

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

Feasibility Study of Cafe in Prague

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BACHELOR THESIS ASSIGNMENT

Josef Jilemický

Economics and Management

Thesis title

Feasibility study of cafe in Prague

Objectives of thesis

Main goal of this work is to evaluate a potential for establishing a cafe in Prague. This means to conduct a feasibility study and assess competitors, potential customers, evaluate the market and evaluate price structure in the given area.

Methodology

Literature review is done using methods of synthesis, abstraction, extraction, deduction, induction. In the analytical part methods for creating a business plan are used including, for example, methods of financial analysis.

The proposed extent of the thesis

35-50 pages

Keywords

cafe, business plan, financial analysis, feasibility study

Recommended information sources

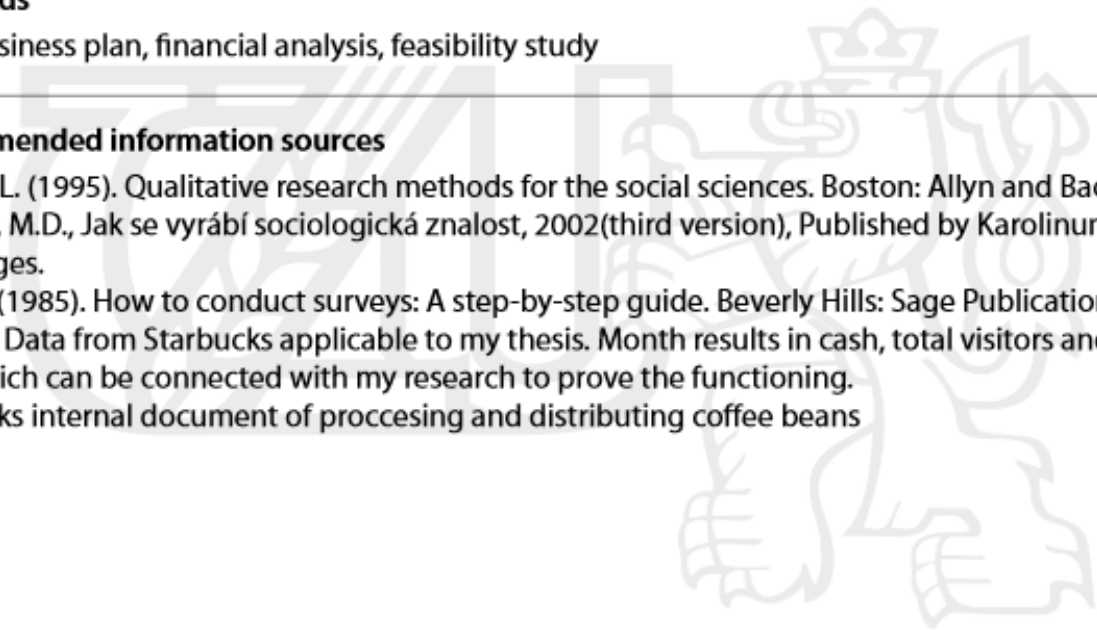
Berg, B. L. (1995). Qualitative research methods for the social sciences. Boston: Allyn and Bacon.

Disman, M.D., Jak se vyrábí sociologická znalost, 2002(third version), Published by Karolinum, 374 pages.

Fink, A. (1985). How to conduct surveys: A step-by-step guide. Beverly Hills: Sage Publications.

Internal Data from Starbucks applicable to my thesis. Month results in cash, total visitors and other data which can be connected with my research to prove the functioning.

Starbucks internal document of processing and distributing coffee beans



Expected date of thesis defence

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Declaration

I declare that I have worked on my bachelor thesis titled "Feasibility Study of Cafe in Prague" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any third person.

In Prague on 10th March 2015

.....
Josef Jilemický

Acknowledgement

Hereby, I would like to thank my supervisor Ing. Petr Procházka, Ph.D., MSc for his patience, valuable comments, advices and support during my work on this thesis.

Studie o možnosti založení kavárny v Praze

Feasibility Study of Cafe in Prague

Souhrn

Tato bakalářská práce se zabývá studií o možnosti založení kavárny v Praze. Cílem této práce je shrnout všechny požadavky potřebné k založení nové kavárny. Práce je rozdělena do dvou částí. První část představuje teoretický základ, který slouží jako podklad pro část praktickou. Tato část se nejprve věnuje marketingovému mixu a marketingovým trendům, poté rozebírá vizi společnosti, SWOT analýzu, a nakonec se zaměřuje na rozbor finanční stránky podniku. Praktická část se soustředí na výzkum týkající se založení nové kavárny v Praze. Nejdříve je prezentována vize společnosti spolu s elementárními informacemi, jako jsou management společnosti, místo nebo potenciální zákazníci, posléze je rozebírána SWOT analýza, zahrnující vnitřní a vnější faktory ovlivňující podnikání, a nakonec jsou propočítány nezbytné finanční analýzy.

Summary

This bachelor thesis deals with the feasibility study of a cafe in Prague. The aim of this work is to summarize all requirements needed for the foundation of one's own cafe business. This thesis is divided into two parts. The first part is represented by a theoretical background, which is devoted to be a source for an analytical part. It describes marketing mix and marketing trends. Additionally, vision statement and SWOT analysis are covered, along with financial forecasting. The analytical part is dedicated to the research about setting up a new cafe in Prague. First of all, the vision of the company is presented along with fundamental information such as management of the company, location or potential customers. Later on, SWOT analysis concerning internal and external factors is conducted. Finally, required financial forecasts as well as profit and loss statement are calculated.

Klíčová slova: studie, finanční analýza, marketing, kavárna, podnikatelský plán

Key words: feasibility, financial analysis, marketing, cafe, business plan

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List of Acronyms

COL	Cost of Labor
COS	Cost of Sales
CZK	Czech Koruna
DTR	Daily Transaction
KPI	Key Performance Indicator
P&L	Profit and Loss Statement
SM	Sales Mix

1. Introduction

Coffee is the second most widely used product in the world after oil. Technically, there is no way how the world could survive and develop without having oil. But could it survive without coffee? This commodity represents one of the major parts of the world's economy. Additionally, it employs over one hundred million people around the world. Nowadays, lots of people do not realize the importance of coffee in their everyday life since almost no one can imagine a day without a cup of coffee. For some, this cup of coffee may represent an opportunity to meet their friends or businesses partners. On the other hand, this so-called drug may represent a break in this fast moving world for others. To all appearances, a cafe is a place where all of this can be realized.

The first part of the thesis is literature review, which serves as a background for the analytical part. The beginning is dedicated to marketing, especially to 4P's and 4C's of marketing mix. Additionally, marketing trends such as social media, viral marketing, E-wallet and sampling are discussed. Later on, vision statement and SWOT analysis are explained. Finally, financial forecasting methods including cash flow, key performance indicators, break-even point and profit and loss statement are described. Moreover, business expenses are included.

The analytical part is devoted to the creations of Gizmo's Cafe at Chodov shopping mall. It starts with general information about Gizmo's company, about its objectives and about its vision statement which is *to create a perfect place admired in our industry where our partners and customers will connect with each other and where they will enjoy our excellent service and the best quality products they can always rely on.* The second chapter recommends ideal management structure, followed by chapter calculating cost of labor and cost of sales. The last type of costs, represented by fixed costs is introduced and calculated in the upcoming chapter. In addition to those calculations, concrete marketing strategies such as social media marketing and sampling are presented. Considering internal strengths with weaknesses and external opportunities with threats, the SWOT analysis is crucial and the next part focuses on it. The last but not least chapter of this thesis analyses financial procedures including calculation of break-even point and profit and loss statement.

