

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



BACHELOR THESIS

FINANCIAL ANALYSIS OF BUSINESS PLAN IN THE AREA OF GASTRONOMY

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Department of Economics

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

David Simbartl

Economics and Management

Thesis title

Financial analysis of business plan in the area of gastronomy

Objectives of thesis

Preparation of a business plan for a selling food from movable riksha which includes:

- financial analysis of all matters concerning the business
- information about construction of riksha and products
- all administration needed, contracts, meetings with offices and institutions
- practical comparison to real functioning business, if possible


Methodology

Literature review is done using methods of extraction, synthesis, deduction and induction. Practical part will be done using methods of financial analysis.

The proposed extent of the thesis

35 pages

Recommended information sources

- Konzumní brambory, vydavatel: Výzkumný ústav bramborářský Havlíčkův Brod, 2009
 - Nařízení č. 9/2013 Sb. hl.m. Prahy – Tržní řád hl. města Prahy, 2013
 - Seznam doporučených odrůd bramboru 2014, Ústřední kontrolní a zkušební ústav zemědělský, Ing. Václav Čermák
 - SWOT Analyses, Nadine Pahl/Anne Richter, 2007
- 

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STATUTORY DECLARATION

**I, THE UNDERSIGNED, HEREBY DECLARE THAT THE THESIS
'FINANCIAL ANALYSIS OF BUSINESS PLAN IN THE AREA OF
GASTRONOMY' IS RESULT OF MY PERSONAL WORK AND ONLY
SOURCES I USED ARE LISTED IN THE REFERENCES.**

In Prague,

.....

David Simbartl

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I would like to thank to Ing. Petr Procházka MSc, Ph.D. for supervising my thesis. His valuable advice and comments contributed to the successful accomplishment of the thesis. I also thank to members of Rikšafood project for providing me with all necessary data.

Summary

The goal of this bachelor thesis is to set up a business plan together with its financial analysis for a project in the area of gastronomy. The plan includes the introduction of appropriate analyses, researches and processes. The practical part works with the business project as such. It applies the obtained theoretical information, calculates the financial estimations and deducts conclusions useful for decision-making processes.

The gastronomic project consists in a moveable rickshaw operating on a fast food basis. One kind of product is being sold from the rickshaw – baked potatoes, also called jacket potatoes. The retail is located in the campus of CVUT in Dejvice. The purpose of this project is an effort to change the eating habits of students, widen the meal offer and develop the basement for future growth of the business,

Souhrn

Cílem bakalářské práce je sestavit podnikatelský plán spolu s finanční analýzou projektu v oblasti gastronomie. Plán zahrnuje představení příslušných analýz, průzkumů a procesů. Praktická sekce pracuje s projektem jako takovým. Aplikuje získané teoretické informace, kalkuluje finanční předpoklady a vyvozuje závěry užitečné v rozhodovacích procesech.

Gastronomický projekt tkví v pojízdné rikše fungující na bázi rychlého občerstvení. Rikša nabízí pouze jeden druh pokrmu – pečené brambory, známé také jako jacket potatoes. Obchod je umístěn v areálu ČVUT v Dejvicích. Účelem projektu je snaha změnit stravovací návyky studentů, rozšířit nabídku jídel a vytvořit základnu pro budoucí růst podnikání.

Key words

Mobile fast food, financial analysis, setting up a business, administration, competition, place of selling

Klíčová slova

Mobilní občerstvení, finanční analýza, začátek podnikání, konkurence, místo prodeje

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1 Introduction

Nowadays, not only young graduated people imagine or even plan to set up their own business. The vision of independency and high earnings which is seen by their successful idols is usually the greatest motivation to leave a position as an employee and become an entrepreneur. However, the process and development are usually much harder than plans and imagination. Especially in case a business man gets into troubles the financial problems connected with his activities can reach immense proportions. On the other hand, there are no limitations as for the success, revenues and freedom in comparison to the career as an employee

The topic of this bachelor thesis comes out of the intention of setting up a business project in the area of gastronomy, called Rikšafood. The fact that this project is not just a made up thing contributes to the closer connection between suggestions and plans put down on the paper and real operations that happen in the market environment.

The theoretical section deals with a right approach for creating a structured and useful business plan. The sources of the practical part come mainly from the real experiences within the Rikšafood project supported with findings from the theories. The content of the thesis has to be simplified and made brief enough because the real process of planning, organizing and operating is far too wide.

Nevertheless, the most important aspects are described, analyzed in detail and subsequently summarized into conclusions which turn into valuable findings.

2 Thesis Objectives and Methodology

2.1 Objectives

Main goal of this thesis is to setup a business plan for a business which means, for example, to evaluate market environment, evaluate costs, production, legislation and many other parts of business. The purpose of the thesis is to deal with basic but the most important aspects connected with establishing a small business.

The basis of the theoretical section is to introduce an area of the small business in particular. Furthermore, it deals with a business plan and its phases where the structure and content of a plan is described from the theoretical point of view. The second section covers the steps of business plan formation applied already on the concrete gastronomical project. The purpose of financial analyses is to estimate and evaluate a real realization capability of the business.

2.2 Methodology

The plan includes all the theoretical preparations from the very beginning of setting up the Rikšafood project, continuing with concrete analyzing methods gathered through the synthesis of various planning tools. These analyses are applied in the practical section. The process is compiled systematically in a chronological order how, in fact, the individual parts of planning are fulfilled in real life.

The methodology involves internal and external insights into the project, quantitative methods used especially during the market research and specific financial calculations utilized in order to obtain as accurate estimations as possible. An emphasis is put on results of the survey which provides information about the state of market.

As an advantage can be considered the fact that this project has been already put into the trial run. That is why the majority of issues such as market, product, costs or marketing are described on the practical basis. Especially the part at the end of the thesis regarding costs or sales estimations could be helpful also for the future planning.

3 Theoretical section – Business plan

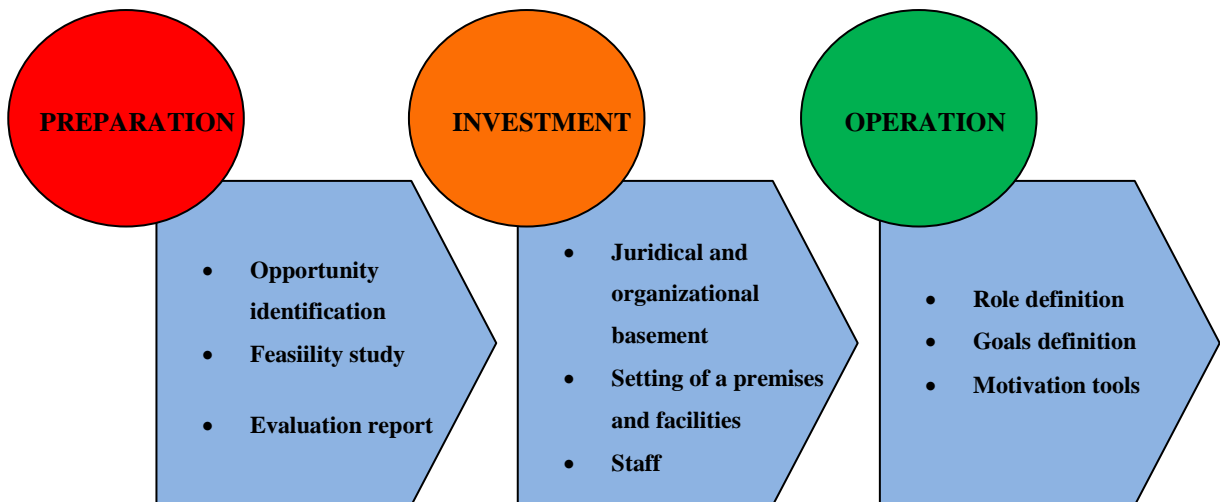
A business plan is a fundamental document for setting up a running firm or its new section. It could look like this plan is meant to be created only for a bank or authorities which provide the company with external sources for financing the business activity. However, each experienced entrepreneur knows the business plan serves mainly himself so that he verifies his intention has some basis and chance of success. What actually is a business plan? It is a tool for a control, management and realization of a business. The plan could be very brief or simple which characterizes only a branch, purpose and goal. A bit detailed version, which this thesis is meant to be, can devote of more relevant aspects. Such a plan should evaluate a current situation and set a strategy. Management, product, marketing and sales are included as well. The aim usually comprises a visualization of planning process, a solution for financing in order to simplify the investment decisions and a structure of a return. A business plan states a lot of advantages useful for an entrepreneur:¹

- Saves time and money - it is cheaper to make mistakes on a paper than on the market
- Creates a map of future which one could be guided by
- Helps with planning of costs and gives an opportunity to monitor how much money will be needed in a certain period.
- Enables a comparison between reality and plan, and identify a divergence
- If a capital is needed, business plan is necessary while persuading a bank or investor to persuade of return of the investment, good to have all information on time when searching the most suitable conditions for a loan

The formation of a business plan can be divided into three parts. Phase of preparation, investment phase and operating phase. Every phase has its particular importance. All of them are described theoretically in detail in their own captures below and later on also applied on the Rikšafood project where many partial components are analyzed. The three phases and the topics they look into are illustrated in the following scheme:¹

¹ JANIŠOVÁ, Dana a Mirko KŘIVÁNEK. Velká kniha o řízení firmy. 1. vyd. Praha: Grada Publishing, 2013, 394 s. ISBN 9788024743370, p. 252

Figure 1: Phases of business plan



Source: JANIŠOVÁ, Dana a Mirko KŘIVÁNEK. Velká kniha o řízení firmy. 1. vyd. Praha: Grada Publishing, 2013, 394 s. ISBN 9788024743370

Before thinking about joining a hustle of business and creating a business plan as such, there are certain things to go through and realize regarding the human mentality. From a psychological point of view, each person is different, he has own qualities, reactions or attitude. It is handful to become conscious of own qualities. A couple of paragraphs below help with categorizing according to the man's personality.

