are more old people than born children and since pensioners like going for a coffee, it is a good phenomenon for a coffee house business.
- It is a popular tourist destination because of its cultural heritage and also because of its close proximity to Jizerske Mountains – the paradise for lovers of outdoor activities. The other places of interest in the city are: the skiing resort Jested, the aqua park Babylon, the artificial climbing rock, the botanic garden and others.
- As it is close to Germany, the German tourists can be attracted as well and since they have larger income in general, the advertisements and inside pamphlets should be also available in German.

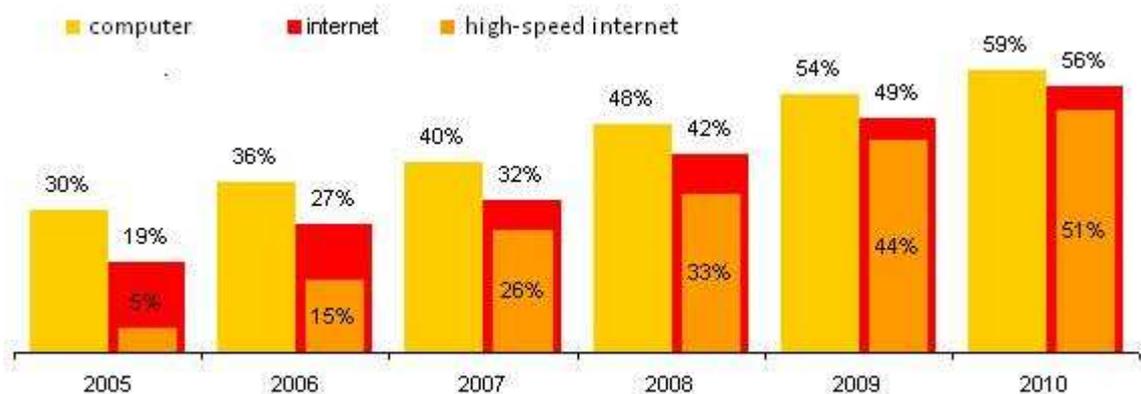
Technological factors

- The public transportation system in Liberec is very good. There are 3 tram lines, 23 bus lines and several night buses. From the remote corner of the city, it takes 20 minutes maximum to get to the centre. The majority of citizens use the public transportation; just a few people go to work by car. An important ‘transfer station’ and a hub of all bus lines is located directly in the centre of the city. This means that people have to change buses there and thus can meet their friends in

between for a cup of coffee. Consequently, having our coffee house locating close to this station would be a great competitive advantage.

→ According to the Czech Statistical Office, the number of households having a computer and internet at home is continually increasing as it is illustrated in the graph below. This information is important for our marketing - since more people have a computer with internet at home, more people can check our website from home.

Figure 12: Graph – Percentage of all households having computer, internet and high-speed internet at home



Source: Czech Statistical Office: How many Czech households do have computer and internet at home?. [online]. [cit. 2012-03-22]. Available at: http://www.czso.cz/csu/redakce.nsf/i/kolik_domacnosti_v_cr_ma_pocitac_a_internet

4.1.5.2. M.Porter's Five Forces Analysis

For the purpose of the industry analysis, the M. Porter's Five Forces Analysis will be used:

Threat of new entrants: HIGH

To establish a coffee house, one does not need to have any special knowledge. The biggest trend in the Czech Republic is to purchase a tried concept of coffee house franchise. These franchises are usually located in shopping centres, which is on one hand an advantage since there is a high circulation of people, but on the other hand people like to spend their free time in a calmer place, so small unique coffee houses are not out of game. Buying a franchise is much simpler than starting up your own business as the business concept has been proved to be successful. Also, franchisees save a lot of money

and time on advertising and promotion, training and financial services – they can always approach the franchisor for a professional advice.

Bargaining power of suppliers: HIGH

In the Czech Republic, there is only one official importer of fair-trade coffee – mamcoffee, s.r.o., so the company can set the price of the coffee beans as it likes, since it has no competition.

Buying power of customers: HIGH

Customers have a wide spectrum of choices, where to buy their cup of coffee. There are other coffee houses in the Liberec city.

Threat of substitute products or services: LOW

Fair-trade freshly roasted coffee is special in taste; therefore I would classify this section as a low threat. Those who try this coffee never want to drink another.

Competitive rivalry within the industry: HIGH

There is a high competitive rivalry within the industry, since there does not exist a significant product differentiation. All coffee houses sell coffee; it only depends on how well they can prepare it or promote it.

Outcome of the 5 forces analysis

It can be concluded, that the coffee house industry in Liberec is rather unattractive, which means, that it might be hard for a firm to achieve strategic competitiveness unless it has a specialty product or service by which it distinguishes itself from its competitors. Also, the intense rivalry among competitors might make it difficult to above-average returns.

4.1.5.3. Description of Industry Participants

Among other establishments that offer coffee drinks to their customers are most Food establishments and full-service restaurants our competitors as well. As we would like to set up our business close to the centre of the city within a walking distance from a large downtown commercial area, our main competitors, however, are other coffeehouses located nearby or directly in this area. Local competitors comprise of coffeehouses located in large shopping malls, such as Costa Coffee, Coffeeshop Company, Julius Meinl Café and Café Emporio. Also there are small, independent cafés.

We believe that a niche exists that has yet to be filled for a quality- driven and exceptional products offering coffeehouse – for us.

Our biggest competitors are:

1. Bláha café and bakery

This coffeehouse has an interesting history which proves that by passion and hard work the success can be achieved. The owner started baking in his house, later on, the first bakery was open and today, there are several bakeries and two coffeehouses in Liberec. They have competitive prices of products and tasty pastry. The only disadvantage is that their offer of cakes does not change and consists of ‘traditional creamy’ Czech cakes and desserts. Our advantage over this coffeehouse is the healthy pastry and changing assortment of products reflecting current season.

2. Pausé Café

Pause Café is a combination of a coffeehouse and a bar, luxuriously equipped and prices are set according to that. The scale of products is large, but not special and very expensive.

3. Porta Café

Porta Café has very modern design. They offer many kinds of beverages and coffee is not the main product sold for higher than average prices.

All above mentioned coffeehouses have a modern look. The moka Café’s interior will look warmer and more welcoming; we want more privacy for our clients and no sharp edges. Also, we would like to make a space for potential small exhibitions of local artists.

Finally, our competitive advantage is that we offer unique products, there will be outside dining, we provide our customers with non-smoking and pleasant environment and that water is for free in our coffeehouse.

Picture 3: Interiors of competitors



Source: Various internet sources, 2012

4.1.5.4. SWOT analysis

Further, the SWOT analysis is useful for the situation determination.

Strengths

- New concept of a coffee shop
- Unique products focusing on healthy diet
- Customer-oriented, well trained and friendly personnel
- Affordable prices
- Social responsibility
- Smoking – free area
- Free water
- Own blend of coffee
- Take-away service

We are bringing a *completely new concept* of a coffee house to the market, which will attract larger group of consumers since we will offer *special and unique products* and services. Further, the business will be *customer – oriented*. We are aware that one unhappy customer can cause a lot of harm to the business. Since we want to avoid it, we will invest into *training of our employees* and teach them that each customer needs to be treated in a suitable and respectable manner. We believe that by selling local and fair-trade products, we are socially responsible.

In the Czech Republic, free water is rarely available in restaurants and coffee houses. We want to break this stereotype and allow our customers to drink as much water as they wish. Finally, we believe that having *competitive prices* is a good strategy.

We see all our strengths to be our competitive advantages.

Weaknesses

- Not enough own capital for the start-up – debt financing
- Not known – need for good advertising strategy

Having a *loan* to be able to start the business is risky. We must be careful and have always enough cash to be able to pay the instalments as well as accounts payable. Another weakness is that moca café is *unknown* in Liberec. Therefore, we must invest into an effective advertisement in order to attract our target customers and have a sufficient customer base.

Opportunities

- Market gap
- Increasing interest in healthy diet

We believe that we have filled the *gap* on the market with our concept. There is not such business in Liberec and this differentiates us from our competitors. In addition to that, there is a new trend of *healthy lifestyle* and diet, which gives us the opportunity to attract wider range of customers.

Threats

- Just one coffee supplier
- Not hard to copy our concept
- Increase of VAT in 2013

We are very much dependent on *one supplier*. It means that we cannot negotiate much with them, prices are set. As for our concept, it is possible to *copy* it and we should be mindful of that. Other threat is the potential of *VAT increase* in 2013. It has already increased from 9% to 14% so people are cautious of what they spend they money for and in case of further increases. The disposable income will consequently shrink even more and people will perhaps prefer to drink and eat at home instead of out.

4.2. Products and Services Plan

4.2.1. Key Product Segments

Coffee is a commodity, which is produced in developing countries. After oil, it is the second most traded commodity in the world. Depending on where the coffee beans come from, the taste of the coffee differs. We distinguish two main kinds of coffee beans (flowers) - Arabica and Robusta. Most of the well known coffee blends are a mixture of Arabica and Robusta. Arabica is more acid, but full in taste, whereas Robusta has more caffeine content and is bitter. The common practice is to sign a contract with one of the large coffee companies (Segafredo Zanetti, Lavazza...). These blends are tried and people like them. The problem is that almost everyone can make a contract with these companies and then, there is no product differentiation.