2. Objectives Methodology

The aim of this thesis is to describe all requirements when starting a new cafe business. In order to do a proper market research, quantitative observation methodology has been used to collect required data for analysis of purchasing behavior of customers in competitors' stores. This observation has been conducted for one week during the peak times of different competitors in the shopping mall Chodov. In addition to this, a couple of mystery shoppers have been used to collect further information about competitors' communication with customers, up-selling of products and generally overall atmosphere.

Theoretical background is done using methods of synthesis, abstraction, extraction, deduction and induction. Due to the fact, that all data used for financial analysis, including calculations of cost of sales, cost of labor, fixed costs and other variable costs are predictions, methodology consists only of financial forecasting methods and calculations. According to these facts, break-even point analyses and profit and loss statement have been conducted. The qualitative research is represented by SWOT analysis. It examines the Strengths, Opportunities, Weaknesses and Threats of a company.

3. Theoretical Background

3.1. Market Analysis

When starting a new business, it is necessary to conduct analysis of the target market in order to identify all factors that may influence the enterprise. Moreover, decision about what type of the marketing mix to use might help to identify the orientation of one's business. Additionally, analyses of marketing trends may help to identify current tendencies and behavior of customers. This chapter describes bases of marketing including marketing mix and marketing trends, as well as situational analysis.

3.1.1. Marketing

“Marketing is getting the right goods and services to the right people at the right places at the right time at the right price with the right communications and promotion.” (Kotler, 1977) As Philip Kotler says, the basic aim of marketing is to focus on customers and to deliver them the products of the best quality for the suited price. All of this can happen due to the right communication and aimed advertisement on specific product or service. This statement can be applied to any marketing business or strategy and it will always be correct. *“Marketing is the messages and/or actions that cause messages and/or actions.”* (Baer and Naslund, 2011)

According to Jay Baer, marketing is the beginning of some chain reaction. If the marketing is done well, it can cause two different acts. First of all, customers will start talking about it and if that happens, the message will be spread. This is the best way how to attract new clients for a business. On the other hand, if the reaction on an advertisement is an action, customers will come right away and they will buy the advertised product immediately. Both possibilities and reactions represent the way how marketing works.

“Marketing is creating irresistible experiences that connect with people personally and create the desire to share with others.” (Heidi Cohen, 2011) As Saul Colt wrote, creating irresistible experience is the goal of each advertisement. A company wants to show its customers that its product is exactly the thing they want and need. However, creating a great promotion with the best price stated is not enough. Aim of the good advertisement is to show the product in customers' real lives and convince them, that they cannot live without it.

4P's of Marketing Mix

Marketing mix represents a collection of tactical marketing tools, which gives company the ability to modify its offers according to customers (Basarka.webnode.cz, 2015). Marketing mix was mentioned by Jerry McCarthy in his book *Marketing* in 1960. It contained marketing tools which are called *4P's*. It stands for: Product, Price, Place and Promotion.

In this chapter *4P's*, marketing mix is elaborated and *4C's* marketing mix as well.

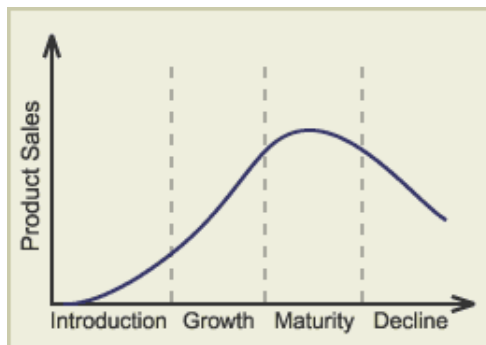
Product

Product is the basic stone of any business and simultaneously, it is a crucial part of all marketing activities. Product must meet the expectations of customers and it also must satisfy their needs.

It is not only some touchable item, it may also include different services provided by the companies on the market (RobertNemec.com, 2005). If customers want to buy some product, they also need to think about design, trend mark, image, guarantee and other services which may or may not be included.

To have a successful company with prospering products, the firm has to create some strategic plans for further development of a specific product. When a new product is introduced, it progresses through four stages of Product's lifecycle.

Figure 1. Product Lifecycle



(Quickmba.com, 2015)

In this diagram, the horizontal line represents time and the vertical line stands for an amount of products sold. There are four stages of product lifecycle: Introduction, Growth, Maturity and Decline.

The first one is the *Introduction stage* during which a company seeks to create a public knowledge about its new products. Moreover, it tries to prepare a positioning for the

product on the specific market. Huge budgets are spend to capture attention of consumers but on the other hand, sales are low.

The second one is the *Growth stage*, which is the most dynamic stage of the Product lifecycle. There is a significant increase in sales due to better awareness and publicity of the product. Moreover, other services may be added to improve the image of the product.

The third one is the *Maturity stage*, in which a strong growth in sales disappears due to the saturation of the market and competitors. Promoting the differentiation of a product and lowering prices keep business running. (Quickmba.com, 2015)

Last but not least is the *Decline stage*, which means a drop in sales. Companies might reconsider their intentions for their product. They can either improve the product by adding some new features to it, or they can stop producing the product. In this case they should offer it to the other companies, which are willing to pay for it.

Price

Price as a term can be understood as a willingness to pay a specific amount of money for a given product. It should also reflect the value of a given item at the market. There have always been two different understandings of price. The first one is the view of sellers and the second one is the view of buyers. Suppliers will always want the highest possible amount of money for the lowest volume of work. On the other hand, buyers will always want to buy the best quality item for the cheapest price. But in reality, it does not work like that. There are lots of identical products sold for different amount of money. Additionally, lot of customers are willing to pay a realistic ridiculous amount of money for the same items, without considering the brand.

Establishing price for a new product or service is the crucial start of any business. At first, it may seem hard and unrealistic to determine the right price, but it is one of the most important things that keeps the business running. On the other hand, there are a lot of factors that might affect the price and should be considered. However the most common factors in establishing price are represented by cost of sales (COS), cost of labor (COL), competitive analysis, price elasticity of demanded good and percentage of profit for a given company.

The first factor is cost of sales, which represents a sum of total expenses used for production. However, the COS should always be kept on the lowest possible amount. COS

is calculated as the sum of beginning inventory value plus cost of products purchased for a given period minus the ending state of inventory. (Accountingtools.com, 2015)

The second factor represents cost of labor, which stands for cost of wages paid to employees for a specific amount of time. Moreover, there are included other factors in COL such as taxes, insurance, bonuses, or company's benefits. (Accountingtools.com, 2015)

The third valuable factor is the competitive analysis, which helps to analyze the prices and other strategies of the other competitors. Competitive analysis is not only about competitor's prices, it is also about identifying included packages, which come with the product or value-added services. (Zahorsky, 2015)

Another factor is the price elasticity of demanded good, which might be divided into two types. The first one is represented by an elastic demand, whereas the second one is represented by an inelastic demand. Meanwhile a product is within elasticity demand, it means that if the price of a product goes down, consumers will buy a lot more. On the other hand, if the price goes up, the level of sales will go rapidly down, because customers will most likely choose competitive product with a lower price. Inelastic demand is the second type of price elasticity. It means that if the price of goods goes up or falls down, the demand for the specific service or good will remain mostly unaffected. Good example of inelastic demand is fuel. All people who have a car need gas, in consequences there are no other places where to purchase it, gas station represents the only possibility. If that gas station increases a price of gas, the customers might go to the competitors. However, the other places will rise the prices as well due to the same price of gas worldwide. (Amadeo and Amadeo, 2015)

Last but not least is the profit for the company. When a company establishes the price, it should consider the minimum level of profit which is expected to satisfy the needs. Sometimes, it can be one percent from sales and the other time it might be even forty percent from sales. Everything depends on factors listed above.

