

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Management**



**Diploma Thesis**

**Business Plan for a Food Truck Startup**

**Daniel Jacques**

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# **DIPLOMA THESIS ASSIGNMENT**

Daniel Jacques

Economics Policy and Administration  
Business Administration

Thesis title

**Start-Up**

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## **Objectives of thesis**

The aim of the thesis is to evaluate the business plan of the selected small enterprise.

## **Methodology**

The thesis will use theoretical and empirical methods and tools of strategic management to create and evaluate business plan.

## The proposed extent of the thesis

60 – 80 A4 pages

## Keywords

Startup, business model, business plan, entrepreneur.

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## Recommended information sources

BURNS, P. *Entrepreneurship and small business : start-up, growth and maturity*. New York: Palgrave Macmillan, 2016. ISBN 978-1-137-43035-9.

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### **Declaration**

I declare that I have worked on my diploma thesis titled "Business Plan for a Food Truck Startup" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any person.

In Prague on 06/04/2020

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I would like to thank my supervisor Ing. Václav Švec, Ph.D., my coordinator, Ing. Ievgen Tomashevskyi, and all the professors throughout my degree, for their advice, guidance, and support during my work on this thesis. I dedicate this thesis to my grandfather, Frank Jacques Sr.

# **Business Plan for a Food Truck Startup**

## **Abstract**

This thesis was created to analyze and determine the feasibility of establishing a food truck in the Czech Republic. A literature review of authors well-versed in business helped develop a practical model for the company. A series of analyses were conducted to measure the environmental factors and their impact on starting the business. The core findings have led to the proper composition of a business plan that can be referenced in the future.

The theoretical framework is comprised of the key elements found in a business plan, the business model canvases, crucial internal components, and the strategies involved in establishing the organization. Further research of applicable data was analyzed and used to compose a business plan in the empirical section. A financial analysis and risk factor summation method combine to evaluate the overall viability of the company and estimate its profitability for prospective investors. The final results revealed strong potential in the realization of the company and may lead to future investment.

**Keywords:** food truck, BBQ, Carolina, cuisine, feasibility, opportunity, customer service, hospitality, market, success

# Podnikatelský plán pro start-up pojízdného občerstvení

## Abstrakt

Tato práce byla vytvořena s cílem analyzovat a vyhodnotit proveditelnost zřízení pojízdného občerstvení (známé také pod názvem food truck) v České republice. Literární rešerše autorů znalých v oblasti podnikání pomohla vyvinout praktický model pro vznikající společnost. Byla provedena řada analýz k měření environmentálních faktorů a jejich dopadu na zahájení podnikání. Hlavní zjištění vedla k vytvoření řádného podnikatelského plánu, který lze v budoucnu využít.

Teoretický rámec zahrnuje klíčové prvky obsažené v podnikatelském záměru, schéma podnikatelského modelu, klíčové interní komponenty a strategie spojené se založením organizace. V empirické části byl proveden další výzkum aplikovatelných dat a následně použit k sestavení podnikatelského plánu. Kombinace metod finanční analýzy a sčítání rizikových faktorů byla použita pro hodnocení celkové životaschopnosti společnosti a odhad její ziskovosti pro potenciální investory. Konečné výsledky odhalily silný potenciál pro realizaci společnosti a mohou vést k budoucím investicím.

**Klíčová slova:** food truck (pojízdné občerstvení), BBQ, Carolina, kuchyně, proveditelnost, příležitost, zákaznický servis, pohostinství, trh, úspěch

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## **List of abbreviations**

ČZU – Česká zemědělská univerzita v Praze  
VMOST - Vision, Mission, Objectives, Strategic, and Tactical  
SWOT – Strengths, Weaknesses, Opportunities, and Threats  
TAM – Total Addressable Market  
B2B – Business to Business  
B2C – Business to Customer  
CJM – Customer Journey Mapping  
USP – Unique Selling Proposition  
BMC – Business Model Canvas  
R&D – Research & Development  
P&S – Products & Services  
IT – Information Technology  
IS – Information Systems  
P2P – Procure-to-Pay  
ICT – Information and Communications Technology  
ERP – Enterprise Resource Planning  
SCM – Supply Chain Management  
CRM – Customer Relationship Management  
TELOS – Technical, Economic, Legal, Operational, and Schedule Feasibility  
ROI – Return on Investment  
MVP – Minimum Viable Product  
P/E – Price to Earnings Ratio  
CR – Czech Republic  
CEE – Central and Eastern Europe  
EU – European Union  
GDP – Gross Domestic Product  
SME – Small and Medium-Sized Enterprises  
TLA – Trade Licensing Act  
HACCP – Hazard Analysis and Critical Control Points  
CF – Carolina’s Finest  
POS – Point of Sale  
SOM – Serviceable Obtainable Market  
SAM – Serviceable Available Market  
EBITDA – Earnings Before Interest Taxes Depreciation and Amortization

# 1 Introduction

An entrepreneur must always seek opportunities and be able to sense when they are present. This is especially true when living in another country, where the markets and trends differ from their own. Sparks of creativity flow when observing the mechanics of the city. After moving from the United States, two years have been spent soaking in the culture of the Czech Republic, exploring the dishes, expanding the palate, and appreciating the new combinations of tastes and flavors.

The city of Prague has been very accommodating to its large community of expats, allowing businesses of all kinds to launch. Restaurant owners and street vendors from all over the world have found success bringing their country's dishes to a new environment. As an amateur chef and serial entrepreneur, this gave inspiration to create a concept as well. Growing up in the US exposed Daniel to a plethora of cultures and cuisines, but one group always stood out – southern comfort food. Seeing the commonalities between the Czech diet and southern America's, the idea arose to merge the food culture of the Carolinas with Czech markets.

The purpose of this Diploma Thesis is to develop a business plan for an authentic southern food truck that serves its community. The desired location for the startup is on the campus of ČZU (Česká zemědělská univerzita v Praze). It is not only an ideal location for business, but it provided an opportunity for growth and fostered many strong relationships. This would be a small token of gratitude, giving back to the community that brought the idea to life. As a student of a university of life sciences, there is also a commitment to ensuring the business is built with a circular model, providing sustainability in every possible method. This includes sustainable sourcing from local farms, compostable takeaways, and the reduction of food waste.

Writing the thesis was not just an assignment necessary for graduation, it was a formula to establish a real business. The intention of this paper is to lay a foundation that can be used in the future for launching the food truck. Each analysis and estimation that assisted in comprising the business plan was done with the most recent data available to give a true outlook on the feasibility and realization of Carolina's Finest food truck.

## 2 Objectives and Methodology

### 2.1 Objectives

There are four objectives purposed in the Diploma Thesis. The first being a primary goal, and the following three serve as supplementary objectives:

1. The core aim is to determine the feasibility of opening a food truck in Prague;
2. To identify the market trends in the Czech Republic;
3. To create a circular business model for sustainability;
4. To determine how to expand the business

### 2.2 Methodology

To accomplish the four primary objectives, both qualitative and quantitative methods were used in the writing of this thesis. For clarity and focus, the research was designed to extract answers from the most knowledgeable sources available. The literature that was reviewed came from experts in the field and, in some cases, founders of business principles and concepts, e.g., Michael Porter and Alexander Osterwalder. With the guidance of these resources, theory was put to practical use as a business plan for the food truck. The methods used helped determined each element involved in bringing the idea from conception to realization.

#### **Methods of data collection:**

- Market research (trends, business environment, and financial dynamics)
- Surveys
- Taste testing
- Investor's perspective

#### **Methods of data analysis:**

- External & Internal Analyses
  - PESTLE Analysis
  - Porter's 5 forces
  - Value Chain Analysis
  - Product Analysis
    - BCG Matrix

- Financial analysis
  - Five-year projection
    - Pessimistic
    - Conservative
    - Optimistic
  - Month-to-Month conservative projection
- SWOT Analysis
- TOWS Analysis
- Lean Startup Canvas Model
- Feasibility Analysis
  - TELOS Method
- Evaluation for Investments
  - Risk Factor Summation Method
- Surveying the local community

## 3 Literature Review

### 3.1 Business Plan

A business plan's primary purpose is to flesh out and document the execution of a business model. Planning includes the process of goal setting, strategic and tactical adoptions to reach those goals and financial projections in order to measure their feasibility. Business plans serve many purposes: acquiring outside funding, effectively communicating vision and purpose to investors and team members and can be referenced as a roadmap from conception to creation.

There are thousands of business plans formulated every year, many of which fail to represent the perspectives of those they are serving. The founder will typically write the plan based on the producer's standpoint with little to no regard of the market or the investor. Harvard Business Review states that the most accurate business plans should have the viewpoints from three constituencies, the market, the investor, and the producer. The key factors that should be highlighted throughout the plan are (RICH, 1985):

- **Emphasis on the market** – the user's benefit, the market's interest, and documenting the market's claims. A realistic business plan must indicate the number of potential customers, the current size of the business, and which size is most appropriate to the provide the products or services being offered.
- **Addressing investor's needs** – understand who the potential investors are and what their needs may be; venture capitalists, wealthy corporations or individuals. Investors need to know whether they want to get in, but also when and how they will get out (with profits). Five-year projections will give investors a better idea on how much thought has been placed on the concept, and how long it may take before the company turns a profit and can can pay them back.

It is important to remain objective and logical as possible when writing out a business plan as it should be realistic and obtainable for both the founders and any potential investors. The proposal should be able to convince more than just the founder that the business is feasible, but all the others who are involved as well. There are potential partners and investors first and foremost, and then also prospective employees looking to join the company. A well-established plan can build trust in all parties (HADEN, 2018).

Companies may differ on their strategies, product offering or structure, but will all contain a standard framework for their business plans. A sound business plan comprises of categories of information and analysis to best execute their strategy. These categories include (ENODARE, 2016):

- Executive Summary
- Business Description & Model
- Business Environment
- Marketing Plan
- Operations Plan
- Management Team
- Financial Plan and Projections

### 3.1.1 **Executive Summary**

Seen as the most important section of a business plan, the executive summary details the core elements of the plan: opportunity, strategy, business model, necessary resources, and potential payoff for investors. It is a concise version of the business plan to give a clear understanding on how the business will operate and accomplish its goals (ENODARE, 2016).

### 3.1.2 **Business Description & Model**

In this section, there's a more in-depth overview of the company. Noting the purpose, mission and vision, a background of the founders, the markets served, and the current status of the business. There may also be information about any notable achievements to date (CREMADES, 2020).

The product offering and value proposition will be much more detailed, thoroughly explaining its core competencies and competitive advantages. A company's VMOST (Vision, Mission, Objectives, Strategy and Tactical) is fully covered in this segment of the business plan. Other necessary aspects to be included are financial expectations. If the company is not able to produce enough funds to break even or cover initial costs, it must detail how it will generate those funds. If it is raised through investors, there must be a proposal of how the funds will be used and how the lender will be repaid (ENODARE, 2016).

The business model for a company is a blueprint for systematically attaining long-term value while also delivering value to customers and capturing value in its strategies for monetization. The core aim is to establish a sustainable chain that unlocks value for multiple players in an industry. Models are used to help understand, design, and test assumptions in the marketplace. Business modeling uses experimentation to continually test ideas and develop better strategies for their market. This can spur innovation that creates a lasting competitive advantage and establishes a brand (CUOFANO, 2020).

### 3.1.3 **Business Environment**

*“Competition is at the core of the success or failure of firms.”* - Michael Porter (1985)

Competition determines the relevance of a company’s actions that contribute to its performance, specifically in its innovations, the ability to create a cohesive culture and its strategy for implementation (PORTER, 1985, pg.1). Sometimes segmented into three components: competitive analysis, industry analysis, and market analysis. The need for separation is that the industry is based on a group of sellers and the market is a group of buyers. Products and services must be attractive in both in order to access the opportunities in the market. A competitive analysis must also recognize the real players in the market, not just generalize all potential competitors. This will determine the capabilities and limitations of the current competitors. It is important to also differentiate who is selling the same or similar products, whether the same needs are being met, and how viable it is for future competitors to enter the market (ENODARE, 2016).

This portion is also seen as products & services in other business plans. Listing the following elements: core products and services offered, how they were developed, the pricing structure, any results of past testing, and future products and services that may be in development (CREMADES, 2020). It is also important to explain how customers will benefit, what the product life cycle is, and whether there are any plans for intellectual property rights to be filled (SBA, U.S. Small Business Administration, n.d.).

### 3.1.4 **Marketing Plan**

Seen as one of the most essential pieces of a business plan, a marketing plan enables companies to effectively communicate with their target market. It is a core factor in reaching the desired audience, convincing them to purchase products, and, ideally, retaining them as



a loyal consumer base (ENODARE, 2016). Every form of advertising is purposed in either maximizing profits through large sales volumes or providing services to the public through persuasive information and a communication goal (OLAJIDETALABI, 2012).

There is no concrete method for writing a marketing strategy as they should evolve and adapt to fit the specific needs of the company (SBA, U.S. Small Business Administration, n.d.). In order to create an effective marketing campaign, companies must define the Who, What, Where, When and How. In Cremades' *How to Create A Marketing Plan*, he writes six main points outlining the critical factors involved (CREMADES, 2018).

- |                                   |                     |
|-----------------------------------|---------------------|
| 1) Know Where You Want to Go      | 4) Budgeting        |
| 2) Market Research                | 5) Team Formulation |
| 3) Identifying Marketing Channels | 6) Formatting       |

### **Know Where You Want to Go**

Having a vision is vital to a company's longevity. It is a core dynamic to develop belief and trust in the firm. Investors and employees alike will need a foundation to build off of, so effectively communicating the vision and mission is a fundamental first step. The company must understand what their ultimate goal is and create milestones along the way such as how many consumers they will attract, the locations they will cover, and the profits that are expected. A company's future outlook functions as a roadmap to guide the organization in the desired direction. It also serves as a reference point to identify and estimate other components like budgeting for projects, marketing, and staffing.

### **Market Research**

The key aspects that are necessary for a successful marketing plan are in researching the current market and the competitors within it, doing a thorough SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis, and understanding the total market size as well as the TAM (Total Addressable Market) (CREMADES, 2020).

Whether the business is B2B or B2C, it is important to know who the customer is. Who is the ideal consumer for the product or service that is being offered? To answer this question, customer profiles, personas, and journeys are built to better understand the target market.

## Customer Profile

Having a deep understanding of customers is the first great skill of any successful company. Profiles are a dynamic tool used to achieve this goal. It is a more structured way of describing specific segments, allowing managers to see from the customer's perspective. The profile is built through interactions and feedback conversations with consumers where assumptions are either validated or nullified. This tool evolves as more research is done, giving more accurate depictions of customer's priorities, needs, and wants (GUPPTA, 2016).

The focal point of customer profiling is to create dependable customer models for targeted marketing campaigns which ultimately lead to higher profitability (DYCHÉ, 2002). Profiling customer's behavior begins with identifying patterns from transactional data. Once patterns are extracted, they are used to provide parameters for making decisions such as determining which service to provide, performing an analysis of trends, and detecting irregular behavior. Customer profiling is utilized in a variety of application domains, personalized marketing, and commercial promotion (CHEN, 2010).

To obtain valuable information for customer profiling, companies use the process of data mining to sort through databases. Data mining predicts both the customers' and the market's future trends and behavior by extracting factual and behavioral data. Factual data includes the demographic and geographic information of consumers while behavioral data contains psychographic information based on buying patterns (UPADHYAY, 2016).

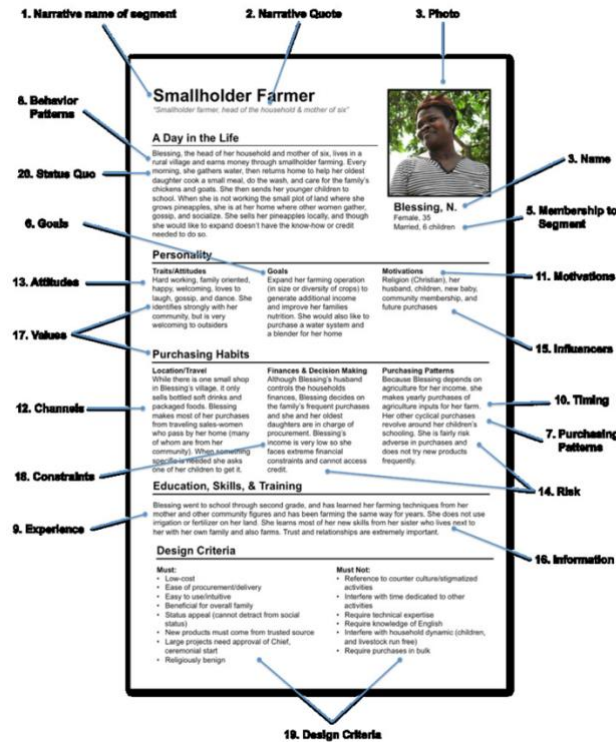
## Customer Persona

Personas are used to discover and depict the needs, wants, and limitations of users or consumers. All methodologies for constructing personas share three main components: fictional archetypes of a segment or group, real data-based portrayals from geographic, demographic, and psychographic variables, and consistent representation of the target consumer. Personas are not meant to be an exact version of every member of the segment, but rather a precise generalization of the customers being targeted (ORTBAL, 2016).

Specified benefits to creating personas include more effective communication about users, increases focus on what their goals are, and reducing the necessary changes when finalizing the development process (COOPER, 2004). Constructing a visual for customer personas, as shown in **Figure 1**, gives a concise breakdown of the average buyer, from behavioral patterns to design criteria, to help companies visualize who their target market is and how to reach them. These characteristics are, however, just assumptions based on a

collection of data. Therefore, it is not a complete tool for research and development, but rather a means to cultivate detailed and defined descriptions of products. Nielsen describes them as *scenarios* that will give developers an idea of how products will work, in what context it will be used, and how to construct it (NIELSEN, 2013).

Figure 1: Customer Persona Visual



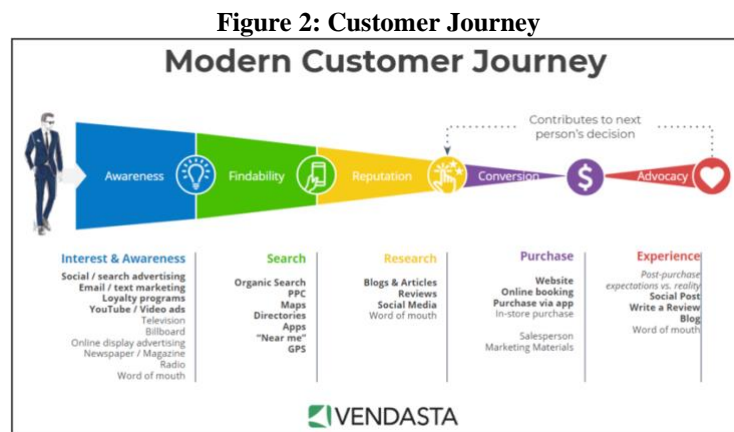
Source: (ORTBAL, 2016)

## Customer Journey

To create a valuable customer journey map, managers must gather information from customers and identify both the critical and less significant touchpoints. Asking customers directly which touchpoints they experience throughout their journey can provide more refined results. Despite being demanding in time and resources, this will greatly improve the map's simplicity and usability. This version of the CJM shows what customers actually do, instead of what researchers imagine they do. It is also recommended for managers to develop vertical axis categories of cross-functional strategic initiatives. This connects marketing, human resources, operations, and information technology teams at each touchpoint. Having this link of information creates a cohesive environment and becomes a strategic tool for service innovation and an illustration of how departments can work together to improve a customer's experience (ROSENBAUM, 2017).

From **Figure 2**, it can be noted that there are 5 core touchpoints to be addressed

- Awareness
- Findability
- Reputation
- Purchase
- Experience



Source: (YUZDEPSKI, 2020)

*Awareness:* Must have informative and engaging content to establish an initial connection.

*Findability:* Businesses must be available for customers to find and research.

*Reputation:* Trust is essential; customer’s perception of the quality and experience is vital to a company’s success – especially in the early stages.

*Purchase:* A convenient and expedient process of purchasing will increase the likelihood of repeat customers

*Experience:* A memorable experience will spread throughout a customer’s network and beyond. It also has the potential to go viral, so it is important to ensure that they reflect on it positively and advocate for any potential future customers to see (YUZDEPSKI, 2020).

### Positioning

In target marketing, the final phase is product positioning. Companies enact certain “positioning statements” which indicate the image they want to portray in their customers’ minds, in comparison to other competitors’ products or services. Marketers must establish positioning strategies that will improve the perception of their products as customers are continuously comparing products or services. There are four key components of effective product positioning (CAMILLERI, 2018):

- Based on the benefits provided to prospective customers.

- Differentiated products or services from those of key competitors.
- Must possess relevant skills, resources, and credibility to deliver on their promises.
- It is defensible, meaning that a competitor cannot quickly neutralize or prevent another positioning strategy.

Another important factor in positioning is branding. Brand positioning is how consumers perceive a brand when compared to its competitors. Companies create a personality for their brand to make it more relatable. The traits associated with brand personality comprise of three sources: the connection consumers have with a brand, the image a company tries to create, and the product features (LIN, 2010).