Therefore, we would like to cooperate with mamacoffee, s.r.o. This company offers about 14 kinds of pure Arabica coffee, so there is a possibility to make either our own blend (s), which would make us unique from our competitors.

4.2.2. Description of Products and Services

We would like to focus on offering our customers products which are special and hard to find somewhere else. As it has been already mentioned the major product will be

the fair-trade coffee. Thanks to the supply agreement with mamacoffee, s.r.o. we will be supplied with the best and freshest roasted coffee beans. However, we believe that not just the taste, but also the appearance is important. Therefore, we would like to train our personnel to make a nice looking and tasteful coffee. One of the big competitive advantages in our industry is to know well how to make the latte art – how to make a picture from pouring milk into the coffee.

When you enter our coffee house, you should feel the warmth and friendly atmosphere of the place. Our main interest is to have a united design of the interior. Not just the colour of the walls and the furniture should be designed in similar style, but most importantly the coffee and meals dishes must correspond with the overall design of the place. We would like to cooperate with local pottery artist or young designers to make the coffee service for us. We would like to have our logo on our dishes.

As there will also be meals offered, there will be a need for small kitchenette in our coffee house. We would like our customers to see what is inside their meals, so the working area will be an open space. All the meals will be made from fresh ingredients.

We would like to have a small area for children as well. This area will be adapted to the size of the place. We would like our small visitors to feel nice and have some fun with pencils or children books.

To our busy customers, who have just a short time for visiting us, we will offer the take-away service. Our packaging for this service will be made from recyclable materials.

If the architecture of place allows us, we would like to provide the access to disabled people to our coffee house.

4.2.3. Future Products and Service

In the beginning we will concentrate on adapting our menu to the tastes of our customers, mainly by the trial and error approach. Our goal is to have about ten to twenty meals on our menu. The meals will be seasonally changed as not all vegetables or fruits are accessible in the fresh form throughout the year. This strategy supports one of our objectives – to offer products for reasonable prices as the fruits and vegetables are always cheaper in the time of their harvest and we would like to take an advantage from that.

In the future, we would like to have special days, when we will offer special meals according to the time of the year. For example, in summer, we would like to have

a strawberry week, when our customers would have a chance to fully enjoy this lovely fruit in several ways – cocktails, cakes... The same would be done in fall with pumpkins.

It is essential for us to make the meals preparation as easy as possible that all of our employees feel comfortable and are not under pressure and stress. This will take us some time to work on the procedures. We believe that everyone and everything can be improved. By good and friendly leadership we would like to make our services faster in the future.

4.3. Marketing Plan

4.3.1. Customer Analysis

According to the Czech Statistical Office, the city of Liberec has about one hundred thousand inhabitants. The largest “age group” (thirty percent) is represented by citizens who are twenty- five to forty- four years old. In terms of the gender distribution, there are fifty-two percent women and forty-eight percent men in the population.

Our target groups are following:

1. local residents
2. local business people – since they are busy all the time, our offer of take-away coffee and healthy snacks might be appealing to them
3. tourists – as it has been already mentioned, there are various tourist attractions in Liberec including ZOO and aqua park. Tourists are also interested in shopping and dining.
4. students – the Technical University of Liberec has about 15,000 student. They like to hang out with their friends and our coffeehouse will be a great spot for them.
5. retired people

We have come up with this mix of groups of target customers because it will help us to maintain consistent business throughout the year. Eventhough the touristic season is pretty high during the entire year, it peaks in the summer. Whereas the student population is not as strong during the summer months as it is from October to May each year. This means that during the winter, we expect to welcome more students and in the summer there will be more tourists and foreign visitors in our coffeehouse.

The target group is very wide as we assume that people start drinking coffee from early age and continue to do so throughout their life. Also, coffee consumption is universal across different income categories.

4.3.2. Questionnaire

A questionnaire was applied in order to better understand potential customers and analyze their attitude towards our business.

4.3.2.1. Form of the Questionnaire

As I was interested in real and true opinions and attitudes of my respondents I have decided to use a semi- structured questionnaire. Closed questions represented the minority of the total as opposed to open questions. The actual form of the questionnaire thus served more or less as a guideline for a dialog. Nevertheless, all questions were always answered and depending on the respondent, the length and depth of answers varied accordingly. I am convinced that by interviewing each respondent individually, I was able to collect much more valuable information than by any other way.

4.3.2.2. Content of the Questionnaire

Before starting up a business it is important to know whether you are heading in the right direction. Any entrepreneur should be curious, whether there is a demand for his/her goods or services and what the general public perception of his/her future business is. This can be analysed by questioning people, who ordinarily reply based on their experience, likes, dislikes and wishes. Hence, I have set up a questionnaire focusing on a few areas I was mainly interested in. These were:

1. Popularity of coffee houses and coffee as a beverage

Questions related to this area:

- Do you like coffee houses?
- Are there coffees hops you have been to more than once? ...

2. Are people interested in healthy and fresh eating/diet?

In the daily menu, there will always be one soup made of currently available – seasonal vegetable and at least three cakes if possible made of currently available fruits. Also, the regular flour will be substituted by whole wheat or other flour and for one of the cakes and one sandwich/baguette only such products that do not contain allergens or gluten will be used. I believe this idea to be my main competitive advantage.

Questions related to this area:

- „I am, what I eat“. Is this statement about you? Does *healthy eating* concern you?
- Are you personally or some of your relatives allergic to gluten or some other allergens contained in food? If yes, would you appreciate if there was a coffeeshop offering food made of goods not containing such allergens?

3. What kind of food do people eat as a snack?

Fast food restaurants are not rare in the Czech Republic as it was common in the past. Today, there are many of them in every larger city and as they offer fast food for reasonable prices; quite a few people visit them on regular basis. However, this kind of diet is pretty unhealthy, so I would like to offer a healthy alternative in the form of salads or veggie baguettes. To find out what people prefer, a “picture question” was added (see appendices).

Questions related to this area:

- What do you eat if you are in a time press and need to digest something really fast?
- Would you be interested in a healthy alternative of fast-food?

4. Are people interested in bio and fair-trade products?

Bio products and fair-trade products go often hand in hand. Even though it is often said that the main interest of a business is profit maximization, in my view, any business should be also socially responsible. Carrol in his article: *Corporate Social Responsibility : Evolution of a Definitional Concept* , cited Johnson: ‘A socially responsible entrepreneur or manager is one who has a utility function of the second type, such that he is interested not only in his own well-being but also in that of the other members of the enterprise and that of his fellow citizens’. Therefore, supporting coffee growers by buying and reselling only fair-trade coffee is not only my social responsibility, but also an obligation. This does not imply to bio products.

Nevertheless, I am determined to purchase food on farmers’ markets, where the local farmers sell their products and most of their production is being grown without the use of herbicides or other chemical fertilizers.

Questions related to this area:

- Do you care where your food comes from? Do you prefer *Czech* food to foreign food?
- Are you interested in *bio* products? Do you prioritize them? ...

4.3.2.3. Outcome of the Questionnaire

There were 48 respondents covering all age groups and occupations (half men and half women). All respondents have been residents of Liberec.

1. Differences in attitude based in gender: men versus women

About 85% of surveyed women compared to only 40% men like coffee houses and like to return to their favourite ones mostly because of nice ambiance, nice customer service and high quality products. Men prefer to go to pubs, because they like to have some chat with their buddies over a glass of beer. Also, women are more interested in healthy diet and prefer healthy food as a snack and most of them would welcome a healthy alternative of a fast-food restaurant. As for men, the stereotype of having a sausage for a fast lunch unfortunately still prevails.

2. Differences in attitude based on age

It seems that younger generations (people under 30) are much more informed about current trends than older people. They are aware of fair trade and some of them (about 30%) like to buy some fair trade products, mainly chocolate or coffee.

Older people (66+) are not interested in fair-trade at all. Majority of them has never heard about this movement. But after a short explanation of the main goals and principles, they showed an interest. These people like to meet with friends in a clean and comfy environment. Especially women who like to have their Saturday's coffee and cake with friends and talk about their daily pleasures and pains.

As for the Czech products, two age groups 27-65 and 66+ years of age are the most concerned groups in terms of the origin of the products they purchase. They even declared that when they go shopping, they commonly look for the signs indicating the Czech origin, such as KLASA or Czech made.

Picture 4: Czech origin signs



Source: Various internet sources, 2012

3. Differences in attitude based on current occupation

Retired people and people being employed in offices actually love coffee houses. They go there to meet with friends and to relax. Also, people employed in offices are the largest group aware of fair-trade and bio products and in general are more concerned about their lifestyle. Students are an ‘unorganized’ group as well as unemployed people.

4. Summary

It has been proved, that the target group is very large concerning coffee consuming. In terms of healthy diet, there is no tradition, so people must first learn about the concept of healthy lifestyle. Essentially, there were 2 respondents, who suffered from the allergy to some substance contained in food and they were more than excited about the non-allergic dishes. Other respondents reported that although they are not personally allergic to such substances, they like the idea a lot. This proves, that there is a potential of success for our business. Concerning bio products, majority of respondents has reported that they know bio products, but are not much interested in them. Nevertheless all respondents would go for bio yoghurt if the price was the same as of normal yoghurt. This means that they are aware, that bio means something better and would possibly buy bio products if they were reasonably priced. Also, 80% of the sample, which can be considered a majority, claimed that when purchasing coffee, the quality is slightly more important to them – the average circled number was 6 and a half on the scale of 10, which is definitely a good signal for our business.

