

# **CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE**

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**Diploma Thesis Title:**

## **BUSINESS PLAN OF A START-UP COMPANY**

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**UNIVERSITÉ CATHOLIQUE DE LYON**

**ESDES SCHOOL OF MANAGEMENT**

**MASTER OF INTERNATIONAL  
BUSINESS ADMINISTRATION**



Université  
Catholique  
de **Lyon**



**DIPLOMA THESIS**

**BUSINESS PLAN OF A START – UP COMPANY**

**Bc. ANETA NAGYOVÁ**

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STATUTORY DECLARATION

I, THE UNDERSIGNED, HERBY DECLARE THAT THE THESIS TITLED  
“BUSINESS PLAN OF A START – UP COMPANY” IS WHOLLY MY OWN WORK,  
AND ONLY SOURCES I USED ARE LISTED IN THE REFERENCES.

In Prague, September 15<sup>th</sup>, 2015

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**Bc. Aneta Nagyová**

## ACKNOWLEDGEMENT

I WOULD LIKE TO THANK MY FAMILY, FRIENDS AND ESPECIALLY MY SUPERVISOR PR LAMINE BODIAN FOR HIS GOODNESS, HELP, PRECIOUS ADVICES AND ENDLESS PATIENCE DURING THE WHOLE YEAR SPENT AT ESDES SCHOOL OF MANAGEMENT AT CATHOLIC UNIVERSITY OF LYON.

# **BUSINESS PLAN OF A START – UP COMPANY**

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## **PODNIKATELSKÝ PLÁN NOVÉ SPOLEČNOSTI**

### **SUMMARY:**

This diploma thesis aims on developing a business plan – document which is important not only for potential investors but for the entrepreneurs themselves as well. The main goal of this thesis is to develop feasible business plan for establishing a beer bar with a new concept in wider centre of Prague and based on the analyses, determine whether the future company has a chance to succeed on the target market or not.

The theoretical part defines what business plan is and purpose of the literature review is to identify all its components and related terms and definitions as well as the process of establishment of Limited Liability Company in Czech Republic. The analytical part analyses the company's market environment, the competition and all other factors that will influence the business. Last but not least, the practical part is focused on a development of a particular business plan.

### **KEY WORDS:**

Business plan, company, entrepreneur market, competition, analysis, financial plan, beer, bar

## **SOUHRN:**

Tato diplomová práce je zaměřena na vývoj podnikatelského plánu – dokument, který je důležitý nejen pro investory, ale také především pro samotné podnikatele. Hlavním cílem této práce je vytvoření realizovatelného podnikatelského plánu pro založení pivního baru s novým konceptem v širším centru Prahy a zhodnocení, zda bude mít tato budoucí společnost šanci uspět na vybraném trhu či ne.

Teoretická část popisuje, co to podnikatelský plan je a cílem literární rešerše je identifikovat všechny komponenty podnikatelského plánu a založení společnosti s ručením omezeným spolu s příbuznými termíny a definicemi. Analytická část dále zahrnuje analýzy tržního prostředí společnosti, konkurence a ostatních faktorů, které budou podnikání ovlivňovat. Praktická část je potom zaměřena na samotný vývoj konkrétního podnikatelského plánu.

## **KLÍČOVÁ SLOVA:**

Podnikatelský plán, společnost, podnikatel, trh, konkurence, analýza, finanční plán, pivo, bar

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# 1. INTRODUCTION

Anyone, who nowadays decides to start a business with new product or service, gets into a difficult situation due to continuously increasing competition and rapidly changing market conditions. In order to make a mark, the entrepreneur has to work as effectively as possible, be flexible enough and also has to have a specific idea about how to achieve his goals.

One of the crucial steps for starting a business is identification of market opportunities. Good idea itself is not sufficient enough. If the company wants to be successfully competitive in the long term, it is essential to build so-called business plan which task is not only to verify feasibility and viability of the business idea but also to get missing financial resources, find a business partner or attract potential investors. Simultaneously, constructing the business plan is beneficial for the entrepreneur himself regarding issues how to address new customers, which markets to enter or how to distinguish themselves from the competition.

From legal point of view, development of a business plan for a starting company is not required. Additionally business plan as such does not have given structure. However if the entrepreneur wants to reduce business risks and increase his chances to succeed on the market, he should definitely not forget to process the detailed business plan for his new idea.

This particular thesis deals with idea of establishing a beer bar in wider city centre of Prague with sort of unusual concept on Czech market. Even though the Czech nation is considered as a beer nation and, according to research of The Independent British newspapers (13) concerning the biggest consumers of beer, also number one nation in the world, it is not so common that customers have the possibility of experiencing the whole process of enjoying beer from tapping itself to drinking it.

Nowadays the world is getting more and more digitalised and is full of technological achievements and innovations. The research and development is going further and further and is constantly coming up with new ideas.

This project is about to link these two above-mentioned facts together and will try to prepare essential documents for establishment of such modern bar in such beautiful and beer loving city.

The innovative concept introduces bar with number of beer taps each serving different beer linked with smart card reader and touchpad screen introducing interesting facts about the specific type of beer to the customers. After attaching their credited smart card obtained from the bartender, the individual tap then opens up and the guests may start enjoying the special opportunity to tap their own beer while watching on the screen precisely in millilitres the beer tapping out and also their credit balance as they tap out the beer. Thanks to the software settings taking into account price per one millilitre, it is up to them whether they rather enjoy pint of their favourite beer or try as many different kinds as they wish to.

## **2. THESIS OBJECTIVES AND METHODOLOGY**

### **2. 1. OBJECTIVES AND HYPOTHESES**

The purpose of this diploma thesis is to introduce the concept for developing a business plan and how it is done in practice. The individual steps of the business plan and related terms and definitions are discussed in the theoretical part and followed by the analytical and practical section where perquisite analyses are conducted and based on such the business plan of a new start-up company is further developed.

Objectives are:

- Study of literature, scientific material and online resources in order to describe development of a business plan, what are the basic components, related terms and definitions and instructions for processing and establishment of a new company.
- Analyses of the market, competition and other factors influencing the company and the environment it will operate in.
- Development of a specific business plan for establishing a beer bar with new concept in wider centre of Prague.

Hypothesis:

- The future company will be successful thanks to its competitive advantage.

## **2. 2. METHODOLOGY**

For the theoretical part, the secondary data were gathered from various literature, scientific and online resources in order to clarify and introduce all important terms and definitions concerning development of a business plan and establishment of Limited Liability Company in Czech Republic.

Concerning the practical part, the research of macro environment and industry environment was conducted.

## **3. LITERATURE REVIEW**

The literature overview is focused on development of a business plan and establishment of a new company in theory. First it explains what business plan is and second individual parts of processing the plan are discussed in more details. Furthermore the basic steps for establishment of Limited Liability Company are outlined.

### **3.1. BUSINESS PLAN**

Business plan is a document whose main task is to present business ideas, set goals and ways how to achieve them. It serves to starting entrepreneurs as an orientation in terms of business start – ups and possibly for presentation when dealing with banks and other institutions in order to e.g. apply for bank loan or other form of subsidies. (11)

Another definition says: “It is a formal document written to capture and communicate the planned direction and manoeuvres required for the business to accomplish its most important goal – profitability. “ (1)

Before accomplishing the plan, it is of great importance to verify its feasibility and viability. Of course, there are more reasons why it is needed to construct the plan. Notably, new entrepreneur with interesting idea determines the total funds needed and possibilities of their evaluation and consequently may ask investors who will expect answers for questions such as (7):

- What does the entrepreneur do?
- What does the company offer?
- What does the company need to get started?

The process of compilation is very beneficial. While constructing the plan, the entrepreneur clarifies what steps are needed to be done in individual areas, how to address the customers, where to offer their products or services, how strong is the competition,

how many employees are needed, if there is sufficient production capacity in case of rising demand etc. Afterwards, the entrepreneur will be able to answer following questions (7):

- Where does the company stand right now?
- Where does the company want to be?
- How does the company want to achieve that?

### **3.2. STRUCTURE OF A BUSINESS PLAN**

When processing the business plan, it should be taken for the purpose for which it is formed – whether it is compiled for internal or external purposes. Nowadays due to lack of time, some of the investors request only form of presentation, e.g. in MS PowerPoint. On the other hand banks may require number of additional documents and information. The scope and complexity of the plan depend on what the company will offer and how wide is the market where the company will operate.

Points of view of individual authors at the structure of a business plan are slightly different. However there are always respected general principles which include clarity of the project, logical flow of ideas, deliberate brevity, truthfulness and feasibility and last but not least respected risks of the project.

Every business plan is uniquely different. There is no specific regulation saying what business plan has to contain and how it should be formed. However for processing quality

business plan which is usable in practice, it is necessary to keep up on certain structure in order to fulfil all requirements and to have assumptions for successful implementation.

(5)

According to (7), common structure of a business plan should include following parts which will be discussed afterwards in more details:

- Title page
- Content
- Introduction, purpose and version of document
- Executive summary
- Business opportunities
- Objectives of the company and owners
- Potential markets
- Competition analysis
- Marketing and business strategy
- Implementation project plan
- Assumptions for success and risks
- Financial plan
- Attachments



### **3.2.1. Title page**

Title page contains name and logo of the company (if it exists already), name of the author, key personalities and owners, date of foundation etc. It is also recommended to include here a statement that claims: “This document contains information that are subject to commercial confidentiality. None of the parts of this document can be copied or reproduced in any way, or stored in printed or electronic form without written permission of the author.” (7)

### **3.2.2. Content**

Even though it seems obvious to include content before an extensive document, it is very often forgotten. This will not only make searching more difficult but it may also discourage the reader, especially if he wishes to search for concrete information quickly. (7)

### **3.2.3. Introduction, purpose and version of document**

Introduction is crucial part of a business plan in order to avoid misunderstandings between the author and the reader regarding the purpose of presenting the plan, extent, details, completeness etc. For example, it is recommended to add information about who is the plan designed for (e.g. potential investor).

With regard to the version of document, it is desirable to state what kind of version it is. Whether it is short or full version.

As an illustration: “This is version 1.1 where sections seven to nine cover only basic information. Details are being elaborated and will be available in version 1.2 within one week.” (7)

#### **3.2.4. Executive summary**

Executive summary is not an introduction but sort of description of what is processed below in more details. Reading the summary should arouse curiosity. Based on that the potential investor will decide whether to continue reading the entire business plan or not. Therefore it is of great importance to develop this part very carefully and thoroughly. As an outline for the summary may serve following points:

- What products or services will be provided?
- Why are these products better than others – competitive advantage and customer benefits?
- Commentary on market (size, growth, customer behaviour), market trends and competition?
- Who are key personalities and what are their achievements?

- The most important financial information such as total capital severity (own and borrowed), length of financing, interest rate, solvency etc.

The scope of summary depends on nature of the business plan and amount of capital needed. Necessary skill is how to choose and structure the amount of crucial information into small number of pages.

Even though the executive summary is placed at the beginning, it is processed at the end when the whole business plan is done. (7)

### **3.2.5. Business opportunities**

In this part, it is clarified where and what business opportunities are seen by the entrepreneur. This may include for instance finding new market niches or discovering new technological principles. This is where the entrepreneur wants to persuade the readers that right now is the best moment for completion of the plan and that this company has the best premises for that. It is necessary to state who is the one who needs our products or services and how the idea will be transferred into the form of sales and profits. While describing the business opportunity the focus is on (7):

- Product/service description
- Competitive advantage
- Customer benefits

**Product/service description** dictates physical appearance of the product or service properties. In case of selling product, it will be explained what features it has and what is it for. It is valuable as well to say if it is completely new product or if it is already served on the market, to mention additional services and who will be performing that – own company or cooperating partner. When introducing various technological characteristics, the author has to take into account that the readers are probably no technical experts. The technical descriptions should be as easy and short as possible. There is space for detailed technical information in the appendices.

**Competitive advantage** is necessary for the new product or service. Nowadays, tough competition is out there and new product on the market has to be better than others, not just as good as the others. In the business plan, the entrepreneur may prove that he comes with better offer for the customers, more interesting concept, more professional services and better problem solving.

Business plan can be successful only when presented product brings **customer benefits**. That is why it is essential to stress what benefits come from offering that product and why should customers buy it from this company and no other competitive companies. This fact naturally assumes that the entrepreneur know who are his customers, eventually which markets he wants to be oriented to and what is the growth potential of these markets.

### **3.2.6. Objectives of the company and owners**

Investors and other companies providing capital are of such opinion that success or failure of a company is caused and depends mainly on the management of that company. Individual products, technologies or markets have enormous significance as well. However successful implementation of business plan is done principally by business and professional skills of the management.

Investors will be therefore investigating every detail about the management team and employees of the company. If the investor suggests that the management team needs to be completed, it is entrepreneur's own interest to do so and find relevant experts who will be able to help him with successful implementation. (5)

This chapter takes closer look on:

- Objectives of the company
- Objectives of the owners
- Other employees
- Consultants

#### **Objectives of the company**

First the author mentions history of the company – date of foundation, legal form, ownership structure, area of activity, main products etc. Even though the establishment of the company is being contemplated, substantial information should be noted. It has to

be clear who will be the founder, what legal form will the company have and what other necessary requirements are needed to set-up the business.

Afterwards, the vision and mission will be defined – where is the company heading to and where it will be in certain time horizon. The objectives then can be derived from the vision and should be SMART. This expression is a shortcut containing first letters of words which concisely describe what features the objectives should have (7):

- Specific
- Measurable
- Achievable
- Realistic
- Timed

Formulation of the objectives should be short and a little advertising. For instance: “Within five years we will increase the value of the company ten times.”

Objectives in the business plan should be stated for approximately five years with concretization for one or two years.

### **Objectives of the owners**

Section which discusses owners and key personalities of the company is investigated in depth especially by the investors. Key personalities have paramount importance for success of the company and often, it is said that first-class management with average

product is better than average management with first-class product. While introducing key personalities, education and previous experience go first, specifically regarding management functions. Complete CV is not required but it may be put in the attachment. Extent of every personal characteristics depends on how influencing might the person be. Their roles are specified at the beginning and how will they change during time of growth or expansion of the company.

### **Other employees**

Aptly, the business plan involve also the organizational structure – how many employees the company has, what qualifications they have etc. Tasks of individual employees are implied their job descriptions which contain following elements:

- Job description and characteristic of employee on that position
- Professional requirements
- Organizational integration of the job position
- Competencies

### **Consultants**

It is recommended to name the most important company consultants. For example tax and legal advisors or advertising agency involvement is not rated negatively. On the contrary, it is perceived as a proof of professionalism. It is explained what tasks are the consultants responsible for in what time scale and in what form. It might be regularly, e.g. one day a week or it might be concrete task from time to time.