3.1.1 Characteristics of business

Business is an extremely wide term. Each person takes part in a business circle every single day, in most cases as a customer. In fact, people and their needs, in other words their demand creates the essential core of business.

Who are actually entrepreneurs? According to the Journal of Small Business Management they are '*people who make a profit on the basis of their initiative and risk*'²

Not only at the beginning are the initiative and taking a risk important. A crucial assumption of setting up any firm or enterprise is a determination of an entrepreneur to realize his intention. Personal plans should be followed than by concrete goals and visions. An implementation reflects on the available resources. Success depends on many factors and only a running firm in practice proofs a lifespan and shows if the chosen conception has been right and successful. The achievement of the goals leads to a satisfaction of the businessman. All definitions have in common the characteristics of innovation and risk.

² Cunningham B., Journal of Small Business Management, JSBM, 1991, p. 45—61

From a psychological point of view, it is possible to divide the entrepreneurs according to the following table:³

Figure 2: Psychological classification of entrepreneurs

Taking a risk	High	PLAYER	ENTREPRENEUR
	Low	CONSOLIDATOR	DREAMER
		Low	High
		Innovation	

Source: VOJÍK, Vladimír. Vybrané kapitoly z managementu malých a středních podniků I. Vyd. 3., přeprac. V Praze: Oeconomica, 2007. ISBN 9788024512488

There are 4 types of businessmen drawn in the table. A dreamer is described as a person with low level of innovation and high level of risk he is willing to go through. This gives him a chance to create a greater value on the market than his competitors. Consolidator is a careful man who undergoes low degree of innovation as well as risk taking. Marginal growth satisfies him which cannot cause enormous change in profitability. Nevertheless, the attitude of consolidator probably does not ruin the company. Dreamers combine low risk with high level of innovation. Reality usually reveals that this approach barely result in success. Dreams could bring innovative ideas but it is almost impossible to realize them without any risk in unknown situation. The last quadrant shows an area where true businessman operates. They create a dynamic market environment thanks to high innovation together with high risk.⁴

³ VOJÍK, Vladimír. Vybrané kapitoly z managementu malých a středních podniků I. Vyd. 3., přeprac. V Praze: Oeconomica, 2007. ISBN 9788024512488. p. 49

⁴ STAŇKOVÁ, Anna. Podnikáme úspěšně s malou firmou. Vyd. 1. V Praze: C.H. Beck, 2007, xiv, 199 s. C.H. Beck pro praxi. ISBN 978-80-7179-926-9. p. 1-3

Knowledge of above mentioned qualities helps to define most common myths regarding a business:

- Everyone can start with a business – yes, but it is necessary to distinguish an idea and an opportunity,
- One must be already born as a businessman – no, in fact it is all about the experience and skills
- Entrepreneurs are fully independent – yes, but they serve to many people
- Entrepreneurs are actually players – yes, but they must be able to calculate a risk

There is a summarization of facts why running a business⁵ is such a challenge for many people. This activity can offer to⁴:

- Control one's own destiny
- Differentiate from the majority of employed people
- Fully develop a potential with a feeling that nobody misuses it
- Reach an outstanding income and provide a high living standard
- Help the social surroundings and society

3.1.2 Important aspects of business

Running a business is an activity executed by a businessman by himself who is responsible for his actions. No entrepreneurship is isolated and therefore a businessman is influenced and in a certain way also dependent on an environment. The influencing factors came from all possible directions; primarily they have juridical, social or economic character. As mentioned in the previous chapter, doing a business successfully belongs to the skills which could be learned. Some human qualities can undoubtedly predict how suitable or unsuitable the pitiless business environment would be for potential beginner. There is couple of features pointing out qualities of good businessman:⁵

- | | | |
|--------------------------------------|---|----------------|
| • Searching for an impulse | → | Initiative |
| • Putting stress on goals | → | Purposefulness |
| • Coming up with an original product | → | Visionary |
| • Revealing a 'gap' in a market | → | Awareness |

⁵ Vladimír. Vybrané kapitoly z managementu malých a středních podniků I. Vyd. 3., přeprac. V Praze: Oeconomica, 2007. ISBN 9788024512488. p. 53, 59

- Willing to undergo a risk → Effort to be successful
- Common doubtfulness → Rational behavior
- Faith in own skills and strengths → Self-confidence
- Overcoming hard times → Patience

A person having these basic features should build his own style of organization and control of his firm based on expert grounds. He should be able to learn from mistakes, competitor's mistakes as well as from skills of successful businessmen. He can compare his way of leading a company with these people's style and conclude a practical finding for developing his business.⁵

3.1.3 Small business

A European commission divides enterprises into categories based on number of employees, turnover, balance sheet and independency. As a small business is considered a subject with less than 50 employees and a turnover under 10 mil. EUR. Next category, medium enterprise is a company employing up to 250 people and turnover not exceeding 50 mil. EUR. At least in the first years Rikšafod project could be classified rather as a micro business which is characterized with maximum of 10 employees and turnover to 2 mil. EUR. There are hardly any differences between micro and small category. All the conditions, legislation and processes are so similar that these levels do not have noticeable impact on the Rikšafod.⁶

An existence of small and medium enterprises plays an irreplaceable role in modern, democratic state. It is clear that the specificity of small firms has a great meaning for potential customers and one could count on that the phenomenon will keep on growing in the future as for the small businesses. That is why even the government of the Czech Republic tries to arrange good conditions for these firms to strengthen a business situation and entrepreneur appetite. This way helps to emphasize the goal and meaning of small businesses but primarily also increase a power of Czech economy.⁷

Undoubtedly, small and medium enterprises create a majority in the scale of all companies in the Czech Republic as well as in the whole Europe. In 2007, there were almost one

⁶ COMMISSION REGULATION (EC) No 800/2008 of 6 August 2008. In: commission regulation. 2008

⁷ VOJÍK, Vladimír. Vybrané kapitoly z managementu malých a středních podniků I. Vyd. 3., přeprac. V Praze: Oeconomica, 2007. ISBN 9788024512488. p. 23

million active subjects which could be categorized into this group of companies – it means among firms with 0-249 employees. Roughly one third of these subjects were doing their business in area of services, followed by areas such as retail, gastronomy or agriculture. The huge number of small companies makes more than 99% out of all enterprises in the Czech Republic. A percentage representation is identical also in the Europe where more than 74 million people are given a job by these firms.⁸

3.1.4 Pros & Cons of small business

A potential entrepreneur has to think over a couple of things even before setting up a plan and thinking about his future business in particular. There are questions like: Am I a right person for this? What should I know about the world of business or what to beware of at the very beginning? As already mentioned above, the government tries to make it easier or at least it eliminates unnecessary difficulties to set a business. The purpose of following chapter is to briefly summarize advantages and disadvantages of small firms in comparison to big enterprises. All the pros and cons could be divided into fields such as organization, personal, production, trading and financial. Since the source written by Vladimír Vojík gives a global point of view applicable to various sorts of business, the excerpt below comprises the chosen facts which would be useful to be aware of before running a Rikšafood project. Firstly, let us focus on the advantages:

- An owner is usually a member of decision making process which enables a direct control. Direct contact with all employees.
- A simple organizational structure means lower costs in administration and management as well as lower level of bureaucracy.
- Small firms react faster on needs and wishes of customers. Easier transition of production. Quick adaptation in case of change in production program
- Loss of a personal anonymity, greater identification with a firm, greater flexibility and deployment
- Possibility to focus on local market
- Possibility to keep a close contact with customers.

⁸ VEBER, Jaromír a Jitka SRPOVÁ. Podnikání malé a střední firmy. 3. aktualiz. a dopl. vyd. Praha: Grada, 2012, 332 s. Expert (Grada). ISBN 978-80-247-4520-6 p. 19-20

- An establishing of a small business does not usually require a huge capital. Often possible to get along just with a personal savings.⁹

One could think that running a small firm must be quite easy process. Nevertheless, the truth is opposite. Many people see rather a negativity in own entrepreneurship. That is why 67% of Czech people prefer a regular income as an employee which they regard as a certainty as well. There are several points revealing the most common issues and difficulties:

- Difficult and limited access to a higher capital and bank loans caused by disadvantageous conditions.
- Other associate's shares limit a decision making right of the owner/entrepreneur.
- Low prices of big competing enterprises or of imported goods
- Lack of financial means for a development of new products.
- Lack of a modern technologies or machinery for production and development.
- High working intensity including overtimes, low social advantages.
- An entrepreneur leads often his firm intuitively with a lot of improvisation.
- Lack of managing experience and economic knowledge.
- Bad orientation in law regulations – they are novelized over and over.
- Weak promotion, lack of financial means for advertising¹⁰

Vladimír Vojík wrote a fitting comment about entrepreneurs in his text book: *'Nowadays, an entrepreneur is a specific creature, which sacrifices his money and time to fight for a survival everyday or to strengthen his business existence in better case.'*¹¹

3.2 Phase I – Preparation

The first step is in fact all about a planning. It is based on knowledge, researches and analyses. One thing lies in doing the researches but equally important is to process the obtained data. The result of analyzing must show the concrete facts concerning businessman's situation since he should be able to build up a working business activity

⁹ VOJÍK, Vladimír. Vybrané kapitoly z managementu malých a středních podniků I. Vyd. 3., přeprac. V Praze: Oeconomica, 2007. ISBN 9788024512488. p.17-18