4.3.3. Marketing Strategy

We are aware how important it is to be ‘visible.’ Before opening we will definitely let the locals know who we are, where we can be found and what we offer. We will also advertise for special occasions in local newspapers. Further, we would like to take part on public events, for instance, during spring and summer, we would like participate at farmer markets, which are organized once a month in the centre of the city.

We will strive to build a strong customer base, so that the ‘seller initiative will shift to buyer initiative’ as defined by Hollensen et.al. in the book of Global Marketing. If our customers start to recommend our coffee house to their friends and acquaintances, our fame

will spread by the word-of-mouth and we will save money on otherwise costly advertisement.

4.3.4. Web Site

Technology has become an important part of our lives. Today, businesses cannot be operated without good computer systems. Computers save us a lot of time, but also, as opposed to humans, computers usually do not make mistakes, so they save us a lot of money. As almost everyone has an access to the internet, it is inevitable for any business to have a web site to promote its business activities and attract a wider spectrum of potential customers.

In our opinion, having a good-looking and efficiently working web site is essential for our business. Anyone will be able to find there our address and other contact information and get the idea of how our place looks like, what we offer and what might be expected from us and our services.

Table 12: Marketing and Promotion Budget

Marketing and Promotion	Amount in CZK
Web Site Creation	10 500,00
Business Cards	500,00
Pamphlets	2 500,00
Billboards	5 000,00
Advertisement in Local Papers	2 500,00
Total	21 000,00

Source: Author, 2012

4.3.5. Pricing Strategy

Our major goal is to differ from our competitors and this concerns our prices as well. Many coffee houses in Liberec city are selling coffee for very high prices. One cup of simple espresso is usually sold for 40 CZK. We would like to have our prices a little bit lower. One cup of espresso will cost not more than 35 CZK. We believe that by this strategy, more people will come to our place and we will benefit from higher number of cups of coffee sold, rather than higher prices of the product itself. The so called market pricing strategy will be applied – we will base our prices also partially on the prices of our

competitors. Nevertheless, the exact price will be determined after the agreement with the supplier will be signed.

According to the Czech Statistical Office, the average gross salary of a citizen of Liberec is 21,217 CZK per month. If we subtract the amounts paid for taxes, insurance utilities and rent, the average available income for consumption and savings would be about 10,000 CZK per month. Generally, one half is spent on food. For people with this amount of income, it is not very common to eat out in restaurants. On the other hand, it might be an opportunity for a coffee house like ours, which offers smaller meals for lower prices.

As for the meals, we would like to make our meals from currently accessible raw materials (vegetables, fruits, meat) that are ordinarily offered for lower prices when being sold in the “time of the harvest”. This would allow us to make the prices of our meals affordable for the middle class of Liberec citizens. We would like to keep an upper price limit of 65 CZK per meal.

Table 13: Moca Café pricing

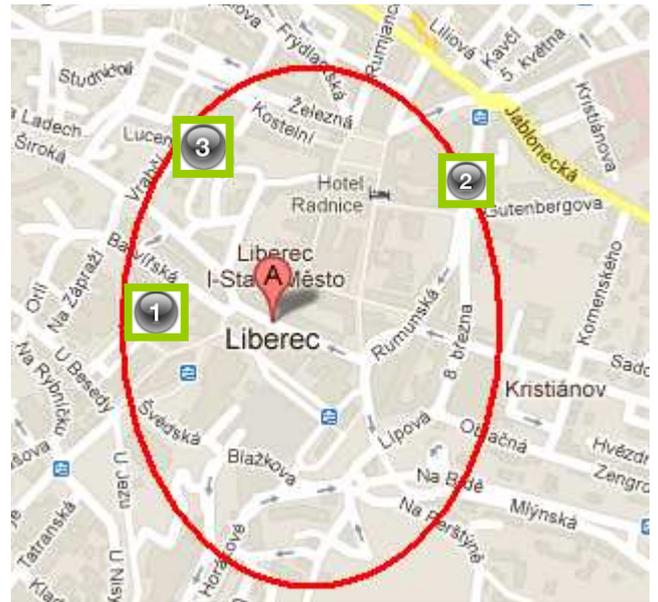
Product	Average Unit Price (in CZK)	Average Unit Cost (in CZK)	Margin in CZK	Margin %
Coffee drinks	40	12	28	70%
Tea and other hot beverages	40	16	24	60%
Mineral water	18	5	13	72%
Soft drinks	29	15	14	48%
Wine (2 dcl)	36	16	20	56%
Other alcoholic beverages	50	25	25	50%
Pastries	40	10	30	75%
Meals and seasonal meals	65	30	35	54%
Coffee beans (100 grams)	65	40	25	38%

Source: Author, 2012

4.3.6. Location

We are aware of the importance of the location of our coffee house. We believe that we can profit from being located in the centre of the city as many people walk there everyday. We need to be visible, so we will try out best to have a nice and inviting exterior. Depending on the precise location, we will have boards with our daily menus outside, so that customers can see what we currently offer. In summer, we would like to have some tables outside (in front of our coffee house).

Picture 5: Centre of Liberec city



Source: Author, 2012

Optimal location for moca café would be the real centre of the city because of the high concentration of pedestrians. This area is marked in the by the red circle. In the middle of this area there is an important public transportation hub where people have to change bus lines in order to get to other parts of the city. Therefore we believe this area to be the most attractive. The downside however is the number of similar businesses operating around.

We have found three locations that would suit our business the best.

Picture 6: **First Location**



Source: Reality Mesecc. 2012. [online]. Available at: <http://reality.mesecc.cz/obchody-sklady/obchod/pronajem/?id=YCR12061YCR-CR-3319n>

Area: 90m²

Rent: 1000 CZK/m² year = 7500/ month

Length of the lease of premises agreement: 5+ years

A beautiful area which is a little bit hidden from the rush streets is perfect for a coffee shop. The place is newly renovated and there is also a possibility of outside sitting under trees which is a big advantage. The only problem is the inner design of the place. Some architectural adjustments would be needed and it is hard to predict whether the owners would allow it.

Picture 7: Second Location



Source: Reality Liberec. 2012. [online]. Available at: <http://www.reality-liberec.info/restaurace/restaurace-jidelny/pronajem/?id=XOT02709203>

Area: 141 m²

Rent: 15 000 CZK/m² month

Length of the lease of premises agreement: 5 years with possibility of prolonging

This place is located on a second most frequently visited junction in the centre of the city. There was a music club before, so people are used to going there. There is however one large disadvantage – it is situated in the basement of the building, so there is no day light. Also, some major adjustments will be necessary, which might represent a significant cost.

Picture 8: Third Location



Source: Reality Mesec. 2012. [online]. Available at: <http://reality.mesec.cz/obchody-sklady/obchod/pronajem/?id=DGT36752042-206-208673&zalozka=mapa>

Area: 50 m²

Rent: 13 000 CZK/m² month

Length of the lease of premises agreement: 3 years +

This place is nice and light. Nevertheless, its design does not fully serve the purpose of a coffee house, so some adjustments will be needed in order to meet the regulations of the Czech Hygienic Institute. The possibility of having some tables outside is questionatble.

Evaluation of locations

For this purpose, a cost a benefit symplified analysis will be used. Among many possible location determinants, the most important onse were chosen.

The scale of Benefits rages from 1 to 5, whereas the scale of Costs ranges from -1 to -5. In case of no impact on the location, zero mark will be assigned to a given benefit or cost. In end the sums of benefits and costs will be summed up and based on the resulting number, the most suitable location will be chosen.

Table 14: Evaluation of different locations

Benefits - Costs	Location 1	Location 2	Location 3
Length of lease agreement	5	5	5
Availability of sitting outside	5	0	1
Accessibility	5	5	4
Facility condition	3	-4	-3
Facility suitability	2	-1	2
Safety	4	5	5
Need for repairs/adjustments	-3	-4	-3
Rent	-2	-5	-4
TOTAL	19	1	7

Source: Author, 2012

From the table, we can clearly see, that the best currently available location is the location **number 1**.

4.4. Human Resources and Operating Plan

4.4.1. Management Issues

The moca café has got two owners, but only one will be involved in the management of the company. The owner, who will work full time in the café, will get a salary, based on the income of the company. The other one will get annually 20 % of the initial financial contribution + 10 % of the net profit (starting from the second “accounting” year). Later on, when the business turns out to be profitable, another manager will be hired. This new manager will assist the chief manager with her duties.

Duties of the manager:

1. Daily management
 - supply management – ordering goods from suppliers, communicating with suppliers
 - coordination of employees (command and control management)
 - receiving and drawing invoices
 - cash management
2. Recruitment and employees’ relations
 - We believe that our employees are the core of our success, therefore, there will be a special effort made to choose the right employees. Also, a special attention will be made to the ability of the potential employee to work with disabled people, specifically, the empathy, respect and tolerance.
 - Special qualification of the manager might be required in order to provide a comfortable working environment for all employees.
 - In our view, it is important to give a chance to our employees to learn about each other outside of the work environment. Thus some ‘team-building’ activities (short trips, workshops ant others) will be organized by the manager.
3. Bookkeeping
 - To cut the operational costs, the bookkeeping will be done by manager. To improve the knowledge of accounting and financial management, the manager will take a qualifying course (ending with certificate).

