

Czech University of Life Science Prague

Faculty of Economics and Management

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Bachelor thesis

Business Plan for a Chosen Business

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Department of Economics
Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

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Economics and Management

Thesis title

Business Plan for a Chosen Business

Objectives of thesis

The main aim of this bachelor thesis is to create and critically evaluate real business plan on opening a Coffee shop in Prague with regard to legal, administrative and business requirements.

Methodology

Bachelor thesis compiles several research methods. The first part is the result of literary research. As business sphere is rather dynamic environment, the main literature sources must be up-to-date and covering all aspects of doing business.

The analytical part of the thesis contains of quantitative and qualitative researches. First, the research focuses on the analyses of successful business ideas and enterprises in the sphere of food and beverage services. We analyse know-hows in this sphere of business, which currently attract clients and are quite unusual.

Secondly, qualitative research contains interview with one of the managers of similar coffee shop in Prague in order to understand necessary legal, administrative and financial framework for conducting food and beverage business.

Thirdly, thesis contains analysis of legal and law background in the Czech Republic and obligatory steps to constitute one's business.

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Business plan, entrepreneurship, PEST, SWOT analyses, franchise, marketing and financial plan, budget estimations.

Recommended information sources

1. BERK, J. (2011). Corporate Finance : the Core. Boston : Pearson Education. ISBN: 978-0-273-75601-9
2. BLACKWELL, E. (2008). How to Prepare a Business Plan. London : Kogan Page, 2008, ISBN: 978-0-7494-0
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4. LEACH, C. (2012). Entrepreneurial Finance. South-Western Cengage Learning. ISBN: 978-0-538-48201-1

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Declaration

I hereby declare to have compiled this final thesis “Business plan for a chosen business (opening Coffee shop in Prague)” entirely myself and in accordance with recommendations of my supervisor, that I indicate all the literature and other supporting materials used in the index of bibliography. Therefore I declare that I have not violated any right of third parties while writing my master’s thesis.

Prague, on the 16th of March

Alexandrina Darina

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Business Plan for a Chosen Business (opening Coffee shop in Prague)

Abstrakt

Bakalářská práce se zaměřuje na téma otevření nové kavárny v Praze. Hlavním cílem této bakalářské práce je vytvoření a kritické zhodnocení reálného podnikatelského plánu pro otevření kavárny v Praze s přihlédnutím k právním, administrativním a podnikatelským požadavkům.

Bakalářská práce obsahuje několik výzkumných metod. První je výsledek analýzy odborných zdrojů. Protože podnikatelská sféra je poměrně dynamickým prostředím, hlavní odborné zdroje musí být aktuální a popisovat všechny aspekty podnikání. Analytická část bakalářské práce obsahuje kvantitativní a kvalitativní analýzy. Nejdříve se zaměřuji na analýzu vedení úspěšného podnikání v oblasti gastronomie a pohostinství. Zadruhé, kvalitativní analýza zahrnuje pohovor s jedním z manažerů podobných kaváren v Praze za účelem pochopení právních, administrativních a finančních předpokladů pro vedení podnikání v oblasti pohostinství.

Abstract

Bachelor thesis focuses on the issue of opening a new Coffee shop in Prague. The main objective of this bachelor thesis is to create and critically evaluate real business plan on opening a Coffee shop in Prague with regard to legal, administrative and business requirements.

Bachelor thesis compiles several research methods. The first part is the result of literary research. As business sphere is rather dynamic environment, the main literature sources must be up-to-date and covering all aspects of doing business. The analytical part of the thesis contains of quantitative and qualitative researches. First, the research focuses on the analyses of successful business ideas and enterprises in the sphere of food and beverage services. Secondly, qualitative research contains interview with one of the managers of similar coffee shop in Prague in order to understand necessary legal, administrative and financial framework for conducting food and beverage business.

Klíčová slova: Podnikatelský plán, podnikavost, PEST, SWOT analýza, franchise, marketingové a finanční plán, rozpočtové odhady.

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Introduction

Bachelor thesis focuses on the issue of opening a new Coffee shop in Prague. This topic is of great interest among young entrepreneurs-beginners as this sphere of business is dynamic, easy to establish and operate, and moreover, full of numerous innovations.

Coffee shop business is sort of enterprise, which relates to leisure activities and amusement. A modern Coffee shop is not just a place to have a cup of coffee, it is a place where one can listen to music, enjoy communication with friends and colleagues, spend his free time, read daily newspapers or arrange a meeting. It is a stylish, modern and well-equipped facility, which is popular among young generation of people, business individuals and freelancers. Those are the main factors why consider Coffee shop business a perspective business.

However a good idea is never sufficient for successful performance. The strong will, good knowledge and proper practical skills be also required to run your own business. This is not just the matter of financial knowledge, but necessity to understand the complicity of the business and its key factors: financial, marketing, administrative and legal aspects. That is why thesis contains theoretical and analytical part with description of processes.

The main objective of this bachelor thesis is to create and critically evaluate real business plan on opening a Coffee shop in Prague with regard to legal, administrative and business requirements.

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Thirdly, thesis contains analysis of legal and law background in the Czech Republic and obligatory steps to constitute one's business.