### **3.2.7. Potential markets**

Every business operates in environment which affect its behaviour. In order to ensure prosperous development of the company, it is necessary to analyse not only parameters of the external environment so as to avoid probable threats but also to monitor trends and learn how to use them to the company's advantage.

While implementing the business plan it is possible to succeed only when there exists a market which is interested in our product. Successful implementation of new products often supposes market with big growth potential and appropriate size.

Investors or potential partners are usually interested in facts about markets, under what conditions will the company be operating and how will be competing. Based on market analysis it needs to be proved that those potential markets really exist. Processing of this analytical part is absolutely necessary for starting new business and SLEPT analysis may serve as a suitable concept. (7)

#### **3.2.7.1. SLEPT analysis**

Every company needs to know what environment it will be operating in and which factors and their development might be influential for the business. It must be able to analyse these factors and respond flexibly to changes in its surroundings.



For such purpose, there is SLEPT analysis which allows the entrepreneur to analyse individual factors and assess potential impacts on the business.

Factors are as follows (5):

- Sociological – demographic indicators, labour market, average wage, regional conventions
- Legislative – laws and regulations affecting running the certain business
- Economic – macroeconomic indicators and assumptions, taxation, inflation, interest rates, economic development
- Political – assessment of political stability, political trends and attitudes towards the entrepreneurship
- Technological – trends, general technological level, research and development, state support for research and development

### **3.2.7.2. Porter's five forces competition framework**

The author is Professor Michael E. Porter from Harvard University. He compiled this model as a response to popular SWOT analysis which he considered too general. However he did not manage to replace it completely, nowadays both of the methods are used in practice.

Porter tries to infer strength of competition and thus profitability in the certain sector based on the analysis of five forces that can threaten entrance. He argues that a company has to analyse these forces before actual entering the market. Afterwards, the main task is to propose steps to act either against or in favour of these forces. This model is often used for analysis of sector environment and for evaluation of strategic opportunities of the company and threats from the competition. The greater the intensity of some of these five forces, the more difficult situation the company has on the market and greater demands are put on its strategy. (8)

Five forces according to Porter (8):

- Threat of new entrants
- Threat of substitutes
- Bargaining power of buyers
- Bargaining power of suppliers
- Rivalry among existing firms (intensity of competition)

### **Threat of new entrants**

One of the forces is threat of new entrants into the market. These companies may create pressure on the price by e.g. introductory prices, innovation etc. However there exist few barriers which prevent them to enter and are distinguished by Porter according to several entry difficulties arising due to imperfect competition. These include:

- Economies of scale – established company with higher volume of production has lower production costs
- Product differentiation – due to diversity of product brand, service, etc.
- Capital input – initial investment in production, marketing, etc.
- Distribution channels – development of new network of customers and suppliers
- Government regulations, legislation
- Willingness of customers to welcome new brands etc.

Regarding these difficulties, customer transition costs to new product can be mention as a major barrier for new product. Either the product has to be offered for very interesting price or has to bring something special or innovative to the customer (3)

### **Threat of substitutes**

By substitutes in this case, it is meant anything what can in any way replace the product which is consumed by the customer. It might not be a specific substitute such as for example bread for rolls. It might not be even substitute at all. Therefore when analysing this force it is more appropriate to be devoted to questions regarding increasing customer's loyalty, how much are the customers prone to search for substitutes or how much they are satisfied with current situation on the market, concretely with products and services. (14)

### **Bargaining power of buyers**

As for the buyers and their bargaining power, it is not advisable to have too concentrated group of buyers because than they are in very strong negotiating position. By this, it is meant especially their bargaining strength about the price, whether it is direct bargaining when the customer is bidding on the price or indirect bargaining when the customer can simply start buying lesser volume or the product or switch to the competition. (8)

### **Bargaining power of suppliers**

Another force which significantly affects the business is, according to Porter (8), bargaining power of suppliers. Naturally, the more dependent the company is on its suppliers the higher power they have over them. Generally, a small set of suppliers create environment with pressure on the price of supplied products and also on the deadlines etc. Therefore it is necessary to deal with questions regarding technological dependence on specific suppliers, presence of alternative suppliers, and level of competition among the suppliers in the area and existence of substitute products.

### **Rivalry among existing firms**

Concerning this force, the entrepreneur has to analyse how big strong are the competitive measures on certain market, how much it will cost to spread the awareness about his company, if the market is dynamic and if he will be able to develop the company while

exploiting the competitive advantage and keep up with the competition. Competitive rivalry is basic category for mapping the entire industry. It is important to map competitors' pricing, product and marketing strategies and their strengths and weaknesses. (10)

Furthermore in a business plan, there are stated information about:

- Overall market
- Target market

The overall market has to be accurately determined as well as the target market will be determined within the overall market. The overall market contains all possibilities of usage of the product or service. However it is advisable rather than targeting the entire market to identify a smaller segment within the overall market. In this section of business plan, there are especially concerned such segments which (6):

- Draw benefits from company's product
- Have easy access to the product
- Which are willing to pay for the product

It means that the entrepreneur defines the target market and its characteristic signs. The better definition of the market the better the company is able to adapt their products and sell them. It is unfortunate when the entrepreneur over or underestimates the market by poor definition.

Product or service can succeed only when it is able to meet specific needs of customers. However it is not recommended to adapt the products to every individual customer. Potential customers have to be divided according to selected criteria into so-called segments. The market can be segmented for instance by application area, customer demands for price and quality, regions or buying motives. These criterion are very helpful for segmenting customers with similar needs and similar buyer's behaviour. On the other hand, the size of the target market should enable the business to profit. Another criterion are type and modification of product, price formation, focus advertising, methods of selling etc.

Afterwards, the entrepreneur will choose the most suitable and interesting segments and those generate the target market. It is not important to target all of the segments but only those which promise highest profits in the future. To verify whether the segments were correctly chosen, following criteria are used (7):

- Size
- Growth
- Possibility of demarcation
- Availability of customers
- Compliance of product and customer's needs
- Power of competition

Collectively, the segmentation always help to build a marketing strategy according to the target market and raise the effectiveness.

Afterwards there comes the market research. Investors and potential partners are looking for specific numbers and facts about market volume and its growth, as well as for demand and behaviour of customers. The research is in most cases very difficult and expensive.

Among suitable information sources are internet, statistical offices, annual (semi-annual, monthly) reports providing information about individual regions, materials from ministries and other governmental institutions, trade unions and associations, various scientific publications, newspapers, news, business bulletins etc.

Small companies may choose not to pay for an expensive market study. They may do the research on their own what saves them a lot of money and also it leads to better cognition of the targeted segment and to establishment of influential connections.

This is a helping procedure for conducting a research (7):

- Make a list of questions it is important to get answers to
- Write down what information are necessary to answer above questions and which sources will be needed
- Make a questionnaire or checklist and absolve as many interviews as possible with clients, suppliers, various specialist etc.
- Focus not only on numbers but describe in words the target market and its future development as well as what factors will probably influence that and what value it brings to the company

It might happen that the entrepreneur gets into phase where there are no reliable data in disposition, for example when it comes to questions about size of overall or target market. In such case there is an estimation. It is a crucial part of planning and decision-making processes. Following principles should be respected (7):

- Estimation is built on secure basis. Many things are not known but the basic numbers have to be proven.
- Estimation is logical and understandable – no leaps of thoughts or unspecific assumptions.
- Information are attested and checked from several sources.
- At the end, estimation is critically tested if it genuinely makes sense.

### **3.2.8. Competition analysis**

Many entrepreneurs think that there is no competition for their ideas but they are almost always wrong. And for many reasons. One problem can be solved by many ways. Very often you do not even know about all of them. Hence it is important to perform very thorough analysis of competition.

First the entrepreneur identify *real* competitors. Those are such who operate in the same target market and sell same or similar products. Beside there are *potential* competitors who are not constituting a threat right now but might in the future. (5)



If there is a huge amount of competitors on the market, it is very time-consuming and expensive to explore all of them, even the smallest ones in details. Therefore the competitors will be divided into two groups – *major* and *secondary*. Among major ones there are companies which play significant roles within the market and will continue in the future and the companies which are very similar.

Once the competitors are identified, their weaknesses and strengths have to be analysed. For clarity there is no need to go into details when integrating this part into the business plan. However the entrepreneur has to have in mind that the review should be evaluated from the side of customers so it is objective. Therefore it is not bad to empathize into the role of customer or ask them straight. (7)

### **3.2.9. Marketing and business strategy**

Marketing and consequently sale itself are very influential aspects for the future of the business. Thus reading of the business plan must convince the readers that the company's marketing and business strategies are excellent.

Marketing strategy basically addresses three areas of problems (decisions) (4):

- Selection of target market
- Determining market position of the product

- Marketing mix

Starting point for *selection of target market* is segmentation. Segmentation is discussed above within the chapter 3.2.7. *Potential markets*. When selecting segment, size and buying power are considered. Based on that the value of segment is determined.

Afterwards, the entrepreneur faces the decision of what position he will take within the selected segments. *Determining market position of the product* is fundamentally expression of status of specific product among other competing products on the market. The company's goal is to achieve a specific perception of the product in customers' minds and differentiate itself from its competitors on the given market. For determining the position the author proceeds in three steps:

- Identification of possible competitive advantages of the product on which basis it is attainable to build the position
- Choosing optimal competitive advantage – it should be such advantage which is important for consumers and in compliance with mission of the company and its possibilities
- Choosing effective way of communication and propagation of above advantage

Next follow decisions about *marketing mix* which take into account the selected market segment and the position. According to (4) marketing mix consists of tools which are mutually combined. The most well-known marketing mix consists of so-called 4Ps:

- Product
- Price
- Placement
- Promotion

Nowadays there exist various modifications. Numerous companies use marketing mix comprising of so-called 7Ps – by adding tools such as people, processes and physical evidence (12).

In connection with development of customer relationship management and relationship marketing, there extends such a one marketing mix with 4Cs:

- Customer
- Cost
- Convenience
- Communication

Adjoining chapters discuss traditional 4P marketing mix from the perspective of business plan. (4)

### **3.2.9.2. Product**

Product is such tool of marketing mix which gets most of the attention because it creates the essential part of the company's offering on the market and immediately satisfies

customers' needs. For these named reasons, product is the core of marketing. Basic issues examined in the business plan within the product policy are:

- What products are about to be offered, placed on the market or withdrawn from the market in specific period
- Product attributes or their changes concerning characteristics of product such as design, brand, packaging, warranty or additional services
- Product mix – what volume and range of concrete product will be produced
- Life cycle of the product – how will be the product developing, its introduction on the market, phase of maturity and decay, upgrade procedure or new generation of product

If a company disposes unique technical solutions, the investors reading the business plan will be interested in a protection of such solution. Whether it is patent or otherwise protected and if the entrepreneur has prepared a plan for protection. It is to be expected that for any potential patent protection, human and financial resources need to be allocated.

### **3.2.9.3. Price**

Great deal of attention also goes to second tool of marketing mix which is price. The importance of pricing policy consist in fact that height and stability of the price are elements on which depend the company's existence and prosperity. By setting the price, the company determines its position in the hierarchy of consumers, influences their purchase decisions and at the same time determines its competitive position.

Among factors considered when setting the price are:

- Company's goals and objectives of pricing policy
- Expenditures
- Demand
- Competition
- Phase of product life cycle
- Legal and regulatory measures (e.g. fixed maximum prices in some industries etc.)

The basis for pricing is set by the pricing policy of the company which is based on company's goals. The price is then set in accordance with those. Here are some examples of pricing policy:

- Focus on biggest market share. Pricing policy comes from assumption that company with biggest market share reaches the lowest expenses and long-term highest profit on that market. Setting the price is mainly based on analysis of prices of competitors while our prices are average or below the average in comparison with competition.
- Focus on survival. This kind of pricing policy is set when the company faces lots of competitors or when customer preferences change suddenly or when the company disposes very high volume of stock. This might mean that the price does not include profit – is below the level of costs. However this can last only in very short time period in which the company has to solve its situation or leave the market.

- Focus on maximization of profit. Such pricing policy comes out of the demand assumption and the price is set to bring maximum profit, respectively maximum rate of return on investment.

#### **3.2.9.4. Placement**

Most of entrepreneurs know their product, its competitive advantage and added value for customers. They have an idea for what price they will sell their product but they are missing distribution policy – design of appropriate sales organization.

It is necessary to explain sales strategy in the business plan and describe utilization of individual distribution ways. Basically it is answering on following questions:

- Will the entrepreneur handle all sales activities? Will the sales go straight to end customers? This option is suitable primarily when selling expensive products, taking large volume or selling products individually customized for commissions. Also in case when there is low number of potential customers or very strong competition.
- When there is need for usage of mediators, the entrepreneur has to ask what people, institutions or companies come into consideration, which are the most appropriate?
- If such mediators are used, there appears question which business organizations will be involved? Will there be cooperation with wholesale organizations or just retailers?

Structure of a business unit is shown in the business plan including number and qualifications of employees. It can be mentioned how the business strategy could be adapted in the future according to changed products or new customer needs.

Sales expenses are often concluded in the business plan as a percentage of turnover. However this method is not always the best one. Example of more appropriate one is as follows:

- First sales goals are defined, e.g. turnovers which are desirable to achieve
- Determining required number of orders or customers
- Estimation of costs needed to gain those orders
- Costing for all other sales activities such as customer service, training, installation, maintenance and service, sales administration, evaluation of participation on conferences
- Definition of required number of employees for above tasks. It needs to be taken in mind that they will need training and might get sick or take day off.
- Determining qualification of sales department
- Besides personnel expenses, there also arise travel costs, costs of sales promotion, telecommunication services, training, cars etc.

#### **3.2.9.5. Promotion**

Communication is probably the most visible element of marketing mix. Usually people imagine advertisement in connection with marketing which is one of the tools of

communication mix. Through preferred communication policy, the company tries to fulfil its economic goals – stimulate demand for purchase; information goals – give information about existing product, its characteristics, quality and way of usage; emotional goals – create positive approach and preferences to the product. Following elements are helpful:

- Advertisement
- Sales support
- Public relations
- Personal sales
- Direct marketing

*Advertisement* is paid impersonal form of communication through various media, especially mass media. The most useful advertising is such where the company needs to address wide range of consumers. One-way communication can be appointed as a disadvantage which leads to decrease of its urgency and persuasiveness.