To expand even further on positioning, two additional methods of branding should be mentioned: slogans and USP (Unique Selling Proposition). Slogans consist of two basic elements: a brief, repeatable, and memorable positioning statement in an advertising message, and added continuity in a campaign with a series of advertisements (ARENS, 2006). The taglines are simple, concise, comprehensive, and memorable, increasing the retention rate of customers. The Unique Selling Proposition, on the other hand, was conceptualized by Rosser Reeves as a distinctive quality of a brand that sets them apart from their competitors. Similar to the characteristics of a slogan, the USP should also be advertised in a concise message, detailing exactly what distinguishes them from other products. The proposition must deliver on its promise in order to gain the trust of the customer and build a reputable association with its brand (OLAJIDETALABI, 2012).

### **Identifying Marketing Channels**

Marketing channels can hold multiple definitions depending on the perspective of those being asked, whether it be the manufacturer, wholesaler, or customer. For the sake of a manager in charge of making the decision, though, it is seen as the external organizations that management teams employ to reach its distribution objectives (ROSENBLOOM, 2011).

Once the best prospective customers have been identified is when the most optimal marketing and advertising channels should be selected. Every startup will have slightly different approaches to their decision. With the Internet being widely accessible across the globe, online ads, applications, email, and social media have become much more prevalent, but traditional means still hold value as well. Companies continue to utilize channels such

as TV, outdoor displays, print ads, affiliate platforms, live events, or outbound calls (CREMADES, 2018).

### **Budgeting**

Marketing is an essential part of starting and sustaining a business, so it is only logical that it should have a designated budget. Companies spend billions of dollars on advertising every year to grow their business, giving management a high responsibility to allocate these funds efficiently. Given the rising cost of marketing, it is also important to show a correlation towards a higher ROI (Return on Investment) (GUPTA, 2008).

There are two dynamics involved when setting a budget for marketing: how much money will be spent, and how to best allocate those funds. The number of resources available will determine how much will be spent (ENODARE, 2016). Allocation of these funds is done in two stages: creating a model for demand, assessing the impact of marketing on consumers, and then using these estimations to build an optimization model that assesses the economic impact that can be achieved (GUPTA, 2008).

### **Team Formulation**

Incorporating these marketing strategies requires a skilled, knowledgeable team. Putting the right people in place is vital for survival. Firms must hire creators of content, channel managers, and people responding to leads and follow up with customers (CREMADES, 2018).

### **Formatting**

To execute the marketing plan, there should be a stand-alone campaign that the team is working on and is consulted regularly by managers. There will be an evolution of the process, so it isn't necessary to be overly detailed. It is important, though, to have a basic outline for investors to observe and for the team to carry out (CREMADES, 2018).

#### **3.1.5 Operations Plan**

Operations consist of all the components necessary to bring a concept to realization and run a business. This is the daily execution model that employees will follow. It should identify the areas that are most important for successfully reaching objectives in an efficient and cost-effective manner. These functions should include (ENODARE, 2016):

- Product design and development
- Production
- Customer Service

- Administration
- Facilities and Equipment
- Technology
- Supply chain management
- Organizational Structure and behavior
- Legal & Accounting
- Logistics & Distribution

### 3.1.6 **Management Team**

This section represents the roles of the company and who will fill the position. It identifies which needs should be fulfilled first and foremost, and also gives confidence to investors that there is a team in place that is capable of running the business. Details of the organizational make-up will contain management experience and industry knowledge, and potentially include resumes or CVs. The group should include the founders and executive team, any owners or shareholders, key members and department heads, consultants or special advisors, and a board of directors if there is one (CREMADES, 2020).

### 3.1.7 **Financial Plan & Projections**

The finality of a business plan is in its financial planning and projections. Investors want to know how the company will become profitable, and when. The goal here is to convince the reader that the business is (or will be) stable and will reach profitability. During the first year, it should be as specific as possible, adding quarterly projections that match the requests for funding. It should also provide an outlook for the next few years. Forecasting documents like income statements, balance sheets, cash flow statements, and capital expenditure budgets (SBA, U.S. Small Business Administration, n.d.). Some additional expenses that should be included are from the start-up costs, which should be thorough and include extra funding for any unknown costs they may incur. These costs should focus on the development of products, intellectual property rights, and company growth rather than the salaries of employees. If a company is fundraising, it should include the allocation of those funds in detail, deliver a rough timeline of financial milestones, and a schedule for repayment (CREMADES, 2020).

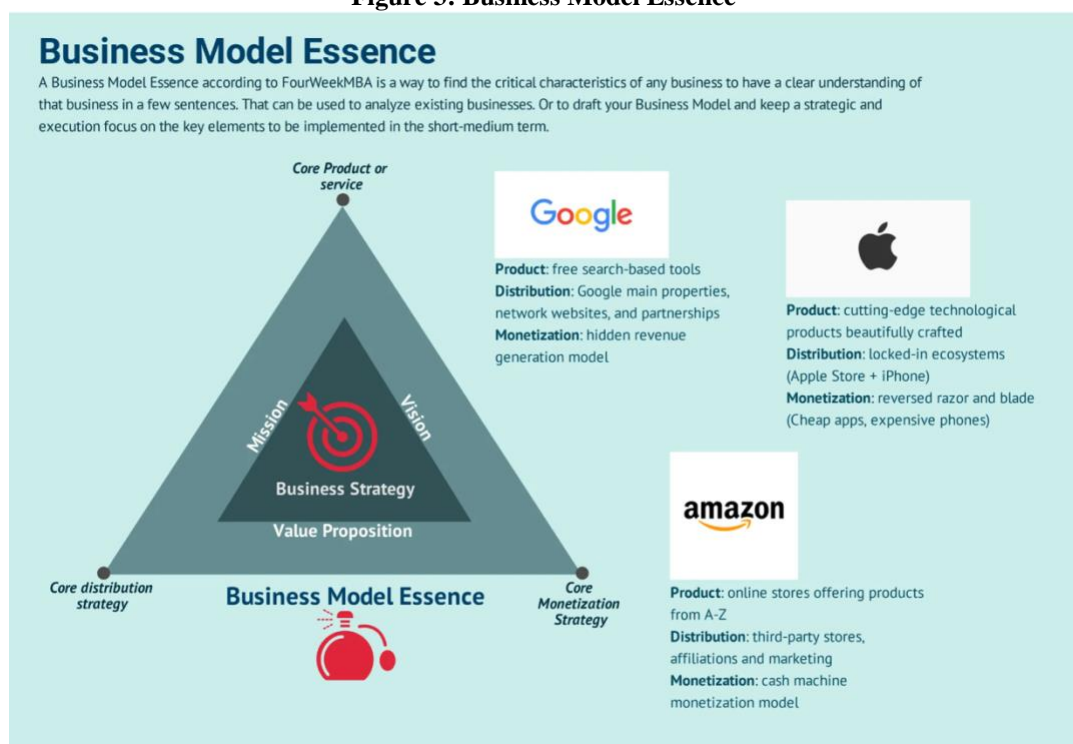
## 3.2 **Business Models**

It has been stated that all new business models are simply just small variations of the generic value chain that is fundamental to any business. The chain has two core components. The first being any activities that are associated with creating something: design, raw materials,

manufacturing, etc. The second component includes all the activities related with selling it: obtaining customers, concluding a sale, distributing products or delivering services (MAGRETTA, 2002).

The Essence of Business Models can be found in **Figure 3**, as a multi-layered triangle. The core dynamics of the business strategy are found in its mission, vision, and value proposition while its success is found in the methods it utilizes to them carry out. The three components that are most influential on a business model is its core product or service, the means of distribution, and the strategy for monetization (CUOFANO, 2019).

**Figure 3: Business Model Essence**



*Source: [fourweekmba.com/business-model-essence](http://fourweekmba.com/business-model-essence)*

There are numerous business models for a firm to choose from when launching their company. For a food industry startup, however, the list is condensed to a handful of options. There is the typical brick and mortar restaurant, street vendors, food trucks, catering services, and franchises. To determine the most viable and profitable method, many companies choose to do a business model canvas or, for startups, a lean model canvas. Whichever strategy that is implemented should define key five principles (CUOFANO, 2020):

- 1) The problem
- 2) Who the solution is for
- 3) The key customer and key problem

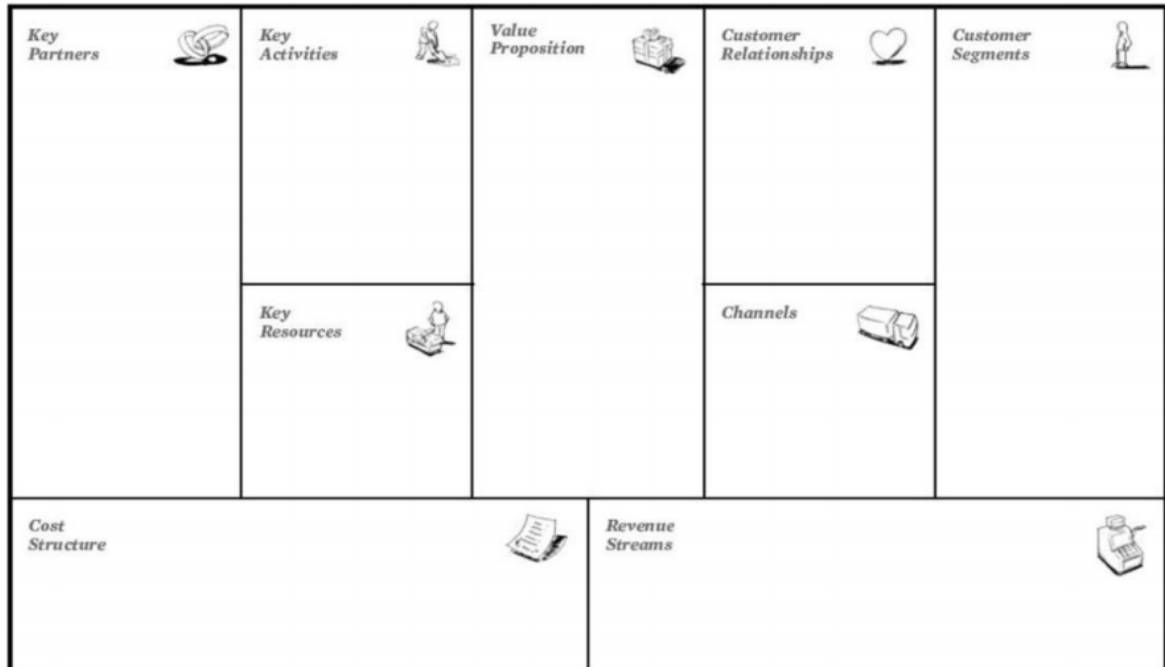


- 4) A set of possible solutions
- 5) Monetization strategies for each solution

### 3.3 Business Model Canvas

The Business Model Canvas breaks down the foundational reasoning of how an organization creates, delivers and captures value. The model is seen as a blueprint for implementing a strategy through organizational structures, processes, and systems. The BMC, shown in **Figure 4**, is comprised of nine blocks that cover the four core sectors of a business: customers, offer, infrastructure, and financial viability (OSTERWALDER, 2010).

**Figure 4: Business Model Canvas**



*Source: (OSTERWALDER, 2010)*

#### Customer Segments

Customers are the life source of any company. In order to best serve consumers and maximize profits, companies separate the market into distinct segments with common needs and behaviors, along with other attributes. Some examples of the different segments include mass market, nice market, segmented, diversified, and multi-sided markets. Customers can represent different segments if they require and justify a distinct offer based on their needs, different Distribution Channels are used to reach them, different types of relationships are

required, their profitability is substantially different from others, or they are prepared to pay more for additional aspects of the offer (OSTERWALDER, 2010).

### **Value Proposition**

Value propositions are designed with a distinctive mix of features that are catered to the selected segment's needs. They may hold quantitative or qualitative values. Some examples being in the product's newness, performance, or customization. Other consumers may take the pricing, design, or functionality into consideration. If the value is consistent and marketed well enough, customers will soon buy the product based on the brand itself (OSTERWALDER, 2010).

Another simple yet powerful principle in marketing is the FAB statement. It represents the Features, Advantages, and Benefits for a product offering. The features list some facts and characteristics, advantages explain what the features do, and the benefits show the value the customer attains by using the product (TRAINING INDUSTRY, 2018).

### **Channels**

The purpose of channels is to communicate with customer segments to deliver the value proposition. This building block details the communication, distribution, and sales channels that firms utilize to reach consumers. It raises awareness on the company's product and service offering, helps buyers evaluate the proposition, allows specific needs and wants to be purchased, and provides customer support post-purchase. Channel types are made up of indirect and direct avenues through owned or partner networks. Examples include in-house sales and websites or retail and wholesale distributors. There are five channel phases that are similar to the Customer Journey seen in **Figure 2**: Awareness, Evaluation, Purchase, Delivery, and Post-sale (OSTERWALDER, 2010).

The four main channels of marketing are direct selling, intermediaries, dual distribution (a combination of multiple channels), and reverse channels. Reverse channels have a flow from the consumer and are geared more towards recycling and reusing products. This could be utilized in the food industry, but it is more likely that the other three will be the base of the marketing channels. To select the best channel(s), companies must look into four characteristics for deciding the ideal choice: consumer preferences, costs, the brand, and localization (Lumen Learning, 2014).

## **Customer Relationships**

This section should model how a company will influence a customer's experience and establish long-term relationships with their segments. Relationships can either be automated or personal. The categories of Customer Relationships involve personal assistance, self-service, automated services, communities, and co-creation. The methods are not limited to one distinct grouping but can be a mix of multiple (OSTERWALDER, 2010).

Customer acquisition and loyalty is critical in any business model; therefore, many companies use Customer Relationship Management in order to better understand their consumer base. It can be used to decipher which ones to retain and to let go, and how to not overspend on customer acquisition in the meantime (DYCHÉ, 2002).

## **Revenue Streams**

Noted as the arteries in *Business Model Generation*, Osterwalder sees the revenues as the revenue streams as a vital organ keeping the rest of the body operational. A business model can have two variations of revenue, either transactional or recurring payments. Each stream can contain different mechanisms for pricing such as fixed list prices, bargaining, auctioning, yield management, market dependent, or volume dependent. In order to generate revenue, companies must evaluate how customers prefer to pay, what they are currently paying, and how much a given stream will contribute to the overall income. The most common streams come from asset sales, usage fees, subscription-based, leasing/lending/renting, and licensing (OSTERWALDER, 2010).

## **Key Resources**

Every business model demands key resources to create and offer a Value Proposition, reach its Customer Segments, and earn streams of revenue. Key resources can be comprised of physical, financial, human, or intellectual components. These resources describe which assets are the most important for a successful business model implementation (OSTERWALDER, 2010).

## **Key Activities**

Once the key resources are identified, firms must recognize the necessary actions that are instrumental in executing their strategy. The Key Activities are developed from the previous BMC building blocks to best serve customers. Activities can be categorized by

their production, platform or network, or problem-solving abilities (OSTERWALDER, 2010).

### **Key Partnerships**

Key Partnerships refer to the network of suppliers and partners within a company's sphere of influence. The formation of partnerships helps to optimize business models, reduce risk, and can help in the acquisition of resources. There are four main types of partnerships firms can choose from strategic alliances, cooptation or strategic partnership with competitors, joint ventures, and buyer-supplier relationship which ensures reliable materials. The motivations for these partnerships can vary. One of the most basic forms is for optimization and economy of scale which can include outsourcing or sharing of infrastructure. Others may join forces to reduce risk and uncertainty or to acquire certain resources or key activities (OSTERWALDER, 2010).

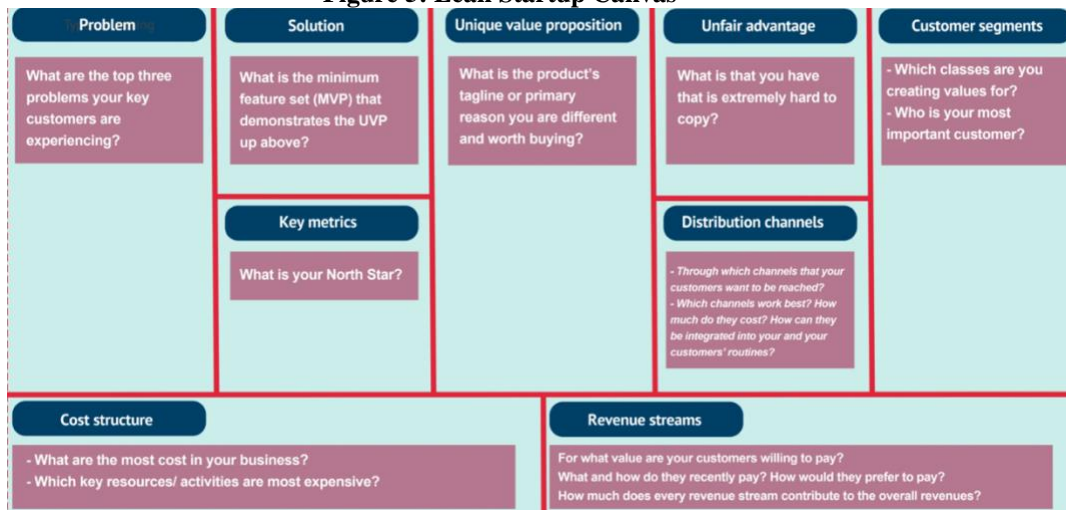
### **Cost Structure**

All costs incurred for operating the business model is the final building block of the BMC known as the Cost Structure. All of the other eight blocks generate expenses that must be calculated and accounted for. Costs should be minimized in every dynamic possible, but some business models cause differentiated methods. Structures can either be cost-driven or value-driven. The characteristics have their roots from fixed costs, variable costs, economies of scale, or economies of scope (OSTERWALDER, 2010).

## **3.4 Lean Startup Canvas**

The Lean Startup Canvas was created by Ash Maurya in 2010 as an adaptation of Osterwalder's BMC; however, the Lean Startup Movement was originated by Steve Blank. The strategy's purpose is to start with mastering the problem rather than the solution. In **Figure 5**, the updated version can be seen. The Lean Canvas adds focus on the problems and solutions, key metrics, unfair advantage, and a unique value proposition. While adding these layers into the canvas, he had to eliminate four of the blocks in the BMC: the customer relationships, key partners, key activities, and key resources. The unique value proposition is a more precise version of the BMC stating how it is different in comparison to competitors' offerings (CUOFANO, 2018).

**Figure 5: Lean Startup Canvas**



Source: (CUOFANO, 2018)

The methodology follows experimentation rather than an elaborate plan, favors customer feedback over manager intuition, and iterative design over development of big upfront design. The purpose of lean startups is for agile development, eliminating wasted time and resources most companies desperately need when starting a business. (BLANK, 2013)

### 3.5 Strategy

*“Strategy is the economy of force.”* – Carl von Clausewitz

Carl von Clausewitz (1780–1831), a Prussian general and military theorist made this comment to define the essence of strategy. The concept of strategy derives from the Greek word “strategos,” meaning “leadership” in the military sense. More specifically, it pertains to the planning and deployment of resources to achieve certain objectives (KOTLER, 2016). In the model below, **Figure 6**, the basic military strategies are shown to have a strong correlation with modern business tactics and management’s main focuses. These core elements each represent critical success factors in a company’s strategy.

- 1) Similar to Key Resources, having a concentration of resources available for use.
- 2) The element of surprise is having a solid Research and Development team continuously innovating on current or new products.
- 3) Selecting the perfect environment for business to thrive and achieve its objectives.
- 4) Having a stream of information and communication is essential to success.

- 5) Streamlining the allotted resources available with the demand to accomplish company goals.
- 6) Creating and sustaining a competitive advantage (KOTLER, 2016).

**Figure 6: The Quintessence of Strategic Management: Basic Military Strategies.**



*Source:* (KOTLER, 2016)

Markides, however, advises against integrating these concepts in the context of planning. His definition of a good strategy is founded on its result: “...behind every successful company, there is a superior strategy” (MARKIDES, 1999). All that is necessary is to understand and mimic the strategies of successful companies and a precise definition of *strategy* becomes irrelevant (KOTLER, 2016).

### 3.6 International Business Environment

The business environment is comprised of all the internal and external factors of the firm that influence their competitive success. It is often divided into three parts, the external macro-environment, the external industry environment, and the internal firm environment. The macro-environment involves the political, economic, social, technological, legal, and environmental factors in the target market. The external industry consists of buyers, suppliers, competitors, and others which directly influence competitive success within a specific industry. The internal environment of the firm is made up of all the resources and core capabilities that affect their ability to act.

External audits are often done to survey all major opportunities and threats. To better understand the macro environment, managers use a framework tool known as a PESTLE analysis. This tool analyzes and evaluates the Political, Economic, Social, Technological, Legal, and Environmental factors within their industry. Every firm must focus their attention

on the factors that are most relevant to their business (FRYNAS, 2011). Below, a breakdown is given of the PESTLE analysis (PERERA, 2017):

### **PESTLE Analysis**

*Political* – Stability within government, the impact of policies on business activities such as monetary, fiscal, foreign trade, and exchange rate. This is a highly important factor if political support is essential for penetration of the market as it defines the country, political, and operational risks as a foreign company.

*Economical* – Critical to an organization's success. This includes factors such as age, population, income levels, tax rates, employment rates, and disposable income. Pricing and profitability are heavily influenced by economic factors in a business environment.