Strengths weaknesses of management

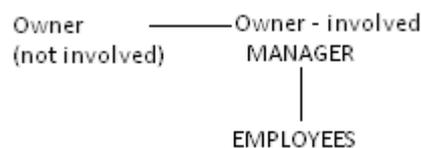
Strengths

- Experience from working in a café
 - This is the core strength of the manager. It is essential for the manager to know how to operate (manage) the business. The knowledge and skills which she learned in the previous employment can be easily applied for this job and thus represent a good start point.
- Education
 - The manager has a proper academic background for running a coffee house. The theory, which she learned at the university, can be finally carried forward to reality.
 - Knowledge of foreign languages, of German in particular, is important for daily communication with customers coming from other countries than the Czech Republic.

Weaknesses

- Authority and Leadership
 - In order to manage the team of employees well, good leadership skills and sense of authority are needed. However, the manager has no experience with being in a leading position. This will be a completely new task for her. She might take some qualification course to improve her team-leading skills.

Figure 13: Organizational chart of the business



Source: Author, 2012

4.4.2. Employees Issues

There will be twelve + (depending on the season) employees. The number might change during the time of existence of the business. There will be morning and afternoon shifts (both 6,5 hours). On monthly meetings, the employees will be responsible for choosing their working days.

Job description

The positions in our café are “multi-tasking” – everyone has to know everything – our employees will prepare both – the drinks and meals. They will work together and help out each other.

Working manual will be provided to employees that all the drinks and meals are prepared in the same manner and style.

Working manual for the morning shift:

1. start-up the coffee machine, coffee grinder and ice maker (when the coffee machine is ready, make the first cups of coffee from all handles)
2. check the cash in the cash desk (whether there is the same amount of money as there was in the evening) and turn on the cell phone
3. write the daily menu on the boards
4. check the bathroom
5. make the place ready for the customers
6. turn on the music
7. be happy and smile

Working manual for the afternoon shift:

1. print out today' s statistics and total amount earned from the cash desk
2. calculate the cash and write down the amount into the assigned book
3. clean the coffee machine and the coffee maker and turn them off
4. replenish the coffee doses, drinks in the fridge, and other assortment
5. clean the working area, the tables, bathroom and floors
6. turn off the music
7. lock up the door!

Pay scale, working hours

The wage of our employees will be 60 CZK per hour for a week day and 65CZK per hour for a weekend day in the beginning. Later on, when our business starts to be profitable, we would like to increase the wage to 65 – 75 CZK per hour for all days. Everyone contributes the same, so there will be no pay difference among our employees. They will be also allowed to keep the tips.

Availability of skilled labour

In the city of Liberec, there are a lot of young people looking for a job. We are open to employ students from the Technical University of Liberec or anyone else with a good team spirit and enthusiasm.

Opening hours

The working hours are slightly different in Liberec compared to Prague. Common work days:

Prague: 9.00 – 9.30 → 18.00 – 18.30

Liberec: 6.30 – 8.00 → 15.00 – 16.30

Since people in Liberec are done at work earlier, they can go earlier to a coffee shop. Based on this information, we have set up our opening hours:

Monday – Friday: 8.00 – 20.00

Saturday – Sunday: 10.00 – 20.00

However, we are willing to adjust to the demand and prolong the evening hours as needed.

Personnel Plan

The manager will be employed full time and mainly concentrate on cooking and baking, which will take approximately 4-5 hours a day and his/her pay will be fixed. In the rest of the day he/she will concentrate on other duties. Therefore, we need only 1 person on each shift. However we will employ three people for a work day and 2 people for a weekend day during the first year and for the second year, we are planning to employ one more person for every day. In Year 20XX, there will be 3 employees per work day and 2

employees per weekend day. In Year 20XX+1, there will be 4 employees per work day and 3 employees per weekend day.

Shifts:

1. Morning shift: 7.30 – 14.00 → 6.5 hours
2. Midday shift: 11.30 – 18.00 → 6.5 hours
 - This shift will apply just for the first year.
3. Afternoon shift: 14.00 – 20.30 → 6.5 hours
4. Weekend morning shift: 9.30 – 15.00 → 5.5 hours
5. Weekend afternoon shift: 15.00 – 20.30 → 5.5 hours

Calculation of wages is illustrated in the table below.

Table 15: Personnel Plan

PERSONNEL PLAN year 20XX

Position	Amount in CZK
Manager's Salary per month	15 000,00
Employee Wage per hour	60,00
Cost per work day	1 170,00
Cost per weekend day	715,00
Cost of 22 work days	25 740,00
Cost of 9 weekend days	6 435,00
Website supervisor	700,00
Total Payroll per month	47 875,00

PERSONNEL PLAN year 20XX +1

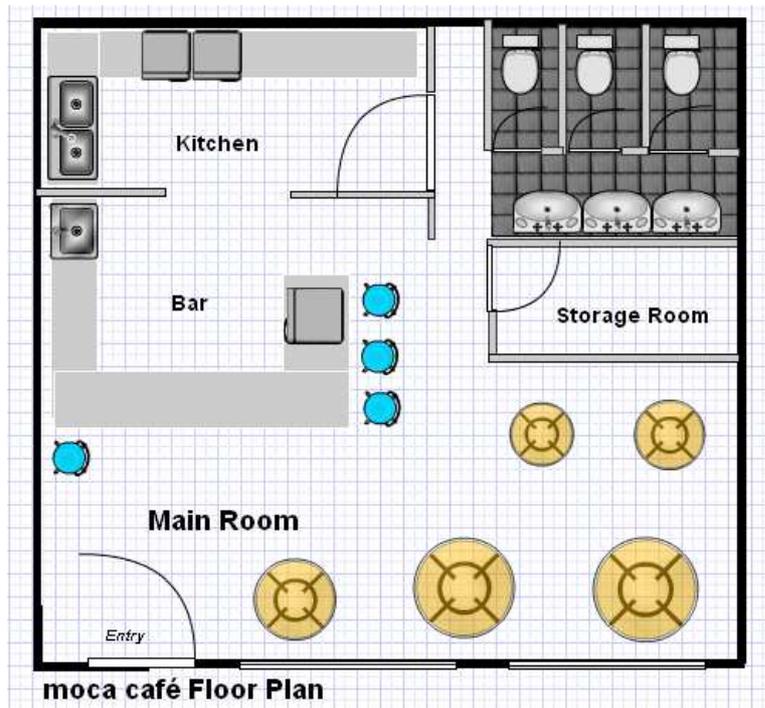
Position	Amount in CZK
Manager's Salary per month	15 000,00
Employee Wage per hour	65,00
Cost per work day	1 690,00
Cost per weekend day	1 072,50
Cost of 22 work days	37 180,00
Cost of 9 weekend days	9 652,50
Website supervisor	700,00
Total Payroll per month	62 532,50

Source: Author, 2012

4.4.3. Facilities

The facility will be rented for about 9,000 CZK per month. So together with utilities we will pay for the facility an average amount of 14,500 CZK. As the available facilities were not restaurants or coffee houses before, certain reconstruction will have to take place. The architecture of the interior must conform to the hygienic standards of the Czech hygienic inspection. We are looking for a place with the area of 100 m² and we expect to have more than ten seats inside. Also, as we would like to have a terrace for the summer, hence, we must add another 10 – 15 seats. Every day, there will be three to five employees. This means that we need to have a bathroom with three toilets and three washbasins (hot and cold water). The entrance as well as the bathroom must be barrier free. Employees must be provided with a dressing room. Since the number of our employees per shift does not exceed 3 persons, it can be built into the storage room.

Picture 9: Floor plan



Source: Author, 2012

4.4.4. Equipment

The most important equipment for our business is the white goods (refrigerator, microwave, etc.). Nevertheless the highest investment will be into the coffee machine and coffee grinder. In the beginning we will search for the refurbished machines, which work well and cost less than new machines.

4.5. Financial Management Plan

4.5.1. Start-up Budgets and Financing

Table 16: Start-up Assets to be financed

Start-up Assets	Price in CZK
Operating Capital	
Operation expenses for 3 months	200 954,79
<i>total</i>	<i>200 954,79</i>
Inventories	
Coffee beans	15 000,00
Tea	7 000,00
Chocolate for hot chocolate	800,00
Mineral water	1 000,00
Soft beverages	3 600,00
Wine	1 200,00
Other alcoholic beverages	2 600,00
Small Belgium Chocolates	600,00
Brown Sugar and honey	800,00
Meals preparation supplies	10 000,00
Retail supplies (napkins, straws, paper cups, etc.)	8 000,00
Office supplies	1 000,00
<i>total</i>	<i>51 600,00</i>
Equipment	
Furniture, kitchen design, lightening	145 000,00
Ice Machine	4 000,00
Undercounter refrigerator	3 600,00
Large refrigerator	6 500,00
Stove	6 000,00
Cash Register	13 000,00
Microvawe	2 000,00
Electric kettle	600,00
Refurbished Espresso Machine	35 000,00
Refurbished Coffee Grinder	9 000,00
Mixer	800,00
Shaker 2x	1 600,00
Milk Beater	1 000,00
Food display case	14 000,00
Storage hardware	2 000,00
Serving area equipment (plates, glasses, flatware)	7 000,00
Cooking and baking Equipment	3 000,00
Office Equipment	3 000,00
Music System	5 000,00
Miscellaneous	1 000,00
<i>total</i>	<i>263 100,00</i>
total assets	515 654,79

Source: Author, 2012

Start-up financing is composed of three main components – the equipment which must be purchased, cash reserve for the first 3 months of operation (operating capital) plus other expenditures, and start-up expenses.