*Sales support* might be used for end consumers and business agents as well. Forms of sales support for end consumers are as follows:

- Bonus – price advantage
- Coupon sales
- Free samples
- Loyalty programs



- Contests for customers

*Personal sales* are considered as the most effective form of communication. At the same time, this activity is also the most expensive one. Basically, it is getting customers by direct dialog between the seller and the buyer. It enables the seller to watch immediate reactions of the buyer, his needs and behaviour so he can adapt and emphasize such product characteristics which are important for the buyer. It is used especially when selling to companies or selling products which are complex, risky or costly. For example:

- Business meeting
- Conferences, exhibitions
- Sales counselling
- Informal meeting

Public relations are not only understood as a relationship to potential consumers but also as a relationship to all market operators and company's groups of interest (employees, media, broad public, state authorities etc.). Its role is to contribute to uplift company's image in eyes of public and indirectly stimulate demand for its products. Prosperous relationships can contribute to gain new contracts, loans or strengthen positive approach of consumers to the company. Expenses on public relations are minimal and moves which belong to the area of such communication policy are:

- Charity gifts, sponsorship
- Regular provision of information to public (press conferences, annual reports)

- Communication with media
- Issuing company's magazines

*Direct marketing* mainly uses post mail, phone, e-mail and other tools of contact for immediate position of information and to obtain direct answers from certain customers and investigate their opinions.

### **3.2.10. Implementation project plan**

While constructing business plan, time schedule of all activities and their supply covering is very important step. First the entrepreneur has to pick out all important actions which have to be done, goals which need to be achieved and their deadlines, in order to implement the business plan. There exist special diagram, so-called Gant chart that illustrates all planned activities as line segments in diagram. Based on that diagram, it is clear when and what activities are about to start and how much time it will take. Beginnings and ends of lines are represented as landmarks. When processing financial plans, Gant chart can be used for deriving amount and term of investment and personal expenditures (2).

### **3.2.11. Assumptions for success and risks**

#### **3.2.11.1. SWOT analysis**

Essential part of a business plan is so-called SWOT analysis which proves that the entrepreneur knows all internal and external factors influencing future business. These factors include (7):

- Strengths
- Weaknesses
- Opportunities
- Threats

#### **Internal analysis**

Strengths and weaknesses focus on aspects within an internal environment of the company. To certain extent, the entrepreneur has control over these aspects which are possible to be either supported or prevented by the company itself.

As *strengths* of a company internal resources and capabilities are presented as well as positive situational factors which help the company to easily achieve its goals, for example strong management team or qualified workforce or service which is better than of a competition. Certainly more strengths the company has the better position it can build on.

While analysing the *weaknesses*, goal of the entrepreneur is to overcome the readers and show them that he is aware of every possible factors that might affect the company's future business. Internal limitations or negative situational factors interfering with company's performance can be determined as weaknesses, e.g. price policy, lack of experience in marketing field or capital power. When listing such factors, it is advisable to immediately respond with positive solution to show that the entrepreneur is engaged in eliminating those weak factors. (9)

### **External analysis**

Opportunities and threats come from the external environment. Their analysis enables to emphasize attractive opportunities or, in the same time, think out in advance problems the company might have to face.

By *opportunities*, Stutely (9) mean favourable factors or market trends which might be used by the company to exploit certain advantage. Opportunities should be assessed in terms of their attractiveness and probability of success.

On the other hand, *threats* are unfavourable factors or trends which might present unequivocal challenge for the company's performance and should be assessed in terms of severity and probability of occurrence.

SWOT analysis is relatively quick, easy and cheap. However it might be distorted to some extent but the company can still use it for achieving its competitive advantage by eliminating its weaknesses and supporting its strengths. Concurrently on the basis of this

analysis, the company has to maximally exploit the opportunities and take some steps in order to avoid the threats which have to be constantly monitored and anticipated. The company has certain control over the internal factors and can affect their operations while the external factors can be only reacted to.

### **3.2.12. Financial plan**

Financial plan transforms all above parts of business plan into numbers. It proves feasibility of the plan from economic point of view. Outputs of financial plan are expenditure plan, revenues plan, cash flow, planned profit and loss, planned balance sheet, financial analysis, break-even point, effectiveness of investment etc.

In case of starting-up company, resources for establishment, acquisition of fixed and current assets and financing operating costs are needed before the company receives first profits. For example rent, salaries, gas and electricity, purchased goods etc. (11)

#### **3.2.12.1. Revenues and income planning**

Revenues are results of business in terms of money for certain time period. If a company keeps double-entry bookkeeping it needs to be taken into account if the money for sales have been already received or not. That is why there is a difference between revenues and

income. Income is kind of money actually received by a company for sold products.

Examples of revenues and their connection with income follow (7):

- Revenues from sale of products – directly related to income
- Change in inventory – not related to income
- Operating revenues – related to income
- Activation – not related to income
- Financial revenues – related to income

Accounted revenues are than in conflict with real income of the company. For example, company supplies products through invoice and accounts revenues because sales are increasing revenues. Simultaneously company pays for expenditures connected to production (salary, electricity, material etc.). Even if the customer has not still paid the invoice, company has to report all the actions. Moreover they have to pay taxes and it might happen that the company is actually out of money. That is why it is important to secure not only revenues but especially income. It is not only about selling the products but also about securing the income from sold products and within agreed deadline.

### **3.2.12.2. Costs and expenses planning**

Costs represent consumption of means of production expressed in money and should be spent efficiently economically. Costs are not identical with expenses. Expense is decrease

of money and does not automatically creates value. Expense becomes cost only when immediately enters production of product or service.

If the company wants to be effectively managed, structure of costs needs to be taken into account. Costs can be tracked according to following(7):

- Type (material, salary, energy, depreciation, etc.)
- Purpose (budgeting, costing)
- Activity (operational, financial, special)
- Dependence on changes of production volume (variable and fixed)

Any way of tracking costs provides different information significant for managing the company. Tracking by type can be used when comparing with similar companies. Purpose tracking is important for calculations. Valuable information is brought by distribution costs according to variable and fixed:

- Variable costs are such that change with volume of production.
- Fixed costs do not change with volume of production (depreciation, insurance, telephone fees etc.).

When the entrepreneur has an accurate idea about the company's variable and fixed costs, it enables him to calculate break-even point.

### **3.2.12.3. Financial statements**

Investors and especially bankers expect the business plan to encompass financial statements of the company such as cash flow, profit and loss account and balance sheet. They are perfectly oriented in these documents and appreciate a lot their elaboration. (7)

*Cash flow statement* specifies expected revenues and expenses related to company's activities. Initial phase of start-up business should be processed more into details (dependent on capital intensity; at least first six months). In further periods, annual data is sufficient. The reader then obtains an information whether the company will have adequate amount of money to implement its project.

*Projected profit and loss account* quantifies revenues, expenses and profit. Regarding this financial statement, it is advantageous as well to provide detailed information for the first six months. Such report provides data about profit in each year and whether the company will be able to pay interest and whether the generated profit will enable to cover projected loan repayments etc.

*Projected balance sheet* illustrates expected development of the company's assets and liabilities. It is recommended to assemble an opening balance sheet, balance sheet for the first six months of running business and then following periods by the end of each year. Balance sheet informs the readers about structure of company's assets and their recovery as well as about sources of funding on business start-up, expected structure of loan



repayments and severance of retained earnings. Assets and liabilities must be always mutually balanced.

Projected financial statements are followed by brief commentary and have to be processed based on real data. It is essential to convince the readers about effectiveness of the plan. According to (11), favourable development of financial situation of the company can be demonstrated by using financial ratios including primarily indicators of liquidity, activity, leverage, profitability or market.

Liquidity ratios inform about ability to meet day-to-day operating expenses and satisfy short-term obligations as they become due, consequently about short-term stability of the company. Activity ratios show intensity of use of individual assets and how well the company is managing it. Leverage ratios educate the readers about amount of debt used by the company, meaning in general a long-term stability of the company. Profitability ratios measure company's ability to make profit and increase value of invested capital. Last but not least the market ratios inform about per-share profitability and its impact on company's market price. (11)

Furthermore it is encouraged to calculate a *break-even point*. It helps the entrepreneur to find out such volume of production which enable him to make profit. Break-even point is a point where expenses and revenues are equal. The higher the break-even point is the less the company is able to resist e.g. decrease of demand.

When processing investment projects, evaluation of effectivity of investment has to be done using return on investment, net present value and internal rate of return.

Constituent part of financial plan is also proposal on financing the project. If required a credit, it is necessary to state the amount needed, time of repayment and conditions under which they will be provided.

When creditors evaluate the business plan they are focusing mainly on firm's ability to pay interests. On the other hand investors are studying the company's value as very substantial element therefor the business plan should be processed in such way it convince them that the company will be prosperous and gradually increasing its value over at least next five to seven years.

It is advisable to submit more scenarios of financial plan. Usually, the entrepreneur develops three scenarios – optimistic, realistic and pessimistic.

### **3.3. ESTABLISHMENT OF A NEW COMPANY**

Establishment of a new company is nowadays relatively simple and fast, of course, depending on a legal form of starting company. The entrepreneur has to bear in mind that starting up a new business brings not only financial responsibilities but also other obligations and duties regarding administrative issues raising from establishment itself.

Because this thesis deals with business plan for establishment of a new company by two individuals in the centre of Prague, following part provides directions for such process of founding new limited liability company in Czech Republic.

### **3.3.1. Limited Liability Company**

Limited liability Company (“společnost s ručením omezeným in Czech) is a legal entity which is commonly used all over the world, however in different countries might be subject to slightly different rules. In Czech Republic, it is the most common form of legal entity and currently the simplest type of Capital Company.

Limited liability company legislation is mainly engaged in Business Corporations Act which came into force on January 1<sup>st</sup> 2014 and partially replaces the Business Code. §1 - §94 define common basis for all business companies. Specific guidance for limited liability company is defined in §132 - §242.

Basic characteristics are: (22)

- The lowest number of shareholders: 1 individual or 1 legal entity
- The highest number of shareholders: unlimited
- Minimum capital: 1,- CZK
- The lowest possible deposit: 1,- CZK
- The highest possible deposit: unlimited
- The amount of reimbursement of deposit: 30% of cash deposit, 100% of in-kind deposit
- Due date of repayment of deposit: determined by shareholder agreement contract, no later than 5 years from establishment or resumption of deposit obligations

- Partner liability for obligations: jointly and severally liable to the extent of the deposit which has not been fulfilled according to status in the Business Register when they were asked by creditor to meet the liability
- Business authorities: General Meeting, statutory body – Board of Directors, Supervisory Board (optional), others according to the shareholder agreement contract
- Founding document: shareholder agreement or articles of association in a form of public document

### **3.3.2. Procedure for establishment of Limited Liability Company**

For establishment of Limited Liability Company, following acts must be accomplished (22):

- Formulation and signing of a shareholder agreement contract or articles of association
- Repayment of deposits before creation of Limited Liability Company
- Obtaining a business licence
- Proposal for inclusion to the Business Register

### **3.3.2.1. Formulation and signing of a shareholder agreement contract or articles of association**

Limited Liability Company (hereinafter Ltd.) is founded by signing a shareholder agreement contract when establishing by two or more partners. The founders can be individuals or legal entities both from Czech Republic or abroad.

Ltd. can also be founded by only 1 founder who has to sign an articles of association.

The law newly does not preclude a Ltd. with only one shareholder to establish another new company with only one shareholder.

The shareholder agreement contract or the articles of association have to carry the form of a public document. Inadequacy of prescribed form void the contract.

Following elements must be present:

- Name and address of the company
- Determination of shareholders by stating their name and domicile
- Business activity
- Determining types of shares of each shareholder and rights and obligations associated with them, if allowed by the shareholder agreement contract
- Amount of capital and deposit or deposits per share of each shareholder
- Number of directors and their status when acting on behalf of the company (22)

### **3.3.2.2. Repayment of deposits before creation of Limited Liability Company**

Usually the capital is being deposited into a new company's bank account. Before submitting a proposal for inclusion to the Business Register, the deposit premium has to be paid out (the difference between cost of in-kind deposit determined by an expert opinion and the investment of shareholder) as well as 30% of the cash deposit (if the shareholder's deposit counts to 20 000, - CZK, the shareholder must repay at least 6 000,- CZK before the registration). The law thus only states the minimum scope of repayment before the registration. The shareholder agreement contract may also determine repayment of the deposits on a larger scale or in the full amount. Otherwise the deposit obligation has to be fulfilled within 5 years from the date of establishment or from resumption of deposit obligations. (21)

### **3.3.2.3. Obtaining a business license**

In case Ltd. is established for the purpose of business, the directors must apply for business or trading license.

License for business in sector of gastronomy requires extra certificate concerning education focused on gastronomy. If the entrepreneur owns such education than he will not have any problems with obtaining the license. In case, he is not officially educated, it will be necessary to prove at least 6 years of practice in this field or to bring another person with proper certification who will formally become a responsible person for his business.

After six years of running the business, such responsible person will be needless and might be deleted from the entrepreneur's folder. (18)

#### **3.3.2.4. Proposal for inclusion to the Business Register**

Such proposal has to be applied for by all executives. In case the application is submitted in written form, all the signatures have to be officially verified. The electronic form must include acknowledged electronic signature or sent via data mail box of person who then submits the application.

The proposal and the enrolment into the Business Register is done in Czech language. However the petitioner may request the registration to be also carried out in a different language. Directors may delegate the preparation and filing the application for registration to other persons, such as e.g. a lawyer, and the authenticity of signatures on the power of attorney must also be notarized.

## **4. ANALYTICAL PART**

This part of thesis consists of following analyses: market analysis, competition analysis, SLEPT analysis and Porter's analysis of five forces.

## **4.1. Market analysis**

For successful processing of business plan, it is of great importance to analyse the market environment where the company is supposed to be undertaking its operations and evaluate whether it has a chance to succeed on a given market or not.

### **4.1.1. Area of operations**

The company will be located in Prague, the capital city of Czech Republic. Population of Prague to date 31/12/2014 is 1 259 079 inhabitants and the city is divided into 22 individual districts. Concrete district representing location for this project is Prague 7, specifically a part of this district which is called Letná. Prague 7 lies north of Prague's historical centre mainly on the left bank of Vltava River but small part extends also on the right bank. It is largely surrounded by water and that is why sometimes it is called Prague's biggest peninsula. It is part of the wider centre of the city and still it has lots of green areas such as for example Letná Park or Royal Park of Stromovka.





at the Jubilee Exhibition in that year and Ethnographic Exhibition in 1895. Another eminent place is Letná Park. Its history dates back to the 15<sup>th</sup> century when there began planting of wine grapes. It went through lots of intervention and changes and nowadays it serves like a green place within the wider centre of Prague with picnic spots, number of beer gardens and stunning view of the city, especially at night.

Letná area will be the main area of opportunity for this project. However given the nature of the business, the concept will attract people from other districts. The closest ones with very good transport connections are Prague 1 and Prague 6. In exceptional cases the whole city can be taken into account but attracting such remote customers would require huge marketing and promotional efforts which would be initially beyond capabilities of the project and its financial options.