1 Theoretical background for creation of business plan

1.1 Basic concepts of entrepreneurship and starting new business

Starting a new business involves a number of problems. Their actualization is primarily caused by the fact that creation and development of one's own business is connected with the high degree of risk, and therefore relatively high probability of bankruptcy. As evidence of this fact it can be mentioned that approximately 60 to 80% of new businesses fail and close. (J. R. Schermerhorn, *Exploring Management*, p. 436) However, experience shows that a business can be developed with avoiding some fatal errors if the process of adoption of certain management decisions is carefully planned and prepared. One of the key conditions of the possibility to start a business is a high degree of dynamism of the market, which in turn generates the emergence of economic niches.

The process of organizing a new business usually has the following sequence (L. T. Kamara, *New Business Beginners' Guide: Tools for a New Business*, p. 15).

Determining the structure of business objectives

This process of structuring business goals is extremely important for several reasons. Firstly, it is necessary to explicate the real target set of one's own business. Setting goals requires a relatively objective assessment of one's positive and negative qualities. There are a few questions a businessman should ask himself and answer them frankly enough. Whether you are the initiator of this business? What is your degree of conformity, namely how will you build a system of relationships with partners and employees? Are you resolute in making decisions? Is your psychophysical potential strong enough for successful managing the business and for overcoming all emergency situations? How well do you plan and organize your business? Is your desire to follow selected target enough strong? What kind of business should you choose?

Usually the best business for you is the field in which you are most interested in, and also the one you already have skills for. Before choosing a specific area, you can consult on the potential of various businesses in a concrete area. If your skills match the capabilities of the local market, your chances of success will increase.

Forming a business plan

The need of developing a business plan is dictated by the fact that before starting a new business, the first stages of development of the business should be clearly marked. In economic terms this document clearly displays your activity and determines your ideas. Its components are current account, balance sheet, profit and loss, cash flow analysis, etc. This will help you to distribute the money properly, cope with unexpected difficulties and make the right decisions. In addition, a business plan will provide the necessary information about the purpose of your business those economical subjects cooperating with you, your suppliers, etc.

Detailing your business activities through economic plan will help to build the whole scenario of the case, to take into account the nuances or possible transformations in the market and will form the basis for the adoption of non-standard solutions in cases of crisis.

Analysis of the necessary conditions of effective business

There are four requirements, by observing which one can achieve success in a small business:

- Good management practices;
- Experience in industrial production;
- Technical support;
- Capacity planning.

It is extremely difficult for entrepreneurs-beginners to start their own business, because in reality, many of these conditions in the early period are very far from ideal. Understanding this contradiction must be sufficiently clear and overall strategy for the development of your company must necessarily be aimed at meeting the above requirements. To analyze the conditions for effective business it is expedient to evaluate your experience and skills honestly, then find partners or hire core staff, in order to compensate your lack of experience and knowledge. It is also important to answer the

question whether your business partner will help your success? The presence of a business partner is not a guarantee of success, but if you need practical experience of managing or start-up capital, the right choice of partner is one of the best possible solutions.

1.2 Basic requirements

1.2.1 Personality and characteristics of entrepreneurs

One of the key factors of success in business is the personality of an entrepreneur himself. In addition to the personal qualities, the entrepreneur should have a set of specific knowledge and skills in the area in which he operates. (J. L. Fisher, J. V. Koch, Born, Not Made: The Entrepreneurial Personality, p. 53) It is clear that, for example, for a successful entrepreneurship in the sphere of financial operations, a businessman must have at least a minimum set of knowledge in the field of finance, credit and accounting, and the person who decided to organize the production of furniture, must have a minimum technical education. However, these limitations are not determinative.

One of the undoubted positive personality traits of entrepreneurship is his leadership qualities. A leader is a person who, while satisfying his own selfishness, implements the public interest. Developing his own activities, a leader distributes wealth and provides employment to hundreds of people. At the same time a leader stimulates progress in society and contributes to the revitalization of the economy, which gives rise to the evolution of society.

Analysis of literature related to the activities of entrepreneurs shows that among the various personality traits we can identify five most important:

- independence;
- ambitions;
- perseverance;
- diligence;
- resistance (Table 1).

Table 1. Personal qualities of successful entrepreneurs

Intellectual abilities	Personality traits	Acquired skills
<ul style="list-style-type: none"> • Development of logical thinking • Insight • Originality of thought • Curiosity • Ability to assimilate new knowledge and skills • Intuition • Literacy 	<ul style="list-style-type: none"> • Initiative • Flexibility • Penchant for creativity • Courage • Self-confidence • Independence • Ambitions • Adequate self-esteem • Invigor • Reliability • Authoritativeness • Independence 	<ul style="list-style-type: none"> • Ability to enlist one's support • Ability to cooperate • Ability to gain popularity and prestige • Ability to express thoughts • Tact and diplomacy • Ability to assume the risk and liability • Ability to organize others • Persuasiveness • Ability to understand humour • Ability to understand people

Source: own creation

First quality, **independence**, in a global sense can be defined as the human desire to determine their own life, to choose their own goals and means to achieve them. The presence of such personality trait is one of the most important conditions for success. Entrepreneurs are primarily those people who are not satisfied with their role of an employee who lacked independence within their previous work. If we recall the concept of Maslow, we can say that entrepreneurs are people with particularly pronounced need for self-actualization. (J. Adair, Leadership and Motivation: The Fifty-Fifty Rule and the Eight Key Principles of Motivating Others, p. 89)

Ambition is also an important quality that helps novice businessman to overcome any obstacles in his path to success. It is interesting to note that people's attitude towards this personal quality varies greatly in different cultures. For example, in western societies such as the U.S., it is estimated as a virtue, and in the eastern - often as a drawback, at least it is often talked about such people with conviction. Nevertheless, ambition, i.e. increased self-esteem and belief in success, gives a person extra strength and helps to cope with difficulties.