Place / Distribution

"Distribution means to spread the product throughout the marketplace such that a large number of people can buy it." (The Economic Times, 2015) According to Economic times, distribution has the power to either make, or break the company (The Economic Times, 2015). If a company is able to provide a good distribution system, it possess greater chance

of selling the product in comparison with its competitors on the market. On the other hand, a competition is almost impossible while having lack of supply and it might be even impossible to compete with competitors who have better distribution and stock of products.

Sometimes, it is the distribution which make the customer to either buy the product or to go to competitors. Moreover, due to the enormous increase in E-business (i.e. online stores), customer might be often looking for a product of the fastest delivery.

Promotion

Definition from Economic times says that “*promotions refer to the entire set of activities, which communicate the product, brand or service to the user. The idea is to make people aware, attract and induce to buy the product, in preference over others.*” (The Economic Times, 2015)

Promotion is frequently being called advertisement. But advertisement is not the only part of the promotional strategy, except of it, the press releases, consumer offers, benefits, freebies and other discounts are included in this term.

To create an effective promotional strategy, it is important to understand well the previous three parts of marketing mix, i.e. product, price and place. If there is a new promotion going public, it must be ensured that there is everything ready and that no mistakes or errors might be made in the distribution site or in pricing. (Knowthis.com, 2015)

4'C of Marketing Mix

Concept of 4C's can sometimes be replaced or proceeded by 4P's marketing. (The Design Trust, 2012) Nowadays, some sellers focus on this type of marketing mix which is aimed on consumer rather than on a product. Four variables in the 4C's model are represented by consumer, cost, convenience and communication. These four factors are almost the same as in 4P's concept. The only difference is that the point of view is not from companies to products but from consumers to products. (Marketing91.com, 2011)

Consumer

The first part of 4C's marketing mix is called consumer. The main focus and concern is aimed on the customer. Companies following the 4C's strategy offer fully customizable

products to satisfy the majority of customer's needs. Due to this, those products are generally aimed to reach small markets or businesses.

One of good examples of the orientation on consumer is Starbucks coffee, where a customer can fully customize their own coffee. It all starts with choosing the size and type of coffee. Then a different flavor can be chosen and finally, various types of milk and additional espresso shots or decaf coffee can be added. This is a great example of consumer focus, in other words, customer is always on the first place.

Cost

Cost is the second factor of 4C's marketing mix and it is almost the same as Price in 4P's marketing mix. The biggest difference is that in cost, the type of consumer is considered. If the product is aimed in SEC A segment¹, the costing should be higher, and it should also evoke a premium quality as a psychological positioning. On the other hand, if the objective of the product is supposed to be for SEC B and SEC C² classes, costing should be lower. (Marketing91.com, 2011)

Convenience

Convenience is the third term in 4C's and it stands for Place from 4P's marketing mix. It is supposed to make buying things much easier than it used to be. Due to the availability of internet everywhere and anytime, companies are focused on fast and friendly websites with sufficient content of information about every product. It is crucial for companies to provide delivery services, which should for example include installation of product if required or online nonstop helpdesk. Nowadays, every detail such as speed of delivery or every service included matter and might determine whether the customer is going to choose one's competitor's business. (Dineshbakshi.com, 2015)

Communication

Last but not least is communication which comes along with promotion. However, in this strategy, communication stands for wider point of view. As well as in previous 3C, where the primal focus is on customer, there is no change in perception of this one, too. At 4P's

¹ Upper most segment of the consuming class

² Middle segment of population

marketing mix, the focus was to communicate product with consumers. On the other hand, the 4C's focus is two-way. It is not only communicating the product with customers, but It also includes listening to them, trying to establish some bonds and to obtain a feedback from them, too. (Dineshbakshi.com, 2015)

To make a summary, the advantage of, the 4P's (traditional) marketing mix is to help a company to determine its strategy and way of business more efficiently. On the other hand, 4C's model helps to create a customer friendly environment and adjust any service for any customer. (Marketing91.com, 2011)

3.1.2. Marketing Trends

"A marketing trend is a pattern of business behavior that becomes popular and mimicked after it is proven to be a cost-effective way to connect with paying customers." (Sophisticatededge.com, 2015) According to Richard Horgan, marketing trend is a proven method, which is effective and successfully working in the market. It does not have to be some outdated verified method. Nowadays, anything can become a marketing trend. In this thesis, it will be mentioned couple of actual marketing trends like social media, E-wallet trend, Viral marketing and sampling.

Social Media Trend

The first trend is represented by social media, which is being one of the most popular one lately. In last few years, social media became the fastest way how to spread any information and how to express opinion on everything as well.

If any company wants to be successful, it is almost mandatory to have a Facebook or Twitter account. Nowadays, having an account for publishing the newest proposals about company's products is not enough, further communication with clients is necessary. Posting news, chats, humorous stories and background information helps to connect its' business with customers and to set some bonds.

Viral Marketing

The second trend in marketing is called viral marketing. Dan Zarrella defines viral marketing as a *"strategy by which a marketer creates a campaign focused around the goal of causing viewers of that promotion to spontaneously spread it by sending it to friends."* (Dan Zarella,

2015) Viral marketing is based on paying attention to targeted segment of customers. It may be done by some really touching promotion, which will make the viewer's impulse to share it with their friends on social media. On the other hand, it may be done by some very absurd advertising, which will be so absurd that it will catch attention of everyone and make them share it too.

There are two types of viral marketing which are represented by passive form and active form. Passive form relies only on spoken word or on recommendations from customers without any intention to affect their behavior. On the other hand, active form is intentionally aiming on specific segment of population by one of advertisements already mentioned in the previous paragraph. (Dan Zarella, 2015) Following paragraph illustrates how viral marketing works in real life.

Once a computer company decided to attract new customers by a weekly event. The game was based on following their website for updating status about GPS coordinates in a given city for a hidden treasure. The first customer finding specific envelope would win some material good, like printing machine, headphones, computer or television. First few weeks, only dozen of customers were participating, but after it has spread, almost a hundred of new customers became fans of a company's Facebook account and due to this, huge amount of new customers were talking about those events on their accounts. As a result, amount of company's fans almost doubled each month.

This is a great example of active viral marketing. A company may people let do advertising for it. On the other hand, if the shared impression is negative rather than positive, there is only little the company can do with it. That is the power and threat of social media.

E-wallet Trend

The third of the marketing trend is so called E-wallet. It is software application which allows the creation of digital wallet that is tied up with users having phone account. It allows the user to buy any good which is online during few seconds. Nowadays, the technology of phones is so advanced, that users can for example pay for a drink in a vending machine or they can even pay parking ticket in few seconds without any need for searching a wallet for coins. Safety of the E-wallet is ensured by multiple passwords required before a transaction is done. (Investopedia, 2011)

Sampling

Last but not least trend is sampling. Will Northover said about sampling that “*Sampling is an effective marketing channel to really give consumers the chance to “try before you buy”.* It’s proven not only to lead to improved sales but, perhaps more crucially, drive loyal customers.” (26) The basic aim of sampling is to catch attention of new customers, or to create subconscious about company’s new product.