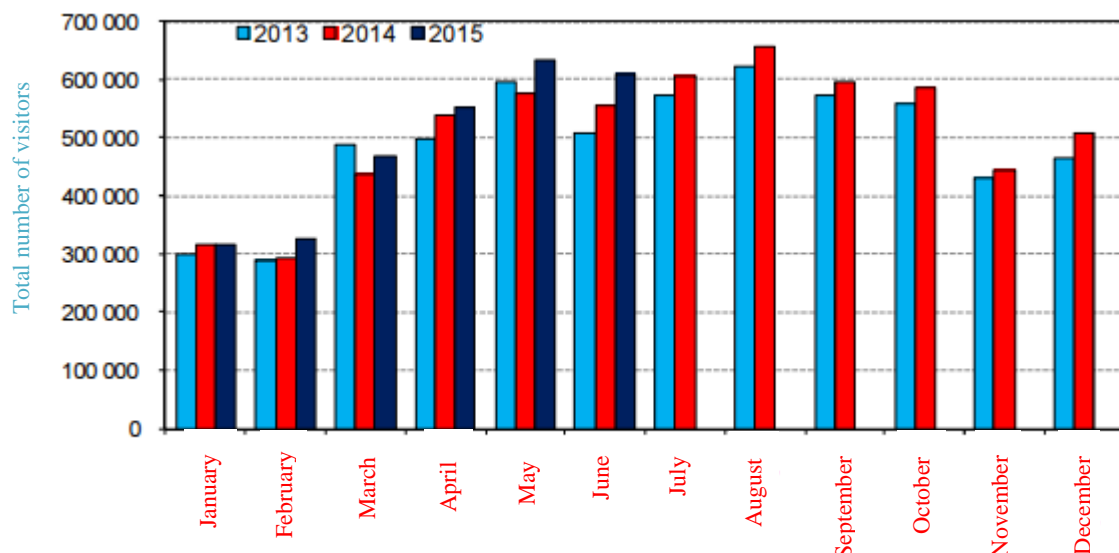
Prague 1 and Prague 6 neighbour with Prague 7 and together these three regions represent market with size of more than 170 000 inhabitants. All of these districts are very significant areas in terms of Czech tourism. The most frequent area for tourism is in Prague 1 where the city centre is located including the historical part of Prague – The Old Town, The New Town, and The Lesser Town with Josefov and Hradčany where the Prague Castle complex is located. Regarding district Prague 6, it is of bigger area than Prague 1 and 7. The part which is the closest to Letná and city centre involves important institutions such as three large universities including the Czech University of Life Sciences Prague which is very favourable for this particular project.

#### 4.1.2. Tourism

In general, Prague is the most important and largest urban reserve in Czech Republic. The historic centre of Prague is on the UNESCO World Heritage List since 1992. Also thanks to all the historical and cultural place and activities it is the most visited city in republic by both domestic and foreign tourists.

According to Czech Statistical Office (15) the collective accommodation establishments in Prague housed total of 2.9 million guests during the first half of year 2015. It is 7.4% more visitors than in the first half of year 2014. The overall structure of visitors shows the majority were the non-resident guests with 85.4% (2 482 758 people) and the rest of 423 700 people were visitors from other parts of Czech Republic.

The picture below represents graph of development of monthly trend of Prague visitors in years 2013 to 2015. Obviously the trend is increasing each year.



Graph 1: Development of monthly trend of Prague visitors in years 2013 to 2015; Source: [https://www.czso.cz/documents/11236/26929654/RI\\_20150807.pdf/da0f4f5e-f4fa-435b-adf5-b568e8cf89ef?version=1.1](https://www.czso.cz/documents/11236/26929654/RI_20150807.pdf/da0f4f5e-f4fa-435b-adf5-b568e8cf89ef?version=1.1)

#### **4.1.3. Market definition**

This project will be part of gastronomy industry including hospitality and restaurant services. For such industry very strong competitive environment is typical. There is high level of substitutes on the market, customers are extremely demanding regarding all gaining services and also they are very easily to be lost in favour of competition. Therefore the quality of services offered is crucial and the business itself depends on this. Slight mistakes might cause loss of customers but on the other hand minor changes might gain new ones. The market is generally very sensitive to changes and demanding on both product itself and service which is an essential part of the business.

#### **4.1.4. Typical customer**

In addition to market analysis, it is indispensable to determine who will be the company's customers.

This project will focus on two main groups of customers. First the locals from Prague 7 customers from the near districts above mentioned and finally tourist who annually visit the city for local attractions, culture and social events.

According to preliminary estimations, the company's clients can be divided in following groups:

**Usual clientele** – these will be customers from Prague 7, 6 and 1 and its near surroundings. For this category, typical purpose of the visit will be friends gathering, little snack, celebrating events etc. Basically an ordinary bar with typical purpose where the innovative concept will play only supporting role from 80% as a diversification of the typical bar environment. For sure, there is an assumption that about 20% visitors from this category will stop at the bar for the purpose of amusement from the new concept.

**Special clientele** – this category includes customers who intentionally visit the bar because of the concept. Such customers are not only from the nearest districts but from the whole city of Prague. However without effective promotion the company cannot count on special clientele from further areas. Moreover the services have to be excellent in order to spread the awareness about the bar even without the help of promotion.

**Tourist clientele** – a specific group of customers which can be taken into account by any bar at any place. It depends primarily on the city attractiveness where the bar is situated, marketing promotion of the bar or the attractiveness of the bar itself for tourist experience. As it was mentioned above, Prague is annually visited by millions of either Czech or foreign tourists, therefore it is desirable to focus marketing promotional activities to this clientele category. There are several ways, important are good directions of the bar as well as for example placing the advertisement in information tourist centres and the most interesting tourist attractions. An increase in promotion while the most interesting tourist events is also advisable. Since Czech Republic is famous for its good-tasting beer and the low price of pint of beer according to other European countries, it is possible to say that this specific bar itself will be attractive for tourists. Thus it is appropriate to establish the

bar's own presentation in simple way such as websites, profiles on social networks like Facebook, Twitter, Trip advisor or Foursquare or any other form of internet or printed advertisement.

Parameters of typical customer for all above defined categories:

- Age 18 – 64 (productive part of population including students; males and females)
- At least secondary level of education
- With permanent income (students or employed)
- With income higher than minimum subsistence level

#### **4.1.5. Market size**

For determination of approximate size of market, above information about area of operations can be used. However more accurate determining of market size should be based on SLEPT analysis where more specific numbers of potential customers will be defined by parameters of typical customers. Hence the potential size of market will be quantified later in this thesis after processing the mentioned SLEPT analysis.

#### **4.2. Analysis of competition**

Regarding the gastronomy industry including hospitality and restaurant services, primarily local competition from defined area of operations will be taken into account. As long as in this area there are almost two hundreds of bars and more than fourteen

hundreds of pubs and restaurant facilities serving beer according to portal [www.firmy.cz](http://www.firmy.cz) (17) and are considered as substitutes for product offer by this particular project, only the most threatening competitors according to the author will be analysed in detail. Facilities included in following analysis have similar typology of customers as mentioned in above section 4.1.4. Typical customer and are reckoned as direct competition.

### **The PUB Pilsner Unique Bar**

This competitor is considered as the most threatening one because it is based on similar concept as this project and right now it is the only provider of such concept in Czech Republic. It was the first ever awarded company here for innovative benefits across the business sectors. Besides Czech Republic, The Pub Franchising, s.r.o. is franchising concept providing its services also in Germany, Austria, Slovakia and Romania. There are eleven facilities in Czech Republic and five of them are in Prague including districts Prague 1 and Prague 6.

The Pub's particular concept links quality food, well-treated tank beer from Pilsner Urquell brewery (one of the best rated beer brands in Czech Republic which is part of SABMiller group) and unique entertainment brought to their guests. The most significant attribute of their project is the phenomenon of self-tapping beer joint with modern information technology giving tremendous opportunities in the field of hospitality, entertainment, communication etc.



Picture 2: Interior of The PUB Pilsner Unique Bar; Source: <http://www.thepub.cz/>

Guests can participate in various beer games projected on projection screens not only within the particular pub they are sitting in but also across the whole chain of The Pubs. Among other unique offers belong ability to order food and other drinks or play songs from jukebox via touch panels sculpted in the tables or being part of the Pub Club where customers can gain various types of sales or gifts.

Moreover there are several advantages resulting from the fact that it is a franchise. It is for instance economies of scale, their mass shopping policy which makes them more attractive for suppliers in terms of higher volume of orders, sophisticated training techniques including professional beer tapping etc. According to server Trip Advisor which is very popular among people who are travelling, The Pub in Prague 1 is evaluated by 4 out of 5 stars which means very good. On the other hand, The Pub in Prague 6 is evaluated by only 2.5 stars out of 5 which might play role in favour of this project.



### **Potrefená Husa Restaurants (translated as hit goose)**

This franchising concept was introduced by Staropramen brewery which is also one of the most famous breweries in Czech Republic belonging to the group of world leading brewing company Anheuser-Busch InBev. The idea was first intended to improve the culture of drinking beer in Czech Republic together with improving level of gastronomy. The goal was reached by starting this concept which presents well-treated beer from top brewery, excellent service and all of that in modern and attractive environment with distinctive interior.



*Picture 3: Interior of Potrefená Husa Restaurant; Source: <http://www.gastrotrend.cz/7-rubriky-clanky/11-inspirace-restaurace/91-paragrafy-poradna/970-nova-potrefena-husa-zprijemni-cestovani-vlakem.html>*

According to (14), the concept records annual turnover about 45 mil. CZK with long-term progressive trend.

They are using synchronized menus which are prepared by the head chef common for all the restaurants. The menus are not unnecessary large and contain types of meals for everybody, meaning also for example vegetarians. They offer lunch menus for favourable prices but the prices on regular menus are slightly higher. However they are corresponding with quality. This scenario also applies to beer prices.

Regarding the facilities located in targeted area of this project, there are three in Prague 1, one in Prague 6 and one in Prague 7. According to server TripAdvisor, all of them are evaluated very well, meaning all of them got 4 to 4.5 stars out of 5.

Based on personal experience, even though the prices are slightly higher than the average, it is mainly about the enjoyment from the overall experience of consuming traditional quality food with good well-served beer by professional, well-informed and kind staff.

### **Club-Club**

This competitor is the nearest one and is located in the same street as this project intends to be. It is a cocktail bar and music club with two floors recently renovated and offers its customers services such as wide range of alcoholic and non –alcoholic drinks and cocktails. The facility has capacity of 120 places and extra 30 places on summer courtyard. According to personal experience and observation, this place is very famous

and popular among younger population between 20 to 30 years and over the years of functioning on the market has developed a steady clientele. Their prices are at the average level therefore very favourable for their specified clientele which is their big advantage.



*Picture 4: Interior of The ClubClub; Source: <http://www.clubclub.cz/>*

Concerning the information from server Trip Advisor, this facility has not been evaluated yet. This fact may be considered as positive for this project. However particular steps than have to be undertaken in order to gain evaluation on such server.

### **4.3. SLEPT analysis**

Individual factors that will more or less affect the future business are being analysed in following paragraphs. The analysis should process clear output about conditions under which this particular business will run concerning social, political, legal, economic and technological environment.

### 4.3.1. Social factors

The most significant of social factors affecting the business are demographic composition of population, financial level, and lifestyle in targeted area, education level and unemployment. Of course, as relevant fact can be also considered what people expect and what appears to be general interest and today's trend.

#### Demography

The primary target market concerns area of district Prague 7 and then Prague 6 and Prague 1. As the secondary market the rest of city of Prague is considered. Following table provides demographic composition of population in those areas.

Population (31/12/2013)	Prague 7	Prague 6	Prague 1	Prague
Total number of inhabitants	41 699	98 261	29 223	1 243 201
Males (out of total)	20 542	46 434	15 189	602 613
Females (out of total)	21 157	51 827	14 034	640 588
Age 0 - 14 (% out of total)	13,5%	14,5%	10,7%	14,1%
Age 15 - 64 (% out of total)	70,2%	63,3%	72,3%	67,8%
Age 65+ (% out of total)	16,3%	22,2%	17,0%	18,1%
Average age	41,1 years	43,6 years	43,2 years	42 years
Life births	506	1 063	256	13867
Deaths	464	1 287	290	12149
Migration	27	-183	-192	-3579

Table 1: Demographic composition of population in Prague; Source: [https://www.czso.cz/csu/xa/dalsi\\_casove\\_rady\\_obyvatelstvo](https://www.czso.cz/csu/xa/dalsi_casove_rady_obyvatelstvo)

Regarding the age structure, it is estimated that this project will awake interest mainly among the middle group of age 15 – 64. Of course, it is not acceptable to welcome guests under age of 18, therefore another composition according to the education level may serve. Such division can be seen in table below.

Population (26/3/2011)	Prague 7	Prague 6	Prague 1	Prague
Age 15+	38480	97974	34064	1110428
Primary level	3 592	8 624	1 967	114 071
Secondary level	19 898	49 149	12 597	609 271
University degree	9 210	29 118	7 387	249 714
No education	110	169	60	2850

Table 2: Composition of population according to the education level in Prague; Source: <http://vdb.czso.cz/>

According to Czech Statistical Office (15), all regions and districts across the whole country record increasing trend of population with higher education, meaning secondary level and university level with degree.

### **Financial level and lifestyle**

Following table compare households and their income and expenses in Czech Republic and Prague. Unfortunately there are no data available from individual districts of Prague.

	Czech Republic	Prague
Number of households	4 304 496	578 702
Average number of members	2,4	2
Gross annual income (CZK)	174 809	247 144
Net annual income (CZK)	154 992	205 793
Net annual expenses (CZK)	135153	175 577

Table 3: Comparison of income and expenses of households in Prague and Czech Republic; Source: Czech Statistical Office

Gross and net annual income of households in targeted area is higher than national average by almost 33% which might seem favourable however on the other hand, the expenses are also higher by almost 30%.

## Unemployment

Table below shows general rates of employment and unemployment in Czech Republic over last 5 quarters of available data, concretely from 4<sup>th</sup> quarter of year 2013 to 4<sup>th</sup> quarter of year 2014.

Czech Republic	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014
Employment (%)	55,4%	55,1%	55,6%	55,9%	56,2%
Unemployment (%)	6,7%	6,8%	6,0%	5,9%	5,7%

Table 4: Employment and Unemployment rate in Czech Republic; Source: Czech Statistical Office

At the beginning of last year 2014 the unemployment decreased by almost 1% and kept decreasing over the whole year. Many positions especially for graduates occurred on the labour market. In the past, there were quite a big difficulties concerning graduating students looking for a job because there was very strong competition among them,

especially students graduating from universities with economic and business focus causing that they were unable to find job.

Table below represents unemployment data from area of capital city of Prague.