Perseverance in connection with business means the desire to do everything possible to succeed and a willingness to make certain sacrifices for it. Perseverance in terms of business sphere reflects the fact that an entrepreneur lives for his business, he only thinks about it.

Diligence as a personal quality fully characterizes many successful people in the business. They work not only because they want to earn more money, but because they enjoy the process of labour and it gives them pleasure.

Resistance towards troubles in life consists of two components: the ability not to get discouraged if something goes wrong and the ability to extract the positive experience of failure.

Successful **strategic idea** is what distinguishes a successful company from mediocre, outstanding leader - from copycat of ideas of others. The main strategic idea of many successful businessmen is that they do not base a business on their desires, but on the needs of people who paid for the performance of their desires. Thus, the desire of people to communicate with each other has led to increased wealth of cellular companies, people's desire for health enriched pharmaceutical companies, and a desire for entertainment has generated show business industry. At the same time, trying to think big, the manager must understand that sometimes annoying small mistake can ruin the most ambitious venture. Therefore, a wise leader also thinks about the little things.

Enthusiasm is what infects emotions and makes perform feats of labour. No great project was carried out only on the basis of cold calculation. Trust in the future, belief in success, pride of the organization, joy of joint labour - all these factors greatly increase the resource of an organization, and all of them come from its leader. At the same time, only enthusiastic feelings and emotions will not get the company far. When the time of inspiration and emotional rush ends, it's time for logic and calm confidence in the correctness of the chosen way.

Doing business is not possible without risk, so an increased tendency to risky behaviour is a normal feature of the entrepreneur. However, an entrepreneur should be aware that the risk can be justified and unjustified. In the first case, a man is ready to make some decisions in the face of uncertainty, if he sees that the probability of success is high enough.

1.2.2 The main rules and principles of successful private business

Private-owned business is represented by companies owned by private investors, shareholders or owners. In contrast to state-owned companies, private enterprises do not have any share of the state in their stock, and are completely owned by individual entrepreneurs running their activities on the market, mostly for commercial purposes. Therefore, taking into account this factor, it should be understood that private enterprises do not have the support of the state which exists in state-owned companies. As a result, they are deprived of the support which the state provides to public corporations, and therefore their levers on the market are much narrower. However, individual businesses are generally more flexible and easily adapt to the market conjuncture thanks to their independence from centralized planning, and the highest role of individual skills and initiative for reaching financial success.

All private enterprises have their organizational form: sole proprietorship, partnership, or corporation. Small companies running their activities on the market under the form of sole proprietorship have only one shareholder, but may employ other persons on a contractual basis. Such companies are most often small enterprises. Partnerships are medium or small businesses having two or more stockholders who share their responsibility and liabilities under the charter and association rules of the company. Finally, corporations are large companies which have substantial financial resources and impact levers to influence the market conjuncture. Such companies mainly act on the international level, and their activities are of a wide scope (Brain Hartz. How to Start a Midwife (private) Business (Beginners Guide), pp. 120-122).

Regardless of the organizational form used, all private companies follow a set of principles which ensure their most effective functioning on the highly competitive market. Such principles are as follows:

- Optimum balance between costs and profits. Each company has to find the optimum point at which its profits are maximized through the best ration between revenues and costs. Such point may differ on each particular market and the conditions currently existing on it, external conditions, activities of competitors, fluctuations of demand, and so on;
- Effective use of resources available. Each company acts on the market with limited resources, and has to use them in the most effective way. Otherwise, it

would risk of losing its position against the competitors due to the deterioration of its financial condition (John Egan, Mr Des Wilson. *Private Business-Public Battleground: The Case for 21st Century Stakeholder Companies*, pp. 185-186);

- Initiative and innovation. Private-owned companies generally have to be innovative in their nature, and have to employ their entrepreneurial resources to the maximum. In contrast to state-owned companies which often aim only to maintain a certain degree of effectiveness at the same time meeting the current level of customer demand, private entities always seek market expansion and enhancement of their financial indicators, which is impossible without market innovations which have lately become a key competitive advantage on the international market (Robert T. Slee. *Private Capital Markets: Valuation, Capitalization, and Transfer of Private Business Interests*, pp. 159-160).
- Adaptability to demand and market conjuncture. As private companies do not have the support of the state, they are much more vulnerable to negative external shocks as compared with public companies. Therefore, they have to be more flexible and to adapt more freely and quickly to the changing conditions of the market conjuncture for the purpose of not losing their market positions (Frank Dornseifer. *Corporate Business Forms in Europe: A Compendium of Public and Private Limited Companies in Europe*, pp. 147-148).
- Tax optimization. In order to be successful on the market, private companies have to seek all possible options for minimizing their costs. As one of the main cost items is taxes, it is important for corporations to take measures for the purpose of minimizing the tax burden. Such measures should always be legal and bring the maximum effect through the use of possible tax optimization options.
- Customer response. Private companies have to always focus on the needs and wants of the market, and their activities should always be customer-driven. This is the only option for private companies to boost their production and not to lose competition to their rivals. It is also worth noting here that customer needs and wants may change with the course of time, and private companies should also monitor the situation on the market (Morten Ougaard, Anna Leander. *Business and Global Governance*, pp. 101-102).