Sampling is usually part of food or beverage business, because it takes quite low afford of presenting new products to customers. Companies can either do a sampling for one of their core product to catch attention of the potential customers or it can share the taste of new product with their loyal customers, which might help to create even bigger bonds between the customers and a company. Additionally, sampling can serve as another marketing trend already mentioned, as the viral marketing. Nowadays, everyone has to pay for everything, sometimes even for ridiculous things. And if somebody offers a free product as a try out, it can make really good impression. Those consumers will spread that information between their friends and maybe some of them will come and stop by to try out some other products. (Northover, 2014)

3.1.3. Situational Analysis

The SWOT analysis is a business analysis technique that includes identifying strength and weaknesses of a company and opportunities and threats present in the market. It is widely accepted tool inasmuch it focuses on the key issues that influence an organization. (Johnson and Scholes, 1999) First letters of these words representing these issues create an acronym SWOT. It was created in the 1960s by businessmen Edmund P. Learned, C. Roland Christensen, Kenneth Andrews and William D. Book in their book *Business Policy, Text and Cases*. Even though this tool was originally used to analysis of a business, it started to be used to support personal development in time. The analysis of these key factors affecting business can lead to creation of a solid action plan for handling with weaknesses, minimizing threats and highlighting organization’s strengths and opportunities.

(BusinessNewsDaily.com, 2015)

Rothaermel defines SWOT as “a framework that allows managers to synthesize insights obtained from an internal analysis of the company’s strengths and weaknesses with those from an analysis of external opportunities and threats.” (Rothaermel, 2013) Strengths

are factors that give company an advantage over its competitors while weaknesses are factors that might negatively influence business if used by its competitors. Both of them are internal to the company and may be directly managed by it. On the other hand, opportunities and threats are external to the company. This means that it can only react to them since opportunities are favorable situations that might bring an competitive advantage whereas threats are the unfavorable situations that might be harmful for a company. (Jurevicius, 2015) Each of these factors is explored in detail in the following part.

Internal Analysis

The internal analysis of a company should include its culture, expertise, resources, and unique qualities that a firm possesses on the market. What also needs to be considered is the extent to which business could adapt to changes in the environment. Culture includes different aspects of organization's ethos, beliefs, structure, and public image. When considering expertise, an organization should know how many people have crucial skills and therefore play a key role in maintaining company's market share and brand positioning. Moreover, it should be also aware of the competitors' situation and their expertise. Buildings, plant, machinery, or financial position represent a few examples of the company's resources. The unique qualities stand for special contracts, customers, patents, trade secrets, or any other things that are special to the organization. Sometimes, it might be hard to categorize if one thing is strength or a weakness. Usually, this depends on an industry. For some companies, having single one supplier may be seen as a huge strength because these companies are able to supply the market quickly and efficiently. Contrary to these, it may be seen as a weakness by some companies because these are totally dependent on the exclusive distributor.

A strength adds value or gives competitive advantage to a company, it is something that has a positive impact. These positive implications include tangible assets such as available capital, credit, equipment, loyal customers, materials, patents, information systems, or existing channels of distribution. It may also include finance, marketing, production, support or unique knowledge, specialists, education, contacts, reputation, or background. Nevertheless, this must be seen from the perspective of firm's operating environment. In other words, a thing can be seen as strength when it is not usual to a company's industry and its customers would not expect it.

Weaknesses are things detracting from the value of company's offering. They represent disadvantages when compared with competitors and eliminate competitive advantage of an organization. Considering weaknesses, an organization should ask questions such as what can be improved, what it should avoid, or what it does poorly in comparison with others. Sometimes, it might be difficult to point out weaknesses since they are internal. Therefore, their highlighting may imply criticism of management's decisions that have been made. In this case, it may be difficult to talk about these mistakes objectively.

To compare the significance and value of company's strengths and weaknesses, it is possible to use a Performance-Importance matrix. The degree of significance is often shown as key, significant, minor, or neutral with the degree of importance rated as high, medium, or low. As a result, an organization should focus on areas with high importance showing low performance. (SWOT analysis, Strategy Skills, 2013)

External Analysis

The external factors, including opportunities and threats are independent on the organization. Firstly, these factors involve the market. Attention should be paid to customer analysis, especially to customer segments, motivations, and their unmet needs. Secondly, the analysis of the social, political, economic, technological, demographic and cultural environment should be done followed by the market analysis with its overall size, projected growth, profitability, distribution system, cost structure, trends and key success factors. Finally, it is important to analyze completely company's competitors, especially evaluate their performance, image, objectives, strategies, cost structure, culture, and strength and weaknesses.

Properly leveraged opportunities lead to a growth and they represent the favorable conditions in a company's environment. The opportunities arise from the changes in social and lifestyle patterns, as well as from the changes in population profiles, regulations, technology, markets, or supply methods. However, the changes in these sectors may also mean a threat which prevent an organisation from reaching its goals as they constitute barriers presented to a company. Eventhough it is impossible to directly manage threats, it is important to be aware of them and to make contingency plans. If a company is able to identify potential threats, it will be able to plan properly and react to these threats immediately. (Olsen, 2015)

As shown in this chapter, it is highly desirable to make a SWOT analysis for an organization. Analysis of internal strengths and weaknesses is important as a company can directly manage them. Even though a company may not influence external opportunities and threats and can only react to them, it is key for it to identify them.

3.2. Vision Statement

When starting a new business, one should clearly define company's vision statement. According to business dictionary, vision statement is *“an aspirational description of what an organization would like to achieve or accomplish in the mid-term or long-term future. It is intended to serve as a clear guide for choosing current and future courses of action.”* (BusinessDictionary.com, 2015) In other words, it is a goal a company tries to achieve in the future. Moreover, it explains what a company wants to become, how it wants to be perceived by others and finally, it shows the best what a company might be. Simply, it is a heart of a business and it encompasses its essence.

Vision statement should be lived daily by company's management as well as by its employees. (Hull, 2012) As Harvard Business Review writes, according to the research by Timothy Devinney and his colleagues from the University of Technology in Sydney, more than seventy percent of employees do not understand their company's vision statement. (Harvard Business Review, 2013) This can lead to weak decision making at all levels of a company which means that organization's vision will probably never be fulfilled. So how should a great vision statement look like? The next paragraph explains the key factors which should be taken into consideration when creating a company's vision statement.

First of all, vision statement should be short, preferably one sentence or a few concise paragraphs. If the vision is clear and obvious, then its statement should be as well. Secondly, it should describe outcomes rather than a present situation. This means that it should not describe what a company does, it should rather focus on resultant experience. Finally, it should be as simple as possible. A good vision statement is easily understood by employees. If they can reproduce a company's strategy in their own language and if they are even able to remember it word by word, it is a sign that an organization has a powerful vision statement. Such a statement helps inspire strategic decision making and product development. (International, 2013)

Vision statement might be confused with mission statement. Apart from vision statement, mission statement is a declaration of an organization's reason for being. It defines what an organization aspires to be and distinguishes a given organization from others. Moreover, it should be broad enough to allow for creative growth and limited enough to exclude some ventures. Such a statement should not include monetary amounts, numbers, percentages, or ratios and it should be shorter than 250 words. On the other hand, it should include nine components such as customers, markets, philosophy, products or services, concern for employees and for public image, self-concept, technology and concern for profits. What is more, it should convey the social responsibility of the firm. (Maggu, 2015)

Once stated a vision or mission statement, a company should analyze its environment, both internal and external. The next chapter is devoted to SWOT analysis, which focuses on both sides of the company's environment.