PRAGUE	2010	2011	2012	2013	2014
Manpower (thousands)	682,4	658,9	668,5	670,4	664,5
Employed	656,8	635,2	647,6	649,4	648
Unemployed	25,6	23,7	20,9	21	16,5
Economically inactive	414,4	417	410,7	407,5	405,1
% rate of unemployment	3,8%	3,6%	3,1%	3,1%	2,5%

*Table 5: Rate of unemployment in Prague; Source: Czech Statistical Office*

During last 5 years, the unemployment trend in Prague was decreasing except years 2012 and 2013 where it stagnated on the same level. Nowadays it is below 3% which means the situation on labour market is very good. Of course it is the capital city that is why the unemployment rate is more than two times lower than the national average. Lots of people are travelling to Prague for work every day, especially people from near surroundings such as for example Central Bohemian Region because the Prague labour market has more positions to offer than labour markets in other regions in Czech Republic.

### **Ongoing trends**

Nowadays at the forefront of beer trends it is definitely worth to highlight more and more established microbreweries. Back in year 1991 there was one and only microbrewery named “U Fleků” but the latest changes in consumers’ preferences lead to the boom of microbreweries because people are now looking for a quality and differentiated beer

which diverts from so-called unified cheap beer and they tend to more expensive brands which may satisfy their needs and wishes. Currently the Czech market contains about three hundred microbreweries. Yet those microbreweries own just 1% from total share of beer producing in the country. Their advantage is due to small volume of production they can afford experimenting with producing variety of non-traditional beer of all kinds. On the beer market very demanding kinds of beer are for example wheat unpasteurized beer or Pale Ale. The worldwide market today records a trend with beers called Wood or Barrel Aged which are types of beer resting in barrels after distillates such as whiskey or e.g. good wine.

Such trends can be viewed as an opportunity. Regarding this project, good communication and establishing relationships with suppliers may lead to win-win situation. The bar would gain differentiated products for offering and the supplying microbreweries would have the opportunity to get to the most demanding market in Czech Republic.

#### **4.3.2. Political and legal factors**

Political situation affects all aspects of life and thus also indicates the nature of the business in general because political factors are closely related to legal factors. That means politics is determining quality of business environment. Unstable government is causing complications for entrepreneurs because of instant sudden changes in legal and



regulatory environment. Such behaviour does not enable the entrepreneurs any long-term strategic planning and causes increasing opacity and incomprehensibility of laws.

By entering the European Union, Czech Republic deepened the level of economy openness yet the government's interventions to the economy are still quite large. Some people are criticizing this fact however on the other hand new coalition emerged from last elections in 2013 managed to stabilize the situation in Czech Republic after seven years of right-wing government. The economic stabilization was successfully done through support of household consumption, improving the utilization of European funds, state investment support and promotion of export of Czech products. Such reality shows that the national interests still need to be promoted and supported by their own government and then the overall image of Czech Republic within the European Union will be better. It is evident that today's situation is not simple when looking at Syria, Iraq, Sahel region or eastern Ukraine. The economic sanctions against Russian Federation also partially inhibit smooth start of Czech entrepreneurs and seeking of the market for their new products.

Government responsibility for the integrity of the country is not transferable and requires demanding tasks. Czech society perceives every injustice and so it is important to revive feeling of justice among citizens. This applies to fight against so-called grey economy, tax evasion and reducing corruption. That is why Czech government approved law proposal about electronic evidence of sales. From introducing such evidence, they expect the grey economy to be limited and also better collection of taxes, especially the VTA (value added tax). On the contrary, this will bring additional burden mainly for smaller entrepreneurs. This particular project is concerned because the electronic records will be

first applied on catering and accommodation services from February 2016 which is widely criticized by many people and mainly by the opposition who is ready to immediately cancel it if they come to power in the government. Therefore future of electronic evidence of sales is uncertain and might become only an expensive experiment and additional cost for the entrepreneurs which will be ultimately pointless.

### **Legislation**

The business has to meet all requirements regarding law and regulations which are common for companies in Czech Republic. These legal standards are often changing and it is necessary to monitor them attentively in order to avoid any unpleasant situations.

The directions for establishment of Limited Liability Company in Czech Republic are defined above in chapter 3.3. Establishment of a new company. It is included in the theoretical part, nevertheless it can be considered as a guidance for this project.

Further there are defined the most important taxes and insurances necessary for running business.

### **Income tax**

Income taxes affect all the economically active population. That is why they are considered as a powerful political tool. The income tax is simply divided according to taxpayers to *income tax for individuals* and *income tax for entities*. The first one is applied to any individual who is resident of Czech Republic or non-residents who have income

from Czech Republic. The rate is 15%. Regarding the second one – income tax for entities - subject to tax is income of the legal entity from all activities and all dispositions of property unless stated otherwise and the tax rate is 19%. (26)

### **Value added tax (VTA)**

Taxpayers of VTA may become voluntarily or compulsory when the annual turnover exceeds 1 million CZK. The decision of becoming a VAT payer should be considered in advance. It is convenient for entrepreneurs whose suppliers are also taxpayers because then the tax can be deducted and cost of purchase is then reduced. The basic VAT rate is 21% which is applied for most of the goods. Since 2015 there are two reduced VAT rates, one to 15% and second to 10%. (20)

### **Social Security and Health Insurance**

The employer is obligated to pay for social securities and health insurance for their employees every months. Rate of the social securities is 31.5% (6.5% paid by employee and 25% by employer). Rate of the health insurance is together 13.5% where 4.5% is paid by employee and the rest of 9% by employer. (13)

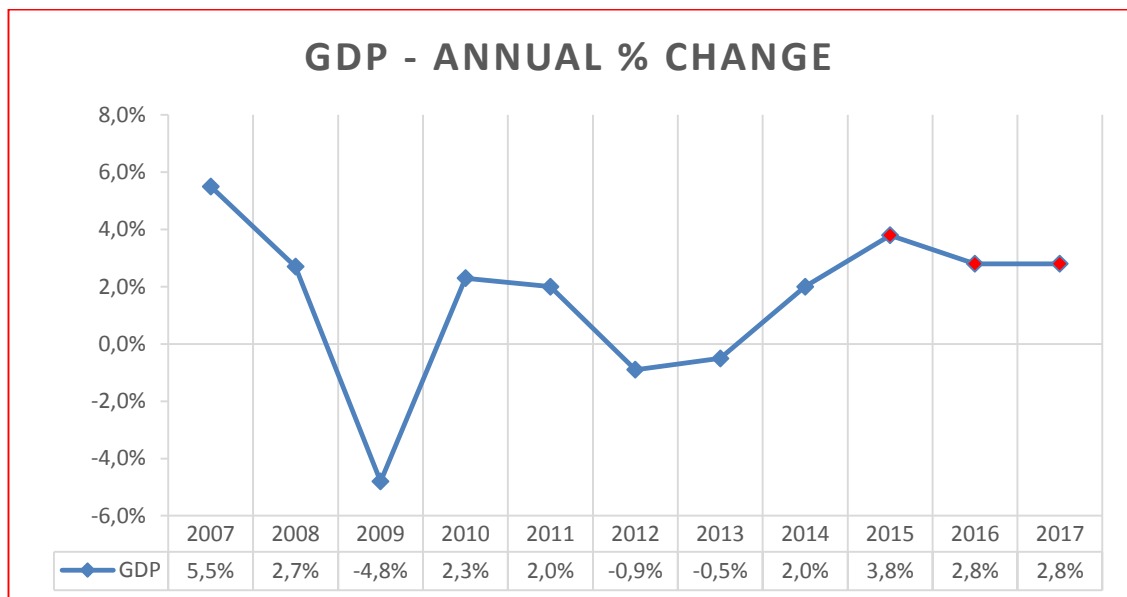
### **4.3.3. Economic factors**

From an economic perspective the company's position depends on several macroeconomic factors. The most important one is development of GDP (gross domestic

product) which is relatively closely linked with development of sales of services, further there is inflation, development of interest rates, unemployment and of course average wage level in particular region.

### **Gross domestic product and its development**

Following graph shows development of GDP in Czech Republic from year 2007 which was preceding year of the Supreme Crisis in 2008. It is evident that effects of the crisis result in the performance next year. Afterwards GPD increased and started to fall again but since 2012 it was constantly growing. As a positive fact for capital city of Prague is considered that share of this region in GDP was slightly growing even during the crisis. The graph also includes prediction for future years which is essential for this project. According to Czech National Bank (14) the prediction for 2015 illustrates optimistic increase by 3.8% however following predictions are slightly pessimistic. They expect GDP to be decreasing by 2.8% in 2016 and then stagnating till 2017. The predicted years are marked red in the graph.



Graph 2: Development of GDP annual % change; Source: Czech Statistical Office

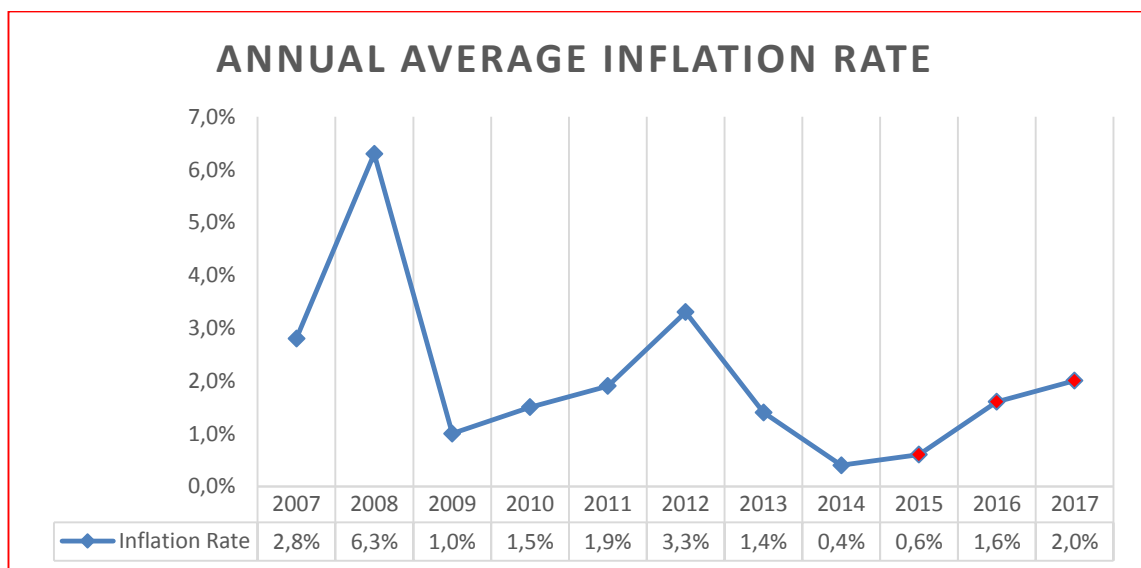
## Inflation

Inflation is another macroeconomic indicator which affects business and especially consumption. Definition according to (19) says inflation is the rate at which the general level of prices for goods and services is rising and, consequently, the purchasing power of currency is falling. It is recorded by two different ways. First the *annual average inflation rate* illustrating increase in average annual index of consumer prices and showing the annual percentage change in average price level over past twelve months against the average of previous twelve months and second *annual rate of inflation* which is expressed by increase of index of consumer prices to the same month from previous year and shows the percentage change of price level in recorded month of the year against the same month of previous year. (15)

In simple words the inflation rate represents increase in price level over time. The higher the inflation rate is the higher the prices are. Therefore inflation primarily affects prices across the whole spectrum of products, meaning that increasing inflation rate reflects higher input prices for business planning.

Additionally the inflation rate significantly affects interest rates what leads to e.g. lower revenues from investment and also loans are getting more expensive as a result of increasing inflation rate.

Following graph represents the annual average inflation rate development over past eight years and the prediction for future years as well.



Graph 3: Annual average inflation rate; Source: Czech Statistical Office

## **Interest rates**

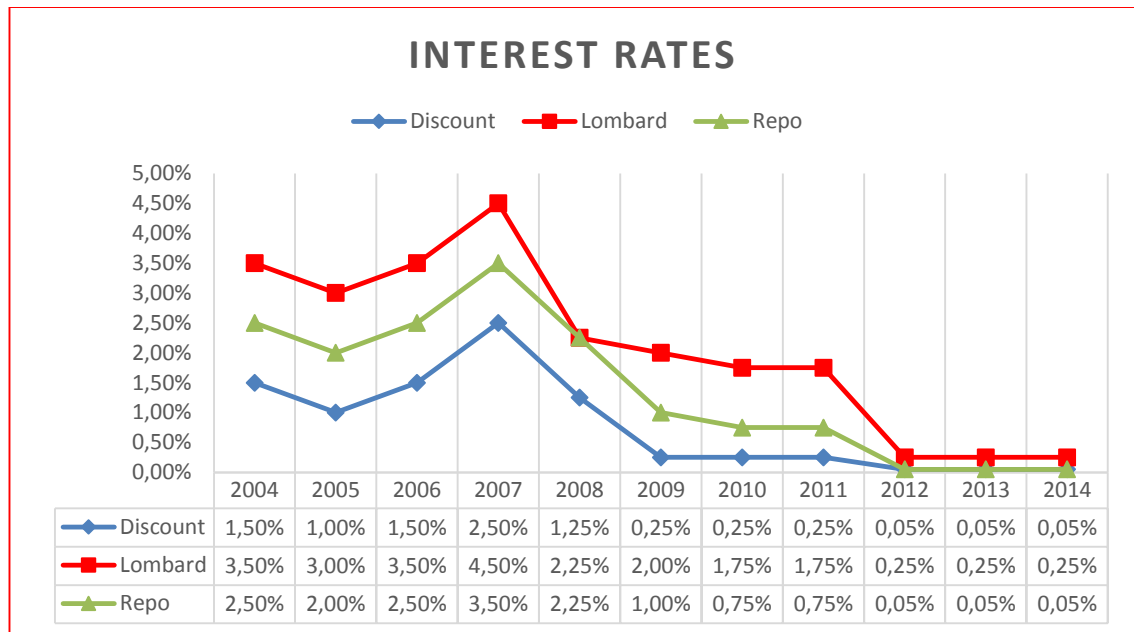
Another very important macroeconomic factor significantly influencing business and its development represents level of interest rates which is determined by Czech National Bank (CNB). These then affect the levels of commercial loans and deposits, specifically mortgages tend to be very sensitive to any moves of CNB interest rates levels.

There are three basic CNB interest rates (14):

- **Discount rate** – the rate representing the bottom limit for short-term interests given by commercial banks.
- **Lombard rate** – the rate representing the upper limit for short-term interests given by commercial banks.
- **2-week Repo rate** – repo operations are the main tool of CNB affecting the amount of money in the economy, so-called monetary base. CNB withdraws the currency from circulation by selling their treasury bills, and conversely, releases the currency into circulation by re-buying the same securities and treasury bills. Both sides undersign that after due date CNB returns the borrowed principal with agreed interest to the creditor bank and the creditor bank returns back the CNB's securities. Basic duration of these operations is 2 weeks.