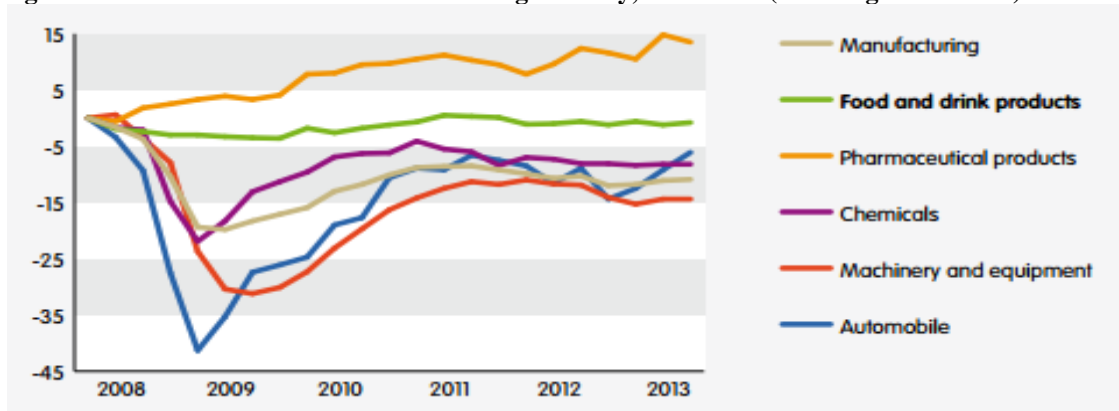
- Financial transparency. As private companies often have to raise external investment for funding their market activities, they need to be attractive to prospective investors. This can only be achieved through the provision of reliable and accurate financial reports and accounting statements, so that the final decisions of investors are weighted and comprehensive. In the long run, financial transparency to a large extent predefines private companies' market value (Robert T. Slee. *Private Capital Markets: Valuation, Capitalization, and Transfer of Private Business Interests*, pp. 160-161).

1.2.3 Trends in food and beverage business in Europe

When investigating the trends on the European market of food and beverages, it is worth understanding that this market sector is very specific. Food products often have a limited period of consumption, and their production is strictly regulated by both the national legislation of the European countries and the All-European standards adopted within the framework of the European Union. Due to this, the competitiveness on the market of food and beverages is very specific, and the structure of the supply-demand relations requires a particularly wise managerial approach for the purpose of satisfying the needs of customers with top-quality products within short periods of time (John Cousins, David Foskett, Cailein Gillespie. *Food and Beverage Management*, pp. 20-21).

As of 2012, the European industry of food and beverages remained the EU's largest market sector in terms of both turnover and the number of employed workers. Thus, the sector's total turnover made up 1,048 billion euros, i.e. 14.6% of the total EU industrial production turnover. Also, the sector provided 15.5% of the total jobs in the European Union with 4.2 million people employed in aggregate (Materials of the FoodDrinkEurope Association, 2014).

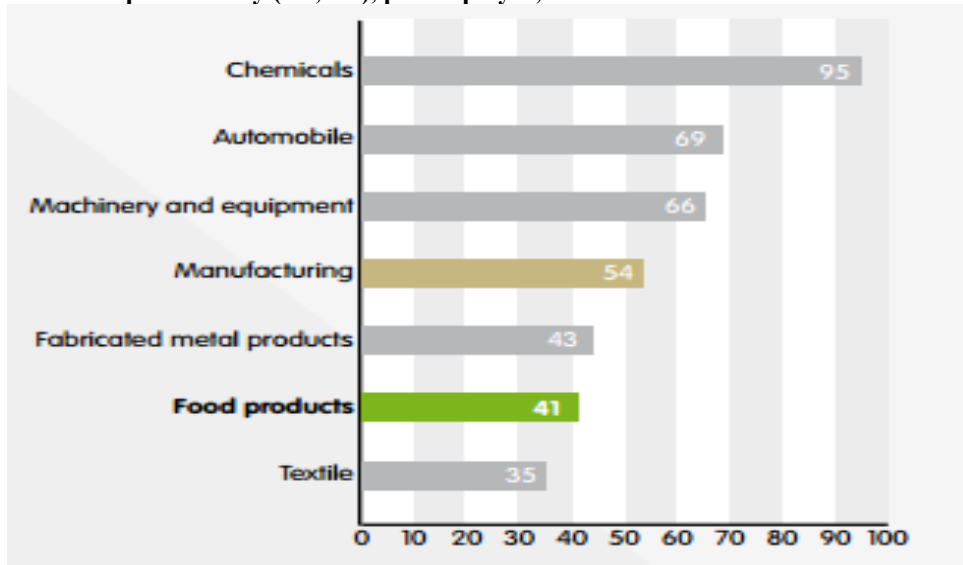
Figure 1. Production in the EU manufacturing industry, 2008-2013 (% change since 2008)



Source: Materials of the FoodDrinkEurope Association, 2014

As we can see from Figure 1 above, the level of production in the European food and drink industry has lately remained stable, and hasn't shown any sharp increases or declines, in contrast to other industry sectors of the European Union. This testifies that this market sector of the EU shows constant production parameters, and the market is not vulnerable to drastic fluctuations or negative external shocks. This can be explained by the fact that food products represent the primary needs of any person, and therefore they are purchased at all times, regardless of the economic situation in any particular country. However, the fact that there is no increase in the level of production rather testifies that the level of consumption on the European Union's domestic market is rather limited, which can be explained by the ageing of the population, and the overall lack of its growth, due to which the quantitative needs of the population remain generally unchanged (John Cousins, David Foskett, Cailein Gillespie. *Food and Beverage Management*, p. 82).