3.3. Financial Forecasting

According to Business Resources Center, financial forecasting is “*analyzing historical data (if available), market research and making a few key assumptions. Financial forecasting is used to create plans for the future of the business.*” (Property, 2015) Financial forecasting is all about planning and having the correct data for creating financial plans for the company's future. It is an estimation of two core financial values that are income and planned expenses. Financial forecasting is the best method to estimate what is going to happen with business for some specific period of time. (Smallbusiness.wa.gov.au, 2015)

3.3.1. Business Expenses

Financial forecasting should be based on two types of business expenses, represented by variable costs and fixed costs.

Variable costs are the expenses that are directly influenced by company's cash flow, (explained in upcoming paragraphs), and may change according to current level of labor and capital. However, variable costs are Cost of Sales (COS), Cost of Labor (COL) and Semi-Variable cost (Semis).

On the other hand, fixed costs are variables that are independent, and the amount of money paid for fixed costs is not influenced by the level of cash flow. Fixed costs are usually rent, insurance, buildings, loan payments and machinery.

(Economics.fundamentalfinance.com, 2015)

3.3.2. Cash Flow

According to Entrepreneur website, cash flow is, *“the difference between the available cash at the beginning of an accounting period and that at the end of the period. Cash comes in from sales, loan proceeds, investments and the sale of assets and goes out to pay for operating and direct expenses, principal debt service, and the purchase of asset* (Entrepreneur, 2015)

This means that all money received either from selling products or services or from account receivables³ belong to cash flow, likewise the cash flow output stands for expenses like rent, cost of sales, cost of labor, loan payments and taxes.

Cash flow is critical for business itself, and it is the major part of financial health of any company and the fundamental part for the company growth.

3.3.3. Key Performance Indicators (KPI)

Roger Hirst describes KPI's as, *“Using management's own measures of success really helps deepen investors' understanding of progress and movement in business. Whether contextual, financial or non-financial, these data points make the trends in the business transparent, and help keep management accountable.”* (pwc, 2015)

The key performance indicators are represented by sets of specific tools chosen by each company to measure and to compare their successes in reaching given goals. KPI's may vary between different businesses, due to the different sets of priorities and goals.

Creating KPI depends on the strategy and the operational goals. For example, first of all a company needs to create the performance goals for next year, and only after that, the company can start planning the specific KPI's for it.

Another example of KPI can be presented by the aim of reaching 103% SSS (same store index) for the current year. It means that each month of a current year can be compared

³ Amount of money owed to company by its customers for provided services or goods, payable in short-term period.

to the month of previous year. Following the results, the managers can see if the goal of 103% SSS is real, and if not some reaction should take a place. For instance try to increase the company's sales or make special offers to attract more customers. To do that, they can start doing sampling⁴ or try some viral marketing⁵.

3.3.4. Break-even Point

Professor Hossein Arsham defines Break-even point as a, *“number of units that must be sold in order to produce a profit of zero.”*

In different words, break-even point is a situation in which the amount of money gained from sold products, has covered the expenses required for creating them. Moreover, when the company has reached the break-even point, it starts making profit.

To find break-even point, it is necessary to identify all variable and fixed costs of a company.

After that, it is possible to calculate it as $Q = FC / (UP - VC)$ where:

Q = Break-even Point, i.e., Units of production (Q),

FC = Fixed Costs,

VC = Variable Costs per Unit

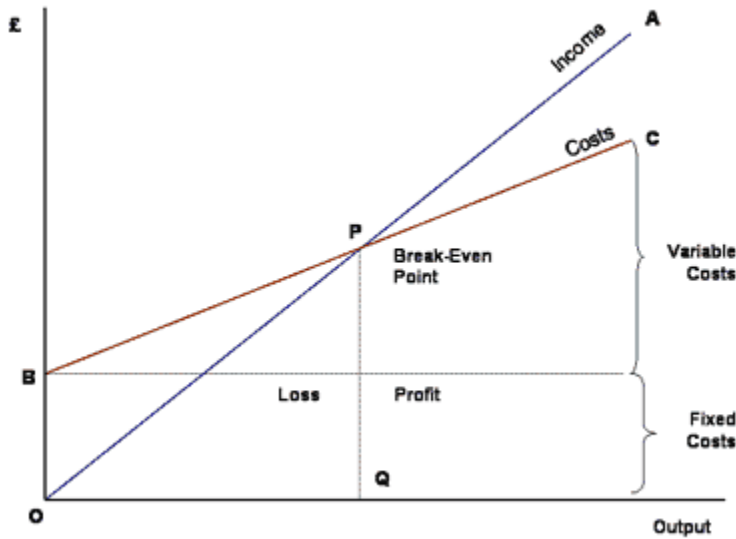
UP = Unit Price

(Home.ubalt.edu, 2015)

⁴ Sampling is described in chapter 1.3.4

⁵ Viral marketing is described in chapter 1.3.2

Figure 2. The Break-even Chart



(Home.ubalt.edu, 2015)

In the diagram above, horizontal line stands for an amount of products made, and vertical line is represented by amount of costs. Line OB represents total amount of fixed costs and line BC stands for an amount of total costs (in other words variable costs and fixed costs). Line OA is company's total income. Moment, where line OA (i.e. income) intersect with line BC is called Break-even point. On the other hand, line PA means profit to a company.

To make a summary, calculating break-even point is a necessary thing to do, if any company wants to plan its market activities and to plan future goals.

3.3.5. Profit and Loss Statement (P&L)

Margaret Rouse defines Profit and Loss statement as *“A profit and loss statement (P&L), also known as an income statement, is a financial report that shows a company's revenues and expenses over a given period of time, usually a fiscal quarter or year.”* (SearchFinancialApplications, 2015)

P&L is a financial document of company's costs, expenses and revenues for a given period of time. Usually, the period might be monthly, quarterly or yearly. P&L is the internal document and it is shown only to managers who have the capability and power to influence somehow the progress of a company. It tells them the capability of a company to increase profit due to reducing the variable and other costs.

Structure of P&L is highly changeable according to the needs of a company. In most cases, P&L contains information structured to rows and columns. In columns, there are usually listed all profits and expenses like net sales, cash flow, variable costs (COS, COL, Semi-variable), fixed costs. On the other hand, in rows the different periods of time are listed starting at current month, last year month (LY month), year to date, LY year to date and all previous months.

All in all, P&L is one of the most important KPI's for companies. It shows them their strenghts, weaknesses and other opportunities they should focus on.

4. Analytical Part

This part of the thesis focuses on practical information about creation of the Gizmo's Cafe and further plans for its management, finances and marketing. Additionally, necessary computations are calculated such as cost of sales, cost of labor and fixed-costs. What is more, SWOT analysis is done along with financial forecasts including calculation of break-even point and profit and loss statement.

4.1. Creation of a Company

Gizmo's is a coffee company, focused on selling the best quality coffee, tasty food and creating the unforgettable experience to their customers. Gizmo's is going to be a medium size store, with thirty seats and two additional rooms for managers and conference meetings.

The owners of the Gizmo's Cafe are Mr. X and Mrs. X, each possessing 50% of the company share. The amount of renting tax was established at 3,700 euros. Moreover, the owners are going to take a loan from bank to finance the equipment and rent. Expected amount of the loan is 1,000,000 CZK for 5 years.