*Social* – The business environment is linked to cultural and traditional values. Adapting to these values can improve performance, lead to higher productivity, and achieve growth targets. Differing language and socio-cultural factors shape a country's purchase patterns and behavior which can be a barrier if not handled correctly.

*Technological* – More relevant for tech-based companies, but with the modernization of business, it has become a more vital aspect in many industries. Technology can be used to improve the effectiveness of organizational and operational processes as well as boost the reach of marketing campaigns.

*Legal* – Any law, regulation, rule or guideline implemented by the government. These can have a significant impact on operating a business in another country. Firms need to be knowledgeable in the laws dictating their operations and strategy.

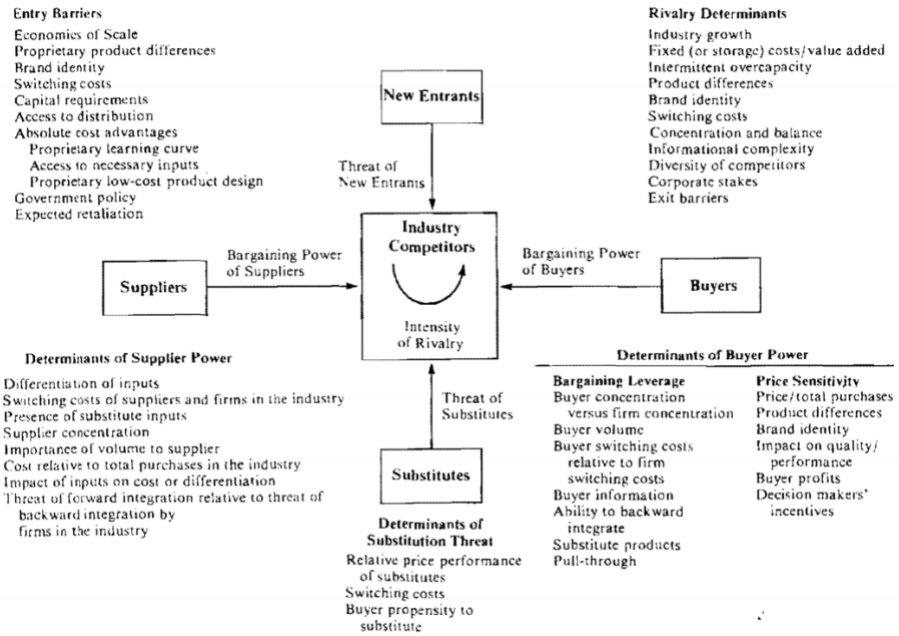
*Ecological/Environmental* – With the concerns of climate change and sustainability, ecological factors have risen in importance over the last decade. Companies should consider their carbon footprint for both ecological and economic reasons as consumer trends are moving towards more natural, organic products and ethical companies.

### **Porter's Five Forces**

When building a strategy for entering the market, the first major determinant of profitability is the industry's attractiveness. There are rules of competition that govern how attractive an industry is. Ideally, firms can adapt and change the rules in their favor. The rules of competition are broken down into five competitive forces: new entrants, the threat of substitutes, the bargaining power of suppliers, the bargaining power of buyers, and the rivalry among existing competitors. The ability of a company to earn is determined by the

collective strength of the five forces. A further breakdown can be seen in **Figure 7**, listing elements involved in each category affecting the firm. (PORTER, 1985).

**Figure 7: Elements of Industry Structure**



Source: (PORTER, 1985)

## Value Chain Analysis

Most products and services are produced through vertical business activities. At the end of their life cycle, the total economic value created is then split between product development, manufacturing, marketing, distribution, and post-sales services. Some of these activities add more value than others, so the chain of operations is analyzed to identify and reveal the most valuable sectors. It helps firms understand their cost position and what their competitive strengths are (FRYNAS, 2011). The value chain was further divided by Porter (1985) into primary and support activities. Primary activities are used to create or deliver P&S, while support activities improve the effectiveness of the primary.

*Primary activities:*

- Inbound logistics
- Operations
- Outbound logistics
- Sales and marketing
- Service



*Support activities:*

- Firm infrastructure. Planning and control systems that contribute to performance: finance, legal, government relations, corporate strategy, etc.
- Human resource management. Recruitment, training, developing, and rewarding employees.
- Technology development. Process equipment and R&D teams.
- Procurement. Purchasing raw material or inputs needed for production

### **Competitive Advantages**

Business strategies are purposed in establishing competitive advantages in each of their respective segments. Firms can use a market-based view to observe all of the available opportunities and threats. This is also known as an outside-in approach where the focus lies on the customer, market, or competitive environment. Their positioning in the market is a determinant of their success (KOTLER, 2016).

The other form of strategy utilized by companies is the resource-based view. This entails considering only the strengths and weaknesses of the firm, also known as the inside-out perspective. The strategy seeks out the highest returns that can be obtained based on the specific resources a firm owns (KOTLER, 2016).

### **SWOT Analysis**

To determine the internal and external factors affecting their business, companies use the SWOT tool to conduct an analysis. This is a portion of strategic planning that helps respond to new trends, implement new technology, or take advantage of new opportunities. The internal factors are found in the strengths and weaknesses, and the external factors are the threats and opportunities. The analysis is meant to build on Strengths, minimize Weaknesses, seize Opportunities, and counteract Threats (Queensland Government, 2016).

## **3.7 IT & Business Alignment**

Information Technology (IT) maintains a major role in an organization's sustained growth. Technology serves several functions in terms of organizational design and acts as an engine for business processes. The influence of IT can significantly impact the future of a company by providing flexible, rich communication resources and enabling collaborative

structures such as network organizations. Other benefits include the eradication of duplication, reduced overhead, more efficient procure-to-pay (P2P) systems, support and security, and greater use of self-service (SAUER, 2003).

There are numerous dynamics of IT that are utilized in businesses through Information Systems (IS). This technology has enabled numerous processes to be automated, increasing efficiency and productivity. A list of the technologies and benefits include a point of sale system, information and communications technology (ICT), enterprise resource planning (ERP), increased security, cost-effective logistics with supply chain management (SCM), accounting services, mobile solutions and applications, website development, cloud computing, improved communication, customer segmentation through data analytics, and employee management (LAMARCO, 2018).

### **3.8 Customer Relationship Management**

Defined as the infrastructure that enables the description of customer value, how to increase it, and the methodology used to motivate valuable customers to remain loyal. In today's economy, competition is just a mouse-click or finger swipe away, so customer retention is vital. This is especially true when new-customer acquisition can cost three to thirteen times the amount of selling to an existing one. CRM is not a standalone factor, but rather a business philosophy that affects the entire organization. The goal of CRM is to recognize and treat each client as an individual. This ultimately motivates and leads them to continue doing business with a company.

To connect with customers, firms can use relationship marketing and one-to-one techniques. Relationship marketing is designed to better understand customer preferences. This hatched new customer loyalty programs and referral bonuses as core marketing techniques. One-to-one furthered the relationship by developing customized products and services based on consumer preferences and needs (DYCHÉ, 2002).

The potential benefits of customer-centric strategies are higher profits, a competitive advantage, and maximizing potential. Implementing CRM, however, should be established with three core activities in mind: a unified CRM vision for the entire organization, knowledge of the CRM requirements and functionalities in terms of business goals, and an assessment of the readiness of the CRM strategy (BABU, 2012).

### **3.9 Feasibility**

Studying the feasibility of a business idea is critical when determining the potential success of a company. To define the feasibility of a company, a few factors must be considered. A general method of measuring the viability is by the TELOS Method, consisting of Technical, Economic, Legal, Operational, and Scheduling factors (HALL, 2011). A key element in the study is to have up-to-date data and fact-based assumptions.

#### **Technical**

This process requires examining whether existing technology can be applied or if there is a need for newer technologies. The technical aspects need to detail the logistics of delivering a product or service. Any materials, labor, and transportation needed should be included to give the most accurate report

#### **Economic**

Potentially one of the most important elements of feasibility, economic indicators should be carefully examined and considered. Firstly, the financial resources must exist, and be able to cover the expenditure's completion. It is also important to note the cost-benefit.

#### **Legal**

The legal viability factors include identifying a company's ability to fulfill its legal responsibilities. Any rules and regulations that affect the business will be considered to ensure that the company is compliant and protected against potential litigation.

#### **Operational**

Operational feasibility is a measurement of the firm's existing or planned procedures and personnel skills and their compatibility with the new system's operational requirements. The determinants of viability are whether adequate changes can be made to procedures, if personnel can be retrained, and if new skills can be acquired to operate the system.

#### **Scheduling**

The firm's ability to implement the plan in a timely manner greatly impacts the feasibility of success. Assuring an acceptable time frame is critical for any investor.

### 3.10 Evaluations for Investment

Evaluating a startup pre-revenue requires many considerations, from the management team and trends in the market to the product’s demand and risks involved. Even with the best valuation formula, the end result is still just an estimate. Pre-revenue investors prefer a lower value promising a larger return on investment (ROI). Key factors that should include: any traction gained as a proof of concept (number of users, marketing effectiveness, or growth rate), the value of the founders (proven experience, diverse skills, and commitment), prototypes (minimum viable product (MVP) or valuation-by-stage), supply and demand, trends and emerging industries, or a forecast of high margins.

Investors can evaluate pre-revenue companies and their potential success in seven different ways (RICHARDS, 2019):

1. **The Berkus Method** – an assessment of five critical components: the concept, prototype, quality management, strategic connections in place, and its launch plan.
2. **Scorecard Valuation Method** – one of the most popular methods used by angel investors, also known as the Bill Payne Method. Investors compare the startup to other companies that have already been funded. The scorecard consists of several criteria that are weighted by percentages seen in **Figure 8**. Once the adjusted weight is figured, it is multiplied by the average pre-money valuation of comparable companies to conclude the estimate:

**Figure 8: Scorecard Valuation Method**

Criteria	Weight	Target Company	Factor
Team	30%	x	=0.3*x
Size of the Opportunity	25%	x	=0.25*x
Product/Technology	15%	x	=0.15*x
Competitive Environment	10%	x	=0.10*x
Sales/Marketing	10%	x	=0.10*x
Need for More Financing	5%	x	=0.05*x
Other	5%	x	=0.05*x
Total			Sum of all factors

*Source: (JOHNSON, 2017)*

3. **Venture Capital Method** – a two-step process with several formulas for valuation. First, the terminal (expected) value is calculated in the “harvest year” by multiplying the projected revenue, profit margin, and price-to-earnings ratio.

$$\text{Terminal value} = \text{projected revenue} * \text{projected margin} * \text{P/E}$$

Next, the invested amount is subtracted by the expected ROI. This is then divided by the terminal value to reveal the valuation.

$$\text{Pre-revenue valuation} = \text{terminal value} / \text{ROI} - \text{investment amount}$$

4. **Risk Factor Summation Method** – a combination of the Scorecard and Berkus Method are used for a more detailed estimation of risks. Each risk is assessed and scored as followed:

-2 – very negative (-%500,000)

-1 – negative for scaling and carrying out a successful exit (-\$250,000)

0 – neutral (\$0)

+1 – positive (+\$250,000)

+2 – very positive for scaling and carrying out a successful exit (+\$500,000)

5. **Combo Platter Method** – a mix of several valuation methods divided into three tiers: best, moderate, and worse-case scenarios. They then use the Berkus and Risk Factor summation to refine the results and produce a range of three-tier valuation.
6. **Asset-Based Valuation Method (Book Value)** – this method is seen as one of the most-simple when dealing with companies without revenue. There are three factors investors observe in this method: first, impairment costs and depreciation offset the initial costs of the startup’s assets, then any physical asset’s total value is added to the balance sheet, and third, any debts or expenses are subtracted from the grand total to give an accurate asset-based valuation. However, it does not take the future into account.
7. **Cost-to-Duplicate** – method in which the physical assets are appraised and then research is conducted to find out how much it would cost to duplicate the same business elsewhere. It doesn’t take the future or intangible assets into account, though.

## **4 Practical Part**

### **4.1 Industry Analysis**

The desired location for a food truck startup is in the city of Prague, Czech Republic. Prague is not only the capital of the CR but the economic capital, too, with the largest working population. The city of Prague is in the heart of Europe, giving it strategic positioning for businesses. It is the ideal location because of its high concentration of tourism, about eight million in 2019 (Prague City Tourism, 2020), and a 1.9% unemployment rate – the lowest in the European Union (European Commission, 2019). This combination provides an opening to target both the tourists and local segments.

Although the initial numbers are appealing, a company cannot move further until more data is collected. A thorough PESTLE analysis of the Czech Republic will reveal the opportunities and threats that Carolina's Finest faces.

#### **Political**

The Czech Republic is a parliamentary democracy, noted as one of the most advanced amongst other Central and Eastern Europe (CEE) countries. There is a consistent and predictable pattern in its economic policies. Having an open investment climate is a fundamental element of their economy's success. The Czech National Bank has maintained the stability of the Czech koruna since 1991. Being a member of the EU, the CR has written its legislation in accordance with EU regulations. Foreign and domestic firms are treated the same under Czech law and all commercial, accounting, and bankruptcy laws are compatible with western standards (Czech Invest, 2020).

In 2018, there were country-specific recommendations given to the Czech Republic. Since then, there has been a progression in reducing the administrative burden placed on investments. The government has also made improvements in strengthening the education system's capacity, ultimately leading to higher employment of women, the disabled, and low-skilled (European Commission, 2019). These policies can increase economic growth and the available workforce, generating more disposable income per person.

#### **Economic**

The CR has experienced considerable growth and has been catching up to the EU average since 2004. It ranks as the most competitive country in the CEE and boasts an

investment risk rating of AA- by Standard & Poor (Czech Invest, 2020). Gross domestic product (GDP) growth was 2.4% for 2019. Over the last twenty years, the CR has successfully attracted a substantial amount of foreign direct investment – 9.48 billion in 2018 (United Nations, 2019). Prague holds 625 762 company headquarters, half of which consist of individuals operating under the Trades Licensing Act (European Commission, 2019). Inflation rates are stable, averaging around 2.85% in 2019 (inflation.eu, 2019), and the tax rate for companies is 19%.

One issue burdening businesses in the Czech Republic is the complex tax compliance costs. Time spent filing and paying taxes totaled 230 hours in 2017 and new VAT control system requirements have increased the time by 14 additional hours. Certain products and services have also been introduced to new VAT reduction policies which can further complicate and lengthen the process of filing (European Commission, 2019).

## **Social**

There is a surprisingly low percentage for income inequality, suggesting that the Czech tax-benefit system is aligned with the EU standards. The Czech labor force consists of a highly skilled and highly educated population. In the 2018/2019 academic year, vocational, undergraduate, and graduate programs collectively produced 68 550 graduates (Czech Invest, 2019). A highly educated population and a low unemployment rate have stimulated an economic opportunity. With healthy job creation and a narrowing labor market, wages have continued to increase in recent years. In January of 2020, the minimum wage was raised to 14 600 CZK per month while the average real salary increased by 3.6% (Czech Statistical Office, 2020).

Larger cities are the driving force of the economy, providing the highest number of jobs. This has led to high rates of urbanization, hitting roughly 73% in recent years. For businesses located in these cities, it greatly increases their potential for market penetration. As the job opportunity has increased, so has the average disposable income level. Household's disposable income reached 21 453 USD per year in 2016 (OECD, 2016). Concerning buying habits, the average (25-35 years-old) Czech goes out to eat about twice a month while the older generation (55+) only eats out occasionally. The average price of eating out in Prague is roughly 150 CZK per person. For the Czech population, too, there is a high demand for pork. Though the trend of overall meat consumption has gone down over

the years, there is still roughly 80 kg per capita being consumed annually – about half of which is pork meat (CZSO, 2019).

There are, however, some factors hurting the CR such as a shortage of labor and an aging population. A labor shortage is happening, especially in manufacturing and construction, as the population increases its education standards. An aging population will have an impact on public finances, potentially increasing taxes in the future.

### **Technological**

Nearly all households have access to basic internet around the Czech Republic. This has propelled Czech companies to be amongst the top performers in e-commerce in Europe. Roughly 18.4% of the total revenue for small and medium-sized enterprises (SMEs) and 36.7% for large firms comes from electronic sales. There are, however, only 28% of companies using ERP software and 15.5% using cloud services (European Commission, 2019). This greatly reduces their potential impact on the market and total revenue.

The government has put forth a plan to support science, research, and innovation as an absolute priority. The project is called Innovation Strategy of the Czech Republic 2019-2030. In 2019, the CR spent about 1.79% of its GDP on research and development. Plans are to increase that to 2% by 2020 and 3% by 2030. To bring the CR up to speed, there are many plans to implement digitization programs such as Industry 4.0, Digital Czech Republic, The Czech Republic in a Digital Europe, and Digital Economy and Society (HAVLÍČEK, 2019). Consumer Technology Association rated the CR 10<sup>th</sup> in 2018 and slightly lower in 2019 as an Innovation Leader (Consumer Technology Association, 2019).

### **Legal**

For a natural person, someone with a residence card, starting a business under the Trade Licensing Act, they must register at a trade licensing office. These offices are also known as central registration points. Three conditions must be met in order to obtain the trade license: memorandum of the founder's deed or articles, a document proving title to use premises where the registered office is, and non-existence of obstacles to carry on with trade according to Section 8 of the TLA. The entity starting a business must also have full legal capacity, and good standing (no criminal history/activity). Once a trade license is granted, a company must register in the Commercial Registry. This incurs a first-time registration cost of 6 000 CZK and can be filed no later than 90 days after receiving its license. The



application to the Commercial Registry requires the following documentation (Czech Invest, 2020):

- Documents that are no older than three months that provide evidence of valid incorporation and the existence of its founder
- Founding document
- Evidence of the company's registered capital paying the minimum required amount
- An affidavit signed by executives and founders along with consent from any member involved in the paperwork sent to the Commercial Registry
- A criminal history report from all included members of the entity
- An extract from the Trade Licensing Register
- Consent from the owner of the registered office or location of the business; must be notarized and less than three months old.
- Power of attorney or other necessary documents for executing any other applications or documents involved in the process.

The most common establishment is an SRO or Limited Liability Company. Limited Liability Companies are required to start with a minimum of 200 000 CZK. Taxes can come in various ways, through corporate tax: 19%, VAT: 10-21%, Road Tax: 1000-5000 CZK/year. Registration at the Social Security Administration with a health insurance company must be done within 8 days. Employer's social and health insurance contributions equate to 35% of the gross salary of an employee. If any non-EU citizens are being employed, the company must provide proof of a valid work permit, accommodation, and health insurance for the employee. After establishment, firms must register at the Revenue Authority within 30 days. Any changes must be noted and given to the CRM within 15 days (Ministry of Industry and Trade, 2018).

In addition to a trade license, food vendors must have a health license which can be obtained from a general practitioner. They must declare the business disease-free and fit for handling. Food companies must also be HAACP compliant. This can be assisted by companies like Makro who have developed an application to help entrepreneurs (Makro, 2020). The entire process of enforcing the contract takes 678 days (World Bank Group, 2019).

## **Ecological**

There is a Circular Economy Action Plan in place to reuse resources as much as possible while also reducing or eliminating residual waste. Based on a Special Eurobarometer in 2017, 84% of Czech citizens claimed to be concerned with the impact of plastics on the environment. Being under the EU, the Czech Republic must adhere to the plastic ban by 2030. This will affect any food businesses using single-use plastics. However, it seems the SMEs in the CR are above the EU average when it comes to green products or services being over 50% of the turnover.

When it comes to waste management, the Czech Republic is still falling short of compliance with EU targets. Landfills are the main option for municipal waste, with only 34% being recycled. Priority actions for 2019 were to increase the landfill tax, avoid excessive infrastructure for residual waste treatment, and extend the separation of waste collection. Taxes will be used to improve waste management (European Commission, 2019).

In very rare circumstances, such as a global pandemic, any business is liable to be impacted. The Czech Republic called for a country-wide shutdown of all restaurants and many businesses in March of 2020. This had a direct effect on the food industry and would especially affect startups. Some companies, though, had gotten creative and adapted to the temporary shutdown and state of chaos by utilizing delivery apps and takeaway services (Prague Morning, 2020).

## **Porter's Analysis**

The food truck industry is highly competitive and vulnerable to change. The Porter's analysis will identify the strength of competitors within the Prague market and the bargaining power of the supply chain. The complete analysis will help determine the feasibility of launching the business in the Czech Republic and the likelihood of turning a profit. The analysis does not provide a guarantee of success nor failure, but rather an outlook on the obstacles that may be faced in the given environment. Prague being the economic capital of the CR, provides both opportunity and threats of competition.

## **New Entrants**

HIGH – For the food industry, in general, it is a high threat as there are low barriers to entry, low initial costs, and no switching cost for consumers. Though food vendors should be knowledgeable and skilled at their craft, it isn't necessary to be an expert or professional

chef to open up shop. Carolina's Finest must elevate its brand recognition and create a competitive advantage in order to attract and retain customers.