The most important CNB's rate out of these for this project is the discount rate. It has the greatest influence on development of interest rates of commercial banks. Basically it is the rate at which CNB provides loans to commercial banks. Furthermore the higher or

lower the CNB rate is the more expensive or cheaper the loans from commercial banks are. Many banks derive their interest rates for individual types of loans and deposits by means of fixed table deviations from the discount rate.



Graph 4: Interest Rates of Czech National Bank; Source: Czech National Bank

The graph above records development of the three mentioned interest rates of CNB over past ten years. Since the Supreme Crisis all the rates have been decreasing. The values are nowadays very low, it is possible to say they are on historical minimum which in practice basically means cheap loans which is very favourable for this project, but on the other hand investment indicates low yields. The prediction for the future says that the rates will remain low for next years. (14)



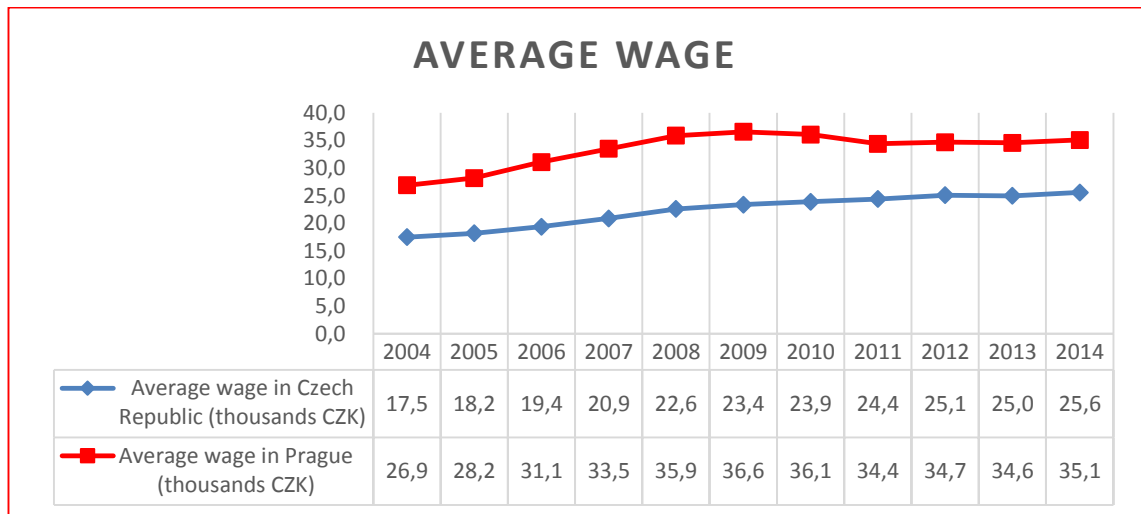
### **Interest rates of commercial banks**

According to Czech National Bank's source not older than from July 2015 (14) the overall interest rate for households decreased to 5.15%. The mortgage rate decreased to 3.46%, the rate of consumer credit (sometimes called retail credit) decreased to 13.91% and the rate for other credit decreased to 4.33%.

The average interest rate on loans to non-financial companies decreased to 2.75%, the lowest value in the history of measurement. For loans with time of repayment up to one year, the rate declined to 2.31%. For loans with one to five years of repayment, the rate stagnates at 2.94% and loans with repayment time over five years decreased to 2.94% which is its historical minimum.

### **Unemployment and average wage**

The unemployment rate serves entrepreneurs as a guide for labour costs and availability of manpower. The high unemployment rate indicates availability of workforce at lower prices, on the contrary if the unemployment is too high, it means that people do not work thus do not have money to spend and those who do work might worry about their job and will rather save money than spend. In targeted area for this project, the unemployment rate is quite low (Tables 4 and 5) actually lower than the overall rate for Czech Republic.



*Graph 5: Average wage in Prague and Czech Republic; Source: Czech Statistical Office*

Average gross wage in Czech Republic has long-term increasing trend. For this project it may be an indicator of disposable income the customers have available. As it can be seen in the graph above, the average wage in Prague has always been higher than the national average. Since 2009 the trend has been fluctuating however since 2012 it has been slightly increasing again. If the trend will continue like this in subsequent periods it can be then considered as a positive economic factor regarding consumption of potential customers on the market.

#### **4.3.4. Technological factors**

Due to the nature of this business plan technology is seen as crucial factor. It includes innovation in research and development, speed of technological changes and transport, storage, communication and information technology. Changes in technological

environment can be actually source of company's progress which will allow to achieve better financial results and increase competitiveness.

Specifically speaking, the concept included in this project is based on connection of entertainment and information technology which is nowadays essential part of every day's life. Therefore it is of great importance to follow day-to-day trends in order to get closer to the customer's preferences and not to be stuck in the past. Concerning the information technology trends, younger generations tend to understand it better and that is why it is important particularly for this project to for example hire or cooperate with group of such people who are versed, adapting and eager for development and going hand-in-hand with new technological trends and will be able to understand it and use it not only for themselves but also for prospering the company.

#### **4.3.5. Output – potential market size**

Based on analysis of individual social aspects together with previous analysis of typical customer, it is possible now to determine more closely the potential market size where the business will undertake its operations.

- Total population of Prague in preferred age 15 – 64 is 842 890 inhabitants. Out of these, 29 272 are from Prague 7 and 83 327 from Prague 6 and 1.

- Total number of people with at least secondary and higher education in Prague is 858 985 and together in Prague 7, 6 and 1 it is 127 359 inhabitants. Excluding the percentage of people with age 65 and more, in the whole city of Prague there is 703 509 people in targeted age with secondary and higher education, then in Prague 7 it is 22 312 inhabitants and in Prague 6 and 1 it is together 71 468 inhabitants.
- The unemployment rate excludes 2.5% from economically active people in Prague.
- Another important group of potential customers represents the tourists coming to Prague in number up to 2.9 million of tourist every half year according to the latest statistics.

#### 4.4. SWOT analysis

STRENGTHS	WEAKNESSES
Unique concept	Start-up project
Innovative environment	Higher initial costs
Convenient location	Rivalry among suppliers
Practice in gastronomy and marketing	
Summer garden	
OPPORTUNITIES	THREATS
Permanent clientele	New entrants
Touristic clientele	Legislation changes
Expansion to other markets	Decrease in demand

*Picture 5: SWOT analyses; Source: Own processing*

With regard to the strengths of the bar, the uniqueness among competitors is on the top. Such concept cannot be found anywhere in neighbouring areas, not even in the whole capital city of Prague. The innovative environment is related to the nature of the concept because it is connected with the modern technology, therefore there is a wide opportunity range in terms of various applications etc. The location of the bar with summer garden is an integral part of company's strengths because it opens quite a big potential of attracting customers from various groups. Furthermore the practice and education of co-founders in the field of marketing and gastronomy when combined is priceless.

The fact that this is a start-up project carries primarily higher initial costs (especially those for the information system which the concept is based on) and also effort to ensure that the company will get into people's consciousness, make a mark and spread the awareness among wider public. There is also possibility of rivalry among suppliers because it is quite unusual to offer so many different tapped beer brands in one place. Usually there is one superior supplier beer brand and its products and that is it. Therefore the company has to be prepared to face potential disagreements from the beginning.

Main opportunities of this project lie in the sort of clientele it will gain. Permanent clientele is bonus for any business and regarding the tourist clientele here, it represents very strong opportunity as the Czech Republic is known for very low prices of beer which, according to the authors experience, seem ridiculous to tourists not only from Europe but from all over the world.

The competition and people in general are observant and notice all possible gaps in the markets. Once the project will be put into operations, the possibility of entering new competitors is very high. On one side, the originality is viewed as an opportunity but on the other side it might be also threatening in terms of new better competitors. In such case, the implementation should not wait and all strengths should be used in favour of eliminating of any threats.

## **5. PRACTICAL PART**

This part of the thesis contain individual components of a business plan, namely the description of the business, marketing and business strategy, organizational structure, risk assessment and financial plan.

### **5.1. Business description**

The business will be established by two co-founders as a Limited Liability Company in Czech Republic. It will operate under the brand name Le Pivo, s.r.o. on the market and its status will be defined as a beer bar.

<b>NAME</b>	Le Pivo
<b>LOCATION</b>	Ovenceká, Prague 7, Czech Republic
<b>LEGAL FORM</b>	Limited Liability Company (s.r.o.)
<b>SCOPE OF BUSINESS</b>	Catering services
<b>MANAGING DIRECTOR</b>	Aneta Nagyová

<b>OPERATIONS MANAGER</b>	Jakub Kahn
<b>CAPITAL</b>	200 000,- CZK
<b>ESTABLISHMENT</b>	11/2015

As it was mentioned above, the company will be established by two co-founders. Aneta Nagyová will represent the company as a Managing Director and Jakub Kahn, thanks to his education and many years of experience in the field of gastronomy industry will take all the responsibility and act as an Operations Manager.

### **5.1.1. Concept**

The bar Le Pivo promises customers non-traditional experience. The innovative concept introduces linkage between entertainments of tasting variety of different self-tapped beers with the latest modern technology. The result will be a bar with number of beer taps each serving different beer linked with smart card reader and touchpad screen introducing interesting facts about the specific type of beer to the customers. After attaching their credited smart card obtained from the bartender, the individual tap then opens up and the guests may start enjoying the special opportunity to tap their own beer while watching on the screen precisely in millilitres the beer tapping out and also their credit balance as they tap out the beer. Thanks to the software settings taking into account price per one millilitre, it is up to them whether they rather enjoy pint of their favourite beer or try as

many different kinds as they wish to without passing out or spending too much money unnecessarily.

### **5.1.2. Products to offer**

Beer bar Le Pivo will offer their customers standard range of alcoholic and non-alcoholic drinks. Main focus will be put on a specialized offer of various beer brands from well-known brands to microbreweries. Prospectively there is a possibility of future cooperation with foreign suppliers as a variegation for domestic clients. Furthermore the bar will be closely cooperating with one of local favourite pizza buffets with delivery at the wish of customers.

### **5.1.3. Location**

The bar will be located in a ground floor of an old residential building with courtyard in wider centre of Prague, specifically at Letná in Prague 7. It is famous residential part of Prague as it was mentioned above in chapter *4.1.1. Area of operations*. Letná as such is ranked as relatively attractive tourist site, especially among young tourists because it has very rich night life and many favourite events like festivals or various sports events are organized there. Moreover there is a football stadium of famous club AC Sparta Praha where all important matches regarding Czech representation or even European and world championship take place and also a hockey stadium of HC Sparta Praha. All these facts open important opportunities in the field of tourism.



On the subject of space occupied the total area is 187 m<sup>2</sup>. Indoors capacity will hold up to 45 seats plus 5 additional seats at the bar and the outdoor courtyard will accommodate up to 25 seats. Inside there will be one major room with bar and the tap line with 12 taps. Beer barrels connected to taps will be hidden in another room separated by partition and will not be visible for customers. This room will also serve as a warehouse. Further there will be dressing room, back room for staff and of course bathroom. Outside space will be furnished by garden furniture and will serve as a refuge for smokers as well.

#### **5.1.4. Company goals**

The short-term goal of the company is to successfully enter the market and establish its own permanent position, build a good brand name and reputation, develop its strengths to maximum limit and also attract wider public by exploiting the most from the bar's uniqueness.

As a long-term goal, the company will try to use as much as possible its future potential growth and development in order to establish new branch in another district of Prague to cover bigger market area. Since the expansion will be more or less equally costly, the company is planning to expand like this in three to five years from its opening.

### **5.1.5. Financing the project**

All the equipment expenses and expenses for getting the bar into operation will be financed partially by co-founders' share capital however will be covered by bank loan. Estimated expenses for the entire project including technical improvement, equipment, software settings and initial inventory are 789 680, - CZK. More detailed listing of individual costs will be elaborated in up-coming chapter financial plan.

## **5.2. Organisation plan**

Le Pivo, s.r.o. will be small company with minimum number of employees. The organisational plan discusses management and personnel organisational structure, opening hours, job descriptions, working time and salaries.

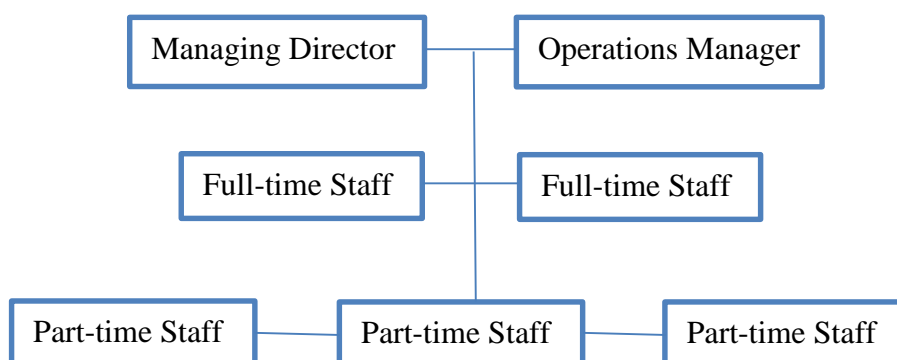
### **5.2.1. Management**

**Aneta Nagyová**, who has 7 years of experience in the field of marketing and digital marketing, happened to cooperate on several successful projects for famous Czech brands such as for example Baťa, Škoda Auto or Pietro Filipi as one of the top managers. Such experience enables her not only to blend a perfect functionality with original atmosphere into any project but also confidently draft and realize any interior. She is excellent in managing personnel and furthermore she is highly experienced in implementing of original concepts into successful operation. The opening of beer bar at Letná area is a

challenging opportunity for her in terms of doing business on her own and also of great significance for realization of her vision based on the place's stability and her love to beer.

**Jakub Kahn** is highly experienced in the field of gastronomy and in the past co-worked on start-up projects of several café bars and restaurants with very specific focus, such as for example raw food, later awarded by various prizes for successfully implemented projects with originality. Based on his previous achievements and many years of practice he will represent this company on a position of Operations Manager where he will combine his operations skills and sense for perfectionism with infinite love for working with people.

### 5.2.2. Organizational structure



Picture 6: Organizational structure; Source: Own processing

Two co-founders will figure in the company, one as a Managing Director and second as an Operations Manager. Both owners will have same decision-making power which will be defined in detail in the shareholder agreement contract. They will be on the top level

of organisational hierarchy. Further the company plans to employ two full-time employees and three part-time employees at the very beginning and later according to the needs expand the part-time staff in the future.

Two permanent staff members will take turns on individual shifts according to short-long week structure (even week working days – Monday, Tuesday, Friday, Saturday, Sunday; odd week working days – Wednesday, Thursday). On their shift, they will act as a responsible shift supervisors and will be superior to the part-time employees who will be working according to monthly shift plan.