Gizmo's will be located at Prague 4 in the shopping mall Chodov. Reason for this location is given by the popularity and a strategic positioning of Chodov mall and also the future plans for Chodov's expansion up to year 2017. The opening hours of Gizmo's will be directly connected with the opening hours of Chodov mall, which are Monday – Sunday 9:00 to 21:00. (Centrumchodov.cz, 2015)

4.2. Objectives of the Company

Primal focus of Gizmo's will be satisfying the needs of customers by providing the best quality coffee and food, also to create loyal customers and to give them a reason to stop by every day for their favorite cup of coffee or dessert. Its vision statement is *to create a perfect place admired in our industry where our partners and customers will connect with each other and where they will enjoy our excellent service and the best quality products they can always rely on*. The offered products will vary in taste, price and specific offerings in different day time. Breakfast sandwiches till 10 a.m., toasted sandwiches for lunch time, cakes and other sweet things for the rest of the day. From the segment of beverage's there will be offered the basic types of coffee drinks like cafe latte, cappuccino, cafe americano,

espresso, espresso macchiato, latte macchiato and lot of more. All drinks will be highly customizable with different types of flavors, amount of espresso shots added to the drink or even different types of milk used.

To overwhelm the leading competitors Costa coffee, Starbucks and Tchibo located at Chodov's mall, Gizmo's will base its strategy on the positive energy and behavior of the employees as well as of a special treatment for customers.

However, marketing is one of the major suspects for a successfully working company. Due to the strategic location of Chodov's mall a large spectrum of customers may be attracted. Company assumes that between Monday – Friday at least 20% of the customers will be students, due to the high amount of different schools around. However, roughly 30% will be managers and business meetings. On the other hand, about 35-40% will be potential customers of shopping mall. Approximately 10% should be covered from loyal customers and special offers for all employees of Chodov's mall. Although the weekends will be only about random shoppers and once again loyal customers.

In order to entertain customers to stay at the shop, a free Wi-Fi will be established, also 2 televisions with modern technology of transmitting sound via Bluetooth to customers phones and then to customers headphones will be available.

The owners expects to have first month Net sales around 700,000 CZK. Additionally, due to the location in shopping mall, the amount of potential customers will be directly connected with seasonality's like Christmas shopping, Marianne days or events hosted by shopping mall. Expected average guest check (AGC) will be around 110 CZK.

4.3. Management

Management is another of the key factors for successful business. Company needs to hire enough employees to cover up all business days, due to the fact that the store will be opened every day for almost 17 hours. In order to provide the best customer service and to keep some decent speed of service behind the bar, company plans to have 2 partners for opening shift, another 2 partners coming on the shift for mid-day shift to handle the noon busy and 2 partners for closing shift. Shifts are planned to be 8.5 hours long with 30 minutes unpaid break.

Table 1. Required Working Hours per Week

Position	Hours per week
Store Manager	40
Assistant Store Manager	40
Product Manager	40
Shift Manager 2x40	40
4x Partners (Full time)	40
3x Partners (Part time)	20
Total:	420

Source: (own data)

Table 1, shows the optimal amount of working hours per week. Moreover, the table also represents the specific positions which will be required for fully working store.

MR. X will be the Store Manager of Gizmo’s Cafe. He will be responsible for the financial aspect of the store, which includes payrolls of managers, too. Also, Store Manager make’s future plans and forecasting’s for the business. Moreover, he will be taking care of the public relations.

On the other hand, Mrs. X will be Assistant Store Manager. She will hold responsibilities for the team. It means payroll for Partners, recruitment of new stuff, training of new Partners or solving any other problems concerning the team. Moreover, Assistant Store Manager is supposed to create a weekly schedule for all required shifts for Partners and Managers, too. Mr. X and Mrs. X will recruit Managers and other employees for Gizmo’s cafe.

Product Manager will be responsible for all orders concerning the food, beverages, bottled drinks, milk and other consumable inventory. Also, monthly and weekly inventory checks will be required from this position. Moreover, leading and supervising shift is included in this position, too.

Shift Manager’s responsibility will be supervising the shift, also by the right leadership and positive energy ensure, that the partners act responsibly and representatively.

Partners will be the fundamental part of whole business. They hold the responsibility for communication with customers, for upselling additional products, making the right beverages, spreading the positive energy and also attracting new possible customers.

Table 2. Month Salary

Position	Salary (Czk)
Store Manager	35,000
Assistant Store Manager	30,000
Product Manager	25,000
Shift Manager	19,000
Partners	15,000

Source: (own data)

Table 2, Monthly salary represents the amount of intended wages for different positions of employees for one month. Also, it is required from all Managers to be a full time employees. On the other hand, some Partners may not have to be necessarily full time, due to the possibility of students being employed during the school year.

4.4. Cost of Labor

Cost of Labor is sum of all salaries paid to employees for specific period, usually it is one month. According to table 6, total amount of required working hours is 520 per week, which makes 1,600 hours per month. Each day consists of 2 shifts called opening shift and closing shift. At least one manager have to be always present on each shift. In upcoming calculations is month taken with average number of days, which is 30.

Table 3. Cost of Labor

Position	Total paid hours	Salary in CZK
Store Manager	168	35,000
Assistant Store Manager	168	30,000
Product Manager	168	25,000
Shift Manager 1	168	19,000
Shift Manager 2	168	19,000
Partner 1	168	15,000
Partner 2	168	15,000
Partner 3	168	15,000
Partner 4	168	15,000
Partner 7	84	7,500
Partner 8	84	7,500
Partner 9	84	7,500
Total	1,764	210,500

Source: (own data)

Table 3, describes the details about the total amount of all wages planned to be paid for all employees of Gizmo's. Positions of Store Manager, Assistant Store Manager and Product manager also have Non-coverage hours included in the plan, due to the duties required from their positions.

Total cost of labor for one month will be approximately 210,500 CZK.

4.5. Cost of Sales

Chapter Cost of Sales concerns about the computation of COS of every beverage sold by Gizmo's Cafe, in order to predict total Cost of Sales. Moreover, individual prices for each size and type of beverage are stated below.

Table 4. Price of Coffee Beverages at Gizmo's

	Small (300ml)	Medium (370ml)	Large (450ml)
Cafe latte	55	65	75
Cappuccino	55	65	75
Latte macchiato	55	65	75
Cafe americano	50	60	70
Single espresso	30	x	x
Double espresso Macchiato	40	x	x
Double espresso Macchiato	45	x	x

Source: (own data)

Table 4, illustrates expected prices of Gizmo's beverages in order to provide enough profit to satisfy the owner and to cover up all the expenses.

Given prices were established by calculating Cost of sales (COS) and a profit which company wants to earn from each beverage. Business mix, which stands for the amount of beverages sold to take away or for drink-in is also included in calculations.

Expected business mix is that 40% of customers will stay on the store and 60% of customers will take their beverages to go.

Cost of Sales of Caffe Latte

Upcoming table is stating required costs for making small sized Caffe latte and Cappuccino, along with described variables included in price.

Table 5. Calculation of COS of Caffe Latte or Cappuccino

Caffe latte or Cappuccino	For here	Take away
Value-added tax	21%	15%
Price of whole beans	6 CZK	6 CZK
Price of milk	5 CZK	5 CZK
Price of cup	x	1 CZK
Price of lid	x	1 CZK
Cost of sales in %	24.18%	27.20%
Business mix	40%	60%
Total COS	25.99%	

Source: (own data)

Table 5, shows the detail amount of costs required for one cafe latte. Table is divided into three columns, where the first one contains the information about all articles included in one cafe latte. However, the second and the third column are about the calculation of the real values. The biggest difference is in the Value-added tax, where two types of taxes are distinguished. The first one is 21% for items bought for seating in and 15% for items purchased to take-away. The 6% difference between take-away and seating in is due to the differentiation of product and service. Regular value-added tax is 21% which counts as a service, but if customer makes a take-away order, there is a 6% discount due to the change from service to product category. The difference in the final price is not perceived by the customer, because the value-added tax is always included in the price.