#### Threat of Substitutes

HIGH – In the case of Suchdol, home of the ČZU campus, there are several substitutes available. Depending on the season and day of the week, different food groups/items are being sold in the same central area. Thursdays bring street food vendors with fruits, vegetables, nuts, and legumes. Other vendors are selling hot wine, ice cream, or sweets. A butcher shop is close by as an indirect competitor – marketing to those who are cooking in the dorms or at home. In general, Prague is filled with various food concepts and items that can be substituted for a meal at Carolina's Finest.

#### Bargaining Power of Suppliers

LOW/MEDIUM – The Czech Republic is filled with farmers and has access to many options in terms of produce and meat supplies. There are also many wholesaler options as well as butcher shops to compare prices to maximize margins. The ideal case scenario is finding a local farm/provider and establishing a loyal partnership to maintain prices and knowledge of sourcing. There are all-in-one options that could provide both meat and produce, but depending on the costs, they could be split accordingly.

#### Bargaining Power of Buyers

HIGH – consumers have a multitude of options to buy from different brands, food items, dine-in restaurants, fast food, delivery, etc. They have no switching costs imposed upon them and can keep prices relatively low to attract their business. The average meal out is roughly 150 CZK, so businesses have to stay within that range to stay competitive. Unless the competitive advantage is providing higher quality food items or exceptional service to match, it will be hard to justify pricing that is much higher than the average.

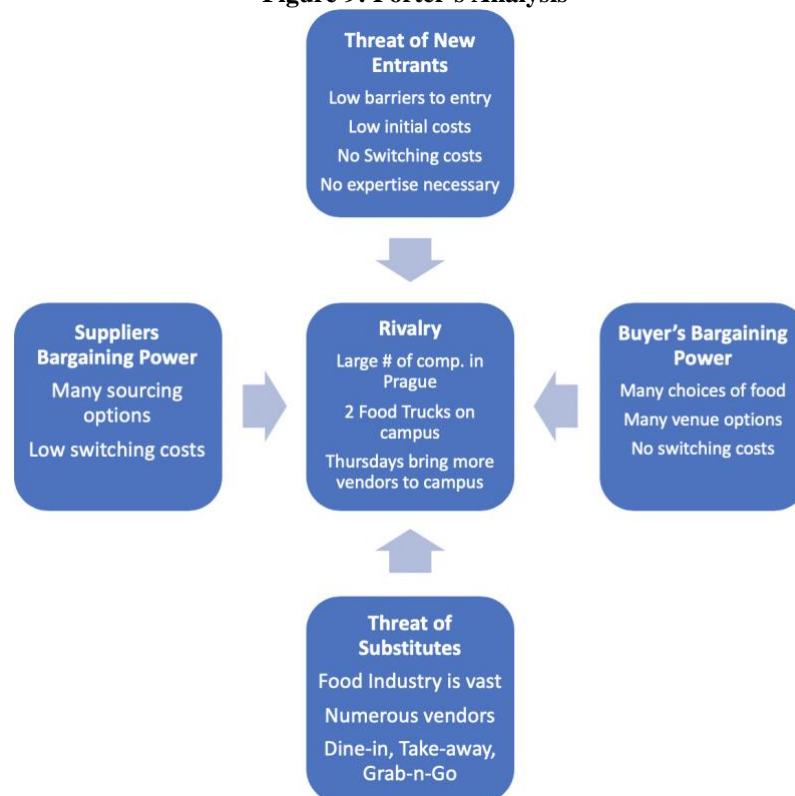
#### Rivalry Amongst Existing Competitors

HIGH – there is already a large number of companies in the food industry. Two food trucks reside on campus in Suchdol throughout the week (American-style burgers and wraps, and a bakery). They are located close together on a small strip before the bus stop, competing for the attention of the passing traffic. In the winter, many vendors set up shop in the city center or at various Christmas markets. These are highly trafficked areas, so vendors must have an element of convenience, value, and appeal to capture the customers.

## Evaluation

From the results, seen above and in **Figure 9**, it would seem that there is a dismal chance of starting an operation in Prague. The strongest aspect that benefits CF is the low bargaining power of the suppliers. This analysis, however, is a bit misleading as the food industry is one of the most competitive markets to tap into. The strength of a business is in its model and core offering. The founder believes that the uniqueness of the company is strong enough to thrive in the industry.

**Figure 9: Porter's Analysis**



*Source: Own*

## Key Advantages & Opportunities <sup>1</sup>

- Geographic location – the heart of Europe and Prague is the epicenter of business
- EU member benefits
- Infrastructure is strong and well established
- Stable currency and politics
- Cheap labor from highly skilled/educated market
- Multilingual population

<sup>1</sup> Used as a reference in Figure 13: TOWS Analysis

- Investment incentives and support from the government
- Ranked 41<sup>st</sup> amongst 190 economies for ease of doing business (2020)
- 9.48 billion USD in FDI in 2018, 2<sup>nd</sup> most in Central Europe
- Registering property is a fairly streamlined process, though it takes 24 days to process
- Year-round tourism and activity
- High consumption of pork meat
- Increased disposable income among locals
- High student population: 20K + faculty members at ČZU and the local community of around 6K in Suchdol. New students come in every semester (Erasmus & full-time)

### **Key Disadvantages & Threats<sup>2</sup>**

- A long process of enforcing paperwork – 678 days
- Complex tax compliance laws
- Lengthy process in paying corporate taxes – up to 413 hours of business time
- Resolving insolvency (if necessary) takes 2 years with only 67.5 cents on the dollar
- Social security contributions can take up to 217 days for processing
- Continual annual renewal of visa for operating business
- Time to enforce contracts is 678 days
- Office space/rental - high costs
- Investor protection is low
- High level of competition – direct and indirect
- Labor shortages
- The aging population could result in higher taxation later
- Costs in fuel are high and could rise further
- Local government restricting the number of food trucks in one location or radius
- Global pandemic or other factors for government shutdown of businesses

<sup>2</sup> Used as a reference in Figure 13: TOWS Analysis

## 4.2 Value Chain Analysis

**Figure 10** gives a visual breakdown of the value chain, but the paragraphs below will give a more in-depth analysis on the benefits of each category.

### Primary activities

Inbound logistics must ensure the quality of incoming produce and ingredients so that the customers receive the best of the shipment and the supplier can be notified if anything is amiss. Operations serves as a double-check of quality assurance in both the receiving of goods and the final product. The truck must also be maintained for cleanliness and production. Without a fryer or griller, the company could be out of service for the day. The completion of orders and fulfillment of service is in the hands of outbound logistics. Deliveries must be timely and intact, ensuring the food is still warm and presentable to the customer. Continual market research, customer management, and analysis of sales is vital for sales & marketing as it improves the span of influence and attracts more customers. Service is equally as important for customers. The Czech Republic is not well known for its service industry so if Carolina's Finest can leave a strong impact with its exceptional service, the chances of repeat customers are much higher. Employees must be trained properly and will ideally have an outgoing personality to begin with.

### Support Activities

The firm infrastructure for CF is fairly low cost aside from the initial legal fees. The accounting and financial management will be automated by Coupa software and double checked by the manager. Providing correct financials is essential to the business and is valuable in every sense. The HR management will be handled by the owner of the truck. Training is expensive as there is no revenue being accumulated during this timeframe, but it is necessary to provide adequate knowledge to each employee joining the team. The technology in development or being used will generate more business and save on supply chain costs. It also gives real-time data for managers to know how the daily operations are sustaining compared to past performances. The QR code will encourage customers to frequent the truck more often to receive free items and added perks. Procurement may be one of the most valuable support activities as it can cut costs with suppliers and ensure the correct amount of inventory is available at all times.

**Figure 10: Value Chain Analysis**



*Source: Own*

### Competitive Advantage

Carolina’s Finest is aiming for a differentiation strategy for its competitive advantage. It is a unique spin on the traditional Czech palate and one of very few BBQ food vendors in Prague – the only known Carolina-style BBQ in the area. The other factor that will strategically place Carolina’s Finest above its competitors is the concept of “southern hospitality.” This is essentially just exceptional service with a family atmosphere. This is not typical for many businesses in the Czech Republic, so it will be an implementation that others will hopefully replicate – improving overall service industry-wide.

### 4.3 Product Analysis

The most important element in the portfolio is what type of cuisine will be offered. For Carolina’s Finest, the base of every meal will be an American southern-style dish. Pulled pork BBQ is the headliner, as pork is one of the most common meats found in Czech cuisine. There will also be a focus on poultry (turkey, chicken, and duck) to add a variety of choices to the menu. Add-ons will be traditional southern-style side dishes consisting of potato and cabbage variations, and an array of fruits and vegetables. Vegetarian options are also going to be available for those who don’t consume meat.

For a successful operation, these items will be tested in a soft launch to gain feedback from participants. Most of the recipes are already established while others are being developed to adapt to local tastes and preferences. The portfolio will continue to expand and contract as menu items are launched in intervals. Exploring new options and tastes for customers to try.

### **Product-Portfolio Matrix**

For a startup company, this analysis is solely a projection and cannot be verified until enough data has been collected after launching the operation. Another factor to weigh in is the different consumer groups that will be targeted. For the campus, the main focus is on university students while farmer's markets bring a large variety of people. The analysis will be done as accurately as possible based on research data but cannot guarantee the same results will occur in the future.

The Boston Consulting Group Matrix (BCG) in **Figure 11**, is based on assumptions for the university campus location. The results are as followed:

#### *Stars*

The two projected stars are the pulled pork BBQ sandwiches and sweet potato fries. They are low-cost when bought in bulk and will be main menu items. It is predicted that these two items will be the most popular and bought regularly.

#### *Cash Cows*

Carolina (hot) Dogs, peanut butter and banana sandwiches, and French fries show strong potential for CF's. They are very low cost and bring strong margins of profit.

#### *Question Marks*

The that are currently in place are the vegetarian options and the Carolina version of a Canadian classic, poutine. There are many vegetarian students on campus, given the high Indian population and gradual trend of conscious dieting, but it is undetermined whether they would choose to stop at a BBQ based food truck. The poutine, however popular in Canada and the US, is still unknown to the Prague marketplace. If and when the poutine catches on, it could be a strong contender for a *Star* or *Cash Cow*

#### *Dogs*

Ideally, there would be none of these in the product mix but to bring a new concept into another country, it is inevitable. The *Dogs* would be rotational menu items like shrimp



‘n’ grits and biscuits ‘n’ gravy. They are not the most aesthetic choices and are not necessarily a familiar concept in the CR. Shrimp, too, is more expensive as the CR is a landlocked country. Students may not pay the extra price to order this meal.

**Figure 11: BCG Matrix on Campus**



*Source: Own*

The campus outlook seems promising and will be the main location for the food truck upon launching, but to maximize profits and visibility, it will operate on the weekends as well. Though the location is still to be determined, one of the desired spots of operation is in Dejvická. There is a Farmers Market every Saturday from 8-14 that is ideal for capturing local market share. In **Figure 12**, there is a breakdown of the menu items that would be offered. Two of the same menu options remain the same in Stars, only mac ‘n’ cheese has been added. Families frequent the markets and they will likely pick this childhood classic for their kids. Another change is found in Question Marks where potato salad was added in place of the vegetarian options. The market abounds with fresh produce and vegetarian options, giving a higher likelihood of customers ordering them. Potato salad, on the other hand, is a prominent dish in the CR and could be a hit or miss product – depending on preferences and tastes. For the Dogs section, ribs replaced the biscuits ‘n’ gravy because of the expense of both time and investment. Ribs are a higher ticket item and may not sell well with more affordable options available.

**Figure 12: BCG Matrix of Farmers Market**  
Relative Market Share



*Source: Own*

## Product Life Cycle

The Product Life Cycle should determine where a company's products and services are in current markets. Given the fact that this is a startup without any true data, this is solely a projection and estimation on how the products will fare in the Prague markets. It will detail the four phases: introduction, growth, maturity, and decline.

### Introduction

The menu being introduced is a relatively new concept to the area, but not entirely groundbreaking. It is a branch of familiar food groups in the Czech Republic and should be well received by locals. New businesses that have entered the marketplace in Suchdol have been successful in capturing customers. Students have embraced having a variety of options in a centralized location. This gives Carolina's Finest a better understanding of how it can operate. Promotion and brand awareness will be vital for penetrating the market. Flyers will be hung in the dormitories and within the university (upon request and permission). Social media will be a dominant factor, utilizing paid advertising to target the radius of ČZU and Suchdol.

### Growth

During this phase, the company is gaining popularity amongst the university students and becoming a hotspot for lunch in between classes. The daily promotion will continue, but without paid advertising. Word of mouth will be one of the strongest growth factors during this period. Students will have become accustomed to the food truck's presence and order their favorite menu item or try out the different specials that are offered at the time. Supply

will have to ramp up to meet the demand and managers must maintain track of the increase so they can estimate which products hold the greatest value.

### Maturity

There will be a large subset of regulars who provide the majority of revenue. The business will not benefit as much from promotional strategies as it did in previous stages – if at all. Growth has reached its peak and will eventually plateau, providing a steady income and a better expectation of product demand. New strategies will have to be formulated to keep the market share, whether it be from pricing, specials, or new product offerings. Competition is more influential at this point and can use their strategies to take away customers from other players in the market.

### Decline

Once customers have come off of the “hype” of a new destination for lunch, they will become comfortable with the food truck as a backup option. Competitors may start a price war or a strong promotional strategy to take advantage of the decline in business. Consistency is key in ensuring the business doesn’t reach a full decline. If the company fails to deliver on its principles of quality, taste, and service, they will lose business from its regular consumer base. Innovation and creative tactics can prevent further decline and potentially restart the cycle.

### **Minimum Viable Product**

One method to gain an understanding of customers’ interest is by offering a minimum viable product. It is a cost-effective version of a product used for research and development. This process can be utilized in any phase of the Product Life Cycle. It is recommended to start it during the introductory period or at the point of maturity. During the decline phase, there could be less interest and more expenses involved than in the other three stages. If and when the company reaches critical levels of decline, it is an absolute necessity to innovate and create a product that attracts new consumers.

Without fully developing the product, an MVP can determine if it will be a successful menu item. The sooner a company understands what items will appeal to customers, the less effort and expenses they will spend on a product that will not succeed.

## SWOT Analysis

A SWOT/TOWS analysis in **Figure 13** was brought together from the collection of data in the PESTLE and Porter’s evaluation and the portfolio analysis. Threats and opportunities can be found at the end of the Industry Analysis (1 & 2).

### Strengths

- Similar cuisine to the Czech’s (pork-based, potatoes, and cabbage)
- Strong connection with the university and student population
- Potential partnership with local bar & restaurant (JIH & Klub G)
- A new entrant with unique cuisine and product offering

### Weaknesses

- English speaking founder with limited Czech
- High initial costs and limited funding
- No practical data or results to estimate its future success
- Heavily dependent on the owner/founder
- Low brand awareness

**Figure 13: TOWS Analysis**

<b>TOWS</b>	<b>Strengths</b>	<b>Weaknesses</b>
	<ul style="list-style-type: none"> <li>• Similar cuisine to the Czech’s (pork based, potatoes, and cabbage)</li> <li>• Strong connection with the university and student population</li> <li>• Potential partnership with local bar &amp; restaurant (JIH &amp; Klub G)</li> <li>• New entrant with unique cuisine and product offering</li> </ul>	<ul style="list-style-type: none"> <li>• English speaking founder with limited Czech</li> <li>• High initial costs and limited funding</li> <li>• No practical data or results to estimate future success</li> <li>• Heavily dependent on the owner/founder</li> </ul>
<b>Opportunities</b>	<b>SO Combinations</b>	<b>WO Combinations</b>
<ul style="list-style-type: none"> <li>• Year-round tourism and activity</li> <li>• High consumption of pork meat</li> <li>• High student population</li> <li>• 7 000 + in the local community</li> </ul>	<ul style="list-style-type: none"> <li>• Increase presence and promotion on social platforms with paid (location/radius-based) advertising</li> <li>• Focus on pulled pork BBQ offering</li> <li>• Coupons for Welcome Week as new students arrive</li> <li>• Offer menu, ads, and services in Czech to attract the local market as well</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on local market. Think global, act local</li> <li>• Establish relationship with local farmers and lower price point on livestock</li> <li>• Trial run with students at Klub G</li> <li>• Recruit others to help with lower level tasks</li> </ul>
<b>Threats</b>	<b>ST Combination</b>	<b>WT Combinations</b>
<ul style="list-style-type: none"> <li>• Office space/rental - high costs</li> <li>• Investor protection is low</li> <li>• High level of competition – direct and indirect</li> <li>• Labor shortages</li> <li>• Global pandemic or other factors for government shutdown of businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Potential office at the university or campus</li> <li>• Potential funding from PointOne</li> <li>• Utilize connection with students and organizations to maintain steady traffic/business</li> <li>• Hire students in need of part time work</li> <li>• Delivery or pick up only. Ask for courteous spacing between customers in line waiting for food</li> </ul>	<ul style="list-style-type: none"> <li>• Lower-cost rental in Suchdol or in a spare bedroom at flat/apartment</li> <li>• Limit investor input and raise as much capital as possible through family, friends, and crowdfunding</li> <li>• Hire a native Czech speaker to assist with customers and legal forms</li> <li>• Find convenient schedule for founder and employees to rotate</li> </ul>

*Source: Own*

## 4.4 Business Plan

Figure 14: Company Logo



*Source: Own Design*

### Executive Summary

#### Fast Facts:

**Founded:** 2020

**Headquarters:** Prague, Czech Republic

**Founder:** Daniel Jacques

**Market Size:** 43 866 mil. CZK per year (CZSO, 2020)

**Target Audience:** University students; the local population of Suchdol & Dejvická

#### Quick Overview

Carolina's Finest is a farm-to-table food truck concept that serves classic southern comfort dishes near the ČZU campus. The company will run on a circular business model and will provide sustainably sourced products to the consumer. Our product offering is in line with Czech cuisine and preferences, as well as with various trends happening within the Prague food industry. The headliner of the menu is a pulled pork BBQ sandwich with a side of coleslaw. The rest of the menu will serve a variety of traditional dishes from North Carolina as well as some variations of desserts.

#### Customer Focus

The core target market is university students aging from 18-27. The price point will be reasonable even on a student budget, bringing value and affordability to the area. The food truck will also cater to the surrounding public. The demographics include:

- ≈ 20 000 students at ČZU (ČZU, 2019)
  - 16 162 Czech / 2 983 foreign / 609 Erasmus
    - Female to Male ratio 53:47
    - 150-200 CZK spent on an average meal out
- 1 700 faculty members of ČZU (ČZU, 2020)

- 5 800 in Suchdol (Mistopisy.cz, 2020)
  - Average wage  $\approx$  42 000 CZK / 1 680 USD per month
- 5 000 - 6 000 visitors to Dejvická farmers market

### **Management Team**

The business will be formed as a společnost s ručením omezeným (s.r.o) or, in English, a limited liability company (LLC) in Prague, Czech Republic. It will be fully owned and operated by Daniel Jacques until additional investors or partners are brought in. His knowledge of Carolina cuisine comes from spending nearly fifteen years living in various cities throughout NC. He is currently finishing a master's degree in Business Administration and has an undergrad in organizational management. At 27, Daniel has over four years of work experience in the restaurant sector and spent two years in a management position. In addition to management, Daniel spent four years launching and building businesses, one from scratch and the other in a multi-level marketing firm. The MLM team he helped build generated nearly a quarter-million in revenue each year. Though there is no experience in running a food truck, he has spent many years as an amateur chef and can apply his time and knowledge as a manager to lead the team.

### **Success Factors**

Carolina's Finest is in a uniquely qualified position to succeed because of the following reasons:

- There is currently no restaurant or food truck in the area with a similar concept
- The location is in a high-volume area with direct traffic to and from campus, highly convenient to a substantial number of passerby's each day
- The local population was surveyed and delivered extremely positive feedback explicitly claiming to frequent our business once launched
- A compelling story of interest that connects Czechs to the Carolina concept

### **Risk Factors**

- Poor weather conditions that deter customers from stopping and waiting in the rain or heavy snowfall.
- Truck performance issues, either operational or issues with the cookware
- Potential zoning issues as company grows/expands to new locations

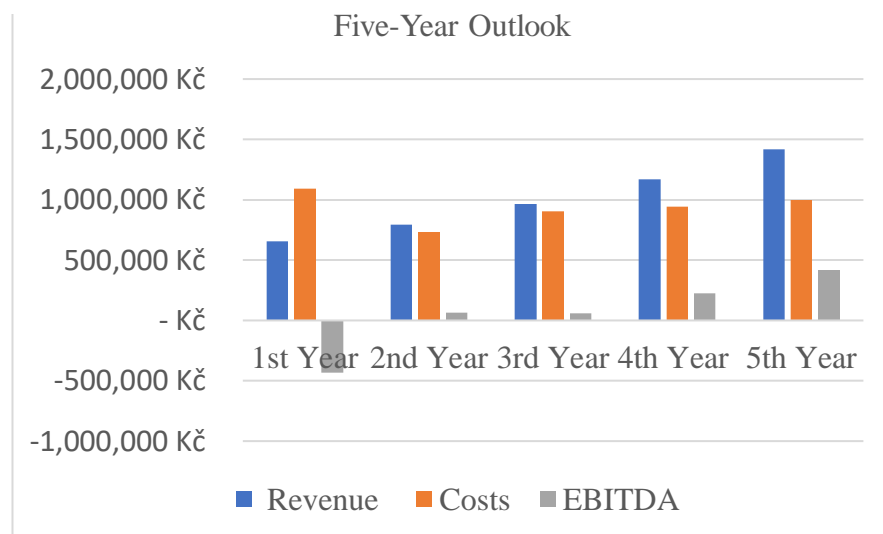
## Financial Highlights

The founder is contributing an initial 500 000 CZK / 20 000 USD to start. Carolina's Finest is seeking 625 000 CZK / 25 000 USD<sup>3</sup> for investment to launch. The ideal scenario is through loans to retain equity, but there is potential for a business partnership, too. The funds will be utilized in the following ways:

- 375 000 CZK / 15 000 USD for purchasing a food truck and preparing it for market
- 125 000 CZK / 5 000 USD for necessary accessories such as POS system, cookware, fryers, refrigerators, etc.
- 125 000 CZK / 5 000 USD for working capital until truck begins earning revenue

With an initial SOM of 1 200 in the first quarter, there is a projected increase of 5% for the following second and third quarters. In the fourth quarter, when student numbers are at their highest and the brand has had time to develop, an increase of 10% is expected. A visual breakdown of the first five years is shown in **Figure 15**. The revenue is based on an average of 125 CZK spent per customer while the costs represent all expenses involved. The expected costs will naturally rise at concurrent levels of revenue to accommodate the growth and increase in supply needs. It is important to note, too, that this chart does not represent paying down the interest and principal of any loans taken out, nor taxes, depreciation or amortization. With these added costs factored in, it is more likely that the break-even point is in the third year and profitability is seen in year four.