In order to calculate the operating capital, the sum of total monthly expenses must be set. This budget comprises of Personnel Plan (amount of payroll), Utilities (Cost of Electricity, Heating, etc.), Rent (the price for location 1 is 7,000 per month, but based on the information written on the estate agency web site, the sum will increase, therefore, additional 2,000 were added to avoid financial shortage in the future), Insurance (will cover insurance against vandalism, movable and immovable assets, etc. and will be provided by Czech Insurance Company Kooperativa, a.s.), and other expenses as illustrated in the table below.

Table 17: Estimated Monthly Expenses

ESTIMATED MONTHLY EXPENSES year 20XX

Expense	Amount in CZK
Pesonnal	47 875,00
Rent	9 000,00
Utilities	4 500,00
Insurance	700,00
Cell Phone	800,00
Interest installment	3 109,93
Miscellaneous expenses	1 000,00
Total Expenses	66 984,93

Source: Author, 2012

ESTIMATED MONTHLY EXPENSES year 20XX + 1

Expense	Amount in CZK
Pesonnal	62 532,50
Rent	9 000,00
Utilities	4 500,00
Insurance	700,00
Cell Phone	800,00
Interest Installment	3 109,93
Miscellaneous expenses	1 000,00
Total Expenses	81 642,43

For the start-up, there are several expenses which need to be covered before the coffeehouse can be open.

Table 18: Start-up Expenses to be financed

Start-up Expenses	Price in CZK
Premises remodelling	95 000,00
Marketing promotion	22 000,00
City permits/licenses/fees	5 000,00
Loan delivery fee	6 000,00
Miscellaneous	2 000,00
total start-up expenses	130 000,00

Source: Author, 2012

The important question to ask – how much money do we really need to borrow – must be answered.

Moca café will be financed through a combination of debt and equity. Both owners will contribute a total of 200,000 CZK from personal funds. Since it is not a sufficient amount, an initial bank loan of 550,000 CZK is required to cover the rest of the start-up assets and expenses. So in the total, we will have 750,000 CZK.

Table 19: Start-up Budget

Start-up Budget	Amount in CZK
Start-up Expenses to Fund	130 000,00
Start-up Assets to Fund	314 700,00
Start-up Operating Capital to Fund	200 954,79
Start-up Additional Cash	104 345,21
Total Funding Required	750 000,00
Start-up Balance Sheet	
Assets	
Cash	330 954,79
Additional Cash	104 345,21
Inventories	51 600,00
Equipment	263 100,00
Total Assets	750 000,00
Liabilities and Capital	
Liabilities	
Current Borrowing	-
Long-term Liabilities	550 000,00
Accounts Payable	-
Other Current Liabilities	-
Total Liabilities	550 000,00
Capital	
Planned Investment	
Barbora Cestrova	100 000,00
Jan Vaner	100 000,00
Total Planned Investment	200 000,00
Total Capital	200 000,00
Total Capital and Liabilities	750 000,00

Source: Author, 2012

Where to borrow? There are many banks on the market, but just some of them have services which correspond with our needs. We have compared several banks and out of the available alternatives, the most suitable loan for us is the Provozní úvěr 5 PLUS (Operating Credit) from Česká Spořitelna. Although the interest rate is quite high – 10.6 %, the important information for us is the possibility to postpone the first repayment for 6 months, in our case until July of the first year of operation.

The loan of the amount 550,000 CZK will be repaid over five years through a monthly principal repayment of $550,000/60 = 9,166.67$ plus interest $186,596/60 = 3,109.93$, so the total amount for the loan will be 736,596 CZK.

Table 20: Debt financing and Annuity Instalments

DEBT FINANCING					
Loan	550 000				
Interest rate	10.60%				
Number of annual payments	5				
Annuity	147 319				
Year	Remaining principle	Interest	Principal Repayment	Payment	Remaining Principle
1	550 000	58 300	89 019	147 319	460 981
2	460 981	48 864	98 455	147 319	362 526
3	362 526	38 428	108 892	147 319	253 634
4	253 634	26 885	120 434	147 319	133 200
5	133 200	14 119	133 200	147 319	0
Sum		186 596	550 000	736 596	

Source: Author, 2012

To proceed with further calculations, the inventory budget must have been formed. An initial or beginning inventory is included in the start-up budget. The rule we have set up is to have enough inventory for about one month as a reserve. As items are sold from inventory, their costs are removed from the balance sheet and transferred into the cost of goods sold, which is offset against sales revenue in income statement. The ending amount of inventory for a given year is recorded in the projected balance sheet.

Table 21: Inventory turnover

Year 20XX													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Beginning Inventory	51600	89465	93150	89835	80370	69140	48130	51390	54050	55220	54550	55060	51600
Purchases	60000	30000	30000	30000	30000	30000	55000	55000	55000	55000	55000	55000	540000
Available Inventory	111600	119465	123150	119835	110370	99140	103130	106390	109050	110220	109550	110060	
COGS	22135	26315	33315	39465	41230	51010	51740	52340	53830	55670	54490	58225	539765
Ending Inventory	89465	93150	89835	80370	69140	48130	51390	54050	55220	54550	55060	51835	51835

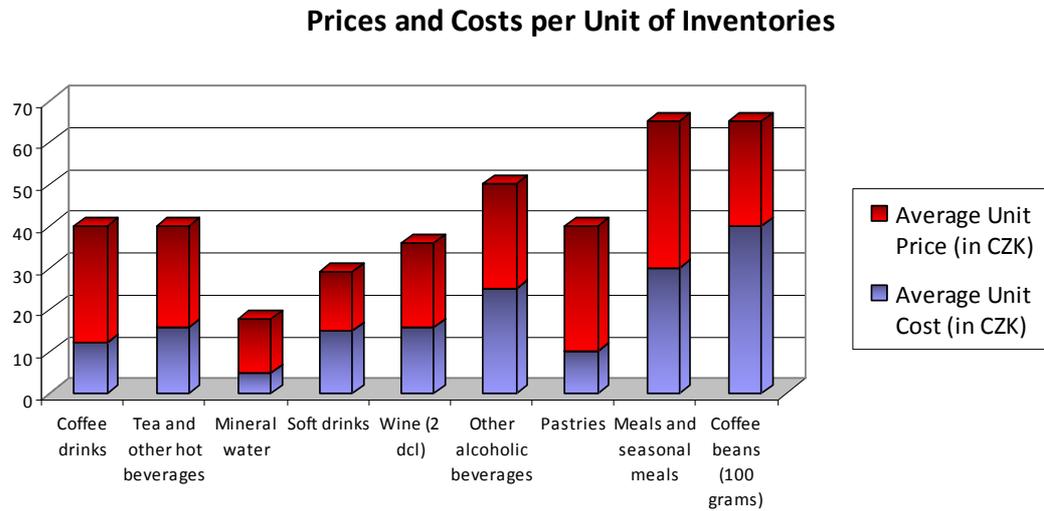
Year 20XX + 1													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Beginning Inventory	51835	49295	53255	50535	54365	50805	50225	47535	50845	54565	59195	61555	51835
Plus Purchases	70000	70000	70000	70000	70000	70000	75000	75000	75000	75000	75000	75000	870000
Available Inventory	121835	119295	123255	120535	124365	120805	125225	122535	125845	129565	134195	136555	
Less COGS	72540	66040	72720	66170	73560	70580	77690	71690	71280	70370	72640	71625	856905
Ending Inventory	49295	53255	50535	54365	50805	50225	47535	50845	54565	59195	61555	64930	64930

Source: Author, 2012

4.5.2. Sales Projections

For the Sales projections, selling prices firstly had to be set up. Knowing the approximate amount of sales is necessary for any further calculation since it is basically the source of our income and hence must be also mentioned in the projected income statement.

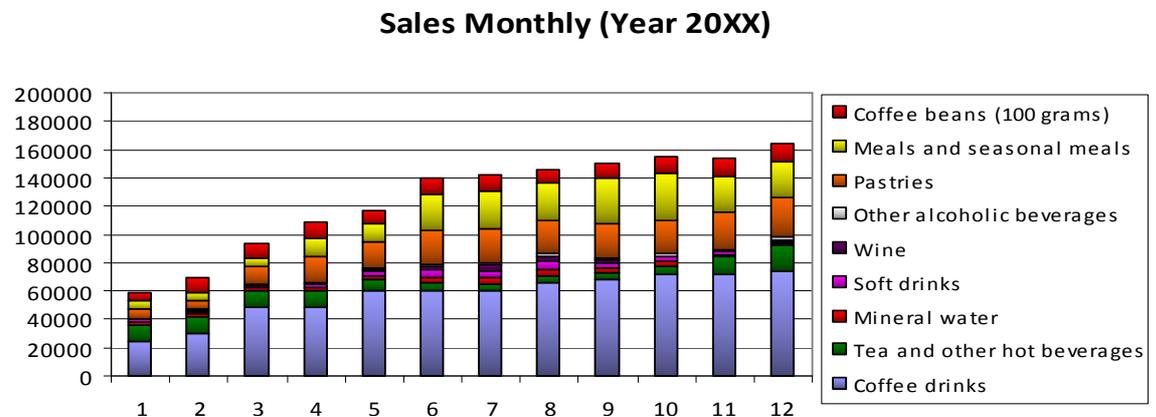
Figure 14: Prices and Costs per Unit of Inventories



Source: Author, 2012

The sales projection is mostly based on the different seasons we have during the year. We anticipate having the largest sales in the summer in general, because of the possibility of ‘outside sitting’. We are aware of the fact that it will take us some time to make a good reputation on the market. Therefore, we take into account, that the first year will not be as successful as following years. We believe that proportionally the coffee beverages will sell the best along with pastry. It will also take time until people get used to our healthy food, therefore the sales start to increase no sooner than in the sixth month.