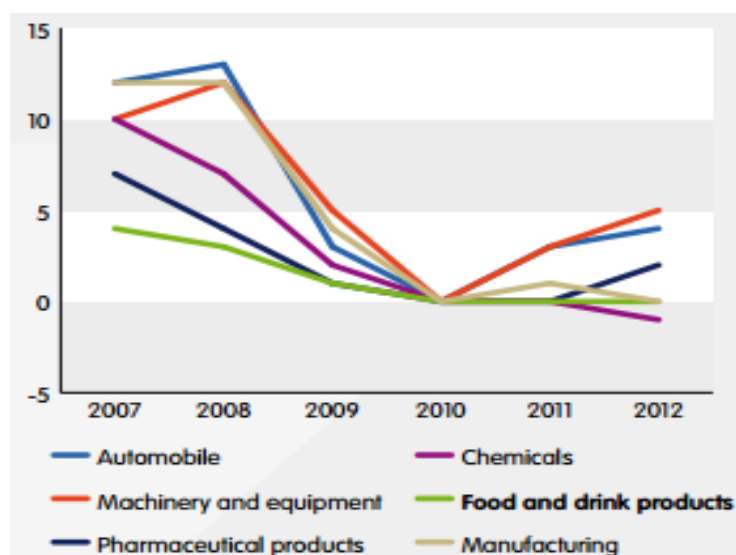
Figure 2. Labour productivity (€ 1,000), per employee, as of 2012



Source: Materials of the FoodDrinkEurope Association, 2014

Figure 2 above illustrates that the productivity of labor per employee in the sector of food and beverages in the European Union is among the lowest as compared with other industry sectors. As we can see from the chart, productivity in the food and drink industry of the EU is only higher than in the industry of textile, while other branches have much better indicators of work performance per employee in financial terms. This is mainly predefined by the fact that most food products require few processing, in contrast to the technological production field where the value added by employees is higher.

Figure 3. Employment in the EU manufacturing industry, 2007-2012 (% change relative to 2010)



Source: Materials of the FoodDrinkEurope Association, 2014

Figure 3 above depicts how the level of employment in the European food and drink industry has changed in recent years. As we can see from the chart, prior to 2008, the year of the global financial and economic crisis, the level of employment in the sector had been considerably higher, however it slightly declined by 2010. Since the year 2010, there have been no changes in the aggregate employment in the EU food and beverages sector which correlates with the indicators of production illustrated on Figure 1. To the contrary, other industry sectors have lately shown some positive dynamics which can be explained by the current market conjuncture.

Figure 4. Average number of persons employed per company, as of 2012 (Materials of the FoodDrinkEurope Association, 2014)

Average number of persons employed per company	
Automobile	110
Chemicals	42
Machinery and equipment	30
Food products	16
Manufacturing	14
Fabricated metal products	9

Source: Materials of the FoodDrinkEurope Association, 2014

Figure 4 above shows the average number of persons employed by a company in different fields of the European industry. As we can see, an average food and drink enterprise in the EU employs 14 persons. This highlights the high role of small and medium enterprises in the development of this market sector in the European Union.

Figure 5. SMEs in the EU food and drink industry (%), as of 2012

	Micro-companies (% in total)	Small companies (10-19) (% in total)	Small companies (20-49) (% in total)	Medium-sized companies (% in total)	Total SMEs (% in total)
Turnover	8.2	5.2	9.7	28.5	51.6
Value added¹	8.9	6.1	9.2	24.6	48.8
Number of employees	16.9	9.6	11.7	26	64.3
Number of companies	78.8	10.8	5.8	3.8	99.1

Source: Materials of the FoodDrinkEurope Association, 2014

Figure 5 above further reveals the statistics related to small and medium enterprises involved in the field of food and beverages in the European Union. As we can see from the chart, in aggregate, SMEs account for over ½ of the total of the food and drink sector, and provide almost ½ of the sector’s value added. At the same time, they employ almost 2/3 of the sector’s employees. Moreover, it is particularly worth noting that the number of micro-companies employing less than 10 persons is very high, and reaches the share of 78.8% of the total number of companies running their commercial activities on the market. This testifies the high role of SMEs in the development of the European food and drink sector.

Figure 6. EU food and drink industry trade statistics, in million euros (Materials of the FoodDrinkEurope Association, 2014)

	2009	2010/2009	2010	2011/2010	2011	2012/2011	2012
Export	53,731	📈 21.5%	65,301	📈 16.6%	76,150	📈 13.2%	86,227
Import	50,781	📈 9.3%	55,479	📈 13.5%	62,974	📈 0.4%	63,230
Balance	2,950		9,822		13,176		22,997

Source: Materials of the FoodDrinkEurope Association, 2014

As we can see from Figure 6 above, in 2012, the total exports of food and beverages from the European Union reached over 86 billion euros, while the imports to the European market made up slightly over 63 billion euros. Those statistics prove that the European food and drink companies are powerful enough to satisfy the demand on the European Union’s domestic market, and to further export products to the markets of other geographical regions and countries. Therefore, in the sector of food and

beverages, the EU has a positive foreign trade balance, which contributes to the positive financial indicators demonstrated by the European industrial production sector.