### 5.2.3. Opening hours

The opening hours of the bar are planned as follows:

<b>Monday</b>	16:00 - 0:00
<b>Tuesday</b>	16:00 - 0:00
<b>Wednesday</b>	16:00 - 0:00
<b>Thursday</b>	16:00 - 0:00
<b>Friday</b>	16:00 - 02:00
<b>Saturday</b>	16:00 - 02:00
<b>Sunday</b>	16:00 - 0:00

Picture 7: Opening hours of the bar; Source: Own processing

The opening hours are customized in accordance with expected higher volume visits during the weekend, specifically on Friday and Saturday. During the weekend days, the shift will consist of one shift supervisor and two part-time employees while during normal

week days (Sunday to Thursday) there will be one shift supervisor and one part-time employee.

Therefore the permanent full-time employees will work an average of 170 hours a month and with regard to the part-time employees, they are expected to work approximately 260 hours a month all together.

#### **5.2.4. Job description**

Managing Director together with the Operations Manager will ensure smooth course of operations. In order to ensure company's profitability, their responsibilities will include elaborating of business and marketing strategy in order to meet company's objectives and achieve goals. Further they will be in charge of negotiation with suppliers, obtaining competitive contracts and, of course, all necessary administration, for example purchase orders, inventory management or personnel recruitment. An integral part of their job description also includes controlling of operations, sales and revenues. From the very beginning, they will be cooperating with the shift supervisors on individual shifts in order to get the business moving towards their goals.

The full-time employed Shift Supervisors will be delegated by tasks such as customer service, preparation of products offered, task distribution among part-time employees, scheduling their shifts, collecting payments from customers, inventory and sales controlling, compliance with company policy, etc.

The part-time staff will take care primarily of customer service and cleaning duties.

Demands of the company when selecting new employees will not be very hard. In case of full-time employees the education or practice in the field will be demanded. On the other hand when recruiting part-time employees it will be welcomed but not conditional. For the bar, it is desirable to employ nice and loyal employees with positive approach to customers and ability of speaking at least English. Due to the nature of the business, any enthusiast with positive attitude to beer and modern technology will be welcomed.

### **5.3. Marketing strategy**

Upcoming chapter defines marketing mix of beer bar Le Pivo and is specifically dedicated to product, price, placement and promotion.

#### **5.3.1. Product**

Beer bar Le Pivo will offer classic range of products typical for bar with contractual snacks. The main focus will be put on quality products, primarily beer from various suppliers whom will happen to establish cooperation with. High emphasis will be also put on the quality of customer service associated with serving the products. In addition, the unusual concept will offer something completely different from other competitors and will bring new kind of entertainment in the field of hanging with friends.

The products can be divided into following categories and will be presented in form of menu:

- **Beer** – Le Pivo will offer ten different taps with different beer brands. Permanent suppliers will supply the most well-known beer brands in Czech Republic such as Pilsner Urquell, Staropramen, Budweiser Budvar and Gambrinus. Other beer brands will differ according to actual offering of various microbreweries.
- **Other alcoholic drinks** – The menu will offer certain brands of liquors as well for customers who prefer something harder. Appetizer, sect or glass wine will not be missing.
- **Non-alcoholic drinks** – Standard bottled soft drinks and tapped Kofola will be offered as well.
- **Snack** – As it was mentioned above, the bar will be closely cooperating with one of local favourite pizza buffets located approximately 200 metres from the bar with personal delivery at the wish of customers. Their menu includes refreshment in form of pizza, pasta, salad and pastry. This cooperation brings an advantage of serving tasty hot and cold meals without the need of built-in kitchen or recruiting chef. Moreover these products are already established and attractive with increasing demand in the area where this bar will be located. For named reasons, such cooperation seems as advantagous and the future company can benefit from it in terms of attracting new clients by mutual cooperation in the field of promotion.

### **5.3.2. Price**

The price policy will be considering primarily the geographical location of the company. Prices have to be realistic and products have to be sellable primarily in the area of Prague 7 and its surroundings. The basic method of setting price is adding margin to the cost of initial purchase and operations. However the margin has to be on such level so the resulting price corresponds with price level in given locality. Thus adding margin alone is not enough, the company has to consider prices of competition as well.

The method described will be applicable for all drinks within the bar menu. Regarding the meal menu, prices are set by the cooperative company and will not be changed because this kind of cooperation will be based only on mutual promotion.

Prices are included in the menu in the appendix 1.

### **5.3.3. Placement**

As it was mentioned above in section 5.1.3. Location, Le Pivo will be located in area of Letná, Prague 7 in close proximity to the city centre near an entrance to the famous city park Letná Park, therefore very close to busy pedestrian area. It is popular residential area with rich night life and large community of foreigners from nearby embassies, businessmen or students from nearby universities. The location has been chosen in Ovenceká Street, Prague 7 for several reasons:



- Character of the area
- Proximity to popular parks Letná Park and Royal Park of Stromovka
- Proximity to several universities, embassies, football and hockey stadium, etc.
- Very good access to public transport (even at night very frequent)
- Low cost rent

Le Pivo will be located in a ground floor of an old residential building with courtyard where there will be several rooms and summer garden available.

Distribution to the customers will be conducted exclusively through direct sales. When selecting suppliers, their distribution channels were taken into consideration and all the products will be distributed directly into the bar.

#### **5.3.4. Promotion**

At the beginning, the company have to exert increased marketing efforts which will be associated with higher input costs. Such costs are planned to be spend for 123 200, - CZK. The goal of the promotion is to spread awareness about the new bar and achieve maximum capacity of visits. Aim of this particular chapter is to define various forms of promotion.

## **Internet**

Internet offers a wide range of options to promote business. Of course, a website will be set up and popular social networks will be used as well. The professional website will be created by the same supplier as the information system necessary for the concept. They will take care of everything from web hosting to making professional photographs of the place interior and exterior and they will offer the company a free non-stop hot line and also free analyses for any problems with the system or website.

With regard to social networks, the company will set up accounts on Google, Facebook, Trip Advisor and Twitter where the customers can find all fresh information about what is going on in the bar, for example what special beer brands were managed to supply for them, if there are any special offerings, events etc. The aim of this kind of promotion is to gain certain groups of customers, thus also other promoters and broadcasters of e.g. invitations to the bar's events etc. The social networks are priceless not only because it is free of charge but mainly because they are very important tool in terms of getting feedback from the bar's customers.

In the first year of operations the company is also planning to use Internet advertising Link to the website. For this purpose, Google AdWords will be used for its advantage of simplicity and ease of possibilities of evaluating the effectiveness of advertising using Google Analytics tool.

## **Newspapers and leaflet advertisement**

Another form of promotion will be advertisements in local newspapers and handling flyers. This will be the more expensive form of promotion, however it is still worth it. The advertisement will be put in Pražský Deník which is daily Prague newspaper and then Metro, another daily newspaper which is distributed to people free of charge every morning by the subway entrances all over Prague. Further the weekly newspapers of Prague 7, 6 and 1 will also advertise the bar.

Concerning the leaflets, the bar plans to print out 3500pcs of A6 leaflets and 50pcs of A2 posters. The small ones will be partly distributed to mailboxes in the near neighbourhood and by the metro entrances in Prague 7, 6 and 1 and the rest will be placed in information centres, tourist offices, universities etc. The posters will be placed on advertising areas within districts of Prague 7, 6 and 1.

### **5.4. Financial plan**

Financial plan is crucial decisive document of the entire project. Its main objective is to realistically capture all costs and expenses associated with opening of the company and also its operations. A necessary part also includes prediction of sales and revenues in first years of operations. Finally the financial plan has to provide an overview whether the project has a chance of survival and return on investment.

### 5.4.1. Initial costs and expenses

This chapter summarizes the costs necessary to the actual commencement of activities. These input costs will be much higher than normal operating costs and will be financed partly by initial investment and partly by bank loan. Such input costs will include, equipment, establishment, initial marketing, initial inventory and bank loan.

#### 5.4.1.1. Equipment

The building, where this company will be located, is in very good condition and the leased space is designed specifically for purpose of bar operating. However the final completion requires some additional work including technical improvement of the bar and of course, furniture, audio and security system or IT and IS equipment. Following table shows the initial expenses divided into specific groups.

Item	Price in CZK
Software and IS	255 000
<b>Intangible Assets</b>	<b>255 000</b>
Construction works (floor, bar, bathroom)	187 000
<b>Technical Improvement</b>	<b>187 000</b>
Tapping equipment	93 000
PC and tablets	50 000
Audio system	80 000
Security monitoring and alarm system	45 000

Furniture and bar equipment	319 000
<b>Tangible Assets</b>	<b>587 000</b>
<b>TOTAL</b>	<b>1 029 000</b>

Table 6: Initial expenses for equipment; Source: own processing

#### 5.4.1.2. Establishment of Limited Liability Company in Czech Republic

Following table shows the average price range for individual steps for establishing Limited Liability Company in Czech Republic.

Activity	Price in CZK
Writing of shareholder agreement contract at the notary	3 500
Verification of signatures and agreement additional copies	2 000
Record statement from Criminal Register and Cadastre	300
Obtaining a business licence and announcement	1 000
Establishment of bank account for capital	0
Proposal for inclusion to the Business Register	5 000
Certificate of Incorporation	140
Certificate from Business Register	140
<b>TOTAL</b>	<b>12 080</b>

Table 7: Expenses for establishment of Limited Liability Company; Source: Own processing

#### 5.4.1.3. Marketing and advertisement

Marketing and advertisement expenses were calculated as follow in the table.

Item	Price in CZK
Website	28 480
Google AdWords	5 000
Newspaper advertisements	34 200
Leaflets and posters	19 200
<b>TOTAL</b>	<b>86 880</b>

Table 8: Marketing and advertisement initial expenses; Source: Own processing

#### 5.4.1.4. Initial inventory

An overview of initial inventory costs is compiled in table below. Products are divided into individual categories.

Product category	Price in CZK
Beer	30 300
Other alcoholic drinks	25 400
Non-alcoholic drinks	11 700
<b>TOTAL</b>	<b>67 400</b>

Table 9: Initial inventory costs; Source: Own processing

#### 5.4.1.5. Bank loan

The total initial costs for equipment, establishment of the company, marketing and advertisements and initial inventory were calculated at 1 231 680, - CZK. The co-founders dispose with registered capital of 200 000, - CZK and own initial investment in the amount of 400 000, - CZK from both, therefore 1 000 000, - CZK of available own

resources. In order to be able to cover all potential costs and expenses, the bank loan in the amount of 300 000, - CZK has to be taken. As the best suitable bank product for this purpose was chosen the investment loan from AirBank, a.s. It is primarily intended to finance tangible and intangible assets for start-ups and the repayment time will be set up for three years (36 months). The annual average interest rate is 12.58% and when repaying on time, one monthly amount of repayment calculated at 9 920, - CZK will be forgiven. All fees for account and credit maintenance and possible early repayments are free of charge within the AirBank, a.s. Table below illustrates the yearly repayment calendar.

Year	Amount in CZK
1st	119 040
2nd	119 040
3rd	119 040
<b>TOTAL</b>	<b>357 120</b>

Table 10: Repayment calendar; Source: Own processing

#### 5.4.1.6. Summary

Initial expenses	Amount in CZK
Equipment	1 029 000
Establishment	12 080
Marketing and Advertisement	86 880
Initial inventory	67 400
<b>TOTAL</b>	<b>1 195 360</b>

Table 11: Initial expenses; Source: Own processing

Initial resources	Amount in CZK
Registered capital	200 000
Initial investment	800 000
Bank loan	300 000
<b>TOTAL</b>	<b>1 300 000</b>

*Table 12: Initial resources; Source: Own processing*

The difference of 104 640, - CZK between initial expenses and resources will be used where required, primarily for bar operations or will serve as a reserve fund for unexpected expenses, e.g. additional equipment etc.

#### **5.4.2. Operating costs**

Another group of costs are costs from ordinary operating activities and will be financed, unlike the initial costs and expenses, from company's operations. This group includes costs such as labour costs, payments for social security and health insurance, payments for water and electricity, payments to suppliers, insurance of business, marketing and advertisement costs, rent, bank loan, depreciation, TV and internet and other operating costs and expenses.

##### **5.4.2.1. Labour costs**

The company will employ two full-time employees and three part-time employees under special agreement about work activity where tax credit can be applied in the amount of social security and health insurance.



The gross wage of full-time employees will be 17 000, - CZK and after three months, variable component of wage in amount of 3 000, - CZK will be added in form of personal evaluation.

The part-time employees will sign special agreement about work activity at net rate of 70, - CZK per one hour.

Second year, 5% increase of gross wage is planned and will be added to the variable component of wage. Hourly rate for part-time employees will raise by 5, - CZK however only in case of employing original staff. Similar increase in wages is taken into account also in following years. Following table illustrates labour costs in the first year of running business.

Labour costs in CZK - 1st year	Full-time employees	Taxes	Part-time employees
January	34 000	11 560	18 200
February	34 000	11 560	18 200
March	34 000	11 560	18 200
April	40 000	13 600	18 200
May	40 000	13 600	18 200
June	40 000	13 600	18 200
July	40 000	13 600	18 200
August	40 000	13 600	18 200
September	40 000	13 600	18 200
October	40 000	13 600	18 200
November	40 000	13 600	18 200
December	40 000	13 600	18 200
<b>TOTAL</b>	<b>462 000</b>	<b>157 080</b>	<b>218 400</b>

Table 13: Labour costs in CZK – first year of operations

Total annual costs for the first year are calculated at 837 480, - CZK.

Next table shows the labour cost per employee including anticipated wage increase for the first three years of running business.

Labour costs in CZK	1st year	2nd year	3rd year
Full-time	462 000	504 000	529 200
Taxes	157 080	171 360	179 928
Part time	218 400	234 000	249 600
<b>TOTAL</b>	<b>837 480</b>	<b>909 360</b>	<b>958 728</b>

*Table 14: Labour costs in CZK – first three years of operations*

Wages for the owners are not taken into account at this stage, they will be subject for later determination according to real possibilities.

#### **5.4.2.2. Insurance of the bar**

From the wide range of products offered, insurance from the same bank institute which provided the loan was selected. This business insurance encompasses all aspects that are needed (burglary, alienation of tangible assets or cash up to two million CZK, insurance against vandalism, natural hazards, water damages or responsibility insurance). Special price for the company as a client counts 4 900, - CZK per year.

### 5.4.2.3. Marketing and advertisement

Marketing and advertising costs will be much higher than in following years, especially before opening and during the first months of running the business due to massive promotion. In following years, large decrease of the newspapers adverts is planned, on the other hand, great focus will be put on the internet advertisement, and especially the social networks which are prominently decrease the overall costs.