¹⁰ VOJÍK, Vladimír. Vybrané kapitoly z managementu malých a středních podniků I. Vyd. 3., přeprac. V Praze: Oeconomica, 2007. ISBN 9788024512488. p.19-22

¹¹ VOJÍK, Vladimír. Vybrané kapitoly z managementu malých a středních podniků I. Vyd. 3., přeprac. V Praze: Oeconomica, 2007. ISBN 9788024512488. p.20

which will be profitable enough to provide the owner with reasonable income for his living. At this moment, the thesis is going to deal with components of theoretical section of the business plan and its progress in getting closer to the next phase which is investment.¹²

*'The first major section of a business plan addresses the organizational details of your business. It begins with a description of your business and its products or services. The remainder of the organizational plan is devoted to administrative setup – or how your business is put together in order to function in an efficient and cost-effective manner.'*¹³

3.2.1 Opportunity study

In other words, this study represents an identification of business opportunities. It might be a very difficult task to create it but it is not possible to start working on a business plan without the opportunity study. Business opportunities are found out through several ways that use variety of sources such own knowledge and skills, marketing studies focused on customer needs, structure of production and consumption, analysis of imported goods which could be produced in own country, evaluating of impact of technology and machinery or last example may be a branch and field analysis.¹⁴

Information and results obtained from these sources need to be perceived according to the business they are meant for. For instance, the issue regarding the imported ingredients seems quiet pointless within the Rikšafood.

3.2.2 Feasibility study

A feasibility study can be defined as a technical and economical study. This part addresses a detailed analysis of technical and economical aspects of the business plan. Its goal is to evaluate the whole intention from the point of its feasibility. The most important content of this kind of study, withdrawn in connection with the Rikšafood project are mentioned here:

- Introductory information and brief appraisal of a project
- Brief description of the project essence and its phases

¹² JANIŠOVÁ, Dana a Mirko KŘIVÁNEK. Velká kniha o řízení firmy. 1. vyd. Praha: Grada Publishing, 2013, 394 s. ISBN 9788024743370, p. 253

¹³ PINSON, Linda. Anatomy of a business plan: the step-by-step guide to building your business and securing your company's future. 7th ed. Tustin, CA: Out of Your Mind...and Into the Marketplace, c2008, xii, 356 p. ISBN 0944205372. p. 68

¹⁴ JANIŠOVÁ, Dana a Mirko KŘIVÁNEK. Velká kniha o řízení firmy. 1. vyd. Praha: Grada Publishing, 2013, 394 s. ISBN 9788024743370, p. 253

- Market analysis, demand estimation, marketing strategy and marketing mix
- Project management and human resources
- Technical and technological solution of the project
- Financial plan and analysis of the project
- Evaluation of the efficiency and sustainability of the project
- Concluding evaluation of the whole project

The feasibility study undoubtedly includes all kinds of internal and external analyses. These have been put due to their extent and importance into own captures as well as the topic strategy. To clarify the mentioned importance, a majority of a practical section is going to be devoting to the phase of preparation in praxes.¹⁴

Besides mentioned analyses, marketing mix belongs among the significant topics in praxis and that is why this matter is going take its place in theoretical section as well. Marketing mix is called mix because all its included components are variable, could be combined and adjusted to the character and needs of a given business in concrete marketing plan.

Marketing mix illustrates and specifies all steps which an entrepreneur uses in order to raise a demand for the product. These steps are divided into 4 variables – 4P:

1. Product – does not contains only a thing being sold or service but also rage of goods, quality, design, cover, image of the retailer, brand, guarantee and other factors that determine haw a product satisfies a customer and his expectations.
2. Price – is a value expressed in money which the product is being sold for. Includes discounts, terms and conditions of payment, compensation or loan possibilities.
3. Promotion – gives a way how customers get to know a product
4. Place – presents where and how the product is being offered and sold, including distribution manners, availability or logistics.¹⁵

A successful marketing mix appropriately combines these four variables so that the buyer would be provided with a highest value and the firm's marketing targets would be fulfilled. The mix is a set of tools used for a realization of a strategy. Philip Kotler states in his

¹⁵ BÁRTA, Vladimír, Ladislav PÁTÍK a Milan POSTLER. Retail marketing. Vyd. 1. Praha: Management Press, 2009, 326 s. ISBN 9788072612079, p.25

publications that a manager cannot take a look at the mix from the seller's but from the customer's point of view. Then, marketing mix would look like this:

- The product becomes a customer value
- The price turns into costs to the customer
- The place changes into a buyer's convenience
- The promotion becomes a communication with the customer

The customer requires a value, low price, high comfort while buying and communication, not a promotion. The 4P simply turn into 4C.¹⁶

3.2.3 Analyzing

A crucial step, before formulating a strategy which will lead to the target achievements, is to accomplish the strategic analyses. The aim of macro-environmental analyses is to provide the company with the information regarding the business environment and identify possible danger and opportunities which are offered at the same time. Macro analyses are globally focused on the branch which the firm operates in. On the other hand, the internal analyses should give an answer to the management to the fact which resources the firm has. How these resources will be developed and used within the external factors and whether the resources are enough to turn away potential threats.¹⁷

The most famous and used macroeconomic analyses is a PEST analyses containing Social, Technological/Technical, Economic and Political segments but some variants are enriched also with Legislative or Ecological factors. The social area describes e.g. a demographical development, living standard, level of school system or lifestyle. Technological aspects analyze a technical level in a business, pace of changes in technologies or their availability. To the economic area belong GDP, level of unemployment, inflation, currency stability, structure and balance of national budget, taxes or wages. Political factors could be ruling

¹⁶ BÁRTA, Vladimír, Ladislav PÁTÍK a Milan POSTLER. Retail marketing. Vyd. 1. Praha: Management Press, 2009, 326 s. ISBN 9788072612079 p. 26

¹⁷ ZUZÁK, Roman. Strategický management. 2. vyd. Praha: Vysoká škola ekonomie a managementu, 2012. ISBN 978-808-6730-820, p. 67,91

party, political stability, support of foreign trade, business, culture etc., international relations or corruption.¹⁸

SWOT analysis is composed of internal, as well as external environment at the same time. It is the most well-known analysis worldwide which often leads to its deformation and simplification of its utilization. This tool is based on strategic outputs of internal and external factors and that is why it cannot be a made up list of some aspects coming from creative methods or for instance, brainstorming. It helps to evaluate Strengths, Weaknesses, Opportunities and Threats (SWOT). SWOT analysis enables to gain insights into the past and think of possible solutions to existing or potential problems – either for an existing business or new venture. For this analysis to work well, each member of a team should be involved in the process.¹⁹

However, Hill and Westbrook appose that SWOT analysis is an overview approach unsuited to today's diverse and unstable markets. They also suggest that it can be ineffective as a means of analysis because it tends to generate long lists, relies on description rather than analysis, is overlooked in the later stages and implementation process.²⁰

As strength can be considered a factor through which a firm has a stronger position on the market. It represents the areas the company is good at and evaluates firm's capabilities, skills, resources and potentiality. Weaknesses are the exact opposite, the things which the company is bad at and which prevent a efficient performance. Opportunities are any possibilities causing the growth of the firm in case they are realized. They have to be identified in order to be realized. Threats are unpleasant situations in the environment which cause an obstacle in a process. The company must react quickly to remove them and eliminate bad consequences.²¹

Following matrix gives a closer explanation of how the partial groups are connected with the environment:

¹⁸ ZUZÁK, Roman. Strategický management. 2. vyd. Praha: Vysoká škola ekonomie a managementu, 2012. ISBN 978-808-6730-820, p. 72,73

¹⁹ Business: the ultimate resource. Beijing: Citic Publishing House, 2003. ISBN 78-007-3659-8, p. 468,469

²⁰ Long Range Planning: international Journal of Strategic Management. Kidlington: Elsevier Science Ltd., 1997, 30 (1). p. 46-53

²¹ BLAŽKOVÁ, Martina. Marketingové řízení a plánování pro malé a střední firmy. 1. vyd. Praha: Grada, 2007, 278 s. ISBN 978-80-247-1535-3, p.156

Figure 3: SWOT analysis

Internal environment	STRENGTHS	WEAKNESSES
External environment	OPPORTUNITIES	THREATS
	SO strategy	WT strategy

Source: BLAŽKOVÁ, Martina. Marketingové řízení a plánování pro malé a střední firmy. 1. vyd. Praha: Grada, 2007, 278 s. ISBN 978-80-247-1535-3

An analysis focused on inner actions of the company is called a value chain analysis. A value chain is the sequence of activities required to make a product or provide a service. The author M. Porter came out of the enterprise theory system developed by a corporation Mc Kinsey which looked at a firm as at a set of functional operations. Then, it analyzed them and compared with a competition realization as well as searched for differences which could lead to a competitive advantage. The analysis concentrates on operations inside the firm and their continuity. Porter divides these operations into two parts, primary and support activities.²²

3.2.4 Strategy

Joan Margetta uttered a interesting sentence in her book What Management Is: How It Works and Why It's Everyone's Business:

*'Of all the concepts in management, strategy is the one that attracts most attention and generates the most controversy. Almost everyone agrees that it is important. Almost no one agrees on what it is... But this is a concept you ignore at your peril.'*²³

In fact, Dr. Stanley C. Abraham in his Strategy planning actually managed to explain it in one sentence: *'Strategy is actually how company competes'*²⁴

²² ZUZÁK, Roman. Strategický management. 2. vyd. Praha: Vysoká škola ekonomie a managementu, 2012. ISBN 978-808-6730-820, p.98