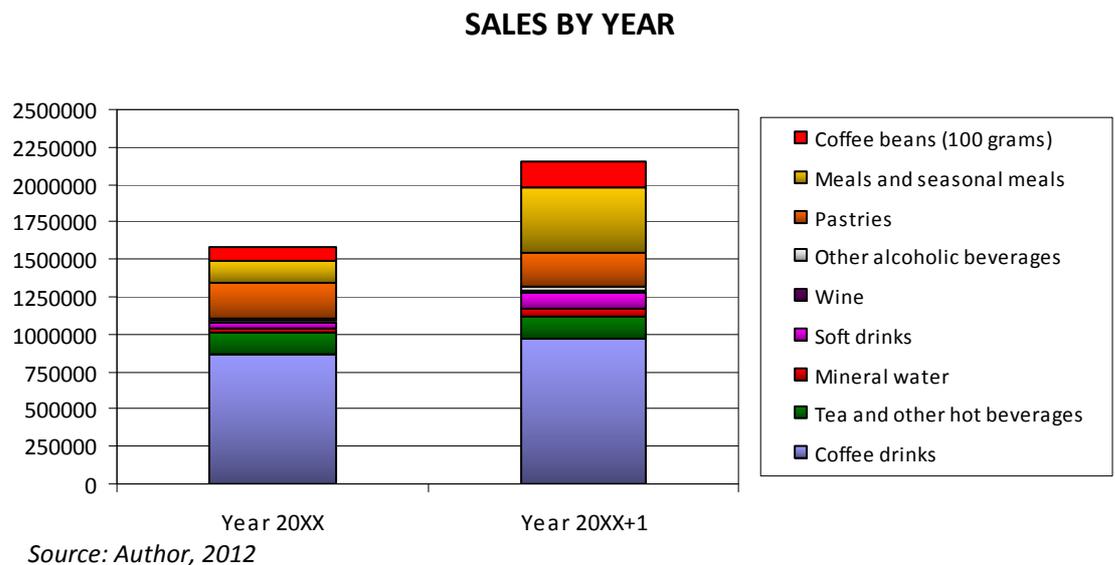
Figure 15: Monthly Sales year 20XX



Source: Author, 2012

Further, we expect to increase our sales by more than 30% in the second year of operation. In the next years we would like to increase the sales by another 15% and for the subsequent years keep this level of sales.

Figure 16: Sales Projections for years 20XX and 20XX+1



4.5.3. Projected Income Statement

We have established an internal policy regarding depreciation of our petty equipment which reflects the Czech Law on Income Tax, Section 31. The petty equipment will hence be consumed – depreciated based on the rule of: accounting depreciation = tax depreciation. All equipment with an acquisition cost lower than or equal to 3000 – the petty equipment will be ‘consumed’ in three years, whereas the more expensive equipment will be ‘consumed’ in five years.

Table 22: Depreciation

Equipment	5 years	1. year	2. year	3. year	4. year	5. year
Linear Depreciation		11,00%	22,25%	22,25%	22,25%	22,25%
total	241 100	26 521	53 645	53 645	53 645	53 645
Petit Equipment	3 years	1. year	2. year	3. year	4. year	5. year
Linear Depreciation		20,00%	40,00%	40,00%	0,00%	0,00%
total	22 000	4400	8800	8800	0	0
Total Equipment Depreciation		30 921	62 445	62 445	53 645	53 645

Source: Author, 2012

We do not project high net profits in the first year. However, in the consequent years we anticipate to grow by at least 20% per year for the first three years. The first fiscal year gross sales are expected to exceed 1,400,000 CZK and after-tax net profits of approximately 11,700 CZK – increasing to more than 450,000 CZK by the second fiscal year-end.

The income tax for a legal entity is 19% in the Czech Republic and must be deducted in the second year of operation. The base value for that is 11,000 CZK of Earnings before taxation.

As it has been agreed, one of the partners of Moca Café will get annually 20 % of the initial financial contribution + 10 % of the net profit (starting from the second “accounting” year), so the first dividends will be paid out in the third year. For the purpose of illustration, a forecast for the third year of operation was added.

Table 23: Projected Income Statement

PRO FORMA INCOME STATEMENT	Year 20XX	Year 20XX+1	Year 20XX+2
Sales Revenue	1 497 300	2 342 300	2 500 000
Cost of Goods Sold	539 763	856 905	860 000
Gross Profit	957 535	1 485 395	1 640 000
Less: Operating Expenses	766 500	942 390	942 390
Less: Depr. of Equipment	30 921	62 445	62 445
start-up expense	130 000	0	0
Operating Earnings	30 114	480 560	635 165
Less Interest Expenses	18 660	37 319	37 319
Earnings Before Taxes	11 454	443 241	597 846
Taxes (19%)	2 090	83 790	113 430
Net Income After Tax	11 454	441 151	514 056
Less: Dividends	0	0	65 261
Reinvested Profits	11 454	452 605	901 401
Profit Margin: Profit/Sales	1%	19%	36%

Source: Author, 2012

4.5.4. Projected Cash Flow

Projected Cash Flow or Cash Budget is a forecast of future cash receipts and payments. In the long run, a business must generate a positive cash flow from its operating activities if the business is to survive. Cash is needed to pay off obligations and accounts payable.

Our initial investment contributions are designed to provide us with a strong cash position at all times. As the table below presents, the company will maintain a healthy cash

flow position, which will allow for timely debt repayment and fund available for future development.

Table 24: Projected Cash Flow Statement

CASH FLOW STATEMENT	Year 20XX	Year 20XX+1	Year 20XX+2
CASH RECEIVED			
Cash Sales	1 497 300	2 342 300	2 500 000
Collections of accounts receivable	0	0	0
Plus: Paid in capital	200 000	0	0
Plus: Loan proceeds	550 000	0	0
Subtotal Cash Received	2 247 300	2 342 300	2 500 000
EXPENDITURES			
Cash Purchases	540 000	870 000	900 000
Estimated monthly Expenses	840 162	1 089 709	1 089 709
Tax payments	0	2 090	83 790
Dividends	0	0	65 261
Inventory Start - up Purchase	51 600	0	0
Start-up expenses	130 000	0	0
Equipment Purchase	263 100	0	0
Subtotal Cash Spent	1 824 862	1 961 799	2 138 760
Net Cash Flow	422 438	380 501	361 240
Add: Beginning Cash	0	422 438	802 939
Ending Cash	422 438	802 939	1 164 179

Source: Author, 2012

4.5.5. Projected Balance Sheet

The table below summarizes the projected balance sheets for the first years of operation. Once the business is in operation, the balance sheet will be monthly updated to reflect past performance and future assumptions.

Table 25: Projected Balance Sheet

PRO FORMA BALANCE SHEET	Start-up Balance	End of Year 20XX	End of Year 20XX+1	End of Year 20XX+2
Current Assets				
Cash	435 300	422 438	802 939	1 172 558
Accounts Receivable	0	0	0	0
Inventory	51 600	51 835	64 930	104 930
Equipment	263 100	263 100	263 100	263 100
Accumulated Depreciation	0	30 921	93 366	155 811
Total Assets	750 000	706 454	1 037 605	1 384 778
Liabilities and Equity				
Accounts Payable	0	0	0	
Short-term Liabilities	0	2 090	83 790	113 430
Long-term Liabilities	550 000	495 000	385 000	275 000
Paid-in Capital	200 000	200 000	200 000	200 000
Retained Earnings	0	9 364	368 815	796 350
Total Liabilities and Equity	750 000	706 454	1 037 605	1 384 778

Source: Author, 2012

4.5.6. Break-even Point Analysis

A break-even analysis has been completed on the basis of average costs/prices.

Table 26: Calculation of Break-Even Point

BREAK-EVEN POINT CALCULATION	Amount in CZK
Fixed Operating Cost per month year 20XX	66 985
Fixed Operating Cost per month year 20XX + 1	81 642
Average Fixed Operating Costs per month:	74 314
Variable Cost of all 9 Units	169
Variable operating Costs per Unit	19
Price for 9 Units	383
Price per Unit	43
Quantity to Break Even	
$Q = FC / \text{Price per unit} - VC \text{ per unit}$	3 125
Sales (in CZK) to Break Even	
$\text{Sales} = Q * \text{Price}$	133 001

Source: Author, 2012

We need to sell 3,125 products or have sales of 133,001 CZK to break even. This will happen already in June 20XX.

5. Results and Discussion

In the practical part of this thesis, the business plan for a coffeehouse called Moca Café, situated in Liberec, was created. In the first part of the business plan, the external and internal environments were analyzed. Based on the M.Porter's Five Forces Analysis, the coffeehouse industry in Liberec is rather unattractive, which essentially means that it might be hard for us to build a sufficient customer base. However, the competitors' analysis has revealed that our services cannot be found elsewhere in Liberec, which gives us a substantial competitive advantage over our competitors. Providing customers with needed and demanded products or services is a key to success and since this is our case, we believe that we can, at the end, attract much wider group of customers than our competitors can.