**Figure 15: Five-Year Pessimistic Projections**

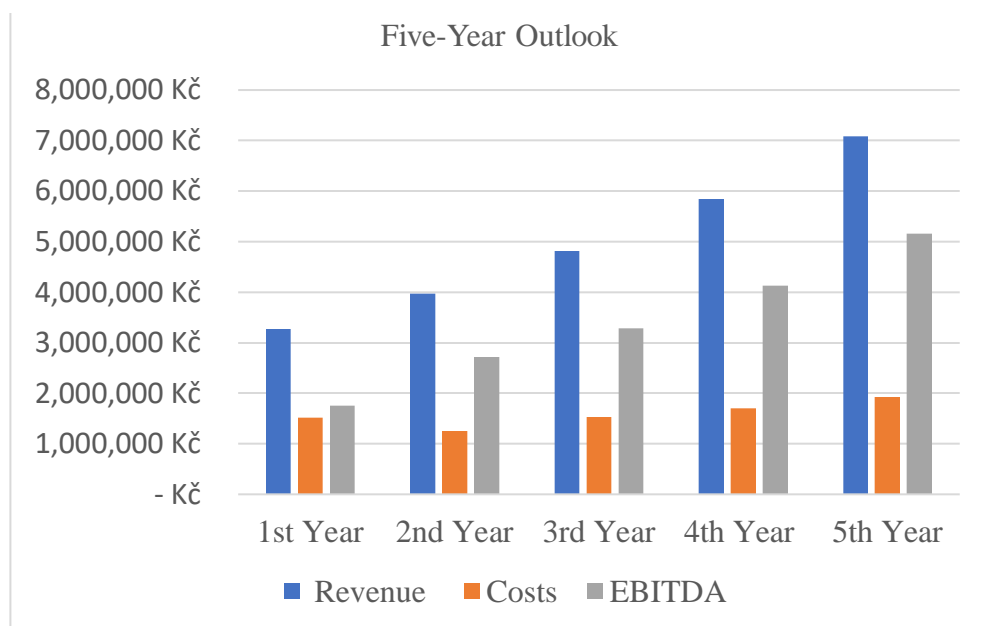


*Source: Own Calculations*

<sup>3</sup> The conversion rate at the time of writing was 25 CZK:1 USD

If the business were to take a more (remarkably) optimistic projection with 20% of the TAM, about 6 000, the chances of profitability are much sooner and more appealing to investors. This approach is the best-case scenario given the unique circumstances of the location and proximity to campus. It is not entirely unrealistic but would require the most efficient operation and marketing plans available to become a reality. In **Figure 16**, the parameters, as far as growth (5% through Q2 &Q3 and 10% in Q4) and average price per customer, remain the same. This estimate suggests profitability in the first year with 26 000 customers having visited the truck. By year-five, a staggering 56 600 would be serviced.

**Figure 16: Five-Year Optimistic Projections**



*Source: Own Calculations*

### **The objectives and milestones**

- Raise 375 000 CZK to launch the business in January 2021
- Purchase truck and have it road-ready by the end of December
- Two dependable employees hired by the end of November
  - Trained and ready for launch in January
- Capture 10% of the market by the end of the second quarter
- Attend the Food Truck Show in March 2021
- Pay off debts/loans by year-three
- Purchase second truck in year-four
- Long-term: brick-and-mortar restaurant and franchising the brand with multiple trucks in multiple cities



## Business Description & Model

Carolina's Finest is a B2C food truck concept to bring southern comfort food to the Czech Republic. The truck will incorporate the history and heritage of the "Tar Heel" state in every possible way. The main courses will be a variety of classic dishes from North Carolina with a focus on pulled pork BBQ. NC is the second-largest pig producer in the US and the number one producer of sweet potatoes. Both items will play a large role in the food truck's menu. The drink offering will be Carolina-based, too. For soft drinks, the food truck will provide Pepsi products as Pepsi Cola was birthed in New Bern, NC. Refreshments like lemonade and sweet tea will be available in to-go cups or returnable mason jars.

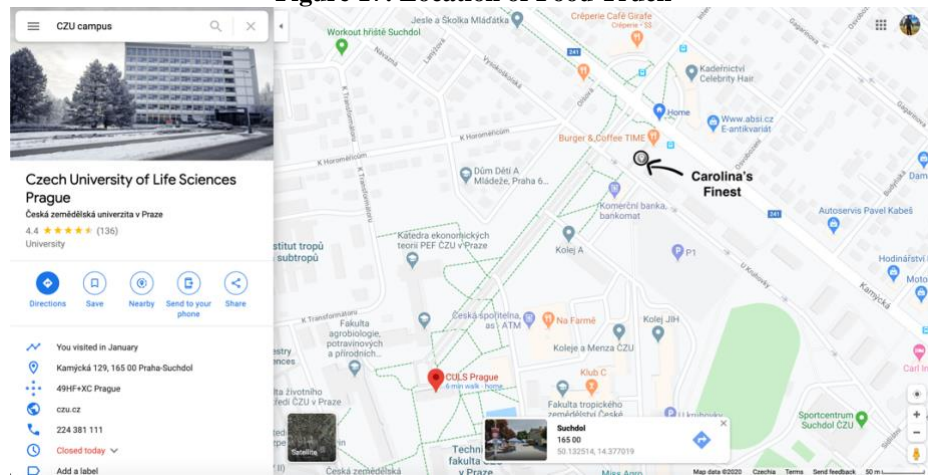
The food truck will be located on a campus of about 20 000 students and 1 700 faculty members. The surrounding town of Suchdol has a population of nearly 6 000 (Mistopisy.cz, 2020). The core mission of CF is to provide the feeling of "southern hospitality" in our service and our menu – bringing the community together through great food. With great potential in both the product and the location, the vision is to maintain and operate a sustainable fleet of trucks that serve the area with fresh and locally sourced ingredients. To make this happen, the food truck will be operational six days a week. Five days on ČZU campus and one day at the local farmers market in Dejvická. Hours of operation will be 10-4 during the week and 8-14 on Saturdays. The target market has about 150-250 CZK that they spend on dining out. Surveys on campus found that many students eat takeaway 1-4 times a week, greatly increasing the likelihood of traffic stopping for food.

There are many attractive factors for operating a food truck rather than a brick-and-mortar location. Cost, convenience, visibility, and access to the market were large influences when deciding on the business model. There is a great benefit, too, to the lack of overhead costs that normally eat away at profits from dine-in restaurants. Though southern hospitality may be more fitting in a restaurant setting, there is a more personal element with food trucks. A relationship is built with customers one-on-one without added elements of a host or waitress. Customers can talk directly with the chef and get their food made exactly to their preferences.

A key factor of success for the business is its location on campus, shown in **Figure 17**. It will be strategically located next to the Zemědělská Univerzita bus stop to attract students on their way to and from classes. It is a matter of convenience and accessibility as it is the main stop to enter and leave campus. There is no food vendor in the area with a similar cuisine and the truck will be a light, "Carolina" blue model that stands out to

passersby. The uniqueness of the menu and the design of the truck will capture attention and customers. There is currently another food truck in this strip that sells American burgers and wraps, a bakery stand, and a kebab shop across the street. This is an advantage rather than a weakness as many students know of these places and have ordered food there before. Interest is peaked as a new player enters the market. Having competition also allows for traffic to stop by and ponder options. A standalone truck or restaurant isn't as appealing, knowing they have more options elsewhere. On Thursdays, too, a small-scale farmers market is held throughout the day, increasing the traffic and slowing their pace to observe all the offerings. With the Thursday markets occupying the same space, consumer groups are expanded from students to families and adults with more disposable income.

**Figure 17: Location of Food Truck**



*Source: Google Maps*

The majority of sales will be conducted with a POS system at the food truck as the core consumers will be walk-ups. To accommodate the fast-paced lifestyle of a student, there will also be a pick-up option so that they can order their meal online ahead of time and grab it along the way. With the proximity to campus and the dormitory, it seems redundant to offer a delivery service, but there will be an option available to observe the demand. If it is seen as a profitable stream of revenue, the service will continue and an employee from within the food truck will deliver the order.

Another important element to factor in is where the food will be prepared, either in the truck, at a commissary kitchen, or another location. For CF, it will be a mix of two – it can utilize the food truck for quick ready-to-serve food options and cook other, more timely choices at a commissary kitchen, Klub G, for example. There is a fundamental aspect to having some of the food made in the truck itself as it is a sense of personalization and not

just a cookie-cutter model. For the customer, the experience should be as if it was made by a friend. It's the taste of a home-cooked meal; comfort food made for close friends and family. The essence of the food is to bring people together with great food and flavor.

Our overall competitive advantage will be a blend of the unique cuisine offering along with the outstanding customer service model that will be implemented. Southern hospitality will play a large role in face-to-face customer interaction as well as the online and social media platforms. Having a founder who is within the same age demographic of the target market will also be a strong advantage to the company.

### **Sustainability**

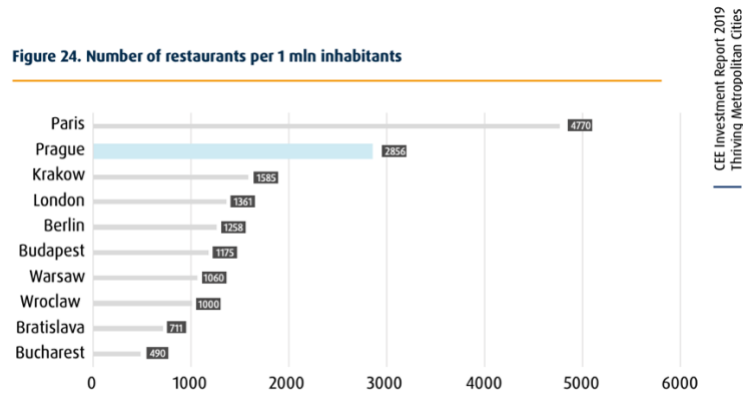
As a student of a university of life sciences, it is a core belief to implement a circular business model in as many facets as possible. ČZU, being an agricultural-based university has allowed the founder to meet with many students that have family farms. The friendships that have been built over the years can fulfill an essential part of the desire for sustainable sourcing. The quality of ingredients is extremely important, as is local sourcing so that customers can have trust in where their food is coming from. The concept is farm-to-table, to ensure freshness and assurance of quality. The home-grown dynamic also plays a role in attracting the Czech population as 60% prefer to buy locally. There are hopes, too, that relationships will also be formulated with vendors from the Dejvická farmer's market. Depending on the price difference, CF will use these local products as well. In addition to maximizing the appeal to the Czech market and incorporating an eco-friendly business model, CF will strive for limited waste. There will be zero plastic waste and numerous measures will be taken to reduce food waste as well. From the food trays to the utensils, only compostable products will be used in order to reduce the footprint on the environment. Drinks will have two options, a compostable to-go cup or a returnable mason jar which will require a deposit.

### **Business Environment**

The food industry in Prague is expanding its range of restaurants both culturally and structurally. Restaurant growth in the city is quite healthy, as seen in **Figure 18**. One journalist has even gone as far as describing Prague as a new "foodie" destination. This could be true given the numbers. Prague outgrew London and Berlin with more than twice the number of restaurants (per 1 million inhabitants). The traditional brick-and-mortar restaurants are clearly still alive and well, and now with the influx of cultural cuisines, pop-

up stands, street vendors, and food trucks are increasing their presence as well. The surge in popularity has spawned numerous events and festivals throughout the year. There are also permanent venues, like the Manifesto Market, that offer a broad mix of flavors from a variety of vendors in their food courts. Manifesto has two different locations, one in Florenc and the other in Smíchov, that bring crowds of people interested in trying new dining options. Each site closely examines the business requests to ensure no vendors are alike to add variety and fresh concepts for customers.

**Figure 18: Restaurant Growth in Prague**



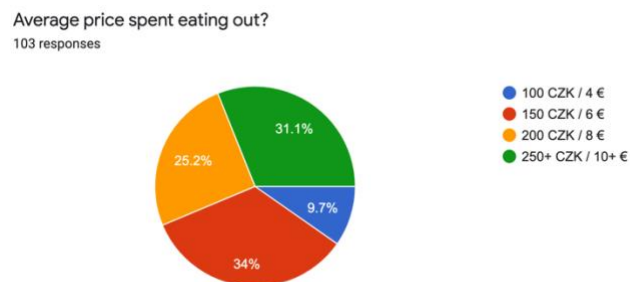
Source: Skanska, SpotData, & tripadvisor.com (August 2019)

## Market Trends & Consumer Groups

The present trends of the market are showing a higher demand for quality with a rise in purchases of bio ingredients, produce, and meats. Vegetarian options are also on the rise as consumers grow more health conscious. Some full-scale vegetarian restaurants have even opened up to accommodate the growing demand. With a high population of vegetarians, it is in the interest of the company to provide veg options for customers. In reference to Carolina's Finest, there are two restaurants in the city with a similar cuisine, Bad Jeff's BBQ & U Kurelů. They are more beneficial to CF than other competitors because they have introduced the concept of American-style BBQ to the Czech market – and have done it very well. Bad Jeff's BBQ & U Kurelů are both owned and operated by American expats and have won prestigious awards for their restaurants. This provides a proven model of success in bringing American-style BBQ into the Czech Republic. Additional trends giving motivation to CF include gourmet hot dogs, which have become popular city-wide. North Carolina has a special way of preparing and serving their hot dogs and it is believed to be welcomed in Prague as well.

Currently, the total number of students at ČZU is roughly 20 K with the inclusion of Erasmus students. That number is expected to grow exponentially as the university is expanding its reach across the world for recruitment as well as adding more faculty buildings around campus. That number could reach 25 K within three to five years. From this population, the major consumer groups that are expected to frequent the business will be the impulsive buyers, seeking convenience during their small window of time before going to class or catching the bus back into the city. The largest market available will be Czech students with 19 145 passing through campus on a weekly basis. The age range can span from 18-27 with slightly more females than males (53:47). Students surveyed claimed they spend anywhere from 100 CZK to over 250 CZK when eating out. In **Figure 19**, the range can be narrowed to 150-250 CZK, giving a mean of 200 CZK per meal. According to Santander, most Czech consumers are traditionally price sensitive, but quality is also becoming more of a factor. As their purchasing power has increased, so has the interest in free-range, bio (organic) and health products. This will fare well with the farm-to-table concept in multiple ways. CF is offering high-quality products at a student friendly price, and the Czech community will feel a connection as it is sourced within their own country. Research shows that about 60% of Czech consumers have a tendency to purchase from local businesses when given a choice (Santander, 2020).

**Figure 19: Average price spent on dining out**



*Source: Own Calculations*

As far as seasonality of the business goes, students will be present on campus all year round with spring and fall semesters for regular students and summer school programs of universities from around the world. In general, most of the summer school programs are given accommodation at the dormitories on campus. If they aren't, they are still living in Suchdol and will have a route passing alongside the food truck's location. This brings a strong element of convenience for the students as they are typically traveling in a group.

Having a variety of choices allows them to stop and choose from either CF or the burger stand next door. Though the full market may not be tapped, it does provide access to a portion of it. If the experience is worthy, they will spread the news and potentially bring business in the future.

## **Pricing**

Due to the target market's limited income, the pricing structure has to be accommodating to their budget. The average cost of eating out is about 150 CZK, so rarely will any single item on the menu go above that level. Menu pricing will be more or less in the range of 150, depending on the order. A 200 g pulled pork sandwich will cost 100 CZK by itself while the addition of regular fries will add another 50 CZK. Sweet potato fries will add in an additional 15 CZK. Drinks sold will be low margin, especially on branded soft drinks. To give a glimpse of the potential gross profit, an equation will be shown for the main menu item. The average cost for pork meat is 4 755 per 100 kilos of Class S pig meat (European Commission, 2020). Our margins for the pulled pork would bring roughly 90 CZK per sandwich (not including the cost of bread and condiments). This leaves a large margin for the company to operate with and allows some added value to the customer as well. A side of coleslaw will also be included with the sandwich price.

$$\frac{4\,755\text{ CZK}}{100\text{ kilo}} = 47.55\text{ CZK per kilo} / 5\,200\text{ g sandwiches} = 9.51\text{ per sandwich}$$

Despite the positive outlook on margins, there are obstacles to overcome along the way as well. The language barrier is the largest complication to face as a company as the majority of the population are Czech consumers. Many Czechs do speak English, but to do business effectively and build strong relations with the community, managers and employees must learn the language. The learning curve will not only be with the language but also in preparation for a food that is foreign, too. Employees will have to undergo training to understand the recipes, pairings, and how each item is prepared.

## **Marketing Plan**

Aside from the visible branding of the distinctive blue food truck that the students will see along their daily commute, there has to be a way to bring them in and create sales. Universities are a popular destination for all kinds of advertising from different companies in various industries. This flood of information can be easy to ignore as it all merges together into one large collage of advertisements. Another factor to consider is that a large population

of the students are from foreign countries and would not understand Czech. On the other hand, a high number of Czech students do not speak English. This adds a layer of complexity to effective marketing tactics. Clearly, the ability to attract attention in this environment requires ingenuity and creativity.

### **Segmentation**

The TAM is close to 30 000 people in Suchdol with all consumers accounted for. Out of that market, only 20% may fall under the SAM (Serviceable Available Market). With 6 000 remaining, it is likely that in the first few months only another 20% will come into the category of the SOM (Serviceable Obtainable Market). This leaves a slim leftover figure of 1 200 people, an extremely conservative estimate that does not account for customers who will become regulars. These are, however, first quarter numbers with plenty of room for growth. Out of the total market, the Czech students, foreign (full-time) & Erasmus students, and the summer school programs are the top categories for consumer groups. Each has a unique dynamic and requires slightly different marketing strategies to become customers.

### **Targeting**

Given the numbers, the Czech student population is the largest and most attractive market segment. However, some marketing tactics that are mentioned will be geared toward Erasmus and summer school students.

### **Positioning**

There is an important element to establishing a relationship with the community being served – developing a connection to the company or product. For Czechs, that connection with North Carolina began in 1753 when 15 Moravians walked from Pennsylvania down to the Carolinas and founded the town of Bethabara. There they established a large trade center and developed what is now known as the city of Winston-Salem (Winston-Salem: Recreation & Parks, 2020). Almost 300 hundred years later, a piece of North Carolina has made its way back to the Czech Republic and will start a food trade. Carolina's Finest will incorporate some of the Moravian history into its marketing and connect the two cultures together once again. This is a strong dynamic of our USP to the Czech consumer.

## **Customer Profile**

Tomáš, an average Czech university student, comes from a rural village outside of Prague. He is staying in the dorms and attending classes three days a week. He passes by the zemědělská bus stop where the food truck is located each day as he goes to buy cigarettes from the local convenient mart. He has a part-time job at the university and has some extra spending money. On occasion, he will buy food from the burger stand on his way back from the store. As a socialite on campus, he spreads the word about the truck's food and even offers a sample to friends. Tomáš is the ideal customer for a small business as he frequents the location and advertises their products without incentives.

## **Customer Journey**

Interest & Awareness – Scrolling through Instagram, Tomáš sees an ad promoting a new food truck with customers lined up and enjoying a juicy pulled pork sandwich and lemonade. The geotagged location shows it is on ČZU campus, so he clicks the geotag to find more information on where the exact location is.

Search/Findability – Tomáš passes by the plaza on his way to the convenient mart and notices the new food truck and its line of customers waiting for their order.

Research/Reputation – After seeing one of his friends eating the sandwich, he stops and asks how it is. “Výborně!” the friend responds, and being close friends, he is offered a bite.

Conversion/Purchase – With verification from a trusted friend and a sample taste of the product, Tomáš decides to give the new food truck a chance and orders a combo meal on the way back from the store.