²³ , Joan a Nan Dundes STONE. What management is: how it works and why it's everyone's business. Free Press hardcover edition. xii, 244 pages. ISBN 978-074-3203-197 p. 71

This definition is remarkable not only because its simplicity but also because it is true. Most critically, strategy describes what an organization does, as well as what it intends to do in a future. For example, one can infer what strategy a company is pursuing by studying what it does and where it spends its resources of capital and labour. The truth is, many entrepreneurs never consciously think about strategy, but simply act in ways which make sense to them. That does not mean that they are not following a strategy!²⁴

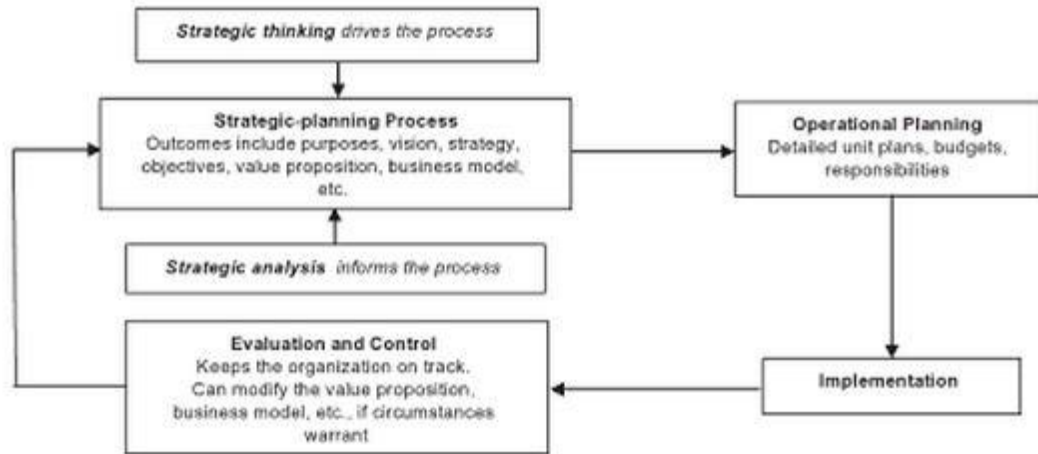
There is a variety of ways to define strategy. At the same time, there is a sort of similarity that goes from defining this same word. These definitions made use of concepts that have been at vogue at various times, such as first achieving objectives, than creating a core competence and competitive advantage, and finally creating a business design and providing customer value.

As difficult as choosing the right strategy is, it is more difficult to implement it and achieve the desired goals. That is why, in the strategic-planning process must be included the people who will be responsible for implementing it. Why is implementation so hard? Because environment, competition and market keep changing during the strategy is being applied. It often requires minor or even major adjustments. If strategy requires the firm to do things it has never done before like coming up with a new product, switching a technology, selling to a new kind of customer, then the company has to learn to do these things, develop new systems or even change its business model. These things make implementation more difficult and risky, however, not impossible. The scheme covers the connections regarding the terms ‘strategic planning’ and ‘strategic management’²⁵

²⁴ ABRAHAM, Stanley C. a Nan Dundes STONE. Strategic planning: a practical guide for competitive success. 2nd ed. Bingley: Emerald Group Pub Ltd, 2012, xii, 244 pages. ISBN 978-178-0525-204.p. 6

²⁵ ABRAHAM, Stanley C. a Nan Dundes STONE. Strategic planning: a practical guide for competitive success. 2nd ed. Bingley: Emerald Group Pub Ltd, 2012, xii, 244 pages. ISBN 978-178-0525-204.p. 12

Figure 4: Strategic planning vs. strategic management



Source: ABRAHAM, Stanley C. a Nan Dundes STONE. Strategic planning: a practical guide for competitive success. 2nd ed. Bingley: Emerald Group Pub Ltd, 2012, xii, 244 pages. ISBN 978-178-0525-204

As already said, strategy is about setting goals and visions. The goals should be structured and concrete. SMART test is a clever tool for coming up with firm's goals in an organized and useful way. The goal must be:

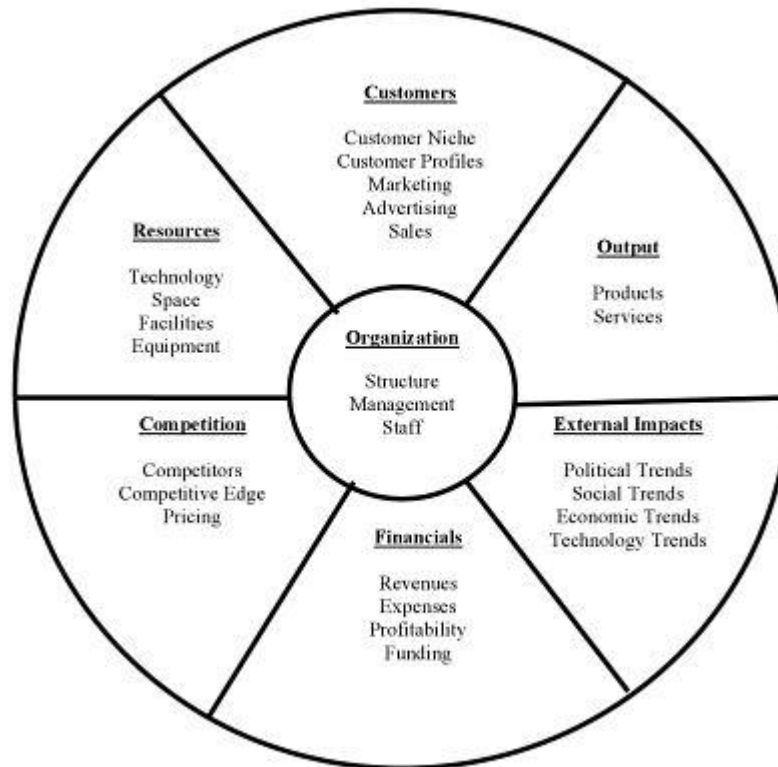
- S – Specific: A vision must be specific, it must be clear which business it is related to
- M – Measurable: A success can be measured with a satisfaction of customers, growth of turnover, position on the market
- A – Achievable: Goals should be ambitious but not overestimated
- R – Realistic: It must concern the existing market
- T – Time-bound/Trackable: A vision must be able to monitor during the time²⁶

Last but not least, the example of business environment illustrated in a figure below contains sampling elements that might be in a typical small business. For a firm's strategic plan to be as accurate and complete as possible, all of the elements that currently exist should be identified and afterwards evaluated within both current and estimated future environment. There is where planning team's analytical and creative skills come to play in

²⁶ JANIŠOVÁ, Dana a Mirko KŘIVÁNEK. Velká kniha o řízení firmy. 1. vyd. Praha: Grada Publishing, 2013, 394 s. ISBN 9788024743370. P. 82

order to decide whether the elements are significant or insignificant to be involved in the plan.²⁷

Figure 5: Business environment



Source: HALL, Richard. Strategic Planning for a Small Business, 1.st, Infinity Publishing, 2004, 116 pages, ISBN 0741421429

3.2.5 Summary of preparations

Opportunity identification and a choice of the project variant come before the investment. Already during this phase, it is important to think about a financing. Domestic and also foreign investors are keen on investing their money in interesting projects and they can inspire to other ideas or analyses too. A part of analyses is to elaborate a feasibility study which should be accurate enough to show if some aspects of the project need to be examined more in detail with a supporting study. It reveals which option or variant is the most promising one. The business plan is described based on an evaluating form output and serves to entrepreneurs or as a material for getting financial sources. None of the steps should be omitted and all aspects should be evaluated before any investment would be

²⁷ HALL, Richard. Strategic Planning for a Small Business, 1.st, Infinity Publishing, 2004, 116 pages, ISBN 0741421429, p. 33

carried out. Accuracy and quality of all the analyses is crucial for basic strategic decisions.²⁸

3.3 Phase II – Investment

The phase of investment could be divided into planning section and realizing section.

3.3.1 Planning

This stage helps to create a detailed analysis of the project in order to enable the business to run. The planning of investment regards any plans connected with an operational level as such. That means all activities which ‘bring the project to life’. Therefore, a firm has to be established which involves many judicial, legislative and financial operations. Then, the company needs to obtain all the authorizations and permissions. Furthermore, the selection procedure has to be announced, not only for future employees but also for getting technologies or services. Once the staff is recruited, the people must be trained to become more skilled and efficient. Last but not least, among these arrangements belong also to provide with the required premises and order the material supplies. It is useful to work out the plan with an appropriate tool or program, e.g. Microsoft Project. The praxis proofs that this phase is as much important as the previous phase of preparations and cannot be underestimated. The truth is, an analysis of production plans and a purchase of technologies might be a bit difficult.²⁸

3.3.2 Realization

The stage of realization is considered till the moment before the firm begins to work in the process. Some authors claim that the end of this part means forwarding a company to the trial run which is categorized to the operation phase. The trial run reveals mistakes and imperfection of the investment phase, the possible reparations should be classified rather as a trial run to solve them within the investment phase. The realization stage also contains an adjustment of a working environment, a definition of running processes or carrying out the guarantee tests. The stage is based on:

- a constant controlling of the course of work towards to the plan
- a controlling of the planned financial estimations towards to the real costs

²⁸ JANIŠOVÁ, Dana a Mirko KŘIVÁNEK. Velká kniha o řízení firmy. 1. vyd. Praha: Grada Publishing, 2013, 394 s. ISBN 9788024743370. P. 262

- realization of corrective actions

Whereas the accuracy and quality were emphasized as important factors for success, in the phase of preparation time plays the significant part.²⁹

3.4 Phase III – Operation

The subject of the last phase is to initiate an operation. If all steps of preparation and realization went in order, the operation should be heading to the goal set in the business intention. Whether the profit will be as high as predicted, it depends on a development of demand and prices. Not just on prices of the product but also on prices of inputs like materials, ingredients or energy. The estimated strategy will be later either confirmed or other next adjustments will be needed to arrange. Unfortunately, they are usually quite expensive in this phase.²⁹

²⁹ JANIŠOVÁ, Dana a Mirko KŘIVÁNEK. Velká kniha o řízení firmy. 1. vyd. Praha: Grada Publishing, 2013, 394 s. ISBN 9788024743370. P. 263

4 Practical section - Rikšafood

The Rikšafood project came up from heads of three university students in spring 2014. The idea of planned business had been constantly changing before the final vision. The conditions of setting up the business activity were clear from the very beginning. The project must be something extraordinary and unusual which attract potential customers. It should be also only as unknown and difficult activity so that it would be realizable for absolutely inexperienced entrepreneurs with no practical skills and the field of business must be at least little bit familiar to them. Last but not least, everything has to fit within a limited budget.