In addition to that, the outcome of the PEST analysis – the analysis of the external environment is rather positive. Since Liberec has a good strategic position, there are many visitors coming also from neighbouring countries. Furthermore, by the use of SWOT analysis, we have formulated the Threats and Opportunities to our business, our Weaknesses and most importantly our Strengths. In the Western world, getting water for free is a custom. Unfortunately in the Czech Republic, nothing is for free and water is not an exception. Since our greatest wish is to make our customers happy, we will provide them with free water, non-smoking area, high quality coffee, healthy cuisine including non-allergen food, which along with further exceptionalities represent our strengths and competitive advantage.

As for the marketing analysis, we are sure that we will be selling the right product on the right place for the right place and support it by right promotion. We are coming to the market with a new concept of a coffeehouse - we will provide our customers with healthy diet cuisine and high quality coffee for affordable and competitive prices. Our products are exclusive. Since healthy diet and lifestyle and the quality of food are currently we believe that we are coming to the market with our concept in the right time.

By interviewing Liberec's citizens we were able to collect valuable information concerning our services and products offered. The responses of the interviewees differed according to their gender, social status and employment. However, in general the majority would be very much interested in our services and would welcome our concept in Liberec.

Besides that the location of our business is just perfect. It will be close to the public transportation hub and large shopping malls, where people go daily to do their grocery shopping. As we will have the outside sitting, our coffeehouse will attract even the smoking part of Liberec's citizens as there are no non-smoking limitations outside.

Liberec is a town with about 100,000 inhabitants with increasing unemployment. So in terms of finding the right employees we will have no trouble.

With regards to the financial plan, the business will be mostly financed by debt, which represents a certain threat. If the sales are not as high as predicted or if some externality happens and the owners will not be able to repay the loan, they can easily get into trouble. Since the business is a new concept, there is no historical data available and the predictions were done on the basis of assumptions and experience from the field. This also might prove in the future to be misleading. However, the provided financial forecasts are the optimal and most realistic ones. The most important thought while creating them was to have enough cash to be solvent. If we look at the Pro-forma Cash Flow statement, the forecast shows that we will be able to cover expenses and other costs. All in all, the first year will be a struggle and it will very much depend on our ability to perform well and follow the projected numbers. Thanks to the financial plan, we were able to calculate that our business concept is feasible. Start is always hard, but one must not stop believing and working hard, only then the 'fruits can be harvested,' which is our goal.

To sum up, there is decent evidence that our concept will fill the gap on the market and has a huge potential to be successful, profitable and beneficial to society.

6. Conclusion

The basic prerequisite for starting up a new business is to find and take advantage of a gap on the market. However, the entrepreneur's vision of a successful entry to the market is unfortunately not sufficient. It is important to give the vision a structure and plot it on the paper, so that no area of a future business activity is omitted. This planning and organizing of thoughts and ideas is the base for drafting a business plan, which is a topic of this thesis – to analyze whether a business concept is feasible or not by creating a business plan.

The main objective of this thesis is to create a comprehensive and consistent business plan for a coffee house in Liberec. It is intended to come to the market with a new concept of coffee house offering customers healthy diet and high quality coffee for affordable and competitive prices.

In the first parts of the business plan, the market analysis along with the competitive analysis and analyses of external and internal environment were carried out based on assumptions and knowledge from the theoretical part of this thesis.

Firstly, the form of the business organisation was set up, its mission and vision. The macro environment of the business was analyzed by PEST analysis and the competitiveness within the industry was tested by the M. Porter's Five Forces Analysis. The competitive rivalry within the industry is tough and it is very easy to enter this industry, since the initial capital needed is rather low compared to other industries and no special knowledge or skills must be learned in order to open a coffeehouse. Nevertheless, the concept which is being discussed in this paper is unique and exceptional and cannot be found in Liberec yet. Therefore the competitive advantage of Moca Café is pretty high compared to its current competitors.

Moreover, the market was studied and prices of products were created as well as the group of potential customers was found out, also thanks to the questionnaire conducted.

The most important part of the business plan however has been the financial plan, which shows various financial figures related to business solvency and other financial indicators. Start-up budget has provided information of how much money must be borrowed in order to be able to enter the market and remain in the business. The pro-forma financial statements were used for the future estimation of Income, Cash-Flow and Balance. It is a new business, so there are no historical data available out of which a true

forecast could be worked out. However, the aim was to create a financial plan based on the most realistic and veridical assumptions. Of course, nobody can predict what will happen tomorrow, so the purpose of the plan is to serve as a guide. It must not be forgotten that the reality can be slightly different.

Since we live in fast moving world especially in terms of technology, the step with current trends and innovation must be kept in order to stay competitive.

Finally, it can be concluded that although this business must be financed mostly by debt, there is a huge potential to earn sufficient income in the future and stay on the market.

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9. Supplements

9.1. List of Banks

LOAN 550000 CZK			
Bank, name of the loan	Maximum amount lent	Cons/Pros	Approximate Interest Rate %
Reiffeisen Bank Podnikatelská rychlá půjčka	30,000 to 3,000,000 CZK	1. Applicant must not have any debts on social insurance 2. At least one year of operation must be proved by financial statements	10,9
Komerční Banka Profi úvěr FIX	1,000,000 CZK	At least two years of operation must be proved by financial statements	9,84
Česká spořitelna Provozní úvěr 5 PLUS	up to 5,000,000 CZK	1. Available for star-up businesses 2. Postponement of the 1.repayment for 5 months	10,6
ČSOB Malý úvěr pro podnikatele	50,000 to 8,000,000 CZK	1. Postponement of the 1.repayment for 6 months 2. At least one year of operation must be proved by financial statements	x
GE Money Bank Nezajištěný Expres Business	40,000 to 1,500,000 CZK	Available for star-up businesses	12,9

9.2. Sales Budget first year - 20XX

Unit sales 20XX	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Coffee drinks	600	750	1200	1200	1500	1500	1500	1650	1700	1800	1800	1850	17050
Tea and other hot beverages	300	300	300	300	200	150	120	120	120	150	300	450	2810
Mineral water	120	100	120	120	150	200	250	250	200	180	100	90	1880
Soft drinks	60	60	60	90	120	180	180	180	120	100	60	60	1270
Wine	10	15	15	15	30	60	120	120	60	20	15	25	505
Other alcoholic beverages	15	15	15	15	20	30	30	30	30	30	30	35	295
Pastries	150	150	300	450	450	600	600	600	600	600	650	700	5850
Meals and seasonal meals	100	100	100	200	200	400	400	400	500	500	400	400	3700
Coffee beans (100 grams)	90	150	150	180	150	180	180	150	150	180	180	180	1920
Total Unit Sales	1445	1640	2260	2570	2820	3300	3380	3500	3480	3560	3535	3790	35280

Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Coffee drinks	24000	30000	48000	48000	60000	60000	60000	66000	68000	72000	72000	74000	682000
Tea and other hot beverages	12000	12000	12000	12000	8000	6000	4800	4800	4800	6000	12000	18000	112400
Mineral water	2160	1800	2160	2160	2700	3600	4500	4500	3600	3240	1800	1620	33840
Soft drinks	1740	1740	1740	2610	3480	5220	5220	5220	3480	2900	1740	1740	36830
Wine	360	540	540	540	1080	2160	4320	4320	2160	720	540	900	18180
Other alcoholic beverages	750	750	750	750	1000	1500	1500	1500	1500	1500	1500	1750	14750
Pastries	6000	6000	12000	18000	18000	24000	24000	24000	24000	24000	26000	28000	234000
Meals and seasonal meals	6500	6500	6500	13000	13000	26000	26000	26000	32500	32500	26000	26000	240500
Coffee beans (100 grams)	5850	9750	9750	11700	9750	11700	11700	9750	9750	11700	11700	11700	124800
Total Sales	59360	69080	93440	108760	117010	140180	142040	146090	149790	154560	153280	163710	1497300

Direct Cost of Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Coffee drinks	7200	9000	14400	14400	18000	18000	18000	19800	20400	21600	21600	22200	204600
Tea and other hot beverages	4800	4800	4800	4800	3200	2400	1920	1920	1920	2400	4800	7200	44960
Mineral water	600	500	600	600	750	1000	1250	1250	1000	900	500	450	9400
Soft drinks	900	900	900	1350	1800	2700	2700	2700	1800	1500	900	900	19050
Wine	160	240	240	240	480	960	1920	1920	960	320	240	400	8080
Other alcoholic beverages	375	375	375	375	500	750	750	750	750	750	750	875	7375
Pastries	1500	1500	3000	4500	4500	6000	6000	6000	6000	6000	6500	7000	58500
Meals and seasonal meals	3000	3000	3000	6000	6000	12000	12000	12000	15000	15000	12000	12000	111000
Coffee beans (100 grams)	3600	6000	6000	7200	6000	7200	7200	6000	6000	7200	7200	7200	76800
Total Direct Cost	22135	26315	33315	39465	41230	51010	51740	52340	53830	55670	54490	58225	539765