Experience/Advocacy – Satisfied with his purchase, Tomáš decides to take an order to-go for his girlfriend back in the dorms. Friends spot him on his way and ask what he has to eat, and he refers them to the truck, detailing his great experience.

## **Marketing Mix**

Most traditional means of advertising will be rendered useless as very few students read the newspaper or listen to the radio. They do, however, get a lot of flyers about events on campus. With the founder being a resident of the dorms and (soon to be) alumni of the university, Carolina's Finest would be able to hang some posters and flyers in various places.



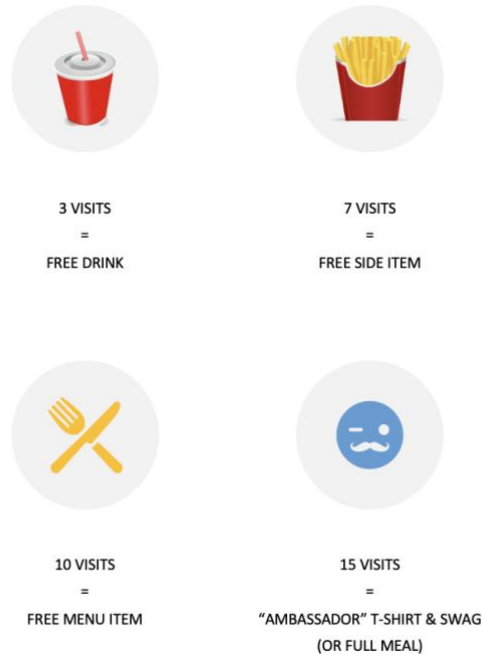
The ad would offer a QR code that gives them a discount on their first purchase – giving them instant gratification for taking the time to read the flyer.

The next form of marketing is by far the most successful with today's generation – social media. 92.4% of Czechs have access to the internet, many of which come from mobile technology. Vodafone even offers student packages with access to social media sites without using data. This greatly benefits our range on all platforms since the majority of the population is capable to be reached. With location-based promotions factored in, it is one of the best tools available to tap into the market. The three dominant players, Facebook, Twitter, and Instagram will all be utilized to maximize the span of influence. All accounts will have both Czech and English promotions and advertisements to ensure the inclusivity of the whole target market.

In addition to social media and traditional advertisements, CF will utilize discount and coupon websites like Slevin.cz, Slevomat.cz, Zapakatel.cz, and Vykupto.cz. They are very similar to the US's Groupon application. This method will be used continuously, but with fluctuating amounts of offers that are available. Regarding coupons, there will be physical vouchers given out at the beginning of Welcome Week as new students arrive at the university. The founder's connection with the Erasmus Student Network will foster a strong relationship with the incoming students each semester as he was both the Vice President and Events Manager for the program. In previous semesters, the ESN team established relationships with local businesses and carried out similar promotions. They proved to be quite successful as hundreds of students poured into the kebab shop as a result of the coupon.

Another key value for customers that will be implemented is a loyalty program, as seen in **Figure 20**. For returning customers, they will be rewarded through a tier-based system – attaining new perks the more they choose to eat at our truck. Their receipt will hold a QR code that verifies the purchase and promotes them to the next tier. This data will be connected with either a phone number or email address, giving access to the customer through direct promotion. Customers will be sent out new menu items or special promotions that are to be held each week. Their accumulated QR scans will send them a link or additional QR for the CF employee to scan for confirmation and redemption of the reward. The list of perks will be in this order; once it reaches the max (15) it will restart again:

**Figure 20: Loyalty Program**



*Source: Own*

For those still on the fence about trying the food, there will be samples given away around 12-1 on various days of the week. It will not be done too often or routinely as to get people used to free samples, but enough to attract interest and taste buds. Mini, bite-size pork and chicken BBQ sandwiches will be offered in close proximity to the food truck. Employees will promote the idea of ordering a full meal and list the top items to try.

### **Operations Plan**

To prepare for a launch date of January 2021, CF compiled a list based on the MoSCoW method to decide the most important elements needed; these are *must have* items:

- A food truck with a vinyl wrap of brand and logo
- A generator and wastewater system
- Cooking materials such as fryers, hotplates, cookware, and food warmers
- Refrigeration system
- Storage compartments
- POS system
- Utensils and materials for takeaway
- Supplies & ingredients for food preparation

*Should have items:*

- Printed menus
- QR code and application for verifying orders (loyalty program & general tracking)
- Website & Google page for references and reviews
- Indication of ingredients for those with food allergies

*Could have items:*

- Small takeaway pamphlets with history of Carolina's Finest & Czech connection
- Branded items with company logo
- Added condiment options available for customers to use

*Won't have items:*

- A designated office space
- An excessive amount of menu items
- Advertisements in newspapers, radio, or on TV

## **Organizational Structure**

The organization will be structured with limited employees in the beginning stages since the food truck is only suitable for two to three people at a time. Two people will be hired in November of 2020 and trained throughout December. The employees must be able to speak both Czech and English to best serve the clients, have some level of cooking ability, and a personality to match with the theme of southern hospitality. The schedule will place them in rotations based on availability – roughly three days a week for each. Until business requires three active team members, only two will be present day-to-day. Daniel will be the manager in charge and acting as the head chef while the other employees will work the cash register and assist in serving food during peak hours. Employees will be compensated 100 CZK an hour plus any tips that may be given during their shift. As the business becomes profitable and reaches certain milestones, bonuses will be given out to the workers.

Business relationships are a vital aspect of operations. The manager must uphold strong partnerships with its vendors and suppliers. For Carolina's Finest, some of the suppliers are already acquaintances and provided a base for market prices. As the business grows and needs a higher supply, current vendors may not be able to sustain the demand. The Saturday farmers market in Dejvická or Thursday markets in Suchbátka may provide a solution to this problem. Creating a friendly atmosphere with these vendors will bring a better price point and potentially bring more business. Word of mouth is one of the most

powerful tools in advertising, so having these reciprocal relationships can dually promote each business.

The food truck should have the ability to store and prepare its meals on-site, but it would be beneficial to have a secondary location as well. There have already been conversations held with the owner of a local restaurant on campus about this possibility. Klub G would provide the commissary kitchen needed and would even allow menu items to be sold in the restaurant itself. Three menu items would be offered, but one must be a vegetarian option as specified by the owner. This availability helps develop brand awareness in the dormitory and on campus. It also gives the potential for reviews from the customers and the ability to taste-test new additions before launching them at the food truck. This relationship is essential in beginning stages and could potentially be more important in the future as the supplies may exceed the storage capacity within the food truck.

## **Menu**

North Carolina has enough dishes to fill an entire menu front and back but with a food truck, it must be condensed for convenience and readability. Consumers don't want information overload when ordering "fast-food." The decision-making process on which items will make it is going to be based on customer value vs. level of effort necessary. For those that don't make the cut, they can still be incorporated with weekly specials. A handful of regular menu items that are simple to prepare and are ready-to-order can be seen in **Figure 21**. This will be the main menu for the launch and will remain fairly consistent with the exception of a few seasonal changes.

The menu will be offered in Czech & English on the same handouts for both convenience of customers and savings for the company. The core menu items will be pulled pork & chicken BBQ sandwiches, Carolina style hot dogs, a pulled pork poutine mix, kid-friendly macaroni and cheese with the option to add pulled pork, and a vegetarian option with a classic cucumber salad. Three desserts will be offered on the menu. A special twist on a peanut butter and banana sandwich where it will be rolled up into balls and fried. The price will be five for 50 CZK or ten for 100 CZK. This next item may be more seasonal depending on the costs, but strawberry shortcake is a staple in the south and must be served. The last dessert is from a recipe passed down generation to generation and a thanksgiving essential – sweet potato soufflé.

Figure 21: Carolina's Finest Menu

HLAVNÍ CHOD		ENTREES	
<b>VEPŘOVÉ BBQ</b>	150	<b>PULLED PORK BBQ</b>	150
<i>200 g trhaného vepřového, hranolky, salát coleslaw</i>		<i>200 g of pulled pork with a side of coleslaw and fries</i>	
<b>KUŘECÍ BBQ</b>	150	<b>BBQ CHICKEN</b>	150
<i>200 g trhaného kuřecího, hranolky, salát coleslaw</i>		<i>200 g of chicken with a side of coleslaw and fries</i>	
<b>CAROLINA POUTINE</b>	150	<b>CAROLINA POUTINE</b>	150
<i>hranolky přelité sýrem, trhané vepřové maso s vlastní šťávou</i>		<i>fries smothered in cheese, gravy, and pulled pork</i>	
<b>CAROLINA DOG</b>	100	<b>CAROLINA DOG</b>	100
<i>parek v rohlíku s: kečupem, hořčicí, salátem coleslaw, cibulí a chilli</i>		<i>hot dog with all the fixin's: ketchup, mustard, coleslaw, onion, and chili</i>	
<b>MAKARONY SE SÝREM</b>	100	<b>MAC 'N' CHEESE</b>	100
<i>těstoviny, směs sýrů, lanýžový olej a opečená strouhanka na vrch - trhané vepřové navíc 50 Kč</i>		<i>the childhood classic just got better - add pulled pork for 50 czk</i>	
<b>ZELENINOVÝ SALÁT</b>	100	<b>CUCUMBER SALAD</b>	100
<i>zeleninový mix s okurkou, rajčaty, paprikou, cibulí a sýrem feta s vinaigrette záličkou</i>		<i>veggie mix with tomatoes, peppers, onion &amp; feta cheese in a vinaigrette dressing</i>	
DESSERT/DEZERTY		DRINKS/NÁPOJE	
<b>PB &amp; BANANA</b>	50/100	<b>LEMONADE / CITRONOVÁ LIMONÁDA</b>	35
<i>peanut butter and banana in fried dough balls / smažený banán s arašídovým máslem v těstíčku</i>		<i>fresh squeezed lemons / z čerstvě vymačkaných citronů</i>	
<b>STRAWBERRY SHORTCAKE</b>	75	<b>ICE TEA / LEDOVÝ ČAJ</b>	35
<i>fresh strawberries over cake with a whip cream topping / piškotový dort s jahodami a šlehačkou navrch</i>		<i>freshly brewed &amp; sweetened / čerstvě slazený černý čaj</i>	
<b>SWEET POTATO SOUFFLÉ</b>	75	<b>SOFT DRINKS / NEALKO</b>	35
<i>baked sweet potatoes topped with pecans and cinnamon / pečené sladké brambory s pekanovými ořechy a skořicí</i>		<i>Pepsi products / Pepsi produkty</i>	
		<b>WATER / VODA</b>	35

Source: Own

## Operations

The food truck will operate six days a week, Monday through Saturday all year round. Hours of operation will be 10-4 during the week and 8-14 on Saturdays. Orders can be taken directly at the truck or done online. A trial run of delivery services will start in the first quarter of launching, utilizing services like Dáma jídlo, Uber Eats, and Wolt. If the demand is high enough, it will continue to operate indefinitely. If the majority of orders are from the dormitories, an employee from the truck will deliver them directly with a fee for drop-off.

Carolina's Finest will keep up with modern business methods and incorporate BIS technology for tracking payments, materials management, & general accounting. For streamlined supply chain management and business spend management, CF chose Coupa.

Coupa has a global supplier network and an easy to manage dashboard for all business needs. Many tasks are automated and maneuvering through the system is made easy for both managers and employees, allowing more time to focus on customers and tasks at hand. Managing inventory is a fundamental factor of running a food truck as most items are perishable goods. It must be run efficiently, not understocked nor overstocked, so the company can maximize profits. Coupa will assist the team in keeping track of daily inventory to ensure its effectiveness and reduce human error.

Technology can help reduce costs and automate certain tasks but in order to reach success, the company must bring in revenue to cover expenses. To reach a profit, CF would have to make over 8 700 sales in the first year. This includes initial costs and funding. In the second year, however, only 5 900 sales would be needed if the average purchase was 125 CZK. This figure comes from the general price point of 150 CZK for most meals and 100 CZK for individual items. Prices will generally stay the same as it is targeting university students but will adjust to the economic factors if needed.

Instead of increasing prices, the business intends to serve more customers to grow the business. When the truck is profitable and can be managed by another employee, a second food truck will be purchased and fitted for the road. Many problems can arise in the initial stages of launching another truck, though. Employees may slack in the maintenance of the truck without the oversight of the owner, costs of repairs or general upkeep will increase, and customers will not see the face of the company as often. To combat these issues, it is imperative to do the following beforehand:

- Document daily, weekly, and monthly tasks and responsibilities for the employees to follow
- Train a manager who is responsible and motivated to take the reins
- Find a balance between time spent at both trucks with a schedule; finding where the owner serves the most value on a given date and time

A few other tactics for expanding into new audiences are attending food truck festivals, catering services, and franchising. The Food Truck Show is an international festival held in Prague 5 at the Náplavka Smíchov ferry station. It is a great way to connect with locals and tourists alike and also meet with fellow owners who can advise on starting. Quality advice is welcomed as a newcomer to the market and can help direct managers with different business decisions in the future. Ideas like catering would be a topic of interest as there are many business districts in Prague who may utilize these owner's trucks. It would

be relevant to ask whether it is worthwhile and bringing benefits for them. Lastly, some owners may simply be investors and are looking for the right concept and opportunity. With the right price and equity structure, Carolina's Finest could be a trademarked franchise with a fleet of trucks; expanding into new areas of Prague and cities around the Czech Republic.

### **Sustainability**

To expand on the dynamic of sustainability and incorporating a circular business model, CF would like to make sure no food goes to waste. Any food that is already prepared and not able to be served by the end of the shift will be given away for free. This allows the conscious effort of sustainability to serve as a marketing tactic as well. The last few portions will be given away to those passing by or brought to faculty members at the university to try and attract the older demographic and working population.

### **Management Team**

#### **Daniel Jacques – Founder / Head Chef / Manager**

Daniel has more than four years of experience working in the food industry and two years in a management position for other industries. He is currently finishing his Master's in Business Administration from ČZU in Prague and will put that knowledge to use by launching Carolina's Finest. There is no prior experience in running a food truck, but the skills obtained in past occupations can assist with the learning curve. As a manager, both customer relationships and employee management were of utmost importance. These skills will carry into the new role as owner/operator each day. Working as an event manager for large groups will also provide benefits in customer relations, as the job required adaptability and patience in chaos. As for the role of a chef, Daniel lived in North Carolina for around 15 years and experienced these foods from cookouts, festivals, and restaurants as well as cooked them at home. Other notable activities that will serve the business are in his community involvement with ESN and at the university as an ambassador for summer school programs. Daniel served as an Erasmus Student Network (ESN) volunteer in the form of Vice President & Event Manager. This has connected him to thousands of students over the years, and many other leaders in the community. These connections can help build a network that frequents the business and provide regular sales.

Daniel will not receive a salary until the business generates a profit. He will teach private English lessons on the side for income. As the business becomes profitable, he will take a portion of the proceeds.

## Financial Plan and Projections

Based on estimates, food truck startups can cost anywhere between 28 000 USD to 114 000 USD or 688 000 CZK to 2 800 000 CZK<sup>4</sup> (SUGAR, 2017). This, of course, depends on several variables. The initial legal cost to starting a business is 6 000 CZK or 240 USD. Used trucks with the preferred size of 14-15 ft. can be found under 10 K USD. The added elements necessary such as hot plates, fryers, refrigerators, etc. will bring costs up by another 75-125 K CZK / 3-5 K USD (WebstaurantStore, 2020). Employees with social and health benefits included will cost 21 600 CZK / 864 USD per month. 100 kilos each month for pig and chicken meat is roughly 5 000 CZK or 200 USD (SZIF, 2020). The profit margins on the meat are fairly significant, but the prices fluctuate each month and can change the margins. There is a fairly large amount of expenses, most of which can be in the **Appendix** from the three projections.

Daniel will provide an initial 500 000 CZK / 20 000 USD for the business. The rest must be funded either through loans, investment or crowdfunding. With the basic costs of starting, CF requests that 375 000 CZK / 25 000 USD. No future investments are foreseen as moving forward, the profits should cover expenses and growth. The use of funds will be as follows:

- 375 000 CZK / 15 000 USD for purchasing a food truck and preparing it for the market (paint job, vinyl wrap for logo, and any needed repairs)
- 125 000 CZK / 5 000 USD for necessary accessories such as POS system, cookware, fryers, refrigerators, etc.
- 125 000 CZK / 5 000 USD for working capital until truck begins earning revenue

The additional funds would create new opportunities for the food truck by allowing the capital to be used in better equipment. With an influx of cash, the company can invest in higher quality machinery and equipment that lasts much longer than budget-brand items. This will reduce or eliminate the routine costs of repairs and upkeep in the future. The funds also allow the food truck to start with the best technology necessary for running the business, cutting costs in the short and long-term.

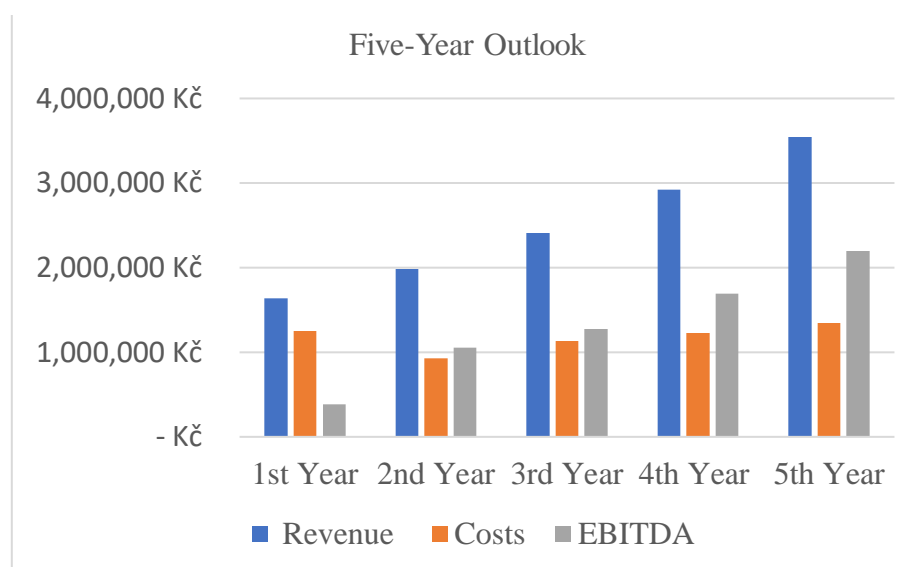
A repayment plan will begin with a three-to-six-month deferment as the company is likely to operate at a loss the first year (with initial costs included). Three different

<sup>4</sup> At the time of writing, the conversion rate is 25 CZK/1 USD\* (xe.com, 2020).



projections were given: a pessimistic outlook in **Figure 15**, an optimistic view in **Figure 16**, and a median average here in **Figure 22**. For the *Conservative Projections*, sales would cover the annual expenses and even pay off initial costs of launching in year one. Theoretically, the loan could be paid back in year two and preparations for a second truck could be made by the end of its fourth quarter.

**Figure 22: Five-Year Conservative Projections**



Source: Own Calculations

A month-to-month projection was developed to provide a more in-depth analysis of the conservative outlook. In **Figure 23**, a new approach was used to experiment with various leveraging strategies. For this particular estimate, the one-time costs, e.g., food truck and its accessories were amortized over a five-years aside from a down-payment of 50 000 CZK. The fixed expenses include employees, rent, utilities and payments on the truck. The variable expenses are the food items and takeaway containers needed each month.