Marketing and advertisement	Initial	1st year	2nd year	3rd year
<b>TOTAL COSTS in CZK</b>	86 880	77 898	60 760	47 040

Table 15: Marketing and advertisement expenses – first three years of operations

### 5.4.2.4. Depreciation

The above Table 6: Initial expenses for equipment may serve for purposes of depreciation. The software is included among intangible assets and in this case it will be amortized for three years. The technical improvement falls into second category of depreciation and will be amortized for five years. Last tangible assets are included in first category and will be amortized for three years. All of these assets will be included in annual expenses of the company

#### 5.4.2.5. Other operating costs

Among other operating costs belong overhead costs. Involved will be costs for energy, TV and internet, loan, bookkeeping and other small expenses, e.g. for office supplies etc. Moreover the rent is included as well. Core operating costs represent mainly payments to suppliers which will be approximately calculated in up-coming chapter based on sales predictions.

The table below summarizes an overview of monthly payments for operating expenses.

Operating expenses	Price in CZK/month
Deposit for gas and electricity	4 000
TV and internet	499
Loan repayment	9 920
Rent	13 500
Other operating expenses	1 200
<b>TOTAL</b>	<b>29 119</b>

Table 16: Monthly operating expenses; Source: Own processing

#### 5.4.3. Sales prediction

Prediction of future sales is extremely important for the company. It determines potential turnover therefore it is possible to assemble also potential cash flow of the company. The predictions are made on the basis of average spending per customer and capacity (50 seats

indoors) used according to pessimistic, realistic and optimistic view. Pessimistic view expects seat turnover only once, realistic view calculates with seat turnover of one and a half and last but not least optimistic view predicts seat to be turnover twice. Number of customers will vary according to the seasons. Months during which the summer garden will be opened (May to September) expect significantly higher attendance due to increased capacity up to 75 seats which is 50% increase. Big difference in number of customers is also expected on Fridays and Saturdays when especially younger generations tend to go out and seek entertainment therefore the bar counts with 30% increase of the attendance.

Model of average spending per customer was calculated as 75% from total sum of average price from all categories on the menu (beer, wine, soft drinks and other alcoholic beverages). Sample menu is included in appendix 1.

Beer	37, - CZK
Wine	45, - CZK
Soft drinks	36, - CZK
Other alco	64, - CZK
<hr/>	
TOTAL	182, - CZK

Average spending per customer:  $182 * 0.75 = 137$ , - CZK (rounded up)

Following table illustrates sales predictions based on above mentioned facts and calculated average spending per customer. In next years, 5% increase of sales is taken into account.

Sales prediction in CZK	Pessimistic view	Realistic view	Optimistic view
Seat turnover	1	1,5	2
1st year	2 226 524	2 970 708	4 421 949
2nd year	2 337 851	3 119 244	4 643 047
3rd year	2 454 743	3 275 207	4 875 200

Table 17: Sales prediction in CZK – first three years (pessimistic, realistic and optimistic view)

#### 5.4.4. Product costs

Based on the calculations of sales prediction, it is possible now to determine approximate costs for product purchases (payment to suppliers). It represents the largest item among company's costs. Table below shows all three variants (P – pessimistic, R – realistic, O – optimistic) of product purchase costs. The level of costs was calculated at about 30% in all three variants which is quite good.

Product Costs - first year	P	R	O
Amount in CZK	741 433	917 366	1 351 261
Amount in %	33%	31%	31%

Table 18: Product costs – first year of operations; Source: Own processing

### 5.4.5. Cash Flow

This chapter presents projected cash flow statements in the year of establishing the business and then in following three years of operations. All three views (P, R, O) are captured except in the year of establishing. The purpose is to compare revenues and expenditures and determine whether the company will be able to make profit or not.

CASH FLOW STATEMENT - year of establishment	
Item	Amount in CZK
+ Opening balance	1 300 000
+ Sales revenues	0
= TOTAL REVENUES	1 300 000
- Technical Improvement	187 000
- Equipment	842 000
- Establishment	12 080
- Marketing expenses	86 880
- Initial inventory	67 400
= TOTAL EXPENSES	1 195 360
+ Depreciation	35 902
CASH FLOW	140 542

Table 19: Cash Flow Statement – year of establishment; Source: Own processing

CASH FLOW STATEMENT (in CZK)		First year of operations		
		P	R	O
+	Opening balance	140 542	140 542	140 542
+	Sales revenues	2 226 524	2 970 708	4 421 949
=	<b>TOTAL REVENUES</b>	<b>2 367 066</b>	<b>3 111 250</b>	<b>4 562 491</b>
-	Product costs	741 433	989 246	1 472 509
-	Labour costs	837 480	837 480	837 480
-	Marketing	77 898	77 898	77 898
-	Insurance	4 900	4 900	4 900
-	Gas and electricity	48 000	48 000	48 000
-	TV and internet	5 988	5 988	5 988
-	Loan repayment	9 920	9 920	9 920
-	Rent	162 000	162 000	162 000
-	Other expenses	14 400	14 400	14 400
=	<b>TOTAL EXPENSES</b>	<b>1 902 019</b>	<b>2 149 832</b>	<b>2 633 095</b>
+	Depreciation	252 813	252 813	252 813
	<b>CASH FLOW</b>	<b>717 860</b>	<b>1 214 231</b>	<b>2 182 209</b>

Table 20: Cash Flow Statement – first year of operations

In following years, 5% increase of sales is expected. Operating items such as insurance, gas and electricity, TV and internet, rent and other expenses are calculated with the same increase. After first year of operations, uniform gross salary in amount of 15 000, - CZK will be introduced for both co-founders. Therefore yearly labour costs will raise by 482 400, - CZK.



CASH FLOW STATEMENT (in CZK)		Second year of operations		
		P	R	O
+	Opening balance	717 860	1 214 231	2 182 209
+	Sales revenues	2 337 851	3 119 244	4 643 047
=	<b>TOTAL REVENUES</b>	<b>3 055 711</b>	<b>4 333 475</b>	<b>6 825 256</b>
-	Product costs	750 515	1 024 571	1 551 454
-	Labour costs	1 391 760	1 391 760	1 391 760
-	Marketing	60 760	60 760	60 760
-	Insurance	5 145	5 145	5 145
-	Gas and electricity	50 400	50 400	50 400
-	TV and internet	6 287	6 287	6 287
-	Loan repayment	9 920	9 920	9 920
-	Rent	170 100	170 100	170 100
-	Other expenses	15 120	15 120	15 120
=	<b>TOTAL EXPENSES</b>	<b>2 460 007</b>	<b>2 734 063</b>	<b>3 260 946</b>
+	Depreciation	252 813	252 813	252 813
	<b>CASH FLOW</b>	<b>848 517</b>	<b>1 852 225</b>	<b>3 817 123</b>

Table 21: Cash Flow Statement – second year of operations; Source: Own processing

CASH FLOW STATEMENT (in CZK)		Third year of operations		
		P	R	O
+	Opening balance	848 517	1 852 225	3 817 123
+	Sales revenues	2 454 743	3 275 207	4 875 200
=	<b>TOTAL REVENUES</b>	<b>3 303 260</b>	<b>5 127 432</b>	<b>8 692 323</b>
-	Product costs	784 140	1 071 901	1 625 128
-	Labour costs	1 465 248	1 465 248	1 465 248
-	Marketing	47 040	47 040	47 040
-	Insurance	5 403	5 403	5 403
-	Gas and electricity	52 920	52 920	52 920
-	TV and internet	6 602	6 602	6 602
-	Loan repayment	9 920	9 920	9 920
-	Rent	178 605	178 605	178 605
-	Other expenses	15 876	15 876	15 876
=	<b>TOTAL EXPENSES</b>	<b>2 565 754</b>	<b>2 853 515</b>	<b>3 406 742</b>
+	Depreciation	223 148	223 148	223 148
	<b>CASH FLOW</b>	<b>960 654</b>	<b>2 497 065</b>	<b>5 508 729</b>

Table 22: Cash Flow Statement – third year of operations; Source: Own processing

#### 5.4.6. Profit and loss account

Profit and loss account illustrates the revenues and expenses from individual activities and how it contributes to the profit. All activities must be in the period in which they really occurred. Profit or loss is recorded on three different levels such as operating profit, financial profit and profit from extraordinary activities.

Following table shows expected financial results during the year of establishment and then following three years of operations in pessimistic, realistic and optimistic variant.

PROFIT		P	R	O
Initial year	Operating revenues		0	
	Operating expenses		1 231 262	
	Operating profit		-1 231 262	
	Financial expenses		0	
	Financial profit		0	
	Profit before taxes		-1 231 262	
	Income tax		0	
	Net profit		-1 231 262	
First year	Operating revenues	2 367 066	3 111 250	4 562 491
	Operating expenses	2 144 912	2 392 725	2 875 988
	Operating profit	222 154	718 525	1 686 503
	Financial expenses	9920	9920	9920
	Financial profit	-9920	-9920	-9920
	Profit before taxes	212 234	708 605	1 676 583
	Income tax	40 325	134 636	318 552
	Net profit	171 909	573 969	1 358 031
Second year	Operating revenues	3 055 711	4 333 675	6 825 256
	Operating expenses	2 702 900	2 976 956	3 503 839
	Operating profit	352 811	1 356 719	3 321 417
	Financial expenses	9920	9920	9920
	Financial profit	-9920	-9920	-9920

	Profit before taxes	342 891	1 346 799	3 311 497
	Income tax	65 150	255 892	629 185
	Net profit	277 741	1 090 907	2 682 312
Third year	Operating revenues	3 303 260	5 127 432	8 692 323
	Operating expenses	2 778 982	3 066 743	3 619 970
	Operating profit	524 278	2 060 689	5 072 353
	Financial expenses	9920	9920	9920
	Financial profit	-9920	-9920	-9920
	Profit before taxes	514 358	2 050 769	5 062 433
	Income tax	97 729	389 647	961 863
	Net profit	416 629	1 661 122	4 100 570

Table 23: Profit and Loss Account – year of establishment and first three years of operations; Source: Own processing

The numbers promise very good profits regarding all three variants. Even the pessimistic variant indicates increasing profit every year. Of course, the return on investment would take longer time than in case of realistic and optimistic views but the company would be on the right way.

### 5.5. Evaluation of risks

As with regard to any business, even this company has to face appearing of certain risk of either greater or lesser influence. This chapter summarizes the major risks according to the level of threat and defines means of elimination.

#### Own employees

Employees themselves pose quite a big risk to any business, especially then in case of running bar since where they are part of creation of the bar itself. They are directly communicating with the customers and have a big influence on the fact whether the

customers will come back or not and whether they spread the positive or negative feedback. Moreover they are in contact with suppliers as well, have access to the bar's sales revenues and of course the inventory.

Potential intensity of negative influence is thus very high, as well as the probability of occurrence.

To minimize such risks, it might be helpful when the employees are motivated by involvement in prosperity of the company by gaining certain percentage from the profit. In case of occurrence of such risky factor, this company would have the financial means for using this kind of motivation.

Another important precaution is consistent control of employees' activity. For greater efficiency and ease of control, the information system of the company which includes also reporting from electronic cash register may serve. Such system greatly facilitate control over inventory, sales and activity of employees in general.

### **Insufficient sales**

Companies across the entire market have to face this kind of risk. The inability of the company to generate profits leads to subsequent closing of business. Potential level of negative impact is thus extremely high.

The probability of occurrence is influenced by activities of the company itself, its marketing activities, approach to personnel, product and services offerings, environment etc. The bar Le Pivo will eliminate this threatening factor by its uniqueness among competitors, its offer and appropriate promotion and of course by more than positive approach to staff and customers.

### **Competition activities**

It is expected that certain part of competition will try to react on such opening. This reaction will most likely consist of various marketing moves, possible tries to copy or at least imitate the project. However future reactions of competitors are unlikely to be predicted. The threat of new entrant with similar project is also probable.

The potential level of influence is moderate and probability of occurrence is at about average. The means for elimination rest in appropriate marketing activities for ensuring certain competitive advantage resulting mainly from the original idea of joining the entertainment with love to beer and modern technology.

## **6. CONCLUSION**

The primary reason for establishment of such modern bar arose from abroad inspiration and actual realization of the fact that Czech Republic, a beer loving nation so far, desiderates places with similar concept adjoining the entertainment of self-tapping beer

with the latest technology. These circumstances led to definition of the thesis concern and basic goals representing processing viable business plan and establishment of a company were determined.

This sort of business certainly has potential, especially in major cities and tourist centres. From this perspective, the wider centre of Prague hiding very popular residential area of Letná introducing lots of tourist attractions, social and cultural events and finally neighbouring with prominent city parks and several universities definitely possesses the right potential.

The industry analysis processed within the analytical part of this thesis covered up pretty well all the requisites of the target market where the company's strengths, such as for example endless practice in the field of marketing and gastronomy, can successfully fight with possible threats as the occurrence of new competition might be.

At the beginning of running the business, the essential is to create a brand name and leave a positive footprint in customers of Le Pivo. For this purpose, the marketing plan was constructed and major role will belong to Internet, especially the social networks still building greater popularity every day and also a kind of addiction.

Secondary objective, however not less important, assesses whether the implementation of alike company is rather pessimistic or optimistic. For this purpose, the financial plan was precisely prepared in order to confirm the hypothesis from the beginning, namely that the future company will be successful thanks to its competitive advantage regarding

originality, perfect location and experienced co-founders. The predicted Cash Flow Statement and Profit and Loss Account speaks for itself.

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## **11. LIST OF APPENDIXES**

### **Appendix 1 – LE MENU**

## LE MENU

Pilsner Urquell 12.....	42, - CZK	0,5L
Staropramen 11.....	38, - CZK	0,5L
Gambrinus 10.....	29, - CZK	0,5L
Budvar Premium.....	39, - CZK	0,5L

Other microbreweries beer brands fresh offer on your tap tablets!

## ADDICTED TO BEER AND ENTERTAINMENT

Kofola (tapped).....	35, - CZK	0,5L
Coca cola – different flavours.....	32, - CZK	0,3L
Fanta.....	32, - CZK	0,3L
Sprite.....	32, - CZK	0,3L
Cappy – different flavours.....	37, - CZK	0,2L
Nestea – different flavours.....	35, - CZK	0,2L
Bonaqua.....	29, - CZK	0,3L
Red Bull.....	60, - CZK	

Aperol Spritz.....	80, - CZK	0,2L
Jägermeister.....	45, - CZK	0,04L
Chupito.....	50, - CZK	0,04L
Russian Standard.....	59, - CZK	0,04L
Finlandia.....	54, - CZK	0,04L
Havana Club 3 Años.....	55, - CZK	0,04L
Captian Morgan Spiced.....	55, - CZK	0,04L
Legendario.....	75, - CZK	0,04L
Diplomatico.....	99, - CZK	0,04L

## ADDICTED TO BEER AND ENTERTAINMENT

Veltlínské zelené wine.....	45, - CZK	0,2L
Chardonnay.....	45, - CZK	0,2L
Modrý Portugal wine.....	45, - CZK	0,2L
Bordeaux.....	45, - CZK	0,2L

SEE YOU SOON AT LE PIVO!