Figure 7. Top EU food and drink industry corporations by sales, as of 2013

Name	Headquarters	Sales (€ billion)	Main sectors
Nestlé	CH	74.9	multi-product
Anheuser-Busch InBev	BE	31	beer
Unilever Plc/Unilever NV	NL/UK	24.1	multi-product
Groupe Danone	FR	21.3	dairy, water, baby & med. nutrition
Heineken N.V.	NL	18.4	beer
SABMiller Plc	UK	16.9	beer
Lactalis	FR	15.7	dairy
Diageo Plc	UK	13.3	alcoholic beverages
Associated British Foods	UK	10.8	sugar, starch, prepared foods
Friesland Campina	NL	10.3	dairy
Vion	NL	9.5	meat, ingredients
Carlsberg	DK	9	beer
Arla Foods	DK	8.5	dairy
Pernod Ricard	FR	8.2	alcoholic beverages
Ferrero	IT	8.1	confectionery
Südzucker	DE	7.9	sugar, multi-product
Danish Crown	DK	7.6	meat
Sofiprotéol	FR	7.3	vegetable oils, multi-product
Kerry Group	IE	5.8	multi-product
Tereos	FR	5	sugar, multi-product
Oetker Group	DE	5	multi-product
Red Bull	AT	4.9	beverages

Source: Materials of the FoodDrinkEurope Association, 2014

Figure 7 above provides an overview of the top corporations running their activities on the European Union's market of food and beverages in terms of their sales. As we can see from the chart, the highest position is held by the Swiss corporation Nestlé which produces the widest range of food and beverages for the population. With almost 2.5 times smaller sales, the second position on the European food and drink market is held by Anheuser-Busch InBev, the Belgian beer producer. The third place is held by the Dutch/British multi-product corporation UniLever. Other prominent companies of the European food and drink industry include the French Groupe Danone, Dutch beer producer Heineken, British beer producer SABMiller, French manufacturer of dairy products Lactalis, and so on. Here, it is worth noting that all major corporations of the European Union's industry of food and beverages are incorporated in developed

Western European states, and none of the top corporations have their headquarters in Central, Eastern Europe or on the Balkans. This highlights the current market conjuncture in this sector, and the predominance of major Western European transnational corporations.

The coffee market is one of the segments of the market of food and beverages. On this market, different types of coffee are produced and sold, namely green (unroasted) and roasted types of coffee. The greatest areas of coffee production around the globe include Latin America and Western Africa, and the world's leading countries in terms of coffee production are Brazil, Vietnam, Indonesia, Colombia, Ethiopia, Peru, etc. Coffee is mainly distributed through major supply chains around the globe which include companies producing coffee, exporters, and local distribution stores and outlets where coffee is sold. Another major distribution chain is the food service establishments such as cafes or restaurants where coffee is sold as a beverage, in its ready-to-consume form (Gavin Fridell. *Fair Trade Coffee: The Prospects and Pitfalls of Market-driven Social Justice*, pp. 151-153).

The European coffee market is totally dependent on the imports of raw coffee beans from Latin America and Africa, while European companies running their activities on this market segment are involved in coffee processing and its subsequent sales on the EU market (Christopher M. Bacon. *Confronting the Coffee Crisis: Fair Trade, Sustainable Livelihoods and Ecosystems in Mexico and Central America*, pp. 260-261).

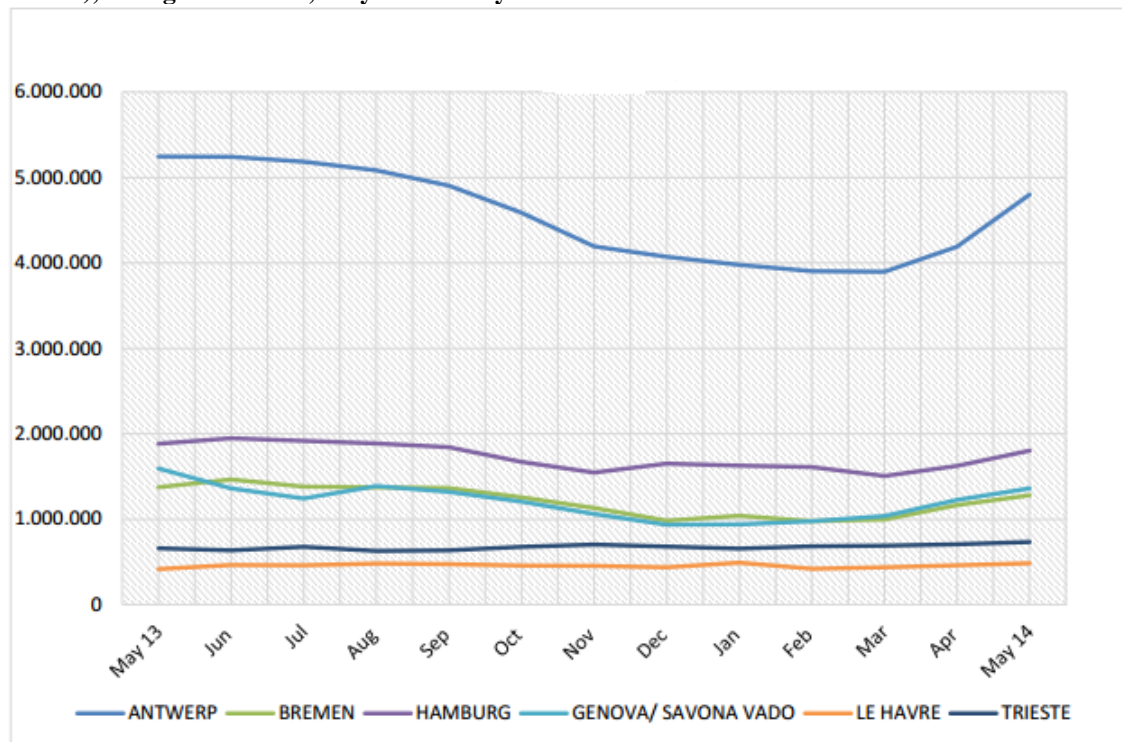
Figure 8. Per capita coffee consumption in the EU, in kg, as of 2013