**Figure 23: Conservative Projections Month-to-Month**

Month-Over-Month (Conservative Projections Year One)							
Month	Fixed Expenses	Variable Expenses	Total Expenses	Sales	Revenue	Difference	Total Capital
January	77,081 Kč	73,220 Kč	150,301 Kč	800	100,000 Kč	- 50,301 Kč	1,125,000 Kč
February	77,081 Kč	15,105 Kč	92,186 Kč	950	118,750 Kč	26,564 Kč	1,074,699 Kč
March	77,081 Kč	19,875 Kč	96,956 Kč	1250	156,250 Kč	59,294 Kč	1,151,564 Kč
April	77,081 Kč	15,503 Kč	92,584 Kč	975	121,875 Kč	29,292 Kč	1,184,294 Kč
May	77,081 Kč	15,503 Kč	92,584 Kč	975	121,875 Kč	29,292 Kč	1,154,292 Kč
June	77,081 Kč	19,080 Kč	96,161 Kč	1200	150,000 Kč	53,839 Kč	1,154,292 Kč
July	77,081 Kč	19,875 Kč	96,956 Kč	1250	156,250 Kč	59,294 Kč	1,178,839 Kč
August	77,081 Kč	17,490 Kč	94,571 Kč	1100	137,500 Kč	42,929 Kč	1,184,294 Kč
September	77,081 Kč	15,232 Kč	92,313 Kč	958	119,750 Kč	27,437 Kč	1,167,929 Kč
October	77,081 Kč	22,260 Kč	99,341 Kč	1400	175,000 Kč	75,659 Kč	1,152,437 Kč
November	77,081 Kč	19,875 Kč	96,956 Kč	1250	156,250 Kč	59,294 Kč	1,200,659 Kč
December	77,081 Kč	15,709 Kč	92,790 Kč	988	123,500 Kč	30,710 Kč	1,184,294 Kč
<b>Year One Total</b>	<b>924,972 Kč</b>	<b>268,726 Kč</b>	<b>1,193,698 Kč</b>	<b>13096</b>	<b>1,637,000 Kč</b>	<b>443,302 Kč</b>	<b>1,155,710 Kč</b>

Source: Own Calculations

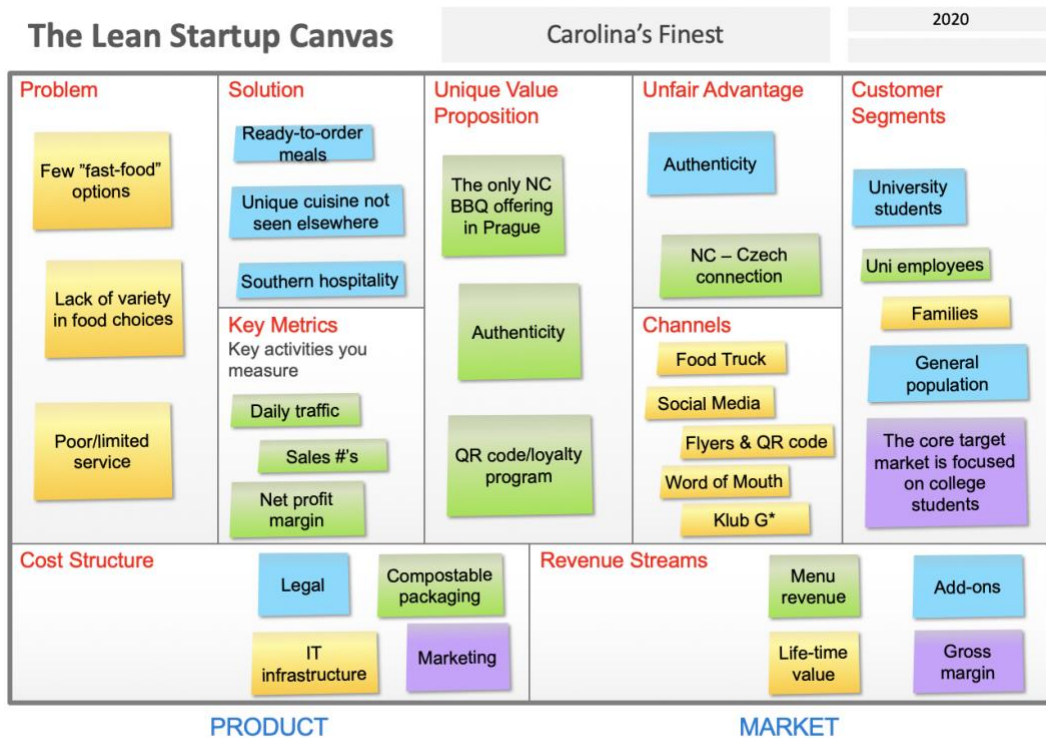
For the investor, potential benefits can include:

- Additional food trucks (potentially a fleet in the future)
- Added revenue (especially if they have equity)
- Equity in a future brick-and-mortar location
- A higher ROI than expected

## 4.5 Lean Startup Canvas

The Lean Canvas breaks down the foundational reasoning of how an organization creates, delivers and captures value. The model is seen as a blueprint for implementing a strategy through organizational structures, processes, and systems. A visual aid can be found in **Figure 24** detailing the following: the main problems that customers are facing; the solutions provided by Carolina’s Finest; key metrics that reveal the progress; a unique value proposition that the company is offering; the unfair advantage that CF holds in the market; the marketing channels being utilized to reach the end consumer; how CF is segmenting the market; The cost structure and the margins being made (or lost); and the various streams of revenue providing income to the company.

**Figure 24: Lean Startup Canvas**



Lean Canvas is adapted from The Business Model Canvas (<http://www.businessmodelgeneration.com>) and is licensed under the Creative Commons Attribution-Share Alike 3.0 Un-ported License.

Source: Own (Template from Slidehunter.com)

## **Problem**

Top 3 problems that the customers are facing:

- Lack of “fast-food” options on campus
- Lack of variety as far as choices in different cultural/cuisine options
- Lack of quality service and interaction from restaurants

Current alternatives to these problems are the kebab shop and burger truck that are in the same general area where CF would be located. The kebab shop is the only “new” and different cuisine option as burgers are sold across the street at Crêperie Café Girafe and on-campus in Klub C. Service is subjective, but many complain about their experiences with dine-in options on campus. Only Ibrahim’s kebab shop has continual positive feedback on service.

## **Solution**

- Fast, convenient food that will be prepared within minutes for customers on the go
- A fresh new concept of Carolina BBQ and southern recipes, unique to Suchdol and Prague
- Southern hospitality is ingrained in the business model and will be a core dynamic of running the business

## **Key Metrics**

Daily traffic and sales numbers will give a solid reference on how the business is operating. The net profit margin is a measure of efficiency and can predict the long-term growth of the business. Reaching milestones or coming within their range will show where the company currently stands and where it could go in the future. Other key metrics providing value will be the cost of customer acquisition, retention rate and growth rate each quarter and year.

## **Unique Value Proposition**

Carolina’s Finest is the only BBQ offering with the flavor and concept from North Carolina. There is not another company with the same menu anywhere in Prague. The value also comes from high-quality, locally sourced ingredients.

## **Unfair Advantage**

The story and connection between the Moravians and North Carolina are impossible to copy unless they generate the same idea. Unless the business knew how to recreate the same cuisine and atmosphere, it would be a poor knock-off version of CF. The unfair advantage is the authenticity of the company and its unique offering.

## **Channels**

The most effective outlets for reaching consumers will be through social media and word of mouth. There will be some level of “freemium” advertisement that will generate business, but it will be costly if overdone. With the sustainability aspect, leftovers at the end of each shift will be given away for free and customers will be asked to come back and try another menu item in the future.

## **Customer Segments**

University students are the core makeup of the general population and the main target market for the business. Other segments would be faculty members working at the university and families that live within the area.

## **Cost Structure**

Compostable packaging is the costliest aspect of the business as it offers no monetary value in return, only an ecological and psychological benefit. Secondly, the IT infrastructure and development for automated tasks and management will add higher costs but will at least cut-out or shrink future expenses. The QR code is an added benefit for the customer and additional UVP. The costs of marketing and public relations are hard to measure, though if it is effective, they can generate larger revenue than the two prior factors. Legal expenses, however burdensome, are necessary for business operations and are not as high compared to other countries in the EU.

## **Revenue Streams**

Menu item sales are going to make up the bulk of the revenue. Sides, desserts, and drinks can bring in a strong secondary stream of income. Eventually, when the brand has gained its footing in the market, it will produce branded items like t-shirts or reusable cups that provide a discount on refills. Customers are either paying with cash or card for meals ranging from 100-200+ CZK depending on their orders.

## 4.6 Customer Relationship Management

Carolina's finest strives to embody the southern hospitality in each and every dynamic of the business. The organization will all have a unified vision to represent this belief during each shift. The potential benefits of customer-centric strategies are higher profits, a competitive advantage, and maximizing potential. One benefit, for sure, will be the brand recognition of being well known for its exceptional service.

To better connect with the customers, CF will engage in relationship marketing and one-to-one techniques. Relationship marketing will help the team better understand customer's preferences. One way to deepen the bond and gather more information on who we are serving is through the loyalty programs. Depending on the feedback received from loyal consumers, customized products could be developed to best suit their needs.

The focus of CF is to build lifetime value for as many customers as possible. Students can remain in school for 3-5 years. They will pass by the food truck once or twice a day during their commute to classes. This would amount to over a thousand exposures by the end of their student career. If they can become a customer, even if it's only a handful of times, they will be easier to reach in the future as the brand expands. The ultimate goal of the company is to create a fleet of trucks and a brick-and-mortar location. As the students move into their careers, a large portion will remain in Prague. Once the brand has expanded into new areas, these students will likely recognize the truck from campus. Ideally, the recognition will equate into a converted sale and regular customer.

## 4.7 Feasibility

Using the TELOS Method, Carolina's Finest will have a better understanding on where it stands as an investable company. Each factor will be taken from various dynamics of the business plan and the analyses conducted.

### **Technical**

The technology necessary to operate a food truck is relatively low. The POS system and QR code are likely the most complicated applications needed, and the inventory management, financial software, and supply-chain management will be handled by a third-party company, Coupa

## **Economic**

Even with the three different projections, all held a threshold that was manageable with the current amount of capital (including the investment/loan of 625 000 CZK / 25 000 USD). The financial capability is available to get through the first year even with a loss.

## **Legal feasibility**

Currently, there are no obligations of the company other than maintaining health codes and regulations. Zoning could play a role in the future, though.

## **Operational**

The system is fairly routine for anyone who has ever worked in the food industry, though perhaps a bit faster paced. More is required from the individual in the confines of a food truck, though, as there is a limitation to the amount of people who can operate at one time. Additional training would be required to ensure the employees can manage multiple tasks and responsibilities.

## **Schedule**

Food truck operations are limited on overhead and do not need to construct an environment for their customers, eliminating a large chunk of time in launching the business. The costliest aspects of time could be in preparing the truck for the road by buying and installing the equipment, wrapping the truck with the decal and logo, and finishing any necessary repairs. With a pro-active schedule it is manageable to start in time.

## **4.8 Evaluation Methodology for Investments**

Being a startup, there are no facts or figures to show how successful the business is, only what it could be. These estimates may be very precise, but without verified results, it is difficult to evaluate the true worth of a company other than its assets. There are a few methods used in evaluating a startup business: the Berkus, Scorecard Valuation, Venture Capitalist, Book Value/Asset-Based Valuation, Risk Factor Summation, Cost-to-Duplicate or a combination of them.

For deciding on the best option of pre-revenue evaluations, each method was analyzed on its components and whether it supported a thorough enough valuation for the company. Cost-to-duplicate and the Book Value/Asset-Based Valuation Methods were eliminated immediately as it measures only the physical assets. Venture Capital Method is

too vague for a food truck startup as it is simply an estimate of an estimate, taking the projected future value and dividing it by the projected ROI and estimated investment amount. The Scorecard Valuation was a choice option but was also eliminated as it must be compared to another food truck's pre-revenue evaluation. There was, however, an option that combined the Scorecard Method and the Berkus Method – the Risk Factor Summation. This method provides a more-detailed estimation on the investment risk and gives an indicator on how valuable a company is.

The Risk Factor Summation Method takes twelve risk factors and gives them a rating from very negative (-2) to very positive (+2) and zero points for a neutral risk. The initial valuation starts with one million dollars and each rating point represents an increase or decrease of \$250 000, though, Czech koruna will be substituted to make it a more realistic estimate. The twelve risk factors and their ratings are as seen here with an explanation of how each risk was rated:

1. **Management Risk** – was given (-2) for the lack of management with only one owner available who has no experience with launching a food truck.
2. **Stage of the Business** – in the earliest stage with no materials or assets purchased, hence the rate of (-2).
3. **Legislation/Political Risk** – the Czech Republic is highly stable and continually pushing for ways to increase FDI (2).
4. **Manufacturing Risk** – there is no manufacturing involved. If this is regarding food production or preparation, there is no risk as long as health codes are followed (0).
5. **Sales and Marketing Risk** – the outlook for sales and marketing is very promising (2).
6. **Funding/Capital Risk** – any investment involves risk, but being a cash rich business, there is less chance of capital being tied up in assets. The business is very liquidable (1).
7. **Competition Risk** – competition is inevitable in any location, but there are relatively low levels of competition in Suchdol, especially direct competition (0).
8. **Technology Risk** – there is not a strong need for technology in this business. The most sophisticated technology is the POS system. Coupa will handle the rest of the company needs and ensures the risk is limited (2).
9. **Litigation Risk** – nothing about the business is illegitimate. The only potential for litigation is if there was a serious issue with the quality of the food. This will be checked many times over and be of utmost priority, all but eliminating this possibility (0).

10. **International Risk** – this is an international business already and, as a food truck, could be scaled in many places throughout the world as the menu is interchangeable (1).
11. **Reputation Risk** – no risqué slogans or advertisements are to be used. This is a wholesome family friendly business aimed at university students. It also projects a sustainable business model with ecofriendly initiatives (1).
12. **Potential Lucrative Exit** – as a heavily cash-based business, profits could be seen within the first two years. In the long-term, the company could grow into a fleet or even a brick-and-mortar location. With equity in the business, investors can scale their ROI quite high. They also have the option to sell their portion of the business (1).

## 4.9 Exit Plan

The end game for business owners and investors can vary from person to person, depending on their goals and ambitions. The two most popular options are internal or external buyouts. In the current situation, only one person has full ownership. This is likely to change as an investor joins the organization. Scenarios for both exits will be examined, but regardless of how many owners of the business there are, there are several factors that must be implemented beforehand. To successfully prepare an exit plan, the owner must start long before making the decision. Similar to drawing up a business plan, there must be measurable goals and objectives that also incorporate flexibility for any unexpected events.

For Carolina's Finest, the key goals and objectives are:

- to leave the business in capable hands;
- building a self-sufficient fleet of operations;
- establishing a brick-and-mortar location

A knowledgeable core team is extremely beneficial to the owners. It allows them to step back from the day-to-day operations and focus on scaling the business. This can only happen by investing in employees and training managers to take on more responsibilities throughout time. Having a strong management team not only ensures the company will carry on into the future, but it also adds greater value when negotiating the sale.

The expansion of Carolina's Finest provides a stronger care package for the owner's exit plan. Any added value to the brand will increase the payout when the time comes to sell. For each investor, the decision will depend on which number they are comfortable with achieving. When that day arrives, the external or internal sales will have two additional



subsets to consider. Investors can sell their entire equity outright to the other owners or to a third-party, or they can sell the majority of their share and retain a portion of equity for the lifetime of the business. This option can also be passed down through generations as well.

## 5 Results and Discussion

### 5.1 Market Research

To reach the consumer base and get an understanding of their purchase patterns, a survey was conducted to over a hundred people within the area. Many results gave a clear indication of consumer preferences and their buying habits while others were vaguer. The first two questions verified data collected from the university. The student body has more females than males at a ratio of 53:47, nearly identical to the survey results of 54:46. From the survey's second question of age range, there were a few outliers such as professors and locals who had participated. This was to represent the entirety of the obtainable market in Suchdol. It did, however, still come very close to the statistics of other data with approximately 60% being 18-25 years old.

Key information that was gathered in the surveys will guide the business in its projections and assist in manager's decision making. The most important findings are as followed:

- Nearly 90% of those surveyed had ordered from a food truck before
- 50% dine-out once or twice a week on average; 30% claim three to four trips out
- Roughly 60% spend about 150-250+ CZK per meal dining out
- 50% of respondents prefer chicken, 27% beef, and only 6% choose pork\*
- There were 84% who were willing to try new foods
- 80% claimed they would pay more for higher quality meals
- At least 60% say they support businesses that are eco-friendly

\*The fact that only 6% chose pork as a preference was disheartening as it is a core component of the menu, but the following poll of 84% showing that they are willing to try new foods gave reassurance that there is still a good chance of sales for this item.

There were talks with the owner of Klub G to have a trial run of the menu items along with a taste test survey given at the end of the meal. This was unfortunately postponed indefinitely as the impact of the coronavirus had more impact than we had anticipated. The taste tests were, however, conducted with small groups of friends and family members instead. The feedback was unanimously positive, but with risk of potential biases, will not be used as true data.

## **5.2 Feasibility**

Based on the TELOS Method, each category revealed the business to be both viable and actionable. The technology is available and will be a great assistant in operations and marketing tools. The QR code concept has potential to drive a large amount of traffic to the truck and retain loyal customers. As a cash-based business without large overhead or monthly expenses, the feasibility is high as long as there is operating cash flow. With the total investment of 1 125 000 CZK / 45 000 USD, the expenses should be covered until profits are generated. Legal dynamics are very limited in hindering the business. As long as the food quality and proper zoning is maintained, the company will be on the right side of the law. Operations will have a learning curve working in a small environment with limited hands to delegate tasks to, but it is a matter of preparation and training. The company is not undertaking an entirely new concept or business model, so with proactiveness and proper guidance, the operations will run smoothly. Lastly, for the feasibility of scheduling, there is little threat to delaying the launch of the food truck. No capital will be spent until an investment is received, so nothing will remain idle during the startup phase. The forecast for launching the business will be swift as each piece is in order to move forward.

Upon review of the business plan, too, there is an even greater confidence in the company's potential. The environment is suitable for another competitor to join the market and there is enough market share for them to all remain profitable. Carolina's Finest has a solid business model and enough strength in its story to break into the marketplace. Although the financials are simply rough estimates without exact projections, even the most pessimistic predictions showed the business obtaining profitability within a few years. There will be additional costs that may not have been factored in and dynamics that have to be resolved beforehand, but the core business model has convincing viability.

## **5.3 Evaluations for Investment**

With the feasibility of the business analyzed and confirmed, an evaluation for investment was the subsequent step in preparing the company for realization.

A Risk Factor Summation Method was conducted to calculate the potential value for Carolina’s Finest in the **Evaluation Methodology for Investments** section. The results are as followed in **Figure 25**:

**Figure 25: Risk Factor Summation Method**

<b>Risk Factors</b>	<b>Ratings</b>	<b>Additions/Subtractions</b>
1. Management Risk	-2	-500,000 Kč
2. Stage of the Business	-2	-500,000 Kč
3. Legislation/Political Risk	2	500,000 Kč
4. Manufacturing Risk	0	
5. Sales and Manufacturing Risk	2	500,000 Kč
6. Funding/Capital Risk	1	250,000 Kč
7. Competition Risk	0	
8. Technology Risk	2	500,000 Kč
9. Litigation Risk	0	
10. International Risk	1	250,000 Kč
11. Reputation Risk	1	250,000 Kč
12. Potential Lucrative Exit	1	250,000 Kč
<b>Average initial valuation</b>		1,000,000 Kč
<b>Total</b>	<b>6</b>	<b>2,500,000 Kč</b>

*Source: Own Calculations*

## 5.4 Investments

After proposing the idea to numerous friends and family, two potential investors had inquired about the startup. One was a friend from school, and the other was introduced through a mutual friend who was interested in the concept. The business plan was sent over for them to review so they could gain better insight on the entirety of the project. Upon their own analysis, they decided the business was worthy of investing and gave a few proposals of potential partnerships. Their preference was to either be an angel investor or a silent partner. The two offerings are as followed:

The first offer was a two-pitch proposal. Either he could provide an investment of the full 625 000 CZK with a return of 20% (125 000 CZK) within three years, or he would take equity instead. If he were to participate in operations, the business would be split 50/50 after his initial investment was paid back. Otherwise, he would only take a 20% stake in the company until his decided exit date.

For the second proposal, the investor would put up 100 000 CZK in exchange for 10% equity in the company. In addition to the funds, he would provide his services in the marketing department and assist with any IT issues.

To have two offers certainly furthered the confidence in starting the food truck and will provide a point of reference for further valuation of the company. Each investor had an attractive proposal, and will both be heavily considered, but at this time there has not been a decision made on who will become a partner.

## **5.5 Exit Plan**

After considering all the options available, the owner of Carolina's Finest would likely make his exit plan much further into the future after acquiring full ownership of the company again. As investors draw up their exit plans, Daniel will buy out their stake in the company and continue operating the business. The end goal is to develop a network of restaurants and food truck concepts and have them under an umbrella company. This would include various types of cultural dishes built with head chefs leading the operation. Prague would remain the epicenter of the headquarters, but ideally, there would be expansion into other cities that would accommodate the unique taste and flavor offerings.

The final exit plan would be to sell the company to the management teams and chefs, as the purchase by another larger conglomerate may dilute the individual brands. A small equity stake in the company would remain in Daniel's name and would be carried into a generational account as long as the businesses remain.

## 6 Conclusion

This diploma thesis aimed to develop a business plan for a food truck startup company and to determine its feasibility in the marketplace. The establishment of Carolina's Finest is an homage to the cooking style of North Carolina and its exceptional southern hospitality service industry. The concept was birthed from a sense of compatibility between traditional Czech food preferences and southern American cuisine. A menu of chicken and pork BBQ with a series of other "soul food" items were sure to draw a crowd. The location for the business was set on the campus of ČZU in the town of Suchdol (Prague). With access to nearly 30 000 people and a continual flow of traffic, it seems to be an ideal fit for the company. These assumptions had to be put to the test and gave way to an in-depth analysis of all the factors impacting its viability.

To begin a business plan, there must be an understanding of how to properly format and compose it. Many plans have been written and differ in countless ways, but the core elements are almost always present. A true business plan should lead with an executive summary to give clear and concise details to its audience and highlight all major points within the report. This is followed by a more precise description of the business and its core model that will be used. A business model can be devised in countless fashions, but to find the most suitable choice, firms can use Osterwalder's Business Model Canvas or its derivative, Lean Startup Canvas. These charts reveal the most important components of the business and give insight on how to develop them into a more formidable plan.