After all, it was agreed to build a moveable fast food. There are two main reasons why the moveable store was chosen. Firstly, to avoid the enormously expensive rent of any brick and mortar store in Prague. Secondly, in comparison to the possibility of stable street stand, it was decided for the variant that would not have to stay on one place forever. This option brings about just one complication which consists in a parking place. According to the name of the project, the moveable object is a rickshaw. The rickshaw is in fact a three-wheel bike with a flat bed in the back. There is a custom-made box attached to this bed on the bike which contains all devices and space needed for the product preparation and sales. Although the fully loaded rickshaw weights about 300 kg, the manipulation is not very strenuous thanks to the electric power drive.

The main product being sold is called Jacket potato. The meal consists from a huge potato poured over with a sauce and sprinkled with additional ingredients. There is a sort of bottled beverages in the offer as well. The product is described in the chapter Marketing mix in detail.

At a beginning, a place of sale was planned in the streets of Prague. After a couple of meetings with authorities it was found out that the process of getting a spot to rent in the wider city centre is due to the legislation almost impossible. Furthermore, it was too lengthy, expensive and complicated for the Rikšafood project. That is why the next requests were heading for the university campuses in Prague. The most successful meetings were done with the Czech Technical University in Prague and therefore its

campus in Dejvice was chosen as the most suitable for the project. Further information concerning the place is provided in Marketing mix as well.

From a juridical view, the form of Rikšafood business is issued on a trade certificate. In case of growth, an s.r.o. form would be established. Since the legal form of the business has not as high importance as other parts of business plan at this moment, the thesis is not going to analyze this matter any further.

4.1 Vision

As mentioned in the theoretical section, the goals of the project have been set based on the SMART analysis. Since the business currently passes from the trial run to the operational phase at the moment, the main goal is to get into the customers mind. It is crucial to build a base of customers based on a quality of the products and services. The first aim will be to assure the buyers about the ability to compete with other food providing facilities available in the campus such as school canteens, buffets of food vending machines. Via various marketing strategies Rikšafood will try to widen its popularity which should lead to a greater awareness of consumers.

The emphasis will be put on a satisfaction of customers. The reputation of Rikšafood strongly depends on references that will be spread among the students in the first weeks and months of sales. Here comes the fact that the project does not chase for the net profit at its beginning whatsoever. More important is to engage as many people as possible and make as good impression so that they will come in the future again. Basically, a turnover plays a greater role than net profit. After successful winning a stable position on the market, the goal is to sell as many pieces of meal as possible.

A long term vision predicts an expansion. Within a one year, Rikšafood should increase a number of rickshaws and expand either to other campuses or to the Prague's streets. The growth should continue at first in Prague and later on also to other big cities in the Czech Republic. The last step would be an establishing of brick and mortar store, followed by developing a business model of franchising. Nevertheless, the essence of Rikšafood based on moveable Rickshaws would surely remain.

4.2 Marketing mix

The analysis of 4P which forms the marketing mix gives a close view on each aspect of the mix. This makes realize what actually Rikšafood sells, where and how it is done and, of course, how much it is.

4.2.1 Product

When it came to think up a product, the main clue was to be original and create something ‘new’. However, the focus had to be put also on taste, costs, preparation or health. Among the most important factors belonged certainly the view of potential customers together with a situation on the market. These aspects are taken into consideration in the following chapter dealing with a market research. After analyzing all the variables, the inspiration was taken into account as well. There are so many products, services or just simply differences abroad throughout the world which Czech people do not even know about. Since the goal while choosing a gastronomical product was to fill a gap on the market, the inspiration played obviously a great importance in the final decision.

After all, the summarization brought the idea of jacket potatoes. One can come across this meal in the Czech restaurants occasionally so it is not absolutely new product on the domestic market. Anyway, the majority of people either do not know it or they have never eaten it yet. The meal is much more popular in foreign countries like in North America, United Kingdom or France. Jacket potato is a name used primarily in the United Kingdom where this dish had its boom in the 19th century.

The meal consists of a huge baked potato having a weight of more than 250 grams. The potato is served with a filling, also called topping. The additional ingredients or side dish could be vegetable for instance. The preparation is, in fact, really simple. There is a supply of washed potatos in the rickshaw. Potatoes are wrapped in the aluminum foil and baked in the gas oven for circa one hour. The foil helps to retain moisture, leaving it unwrapped will result in a crispy skin. When the potato is done, it is unwrapped, put onto the plastic plate, slashed and poured with a sauce. The sauce is cooked in a restaurant in Dejvice where Rikšafood buys it. The dish is then enriched with pieces of bacon, cheese and herbs. A customer can buy also something to drink. There are bottled water and juice offered for sale.

4.2.2 Price

The price categories are divided into 6 groups according to the size of potato and its topping. Rikšafood offers two sizes of meal. Potato classic having a weight of about 250 grams and potato jumbo with circa 400 grams. Each size can be bought in three variants as for the sauce. There is an extract from the Rikšafood menu:

Table 1: Menu

Potato CLASSIC (250g)	
SOLO - butter, cheese, bacon, herbs	34 CZK
JUICY - vegetarian sauce, cheese, bacon, herbs	39 CZK
TASTY - meat sauce, cheese, bacon, herbs	49 CZK
Potato JUMBO (400g)	
SOLO XXL - butter, cheese, bacon, herbs	44 CZK
JUICY XXL - vegetarian sauce, cheese, bacon, herbs	49 CZK
TASTY XXL - meat sauce, cheese, bacon, herbs	59 CZK
WATER 500 ml	15 CZK
JUICE 250 ml	15 CZK

Source: Rikšafood

4.2.3 Place

The campus of the Czech Technical University in Prague is a study place for thousands of students. Rikšafood would be in contact with them on daily basis. The possibility of free movement around the whole campus gives a huge opportunity to change the selling place during the day. The permitted area for the Rikšafood usage is illustrated on the map of land registry in the attachment. Based on the concentration of people, Rickshaw will change its place during the work shift in order to heighten its chances for selling.

From the logistical point of view, the restaurant providing rickshaw with sauces is located nearby, about 300 meters far from the campus. The Rikšafood storeroom is situated in a reasonable distance as well. To stock up the rickshaw for the whole day is easy and comfortably manageable by the retailer.

4.2.4 Promotion

Considering the fact that Rikšafood will be surrounded by the same people all the time, the promotion does not have to exceed the area of school campus. At least not until the project expand to the other parts of the city. The biggest promotion will be done by the rickshaw itself while being visibly located in the campus all day long. A recently carried out market research can be considered as a kind of promotion too. The survey included a question regarding an awareness of jacket potato. Clearly, the respondents could have expected a change on the market in this way.

The best mean of promotion undoubtedly covers our facebook page so far. All the actions, sales, changes and news are being updated. Basically, the facebook profile fulfills the function of a website. Nevertheless, in case of growth of the firm there will be necessary to create a website together with more advanced ways of promotion. Next currently used promoting technique is in a form of posters and leaflets placed on the notice boards across the CVUT buildings.

4.3 Market research

The market research was executed via a survey which contained a couple of question concerning the gastronomical conditions in the campus. The questionnaire was focused mainly on the satisfaction of students as for the eating opportunities and global situation connected with daily meals, especially lunches. There is a list of asked questions within the research:

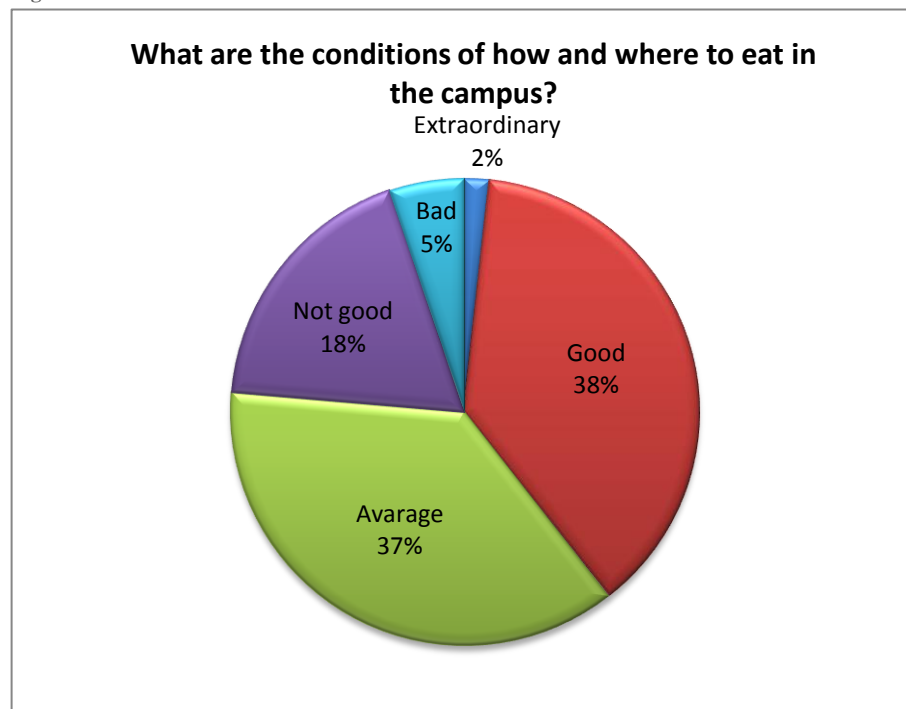
1. What are the conditions of how and where to eat in the campus?
2. Where do you usually have lunch?
3. What do you usually have for lunch?
4. What is the most important factor while choosing a meal?
5. Do you care about eating healthily?
6. How much are you willing to spend for a lunch?
7. What do you know about the meal „jacket potato“ – baked potatoes?