Per capita coffee consumption - in kg -			
	2010	2011	2012
<i>European Union</i>	4,89	4,82	4,84
Austria	6,45	7,95	9,00
Belgium	4,78	5,09	4,96
Bulgaria	3,21	2,94	3,10
Croatia	5,11	5,10	5,02
Cyprus	4,03	4,33	4,53
Czech Republic	2,67	3,24	3,86
Denmark	8,72	8,20	8,60
Estonia	4,84	3,10	4,84
Finland	12,07	12,17	12,00
France	5,42	5,63	5,43
Germany	6,72	6,85	6,40
Greece	5,37	5,52	5,81
Hungary	2,25	1,08	1,52
Ireland	2,15	2,37	2,80
Italy	5,73	5,62	5,63
Latvia	2,83	2,93	2,95
Lithuania	4,35	3,55	3,66
Luxembourg	27,33	24,59	24,40
Malta	1,72	2,17	2,93
Netherlands	4,86	3,27	4,96
Poland	3,39	3,20	3,04
Portugal	4,60	4,82	4,73
Romania	2,18	2,21	2,34
Slovakia	3,72	4,28	2,21
Slovenia	6,00	6,05	5,36
Spain	4,20	4,06	4,41
Sweden	7,81	7,14	7,31
United Kingdom	3,03	2,81	2,80

Source: Materials of the FoodDrinkEurope Association, 2014

As we can see from Figure 8 above, in the structure of per capita coffee consumption in the European Union, the greatest share belongs to Luxembourg, with 24.4 kg of coffee per person per year. The levels of yearly coffee consumption per person are also high in Finland (12.07 kg), Denmark (8.6 kg), Sweden (7.31 kg), and so on. Thus, as we can see, the average volume of coffee consumption within the framework of the European Union is higher in the countries of Western Europe, where the purchasing power of the population and the national wealth are considerably higher than in the newer EU member states.

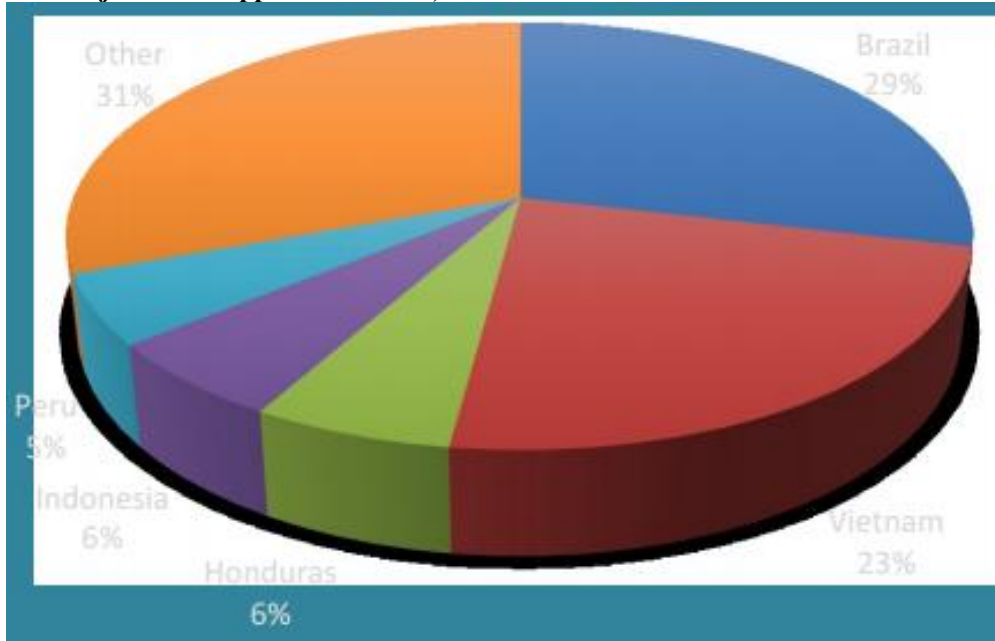
Figure 9. Total coffee stocks per port (Antwerp, Bremen, Genova, Hamburg, Le Havre and Trieste), in bags of 60 kilos, May 2013 - May 2014



Source: Materials of the European Coffee Federation, 2014

As Figure 9 above illustrates, in 2013-2014, the volumes of coffee stocks in major European ports remained rather stable. The only considerable decline occurred in November-March 2014 with the stocks of coffee in Antwerpen. However, already by May 2014, the stocks of coffee in the port were again replenished.