9.3. Sales Budget second year - 20XX+1

Unit sales 20XX+1	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Coffee drinks	2100	1800	2100	1800	2100	2100	2100	2100	2100	2100	2100	2150	24650
Tea and other hot beverages	450	450	450	300	150	120	120	120	120	350	450	450	3530
Mineral water	180	200	200	240	300	400	430	430	300	200	200	180	3260
Soft drinks	150	150	150	300	450	450	450	450	330	300	150	150	3480
Wine	15	15	20	20	60	60	120	120	60	20	15	25	550
Other alcoholic beverages	30	30	30	30	30	30	30	30	30	30	30	35	365
Pastries	600	900	600	900	600	900	900	900	600	900	600	900	9300
Meals and seasonal meals	600	600	600	600	600	600	600	600	600	600	600	600	7200
Coffee beans (100 grams)	300	150	300	150	300	150	300	150	300	150	300	180	2730
Total Unit Sales	4425	4295	4450	4340	4590	4810	5050	4900	4440	4650	4445	4670	55065

Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Coffee drinks	84000	72000	84000	72000	84000	84000	84000	84000	84000	84000	84000	86000	986000
Tea and other hot beverages	18000	18000	18000	12000	6000	4800	4800	4800	4800	14000	18000	18000	141200
Mineral water	3240	3600	3600	4320	5400	7200	7740	7740	5400	3600	3600	3240	58680
Soft drinks	4350	4350	4350	8700	13050	13050	13050	13050	9570	8700	4350	4350	100920
Wine	540	540	720	720	2160	2160	4320	4320	2160	720	540	900	19800
Other alcoholic beverages	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1750	18250
Pastries	24000	36000	24000	36000	24000	36000	36000	36000	24000	36000	24000	36000	372000
Meals and seasonal meals	39000	39000	39000	39000	39000	39000	39000	39000	39000	39000	39000	39000	468000
Coffee beans (100 grams)	19500	9750	19500	9750	19500	9750	19500	9750	19500	9750	19500	11700	177450
Total Sales	194130	184740	194670	183990	194610	197460	209910	200160	189930	197270	194490	200940	2342300

Direct Cost of Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Coffee drinks	25200	21600	25200	21600	25200	25200	25200	25200	25200	25200	25200	25800	295800
Tea and other hot beverages	7200	7200	7200	4800	2400	1920	1920	1920	1920	5600	7200	7200	56480
Mineral water	900	1000	1000	1200	1500	2000	2150	2150	1500	1000	1000	900	16300
Soft drinks	2250	2250	2250	4500	6750	6750	6750	6750	4950	4500	2250	2250	52200
Wine	240	240	320	320	960	960	1920	1920	960	320	240	400	8800
Other alcoholic beverages	750	750	750	750	750	750	750	750	750	750	750	875	9125
Pastries	6000	9000	6000	9000	6000	9000	9000	9000	6000	9000	6000	9000	93000
Meals and seasonal meals	18000	18000	18000	18000	18000	18000	18000	18000	18000	18000	18000	18000	216000
Coffee beans (100 grams)	12000	6000	12000	6000	12000	6000	12000	6000	12000	6000	12000	7200	109200
Total Direct Cost	72540	66040	72720	66170	73560	70580	77690	71690	71280	70370	72640	71625	856905

9.4. Income Statement

PRO FORMA INCOME STATEMENT	Year 20XX					Year 20XX + 1				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Sales Revenue	221 880	365 950	437 920	471 550	1 497 300	573 540	576 060	600 000	592 700	2 342 300
Cost of Goods Sold	81 765	131 705	157 910	168 387	539 765	211 300	210 310	220 660	214 635	856 905
Gross Profit	140 115	234 245	280 010	303 163	957 535	362 240	365 750	379 340	378 065	1 485 395
Less: Operating Expenses	191 625	191 625	191 625	191 625	766 500	235 598	235 598	235 598	235 598	942 390
Less: Depr. of Equipment				30 921	30 921				62 445	62 445
start-up expense	130 000				130 000					0
Operating Earnings	-181 510	42 620	88 385	80 617	30 114	126 643	130 153	143 743	80 023	480 560
Less Interest Expenses			9 330	9 330	18 660	9 330	9 330	9 330	9 330	37 319
Earnings Before Taxes	-181 510	42 620	79 055	71 287	11 454	117 313	120 823	134 413	70 693	443 241
Taxes (19%)	0	0	0	2 090	0	0	0	0	83 790	2 090
Net Income After Tax	-181 510	42 620	79 055	71 287	11 454	117 313	118 733	134 413	70 693	441 151
Less: Common Share Dividends	0	0	0	0	0	0	0	0	0	0
Reinvested Profits	0	0	79 055	71 287	11 454	117 313	118 733	134 413	70 693	452 605

9.5. Cash Flow Statement

YEAR 200XX													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
CASH RECEIVED													
Cash Sales	59360	69080	93440	108760	117010	140180	142040	146090	149790	154560	153280	163710	1 497 300
Collections of accounts receivable	0	0	0	0	0	0	0	0	0	0	0	0	-
Plus: Paid in capital	200000												200 000
Plus: Loan proceeds	550000												550 000
Subtotal Cash Received	809360	69080	93440	108760	117010	140180	142040	146090	149790	154560	153280	163710	2 247 300
EXPENDITURES													
Cash Purchases	60000	30000	30000	30000	30000	30000	55000	55000	55000	55000	55000	55000	540 000
Estimated monthly Expenses	63875	63875	63875	63875	63875	63875	76152	76152	76152	76152	76152	76152	840 162
Inventory Start - up Purchase	51600												51 600
Start-up expenses	130000												130 000
Equipment Purchase	263100												263 100
Subtotal Cash Spent	568575	93875	93875	93875	93875	93875	131152	131152	131152	131152	131152	131152	1 824 862
Net Cash Flow	240785	-24795	-435	14885	23135	46305	10888	14938	18638	23408	22128	32558	422 438
Add: Beginning Cash	0	240785	215990	215555	230440	253575	299880	310768	325706	344344	367752	389880	-
Ending Cash	240785	215990	215555	230440	253575	299880	310768	325706	344344	367752	389880	422438	422 438
YEAR 20XX+1													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
CASH RECEIVED													
Cash Sales	194130	184740	194670	183990	194610	197460	209910	200160	189930	197270	194490	200940	2 342 300
Collections of accounts receivable	0	0	0	0	0	0	0	0	0	0	0	0	-
Subtotal Cash received	194130	184740	194670	183990	194610	197460	209910	200160	189930	197270	194490	200940	2 342 300
EXPENDITURES													
Cash Purchases	70000	70000	70000	70000	70000	70000	75000	75000	75000	75000	75000	75000	870 000
Estimated monthly Expenses	90809	90809	90809	90809	90809	90809	90809	90809	90809	90809	90809	90809	1 089 709
Tax payments	0	0	2090	0	0	0	0	0	0	0	0	0	2 090
Subtotal Cash Spent	160809	160809	162899	160809	160809	160809	165809	165809	165809	165809	165809	165809	1 961 799
Net Cash Flow	33321	23931	31771	23181	33801	36651	44101	34351	24121	31461	28681	35131	380 501
Add: Beginning Cash	422438	455759	479690	511461	534642	568443	605093	649194	683545	707666	739127	767808	422 438
Ending Cash	455759	479690	511461	534642	568443	605093	649194	683545	707666	739127	767808	802939	802 939

10. Supplements

10.1. Design

10.1.1. Coffee house Logo



10.1.2. Business Plan Front Page



10.2. Questionnaire

Questionnaire

① Personal Information

1. You are female male
2. You are employed unemployed a student retired other occupation
3. You are 0-18 19 – 26 27-65 66-101 years old

② Coffee and Coffee shop information

4. Do you like coffee shops? yes no
5. If not, why?

6. Are there coffee shops you have been to more than once? yes no

7. If yes, what tempted you to return?

8. Is it important for you that except of beverages, there is also a deli bar in a coffee shop, so that you can purchase something small such as a sandwich or a piece of cake to kill hunger? yes no

9. Concerning the products offered in a coffee shop – what is more important to you, the price of the products or the quality?

Price 1 2 3 4 5 6 7 8 9 10 Quality

10. What is the maximum amount you are willing to pay for a cup of coffee or other hot beverage such as tea or hot chocolate in a coffee shop?

③ Healthy Lifestyle

11. „I am, what I eat.“ Is this statement about you? How much does *healthy eating* concern you?

-
12. Do you care where your food comes from? Do you prefer *Czech* food to foreign food?

-
13. Are you interested in *bio* products?

-
14. Have you ever heard about *fair-trade*? Do you like *fair-trade* products (coffee, chocolate) ?
-

15. Are you personally or some of you relatives allergic to gluten or some other allergens contained in food? If yes, would you appreciate if there was a coffeeshop offering food made of goods not containing such allergens?

16. Are you willing to pay some percentage (extra amount) more for a better quality food?

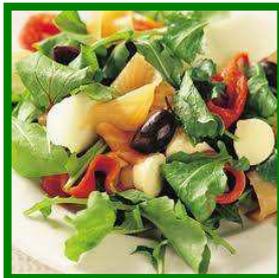
17. What do you eat if you are in a time press and need to digest something really fast?

18. Would you be interested in a healthy alternative of fast-food?

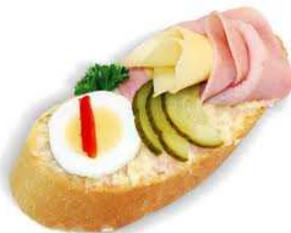
19. Which group of products is more appealing to you? 1 2

Comments: _____

1



2



20. Look at the two yogurts below – which one would you buy and why?