Once an idea is in place and has a strong model to carry it forward, the company must explore the business environment. In this case scenario, it is an international environment for the owner but will still use the same principles of research. A PESTLE and Porter's analysis will determine the factors impacting the business from the macro-level and external environment. After gathering this information, firms must do an internal analysis of its portfolio, products & services, and value chain to see how well it fares against external factors. The completion of this research is carried out through a SWOT analysis and allows companies to start on their strategies to succeed in the marketplace.

The two core strategies for a company to focus on at this point are its marketing and operations plan. These two elements are vital to day-to-day functions and future growth of the company. A strong marketing plan can differentiate even the most common products and services. To reach target consumers in the modern age, firms must be creative in their tactics

as there is an overload of information and advertisements in every crevice of society. Online and social media campaigns have become the norm, but require a stimuli-intensive picture, video, or text for effective engagement. If the campaign is successful, the operations team must deliver on their end. A well-trained staff with friendly personalities is sure to win over the customers. At times, even sub-par food can be overlooked with exceptional service. Managers must ensure the company is firing on all cylinders to retain customers and grow the business.

The importance of a strong management team is seen throughout any industry. TV shows that “rescue” failing businesses almost always have their issues rooted in poor management. Lack of vision and responsibility can create chaos in even the best business models. Proper recruitment and continual training are essential to keep a healthy flow of operations. Modern businesses need leaders more than managers to ensure the culture in the workplace is conducive to success. It is vital for owners to appoint the right people to guide their company forward.

After all of the components are analyzed and in place, the business plan requires a highlight of its current financials and a forecast of future costs and revenues. This is a critical factor for both existing and startup companies, especially if they’re inquiring about outside funding. An analysis and forecast of financials should include as many relevant and up-to-date elements as possible to ensure its data is accurate. For internal planning or investor funding, a realistic depiction will provide better guidance on scaling the company.

Two additional aspects for companies to consider as they are finalizing their business plan are the IT systems they will incorporate and the management of their customers. Seemingly two contrasting concepts, but IT systems can be a large driver of value for customers and also assist in reducing the churn rate. Software as simple as automated emails alerting the customer of special deals and promotions can refresh their loyalty and increase sales. The infrastructure of loyalty programs incorporates IT, too, keeping track of a customer’s lifetime value and rewarding them for it. Companies should find new ways to utilize IT to assist in CRM to reduce redundant tasks and increase their retention rate.

A business plan should be followed by a series of tests to determine whether or not it is investable. A feasibility test is conducted by a TELOS analysis which studies each factor of the business’s readiness for launching. If the company proves it is prepared to move forward, an evaluation is performed to approximate the value of the company. There are numerous methods of evaluation, but for startup companies without revenue, the most

common options are the Berkus Method, the Scorecard, the Risk Factor Summation, Cost-to-Duplicate, or Venture Capitalist Method.

For empirical research, an analysis of the industry was conducted to determine the influence of external factors on the launching of Carolina's Finest. A thorough examination of the PESTLE factors delivered favorable results while Porter's analysis gave a slightly pessimistic outlook. To be expected, though, the food industry is a highly competitive market and there is no easy entry. However, the Czech Republic offers one of the best environments in the EU for fostering new businesses and is especially fast-growing in the restaurant sector, providing strong proof of concept. The pros outweighed the cons of starting, so the next step in the process was to analyze the internal dynamics of the company

A value chain analysis was the first internal factor weighed in the practical part. The initial startup costs are relatively low compared to restaurants, but there are a few factors with larger expenses than others. Training costs were revealed as one of the highest as there is no monetary return on them. They are, however, extremely valuable in the long-term as knowledgeable employees who provide excellent service will surely bring customers back. Since there is not a current set of data available to conduct a sufficient portfolio analysis, a product analysis was done instead. A product-portfolio (BCG) matrix was conducted for both the campus environment and at a local farmer's market in Dejvická. A majority of the menu items showed strong potential but are yet to be determined.

The executive summary details Carolina's Finest as a farm-to-table food truck concept that operates near the ČZU campus. The company will run on a circular business model and provide sustainably sourced products to the consumer. The customer focus is on university students who are 18-27. With roughly 20 000 students the company expects a large ROI as there is continual traffic to an ever-growing campus. Some of the success factors are reasoned because there is a limited amount of competition for the uniqueness of the food concept and the Carolinas have a connection with Moravians. No business comes without risks, though, and they may have an impact on day-to-day operations. Poor weather conditions and unexpected issues with the food truck's performance could impair profits.

Modeling the business as a food truck instead of a brick-and-mortar location was out of convenience, low-cost, and low-overhead. The purpose is to be as cost-effective as possible. To remain profitable and accommodate the student budget, an affordable menu was created ranging from 100-150 CZK. The sales method is B2C through direct sales, pick-up,



or delivery. Being a student at an agricultural university, the hope for the business is to be sustainable and eco-friendly so all takeaways will receive their food in compostable trays.

Trends in the market pointed to signs of viability as Prague is opening its doors to restaurant owners at a rapid pace. The second fastest growing city in the EU as far as restaurants and the variety of cuisines are increasing as well. American BBQ has found great success in Prague as the two restaurants offering it have gained prominence since opening their doors. The marketplace has grown increasingly competitive, but it has also opened up locals to trying new types of food as well. The competitors in Suchdol are fairly limited, too, and do not offer the same unique concept that Carolina's Finest does.

A marketing plan was formulated to concentrate on the Czech market of university students by incorporating Czech history with the Carolina concept and ensuring all advertisements are broadcasted in Czech as well as English. The marketing mix will include social media accounts and various print media around campus to reach as many students as possible. A QR code will be imprinted on the print ads to scan and use as a discount for first-time purchases. Later, it will be utilized in the loyalty program that offers free items as the consumer continues to dine at the truck.

The operations will be limited and typically conducted by two people - three at maximum. A focus on training and maneuverability is essential as the space is tight and customers will keep the business operating at fast speeds. Carolina's Finest will utilize Coupa for inventory needs and other tasks that can be automated, allowing the manager and employees to focus on more important tasks at hand. To maximize customer relationship management, employees will be trained extensively to emit the feeling of southern hospitality. The menu, too, will incorporate that feeling through its taste.

Finances are well situated to carry the company to profitability and potentially even start a second food truck within two to three years. With an investment of 625 000 CZK / 25 000 USD, the company showed viability in three different projections; pessimistic, conservative, and optimistic. A TELOS evaluation also gave a strong referral of optimism as each category showed its readiness to enter the marketplace.

The results of the evaluation brought the company two offers from potential investors, fulfilling and surpassing the objectives of the thesis. Both investors had offered capital for an equity stake, but only one offered full commitment to the business. At this time, though, no decision has been made to accept an offer.

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## 8 Appendix

### Executive Summary: Financial Highlights

#### For Figure 15: Five-Year Pessimistic Projections

Pessimistic Projection of Expenses							
	One-time costs	Monthly Expenses	1st year	2nd year	3rd year	4th year	5th Year
Food Truck	375,000 Kč						
Legal fee	6,000 Kč						
2 10L Fryers	2,000 Kč						
Griddle 24"	8,750 Kč						
Refrigerator	37,500 Kč						
Additional Accessories	62,500 Kč						
POS system	25,000 Kč						
Road Tax			2,500 Kč	2,500 Kč	2,500 Kč	2,500 Kč	2,500 Kč
500/Case Bio containers		1000*X needed	10,477 Kč	12,703 Kč	15,409 Kč	18,692 Kč	22,664 Kč
1000/case bio cups		1250*X needed	6,548 Kč	7,939 Kč	9,631 Kč	11,683 Kč	14,165 Kč
1000/case bio forks		1250*X needed	6,548 Kč	7,939 Kč	15,409 Kč	11,683 Kč	14,165 Kč
5 lb seasoning		500 Kč	2,000 Kč	2,500 Kč	3,000 Kč	3,500 Kč	4,000 Kč
employees per month		21,600 Kč	259,200 Kč	388,800 Kč	518,400 Kč	518,400 Kč	518,400 Kč
Energy		5,000 Kč	60,000 Kč	63,000 Kč	66,150 Kč	69,458 Kč	72,930 Kč
Rent		10,000 Kč	120,000 Kč	120,000 Kč	120,000 Kč	120,000 Kč	120,000 Kč
Pig Meat per 100 kilo		5,000 Kč	31,430 Kč	38,109 Kč	46,230 Kč	56,081 Kč	67,998 Kč
Chicken Meat per 100 kilo		5,000 Kč	20,953 Kč	25,406 Kč	30,820 Kč	37,387 Kč	45,332 Kč
Buns/Bread		2 CZK per bun	10,477 Kč	12,703 Kč	15,410 Kč	18,694 Kč	22,666 Kč
Coleslaw		20 CZK per kilo	5,238 Kč	6,351 Kč	7,705 Kč	9,347 Kč	11,333 Kč
Water		1875	22,500 Kč	27,281 Kč	33,095 Kč	40,147 Kč	48,679 Kč
Sweet Potatoes		18 CZK per kilo	9,429 Kč	11,433 Kč	13,869 Kč	16,824 Kč	20,400 Kč
Potatoes		11 CZK per kilo	5,762 Kč	6,987 Kč	8,475 Kč	10,282 Kč	12,466 Kč
<b>TOTAL</b>	<b>516,750 Kč</b>		<b>573,061 Kč</b>	<b>733,651 Kč</b>	<b>906,103 Kč</b>	<b>944,677 Kč</b>	<b>997,700 Kč</b>

Pessimistic Projections of Revenue						
	Q1	Q2	Q3	Q4	Year Total	Revenue
<b>Y1</b>	1200	1260	1323	1455	5238	654,788 Kč
<b>Y2</b>	1455	1528	1604	1765	6351	793,930 Kč
<b>Y3</b>	1765	1853	1946	2141	7705	963,083 Kč
<b>Y4</b>	2141	2248	2360	2596	9346	1,168,250 Kč
<b>Y5</b>	2596	2726	2862	3148	11332	1,416,524 Kč

**For Figure 16: Five-Year Optimistic Projections**

Optimistic Projection of Expenses							
	One-time costs	Monthly Expenses	1st year	2nd year	3rd year	4th year	5th Year
Food Truck	375,000 Kč						
Legal fee	6,000 Kč						
2 10L Fryers	2,000 Kč						
Griddle 24"	8,750 Kč						
Refrigerator	37,500 Kč						
Additional Accessories	62,500 Kč						
POS system	25,000 Kč						
Road Tax			2,500 Kč	2,500 Kč	2,500 Kč	2,500 Kč	2,500 Kč
500/Case Bio containers		1000*X needed	52,383 Kč	63,532 Kč	77,047 Kč	93,443 Kč	113,322 Kč
1000/case bio cups		1250*X needed	32,739 Kč	39,707 Kč	48,154 Kč	58,402 Kč	70,826 Kč
1000/case bio forks		1250*X needed	32,739 Kč	39,707 Kč	48,154 Kč	58,402 Kč	70,826 Kč
5 lb seasoning		500 Kč	2,000 Kč	2,500 Kč	3,000 Kč	3,500 Kč	4,000 Kč
employees per month		21,600 Kč	259,200 Kč	388,800 Kč	518,400 Kč	518,400 Kč	518,400 Kč
Energy		5,000 Kč	60,000 Kč	63,000 Kč	66,150 Kč	69,458 Kč	72,930 Kč
Rent		10,000 Kč	120,000 Kč	120,000 Kč	120,000 Kč	120,000 Kč	120,000 Kč
Pig Meat per 100 kilo		5,000 Kč	157,149 Kč	190,543 Kč	231,148 Kč	280,406 Kč	339,992 Kč
Chicken Meat per 100 kilo		5,000 Kč	104,766 Kč	127,029 Kč	154,099 Kč	186,937 Kč	226,661 Kč
Buns/Bread		2 CZK per bun	52,383 Kč	63,514 Kč	77,049 Kč	93,469 Kč	113,331 Kč
Coleslaw		20 CZK per kilo	26,192 Kč	31,757 Kč	38,525 Kč	46,734 Kč	56,665 Kč
Water		1875	22,500 Kč	27,281 Kč	33,095 Kč	40,147 Kč	48,679 Kč
Sweet Potatoes		18 CZK per kilo	47,145 Kč	57,163 Kč	69,344 Kč	84,122 Kč	101,998 Kč
Potatoes		11 CZK per kilo	28,811 Kč	34,933 Kč	42,377 Kč	51,408 Kč	62,332 Kč
<b>TOTAL</b>	<b>516,750 Kč</b>		<b>1,000,507 Kč</b>	<b>1,251,967 Kč</b>	<b>1,529,042 Kč</b>	<b>1,707,325 Kč</b>	<b>1,922,461 Kč</b>

Optimistic Projections of Revenue						
	Q1	Q2	Q3	Q4	Year Total	Revenue
Y1	6000	6300	6615	7277	26192	3,273,938 Kč
Y2	7277	7641	8023	8825	31766	3,970,741 Kč
Y3	8825	9266	9730	10703	38523	4,815,416 Kč
Y4	10703	11238	11800	12980	46721	5,840,159 Kč
Y5	12980	13629	14310	15741	56661	7,082,618 Kč

**For Figure 22: Five-Year Conservative Projections**

Happy-Medium Projection of Expenses							
	One-time costs	Monthly Expenses	1st year	2nd year	3rd year	4th year	5th Year
Food Truck	375,000 Kč						
Legal fee	6,000 Kč						
2 10L Fryers	2,000 Kč						
Griddle 24"	8,750 Kč						
Refrigerator	37,500 Kč						
Additional Accessories	62,500 Kč						
POS system	25,000 Kč						
Road Tax			2,500 Kč	2,500 Kč	2,500 Kč	2,500 Kč	2,500 Kč
500/Case Bio containers		1000*X needed	26,192 Kč	31,764 Kč	38,521 Kč	46,717 Kč	56,656 Kč
1000/case bio cups		1250*X needed	16,370 Kč	19,852 Kč	24,076 Kč	29,198 Kč	35,410 Kč
1000/case bio forks		1250*X needed	16,370 Kč	19,852 Kč	24,076 Kč	29,198 Kč	35,410 Kč
5 lb seasoning		500 Kč	2,000 Kč	2,500 Kč	3,000 Kč	3,500 Kč	4,000 Kč
employees per month		21,600 Kč	259,200 Kč	388,800 Kč	518,400 Kč	518,400 Kč	518,400 Kč
Energy		5,000 Kč	60,000 Kč	63,000 Kč	66,150 Kč	69,458 Kč	72,930 Kč
Rent		10,000 Kč	120,000 Kč	120,000 Kč	120,000 Kč	120,000 Kč	120,000 Kč
Pig Meat per 100 kilo		5,000 Kč	78,575 Kč	95,291 Kč	115,564 Kč	140,151 Kč	169,968 Kč
Chicken Meat per 100 kilo		5,000 Kč	52,383 Kč	63,514 Kč	77,049 Kč	93,469 Kč	113,331 Kč
Buns/Bread		2 CZK per bun	26,192 Kč	31,757 Kč	38,525 Kč	46,734 Kč	56,665 Kč
Coleslaw		20 CZK per kilo	13,096 Kč	15,879 Kč	19,262 Kč	23,367 Kč	28,333 Kč
Water		1875	22,500 Kč	27,281 Kč	33,095 Kč	40,147 Kč	48,679 Kč
Sweet Potatoes		18 CZK per kilo	23,572 Kč	28,581 Kč	34,672 Kč	42,061 Kč	50,999 Kč
Potatoes		11 CZK per kilo	14,405 Kč	17,466 Kč	21,189 Kč	25,704 Kč	31,166 Kč
<b>TOTAL</b>	<b>516,750 Kč</b>		<b>733,353 Kč</b>	<b>928,039 Kč</b>	<b>1,136,080 Kč</b>	<b>1,230,603 Kč</b>	<b>1,344,446 Kč</b>

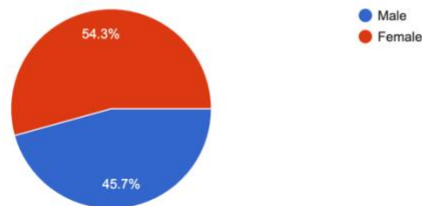


Conservative Projection of Revenue						
	Q1	Q2	Q3	Q4	Year Total	Revenue
Y1	3000	3150	3308	3638	13096	1,636,969 Kč
Y2	3638	3820	4011	4412	15882	1,985,234 Kč
Y3	4412	4633	4865	5351	19261	2,407,592 Kč
Y4	5351	5619	5899	6489	23358	2,919,808 Kč
Y5	6489	6814	7155	7870	28328	3,540,997 Kč

## Survey Questions

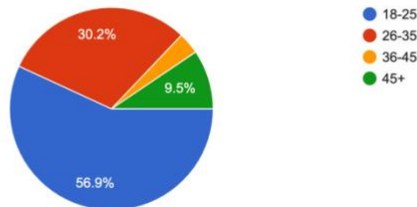
### 1. Gender?

Gender  
116 responses



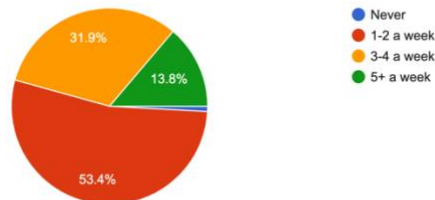
### 2. How old are you?

How old are you?  
116 responses



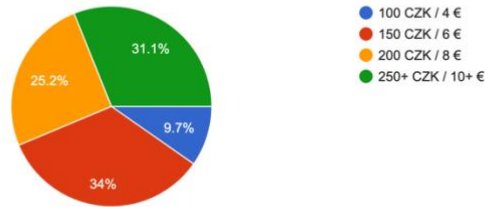
### 3. How often do you eat out?

How often do you eat out?  
116 responses



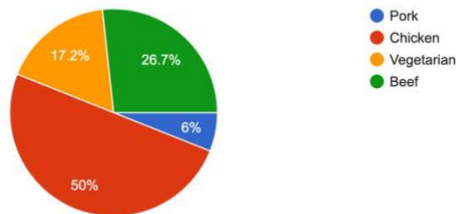
#### 4. Average price spent eating out?

Average price spent eating out?  
103 responses



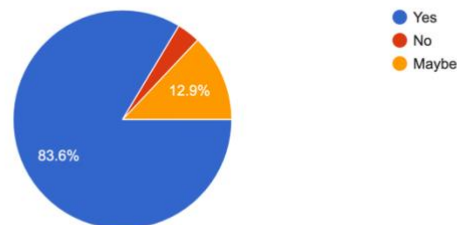
#### 5. What kind of food do you prefer?

What kind of food do you prefer?  
116 responses



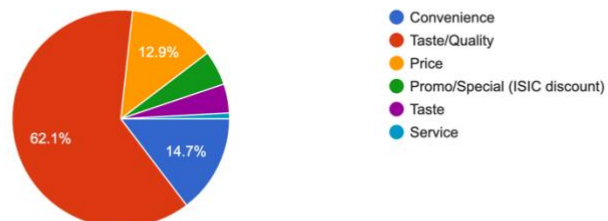
#### 6. Are you willing to try new foods?

Are you willing to try new foods?  
116 responses



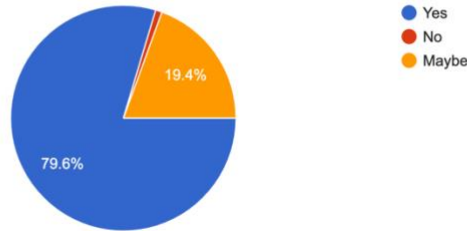
#### 7. If you're going out to eat, how do you decide on the restaurant?

If you're going out to eat, how do you decide on the restaurant?  
116 responses



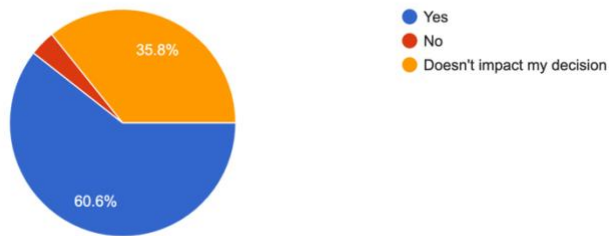
### 8. Are you willing to pay more for quality?

Are you willing to pay more for quality?  
108 responses



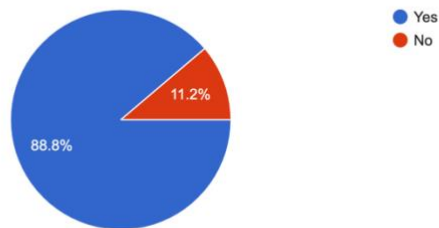
### 9. Are you more likely to support a business if they are eco-friendly/sustainable?

Are you more likely to support a business if they are eco-friendly/sustainable?  
109 responses



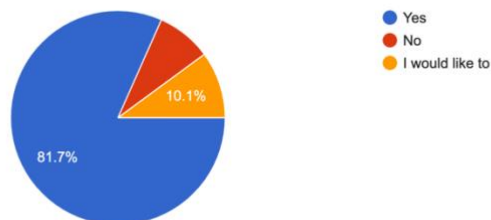
### 10. Have you ever ordered from a food truck?

Have you ever ordered from a food truck?  
116 responses



### 11. Have you attended any Food Truck or Street Food Festival?

Have you attended any Food Truck or Street Food Festivals ?  
109 responses



## 12. If you enjoyed the food, how often would you visit?

If you enjoyed the food, how often would you visit?  
115 responses