The survey was anonymous and also without knowing the gender of a respondent which would be absolutely irrelevant information for its purpose. The age of surveyed group was

between 19 and 28 years. In total, 520 students participated in the survey. Respondents should have chosen one of the prescribed answers.

The following graphs illustrate the result of the most important questions for the Rikšafood project.

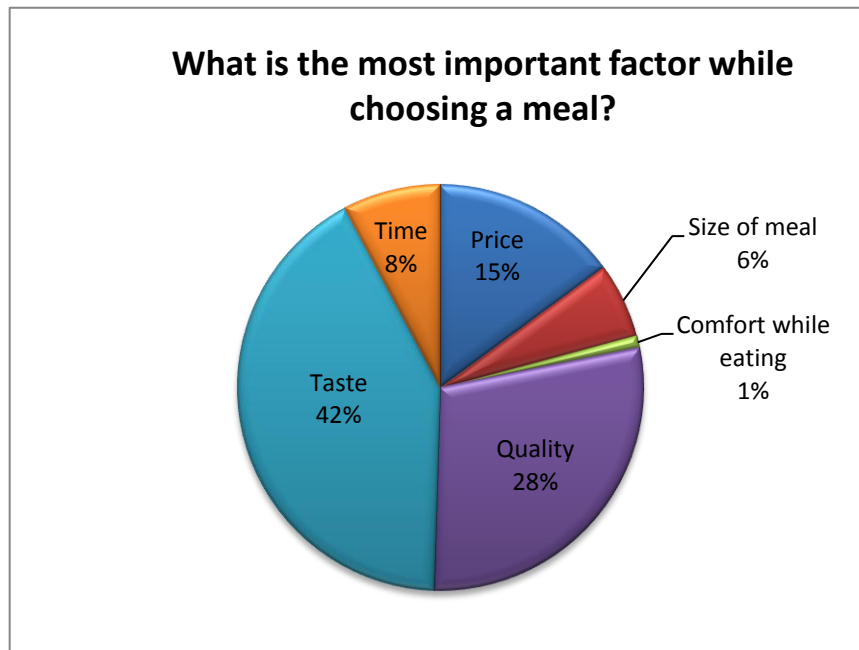
Figure 6: Food conditions



Source: Rikšafood survey

The graph reveals that the 40% of asked people is satisfied with the conditions. From the first point of view the situation could seem a bit unpleasant for the Rikšafood project because the students are rather satisfied than unhappy and that is why they might barely appreciate a new choice on the market. Anyway the valuable information which should be emphasized is hidden in remaining 60%. Exactly those people the project is going to focus on because they could welcome the change which would meet their needs and expectations. The next chart deals with the factors which students take into consideration when choosing a meal.

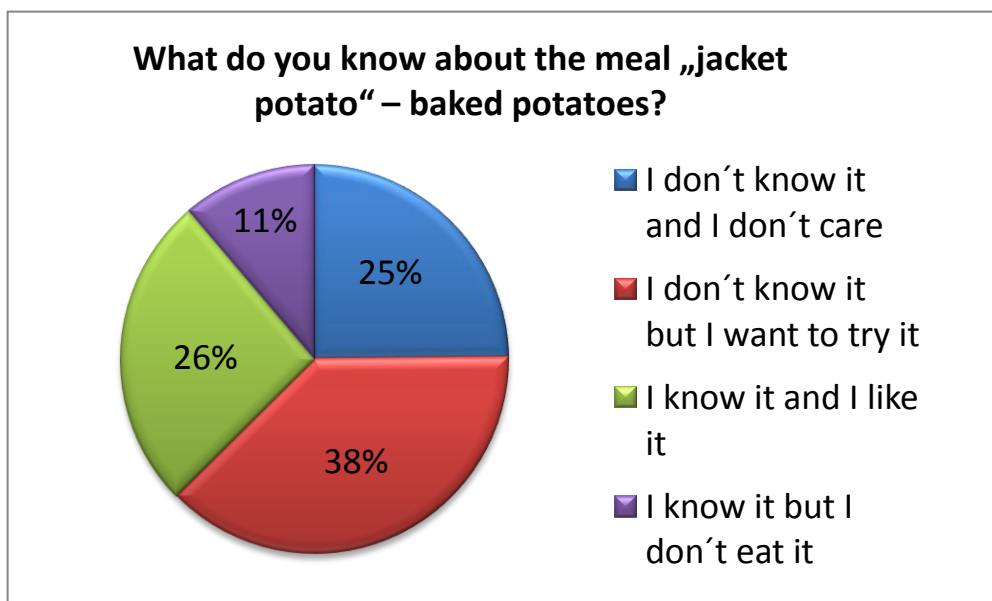
Figure7: Factors influencing the choice of meal



Sourcee: Rikšafood survey

The two major influencing factors are taste and quality of the meal. Not only middle aged people care about what they eat since the trend regarding the quality was undoubtedly proofed. Also Rikšafood has to focus on these two crucial aspects and make potatoes as tasty and as high-quality at the same time as possible. The pleasant fact came up which says that the comfort does not matter at all. That is good for the Rikšafood as it does not have any facilities for the customers where they could comfortably consume the dish. Surprisingly, price with 15% does not play too significant role.

Figure 8: Awareness of the product



Sourcee: Rikšafood survey

The last graph illustrates the awareness of the meal jacket potato among young people. 64% representing 332 students out of the sample could be potential customers of Rikšafood. The result of this question could be helpful for the estimation of sales. However, it cannot be considered as a reliable indicator because many other aspects influence the number of sold products.

The statistics obtained via the rest of the questions reveal other valuable facts useful for almost complete imagination of the gastronomical market in the campus. Three fifths of respondents have usually lunch in school canteen. Although the canteen should be the major place for students to eat, the result rather disproves this suggestion. The reason is simple. According to the students, the two canteens offer neither meals of reasonable quality nor tasty dishes. Furthermore, the third canteen, Technická menza, which is ranked higher than the previous ones, is nowadays under the reconstruction. It should be re-open again in January, 2016.

A certain way out is to eat at home/dormitory eventually to bring a homemade dish to school which prefer about 15% of students. A great finding is that more than one half of respondents care about the ingredients which the dish is cooked from, in other words they pay attention whether they consume healthy food. This want could be solved by Rikšafood product that is healthier and tastier than the majority of the competition. On the other hand, a lot of students, about 20%, consume cold dish for lunch.

4.4 SWOT Analysis

SWOT will analyze both internal and external factors influencing the performance of the project. Undoubtedly, there are many aspects that will have an impact on the business. The purpose of this section is to unveil the most obvious ones, even though the next could be discovered during the trial run.

4.4.1 Strengths

In any case, the two greatest strengths of the project are product and form of the store. The baked potato is a meal which has no parallel in the campus. Furthermore, the dish belongs among the healthier ones which was proofed as one of the requirements of the consumers. The final version of the potato can be consisted of various ingredients chosen by the buyer himself. The appearance of the rickshaw is highly noticeable. Its presence catches

everybody's eye in the street. Next helpful thing may be the fact that the project has been established by students who know the environment and have similar way of thinking as potential customers who are students as well.

4.4.2 Weaknesses

The main weakness remains the same like for the other street retailers. There is no base for consumers to eat their meal. The operating period depends on the university schedule. That means the selling has no sense during the summer holiday since the campus empty. Also, in case of bad weather the sales would be really poor or even none at all if the store would have to close.

4.4.3 Opportunities

A huge opportunity is seen in the environment. The concentration of people is really high and according to the financial analysis the amount of sold products do not have to be so high to become profitable. The findings stated through the market research also shown that we can partially offer something which the students are missing such as tasty, healthy and warm food. The advantage is the cooperation with the university in comparison to the city. The rickshaw is provided with a secured parking place during nights and weekends for no extra charge.

4.4.4 Threats

Just as many opportunities are given by a CVUT authorities also the possible threats could come from this institution. Its much stronger collaboration remains between the buffets and canteens which could call for the removal of Rikšafood form the campus.

4.4.5 SWOT based strategies

There are four strategy variants combining the mentioned factors. The aim is to use the opportunities with strengths or weaknesses to turn the threats away. The SO strategy tries to utilize the opportunities via the strengths. In praxis, Rikšafood can turn its strength as a student project into the opportunity to gain a favour from the students. The relationship student to student might work better than a relation with a huge catering company on the other side. Next example could be drawn in ST strategy which uses strengths to eliminate threats. The product, baked potatoes, could be interesting for the authorities of CVUT so

that they may prefer to keep the presence of Rikšafood in the campus despite possible conflict with a competition which is considered as a threat.