Cost of Sales of Caffe Americano

As it was with Cost of sales of caffe latte, table 6 shows described variables about caffe americano.

Table 6. Calculation of COS of Caffe Americano

Caffe americano	For here	Take away
Value-added tax	21%	15%
Price of whole beans	9 CZK	9 CZK
Price of milk	x	x
Price of cup	x	1 CZK
Price of lid	x	1 CZK
Cost of sales in %	21.78%	25.28%
Business mix	40%	60%
Total COS	23.88%	

Source: (own data)

Table 6, contains exactly the same articles as table 5, but in a table 6 those numbers are stated for COS of cafe americano, which has a different price as cafe latte does, according to that the cost of sales is different.

Cost of Sales of Double Espresso Macchiato

Basic proposal of Gizmo's Cafe offers three types of espresso beverages which are single espresso, double espresso and double espresso macchiato. However, difference between costs of beverages mentioned above is negligible, so only COS of double espresso macchiato is stated.

Table 7. Calculation of COS of Double Espresso Macchiato

Double Espresso Macchiato	For here	Take away
Value-added tax	21%	15%
Price of whole beans	9 CZK	9 CZK
Price of milk	2 CZK	2 CZK
Price of cup	x	1 CZK
Price of lid	x	1 CZK
Cost of sales in %	29.56%	33.20%
Business mix	40%	60%
Total COS	31.74%	

Source: (own data)

Tables 5-7 were used to illustrate the expected cost of sales of the most preferred espresso beverages in Czech Republic. Gizmo’s assumes, that theoretical Sales mix of these three beverages will be up to 82% of all espresso beverages sold.

Sales Mix of Beverages

Upcoming table 8, is illustrating specific amount of Sales Mix combination for all beverages sold by Gizmo’s Cafe. The most effective drinks are expected to be café latte and cappuccino along with cafe americano.

Table 8. Sales Mix and COS of all Espresso Beverages

Product	Sales mix	Cost of sales
Cafe latte and Cappuccino	42%	25.99%
Cafe americano	26%	23.88%
Espresso doppio Macchiato	14%	31.74%
Other beverages	18%	27.25%
Total	100%	26.47%

Source: (own data)

Table 8, illustrates the final cost of sales for all espresso beverages the company will offer along with total SM. To calculate cost of sales of all products, one must combine it with the COS of food which will be around 34% in average.

$$\frac{\text{COS of beverages} + \text{COS of food}}{2} = 30.24\%$$

After all those calculations, Gizmo’s owners assume, that their Cost of Sales will be approximately 30.2%.

4.6. Fixed Costs

The fixed costs are costs required to keep the store running from an equipment point of view. Moreover, the fixed costs are all the costs connected with rent, electricity etc. and also variable costs for water consumption, marketing and new equipment. Table below represents Gizmo's monthly plan for fixed costs.

Table 9. Fixed Costs

Article	Amount in CZK
Rent	100,400
Depreciation	64,000
Electricity	28,000
Garbage removal	1,700
Water consumption	3,000
Internet	780
Marketing	20,000
Phone	500
Total	218,380

Source: (own data)

Table 9 illustrates the expected amount of fixed costs for one month. Because of the international owners of the Chodov's mall rent is required to be paid in Euro's, the rent may be different every month, due to its dependency on the actual exchange rate of Euro towards CZK. Agreed rent for the Gizmo's company's store is 6,000 Euro per month.

Total Costs

In order to get Restaurant profit for Gizmo's Cafe, Cost of sales along with Cost of labor and Fixed costs have to be added and then subtracted from expected Net Sales.

Table 10. Total Month Expenses

	percentage	CZK
Cost of Sales	30.24%	211,680
Cost of Labor	30.07%	210,500
Fixed costs	31.20%	218,380
Total	91.51%	640,560

Source: (own data)

Table 10 points out the total amount of all expenses for one month with expected Net sales of 700,000 CZK.

$$\begin{aligned} \text{Net sales} - (\text{COS} + \text{COL} + \text{SEMIS}) &= \text{Restaurant profit} \\ 700000 - (211680 + 210500 + 218380) &= 59440 \end{aligned}$$

Restaurant profit is 59,440 CZK which is 8.49%.

4.7. Marketing

A successful marketing is one of the fundamental pieces that every company must have. But not only about the advertising or targeting the audience for specific products, it is also about having the right attitude for making a business. Knowing how to act in order to attract more potential customers, having the capability to bound customers with your company and to persuade them to return every single day for the great cup of coffee.

Gizmo's will be focused on customer services along with serving the best quality coffee for a reasonable price. Moreover, the way company will focus is called 4C's marketing mix, where all the attention is focused on customer and partners behind the bar will always try to satisfy the customer by any needs. On the other hand, the advertising of a new products will be addressed to specific spectrum of customers and not to whole audience as it is typical for the mass marketing.

4.7.1. Advertising on Social Sites

Company wants to be focused on the internet advertising, especially for the advertising methods on social websites like Facebook or Twitter. A profile of the company will be created in each of those social sites and there will be a communication with customers concerning their daily life, employee's daily life behind the bar and a special daily offering menus for those customers, who follow the company on those websites.

Moreover, on a twitter profile, the company will be posting nice pictures of partners latte art⁶ in order to attract more potential customers, due to the fact that nowadays latte art is one of the secondary reasons for the potentials customer, to decide whether to go in for a cup of great coffee or to continue to competitors. Another reason might be the communication between the customer and a partner, the positive energy, or by other words, the overall atmosphere in the store. To ensure that all these secondary reasons are fulfilled,

⁶ Latte art is drawing with steamed milk into espresso shots in order to create pictures like hearts, flowers, smiles or even faces.

managers of the company will be observing the behavior of employees and will come up with ideas how to improve the atmosphere or the communication with the customers.

Due to the fact that, Facebook is in the Czech Republic probably more popular than the Twitter is, so the main focus will be devoted to the communication via Facebook pages. Company will post online price list with the description of all beverages, so even the beginner in coffee sphere will be able to understand the differences between latte and cappuccino, single espresso and single espresso macchiato and many more. Also, a brief history of the company will be presented along with the names of the partners working in the store and few words about each of them.

As well, the page will be devoted for the coffee itself. Company wants to publish project called “the trip of the coffee beans”, which will involve all the steps required to provide the best quality coffee for customers. It all starts within the coffee plantation and then going through methods of processing the coffee beans, transportation and roasting.

4.7.2. Sampling

Nowadays, sampling is also one of the powerful marketing tools, which helps to attract new potential customers. Purpose of the sampling is really easy, offering or presenting products to the potential customers in order to create the interest about the company, or the suggested item. Especially in shopping malls, sampling might be the option number one, in order to increase the amount of daily transactions or average guest check due to the upselling of the products offered during the samplings.

Gizmo’s will organize sampling three times per day. In the mornings, to attract customers for the morning coffee along with some breakfast, in noon to attract the potential customers for after-lunch coffee, and in the afternoon for snack. Sampled products will differ according to the consideration of product manager, in order to increase the sales mix of a product with low popularity, or to present the seasonal products.

4.8. Financial Procedures

In order to establish all data set correctly, some financial procedures have to be made, for instance Break-even point and Profit and Loss statement.