4.5 Financial analysis

4.5.1 Costs

Obviously, the creation of the rickshaw is the most expensive item of the whole project. Due to the costs minimization, the bike as itself was bought and imported from Hungary. The selling construction was designed and built according to the Rikšafood needs by architects already in Prague. Of course, all casts were optimized to be as suitable as possible. On the other hand, the project required a determined procedure and quality which means that optimization is not the same as minimization. Beside the operational costs that are described in the profit & loss statement, there were costs connected with a phase of preparation and organization. To these expanses belong except the already mentioned rickshaw construction for instance a purchase of trading license, appliance and food material for storage. All these costs are recorded in the balance sheet followed by the income estimation where the operational expenses are analyzed.

4.5.2 Balance sheet

The balance sheet includes the property of Rikšafood. The document is very simple due to the low number of assets. So far, only the own financial resources have been used which simplify also the side of equity and liabilities. A starting investment of the project consists only in the column long-term assets which include the bike, construction and gas oven.

Table 2: Balance sheet

Balance sheet			
Assets	Amount in CZK	Equity and Liabilities	Amount in CZK
Long-term assets	89335	Equity	100000
Intangible	0	Registered capital	100000
Tangible	89335	Funds	0
Financial	0	Profit/Loss	0
Current assets	10665	Liabilities	0
Inventories	8240	Long-term liabilities	0
Receivables	0	Short-term liabilities	0
Financial a.	2425		
TOTAL	100000	TOTAL	100000

Source: Rikšafood

4.5.3 Profit & Loss estimation

The selling period is because of the activity of university considerably limited. That is why the estimation has been counted on the monthly basis, namely for the month May 2015. May 2015 will be one of the first months in which Rikšafood is fully operating. The calculations are done on the working days basis. The estimated profit or loss is viewed prudently. The reputation and advertisement of the project does not have to be fully spread around and the potential of sales may not reach the highest possible turnover.

Before taking a look at the estimations, the operating costs should be clarified. The only variable costs are materials. The materials stand for the ingredients used for the preparation of the meal (potatoes, sauce, cheese, package, cutlery...). The fixed costs are represented with gas for the oven, labour which is the retailer's wages and rent of the storeroom. These expenses remain same no matter how many products are sold. On the next side, the revenues count with a certain ratio of sold potatoes and bottles of drink. The difference between revenues and costs is expressed in EBT (Earnings Before Taxes). The net income is not stated. Firstly, this figure has nothing to do with project's profitability and secondly, the net profit is not perceived as an essential entry at this moment. The estimation has been calculated in pessimistic, realistic and optimistic version.

Table 3: Pessimistic profit & loss estimation

Pesimistic Estimation (May 2015)			
15 potatoes + 5 drinks sold per day			
Expenses	Amount in CZK	Revenues	Amount in CZK
Operating costs			
Material	7665	Meals	15750
Energy	700	Drinks	1575
Labour	13440		
Rent	200		
Total	22005	Total	17325
		EBT	-4680

Source: Rikšafood

The pessimistic variant would be unprofitable and obviously undesirable. However, sales counting on 15 pieces sold per day are strongly pessimistic in comparison to the number of people located in the area. If the business remain loss-making, a new strategies will have to be applied or Rikšafood would go bankrupt.

Table 4: Realistic profit & loss estimation

Realistic Estimation (May 2015)			
30 potatoes + 10 drinks per day sold			
Expenses	Amount in CZK	Revenues	Amount in CZK
Operating costs			
Material	15330	Meals	31500
Energy	700	Drinks	3150
Labour	13440		
Rent	200		
Total	29670	Total	34650
		EBT	4980

Source: Rikšafood

The second version looks better, although the profit is not high. Anyway, this scenario could be a good basement for improvements which might lead to an increase in sales in the future.

Table 5: Optimistic profit & loss estimation

Optimistic Estimation (May 2015)			
45 potatoes + 15 drinks per day sold			
Expenses	Amount in CZK	Revenues	Amount in CZK
Operating costs			
Material	23485	Meals	47250
Energy	700	Drinks	4725
Labour	13440		
Rent	200		
Total	37825	Total	51975
		EBT	14150

Source: Rikšafood

The optimistic estimation shows on option selling 45 meals and 15 bottles. The estimation is not unreal at all, if the number of students located in the area is taken into account. According to the plans, the profitability should be moving from realistic to optimistic in the following months after May 2015.

To sum the statements up, in case the pessimistic version comes true, the future strategy will have to be changed. This scenario would probably cause the end of the project. The realistic estimation does not make any staggering profit however it sets a promising position for the future. It would be proved that the project is not an absolute failure and next steps towards profit maximization should be carried out. The optimistic variant should be reached approximately after couple of months of operation.

It might seem that the profitability is not very high even in the optimistic estimation. The reason stands in significant labour costs. If the entrepreneur sells in the retail by himself, his earnings will ascend 18 420 CZK eventually 27 590 CZK, considering both realistic and optimistic option. The second eliminating factor is that Rikšafood offers one kind of meal without almost any choice of variation from one moveable store. In case of opening next rickshaw selling a different product, the profitability could double.

If the time of return of investment should be calculated according to the profit and loss estimation, the initial investment will be divided by the profit. As for the realistic

estimation the investment would be returned in 18 month of operation. Counting on the optimistic plan, the return would come in the seventh month of the run.

4.5.4 Break-even point

The calculation of the break-even point is necessary in order to realize what sales have to be reached to become profitable. The interface between profit and loss has been roughly indicated in the previous tables. Now, the exact numbers of sales and pieces is going to be found out. The formula considers fixed costs divided by a difference between price of a unit and unit variable costs which is in fact a contribution margin. After finding a number of units that is needed to sell, a value of break-even sales can be calculated. Values and calculation is provided here:

Table 6: Price information

Unit price	Unit variable cost	Total fixed costs
49 CZK	22 CZK	14340 CZK

Source: Rikšafood

$$\text{BEP} = \frac{\text{FC}}{\text{(P - VC)}}$$

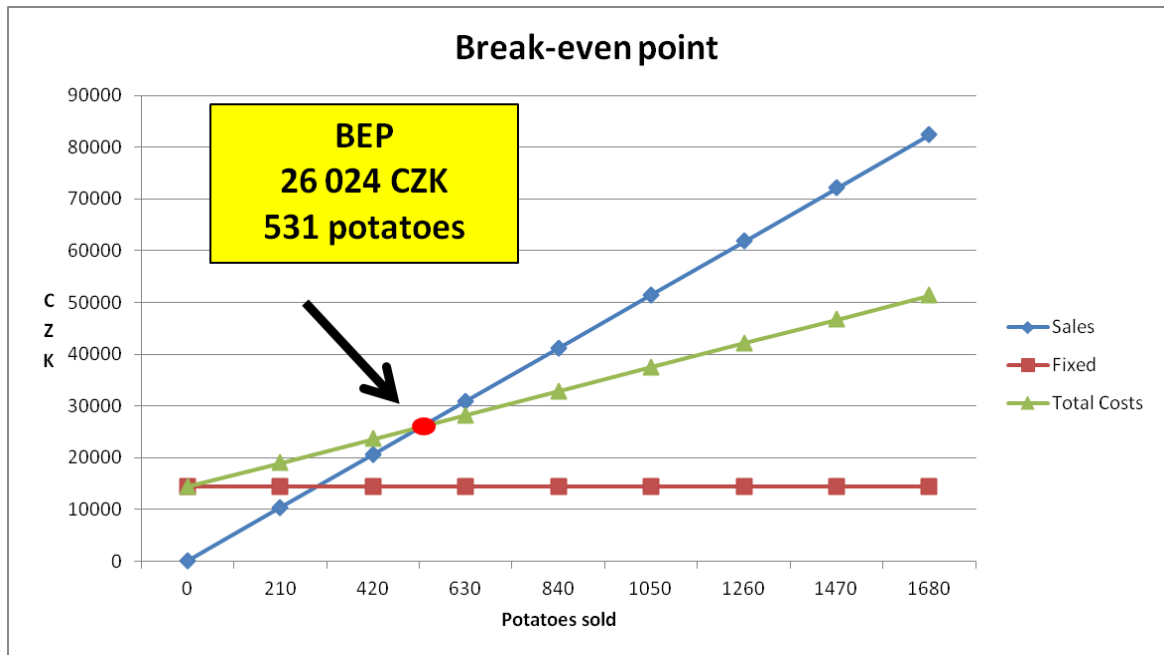
BEP = 531 units

BEP = 26 024 CZK

These values have to be fulfilled per month May to reach the break-even point. The result states the amount of 531 needed to sell. After dividing this number by the number of working days in May, the quantity which should be sold per day is found – 25 units.

The following chart shows a course of sales, fixed costs and total costs graphically. The intersection of total costs and sales represents the above mentioned values of the break-even point.

Figure 9: Break-even point



Source: Rikšafod

The behaviour of fixed and variable costs arise from their returnability. The unit variable costs should be covered from the price of each unit. On the other hand, the fixed costs are an indivisible form and every sold unit only contributes to its settlement. The difference between price of the product and its variable costs is called a contribution margin or in other words a contribution for the coverage of fixed costs and making a profit.