4.8.1. Break-even Point

Calculating break-even point is one of the key parts of the financial analyses that helps company to establish the required amount of products to be sold, in order to be able to start generating profit. In case of Gizmo's coffee, FC stands for 640,560 CZK. Also, price of one product cannot be used for the calculation, due to the large spectrum of products in the menu. However, amount of money used as a UP will be 110 CZK, due to the fact that the calculation of product price, does not include possibilities of purchasing additional products from cafe's offering like some desserts, assumed average guest check is used. In this case, the planned average guest check is 110 CZK. As VC – variable price per unit, will be used a sum of two different sources, the first one is average variable cost of beverages which is shown in the tables 2-5, and the second one is the average price of desserts, which is planned to be around 34%. After a computation of 34% from 110 CZK count up with 12 CZK for cost of sales, VC is equal to 46.1 CZK.

Calculation of Break-even Point

$Q = FC / (UP - VC)$ where:

Q = Break-even Point, i.e., Units of production (Q),

FC = Fixed Costs,

VC = Variable Costs per Unit

UP = Unit Price

$$Q = \frac{(110 - 46,1)}{640560}$$

$$Q = 10024,41$$

Result Q represents the required amount of transaction per month with an average guest check of 110 CZK to reach the break-even point. To achieve the break-even point, the additional computations may help, for example computing minimum of required daily transactions in order to reach the break-even point.

Calculation of Minimum Daily Transactions (DTR)

$$DTR = \frac{10024,41}{30}$$

$$DTR = 335$$

Result for minimum transactions per day is 335 transactions. However, the amount of transactions may differ depending on a particular day during the week. Due to the location in shopping mall, the busiest days will be the weekends. On the other hand, the minimum transaction will be made during the workday's mornings, due to the low amount of potential customers coming to the shopping mall.

4.8.2. Profit and Loss

The following part of this thesis is dedicated to profit and loss figure for the first month of Gizmo's Company. Expected sales are 700,000 and according to previous parts, amount of COS, COL and fixed-costs is known. Thereby, the retained earnings are 38,624 CZK.

Sales	700,000
Cost of Sales	211,680
Gross Margin	488,320
Gross Margin %	69.76%
Expenses	
Payroll including Taxes	210,500
Rent	164,400
Marketing	20,000
Depreciation	64,000
Electricity	28,000
Garbage Removal	1,700
Water Consumption	3,000
Internet	780
Phone	500
Total Operating Expenses	428,880

Profit before Interest and Taxes	59,440
Net Profit before Interest and Tax	8.49%
Interest Expense	8,334
Taxes Incurred	12,482
Retained Earnings	38,624
Retained Earnings %	5.5%

After calculating Profit and Loss Statement, retained earnings in amount of 38,624 CZK are forecasted.

4.9. SWOT Analysis

This part of the thesis deals with SWOT analysis, which helps to identify four major areas of SWOT analysis, which are Strengths, Opportunities, Weaknesses and Threats.

Figure 3. SWOT Analysis

Strengths	Opportunities
2 rooms for manager meetings	New products and services
Latte art	Social changes
Bluetooth sound TV system	Long term goals
Positive energy	Customer relations
Weaknesses	Threats
Highly dependent on seasons	Supply disruption of coffee beans
Relies on shopping mall	Local competitors
No tourists	Weather
Low business in mornings	Policy changes

Source: (own data)

Figure 1, SWOT analysis describe potential Strengths, Weaknesses, Opportunities and Threats of Gizmo's, however on each quarter of SWOT analysis four major terms can be

found. Major part of strengths is formed by equipment of the shop, such as two separated rooms for managers' meetings or conferences or two LCD televisions with high-tech Bluetooth sound system with allows customers to listen the television programs via their cellphone. On the other hand, latte art and positive energy are highly connected to the atmosphere and impression created by partners behind the bar oriented on customers.

Second quarter of SWOT analysis is formed by Opportunities, which focuses on possibilities for further development of the company. First term is about placing new products on the market. Company should be able to respond on competitor's menu boards with fast reaction and action. Also, identifying social changes may play major part in business. Nowadays, a huge social changes can be seen between mothers and their small kids, where mothers spent significantly more time shopping or walking around shopping malls. Another term is customer relations, where the company might focus a bit more on loyal customers with some loyalty cards and benefit programs.

Third quarter are Weaknesses, which is area capable of improvement. All of those weaknesses stated are highly connected with the fact of store positioning. Due to the fact, that Gizmo's Company is located in the middle of the shopping mall, it will be highly dependent on seasons or occasions like Christmas, Easter and holidays. Moreover, due to the outer location, almost no tourist come along.

Last but not least is the quarter about Threats, which helps to identify internal and external threats. Stated threats are only external, due to the higher possibility of occurring in near future, rather than internal ones. Supply disruption of coffee beans is factor that cannot be predicted, but on the other hand, company can minimize the threat of disrupting supply's chains by creating reserves of coffee beans and other relevant products. Local competitors are closely connected with the shopping mall, due to the high concentration of other coffee companies, differentiation from one another is the most important thing also, specific menus and customer focus may help to attract potential customers. Factor that unfortunately cannot be affected at all, is the weather. Moreover, if there is a nice weather less customers will come when compared with the rainy day, which is usually ideal for shopping.

5. Conclusion

The aim of this bachelor thesis was to reveal the most important steps needed for creation of a new company. The literature review provided information about marketing tools and financial forecasting. Not a long time ago, a 4P's marketing focusing only on the way to sell a specific product to any customer, was the most popular marketing tool used in businesses. Recently, the situation has changed and 4C's marketing mix has become more preferred due to the change of orientation from product to customer. This fact was taken into consideration when thinking about the creation of Gizmo's. The strategy of this company will be aimed at attracting potential customers' attention along with maintaining loyalty of existing customers. This will be done by creating profiles of the company on social sites such as Facebook and Twitter. There will be a communication with customers concerning their daily life, employees' daily life behind the bar and special daily menus offered to those customers. Although a communication through these social sites is crucial nowadays, it is important to be in personal touch with customers, as well. Therefore, Gizmo's Cafe decided to arrange regular samplings, where a customer can try out core beverages including coffee latte, cappuccino, latte macchiato and coffee americano. Moreover, not only beverages but even desserts will be sampled.

When establishing a company one must think about a vision statement which explains what a company wants to become, how it wants to be perceived by others and its future plans. The vision statement of the Gizmo's is *to create a perfect place admired in our industry where our partners and customers will connect with each other and where they will enjoy our excellent service and the best quality products they can always rely on*. To achieve this, Gizmo's Cafe will focus on providing legendary service along with the best quality products including beverages and desserts that will be updated according to the season of the year.

Last but not least, financial calculations required for further development of the company are done, such as profit and loss statement or break-even point, which was calculated with expected average guest check 110 CZK and the result was 10,024 transactions per month needed to reach the break-even point. However, 10,024 transactions per month means an average of 335 transactions per day, which is highly achievable. In order to get the retained earnings, cost of labor, cost of sales, fixed costs, other expenses, interests

and taxes have to be subtracted from projected sales of 700,000 CZK. Retained earnings after necessary calculation were 38,624 CZK which means 5.5%.

To conclude the purpose of the thesis, one should consider all the aspects that may influence the proper running of the business. Those aspects are marketing strategy, advertising, vision statement and internal with external analyses. One should also calculate expected cost of sales, cost of labor and fixed-costs along with other expenses to retain earnings.

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