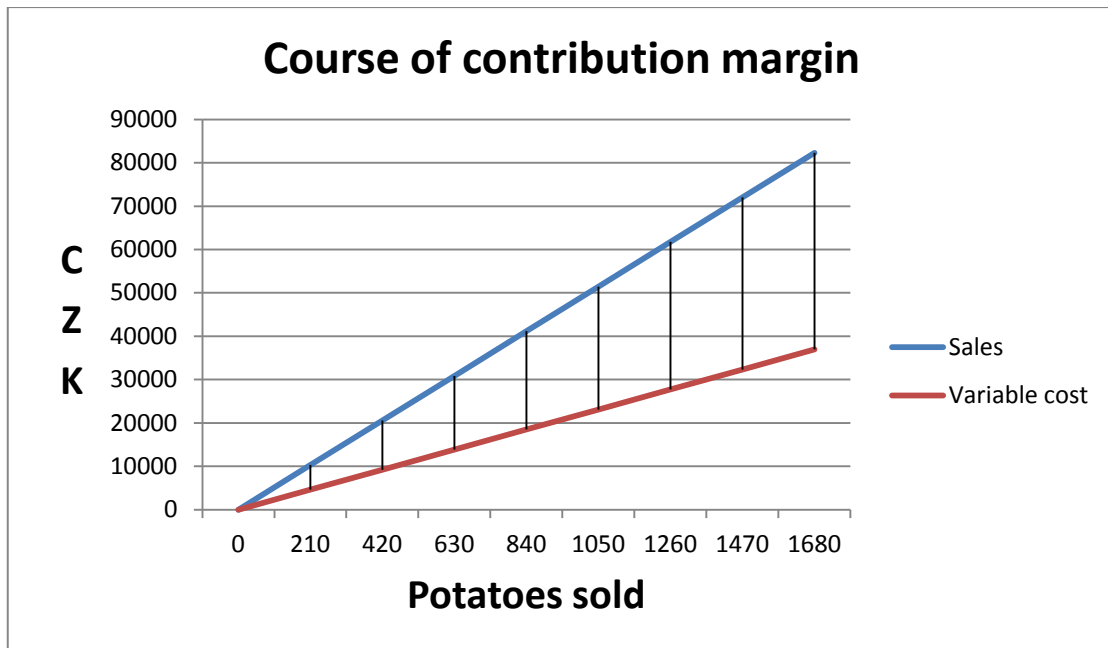
The contribution margin is calculating in percents:

$$m = \frac{P - n}{P} \times 100$$

$$m = 55\%$$

The figure below illustrates a course of contribution margin given by the line of total sales and variable costs. The hatched space between these lines determinates the value of the margin which increases while a number of sold units increases as well.

Figure 10: Contribution margin



Source: Rikšafod

The level of margin seems favourable towards to the variable costs. Fixed costs are much more influencing factor as for the final profitability because a high share of the margin goes to the coverage of fixed costs.

5 Conclusion

The thesis tried to fulfill its objectives to gather as much information about the whole process of establishing a small business. Firstly, the appropriate theoretical approach for creating a business plan was set. The clarification of the characteristics of business environment and useful qualities of potential entrepreneur helped to realize whether a person is eventually aware and determined to enter the world of entrepreneurship.

The division of the business plan into three phases made the planning very well organized. Following to the structure of the plan will prevent from forgetting and omitting any important part.

The precise market research revealed a lot of positive facts which basically proves the baked potato could be a welcomed product. Furthermore, over 60% of the respondents like this meal. The analyses applied in praxis evaluated the internal and external factors. The greatest threat is represented by competition, authorities providing the placement permission and weather. Among promising aspects belong product, place and bad eating conditions in the CVUT campus that might be improved by Rikšafood project.

The financial analysis dealt with investment, operating costs, profit estimation and break-even point. The project will not be probably as profitable as it seemed, due to the high labour costs. Anyway, Rikšafood perceive high potential and ambitions which will be supported with marketing activities.

On the other hand, the reality can differ from the expectations despite the fact that pros exceed cons. For instance, students will not be willing to buy their meal from the moveable fast food. However, regardless the form of the retail, the effort to improve the eating habits of the university students which is one of the main goals could be fulfilled.

It is not expected that the project is going to generate a huge profit after several months of operation. The predictions do not count on this scenario anyway. The focus will be put on development of the stable basement for a growth of the business, strengthening of the reputation and offering as good product and service as possible. From any point of view, the thesis should surely serve as useful document for Rikšafood also in the future.

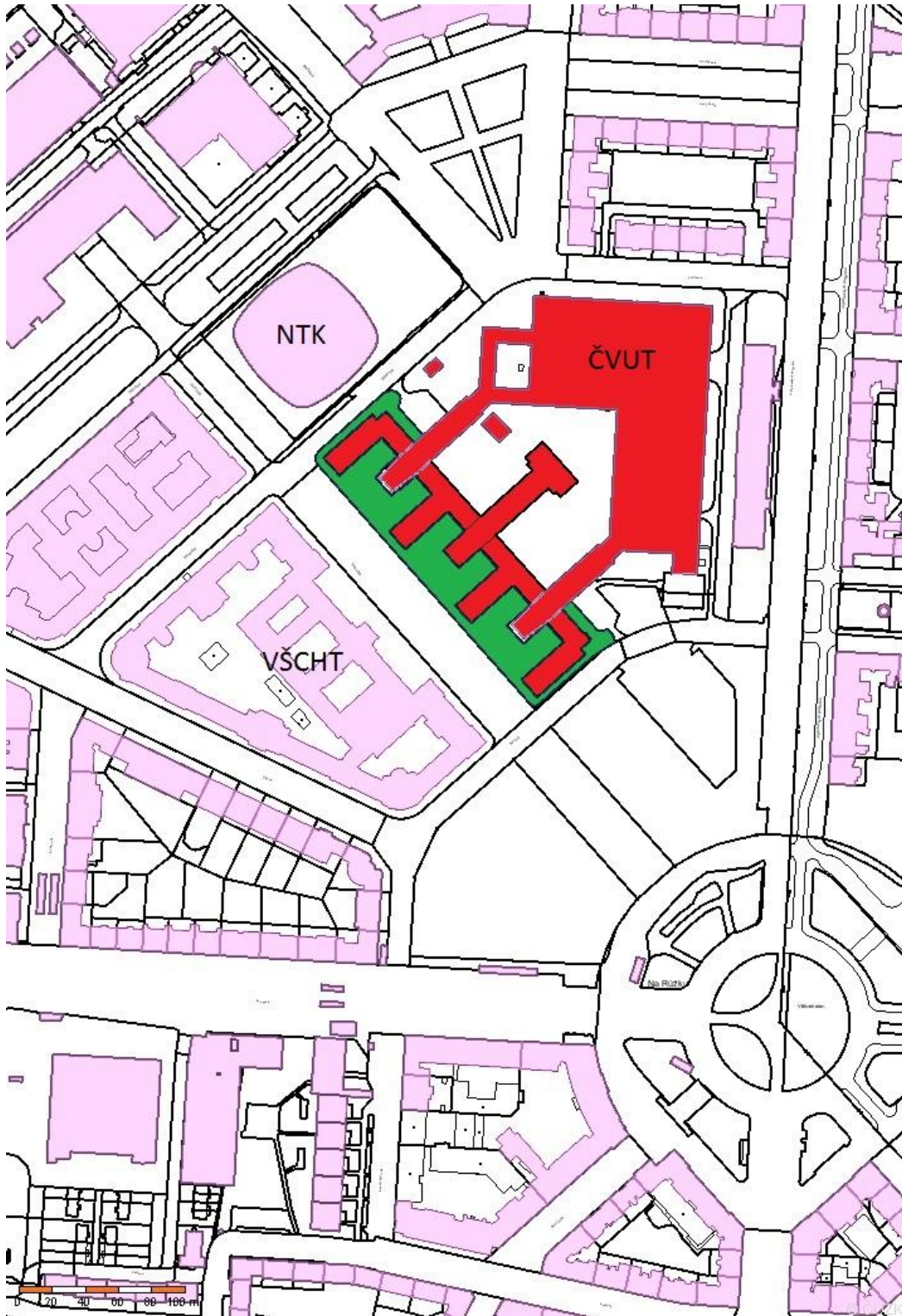
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7 Appendices

7.1 Map of the selling place



7.2 Questionnaire

[Upravit formulář](#)

Food opportunities in the CVUT campus.

The purpose of the following several questions is to obtain a closer view on the eating habits of CVUT students. This survey is anonymous. Its results will help significantly to the Rikšafood project together with the bachelor thesis regarding this topic.

The conditions of how and where to eat in the campus are:

- Extraordinary
- Good
- Average
- Not good
- Bad

Where do I usually have lunch:

- In the school canteen
- In the school buffet
- In the fastfood
- Jiné:

What do I usually have for lunch:

- A warm meal
- A cold meal (Sandwich)

The most important factor while choosing a meal:

- Price
- Size of meal
- Comfort while eating
- Time
- Quality
- Taste

I care about eating healthily:

- A lot
- Sometimes
- Not so much
- Not at all
- Does not matter, it must be tasty
- I would like to but healthy food does not taste well

How much am I willing to spend for a lunch:

- up to 40 CZK
- up to 50 CZK
- up to 60 CZK
- more than 60 CZK
- price does not matter

A meal „Jacket potato“ – baked potatoes:

- I don't know and I don't care
- I don't know but I want to try it
- I know and I like it
- I know but I don't eat it

Other comments concerning the food at the university

100 %: Hotovo.

Nikdy přes Formuláře Google neposílejte hesla.

Používá technologii
 Google Forms

Obsah není vytvořen ani schválen Googlem.
[Nahlásit zneužití](#) - [Smluvní podmínky služby](#) - [Další smluvní podmínky](#)

7.3 Rikšafood logo