Figure 10. Major coffee suppliers to the EU, as of 2013



Source: Materials of the European Coffee Federation, 2014

Figure 10 above depicts the geographic structure of coffee imports to the European Union. As we can see from the chart, Brazil accounts for 29% of the total coffee imports to the European Union, and thus is the EU's greatest partner in this market sector. Vietnam's share in the aggregate coffee imports to the European Union is slightly smaller, and makes up 23%. Honduras and Indonesia account for 6% each, and the share of Peru amounts to 5%. Thus, as we can see, the greatest volumes of coffee coming to the European market are imported from either Latin American or Asian countries.

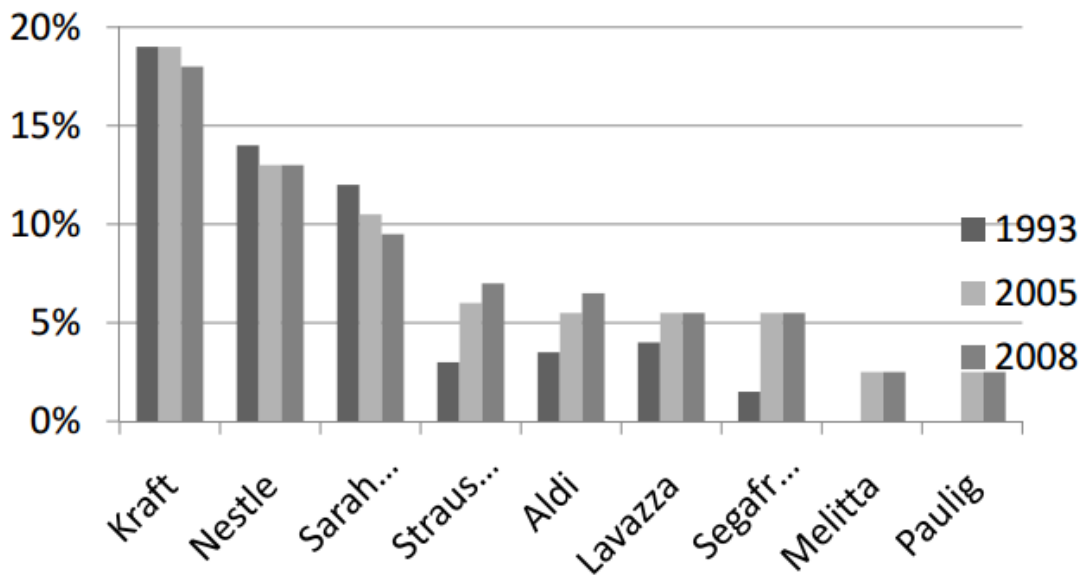
Figure 11. EU coffee imports by type of coffee, in %, as of 2013

	2012	2013
Arabicas	62,4	62,8
Brazilian Naturals	30,8	31,8
Colombian Milds	5,5	7,0
Other Milds	26,1	24,0
Robustas	37,4	37,1
Other/Unknown	0,1	0,1
Total	100,0	100,0

Source: Materials of the European Coffee Federation, 2014

Figure 11 above shows the structure of the European Union’s coffee imports by types of coffee. The greatest share in imports belongs to arabicas, among which Brazilian naturals account for the greatest volumes. In total, as of 2013, the share of arabicas made up 62.8%, while robustas only accounted for 37.1% of the European Union’s total imports. At the same time, the share of other types of coffee was very small in the overall structure of imports to the EU, and only made up 0.1%.

Figure 12. Top corporations on the EU coffee market, by sales, in 1993-2008



Source: Materials of the European Coffee Federation, 2014

Figure 12 above shows the main competitors on the European coffee market in terms of sales. As we can see from the chart, the greatest share in coffee sales on the territory of the European Union belongs to the American corporation Kraft Foods which in 2008 accounted for almost 20% of the total coffee sales in the EU. The second place is held by the Swiss corporation Nestlé, one of the global leaders on the market of food and beverages. Those corporations are followed by the British Sarahs, Israeli Strauss, Italian Aldi and Lavazza, etc.

The competition on the market of coffee in the European Union is very high among major transnational corporations involved in this field, but the market is overall very oligopolized, and those corporations are in fact the only suppliers of coffee to European retailers and restaurant chains. To the contrary, on the segment of coffee supply chains to the end consumers, competition is rather free, as the market is not dominated by any

major companies, and therefore there are no significant barriers for the entry of new market actors. Thus, it is worth noting that the impact of small and medium enterprises on the development of coffee supply chains in the European Union is very high, and they play a key role in the effective servicing of customers on that market segment (Gavin Fridell. Fair Trade Coffee: The Prospects and Pitfalls of Market-driven Social Justice, pp. 199-202).

1.3 Business Plan

1.3.1 Description and characteristics of business plan

Business plan is a document that describes all major aspects of entrepreneurship, analyzes the major challenges that a businessman may face, and identifies the main ways to solve these problems. (L. T. Kamara, *New Business Beginners' Guide: Tools for a New Business*, p. 2) Business plan is necessary to develop a strategy of funding and attract a particular investor under certain conditions to participate in the creation of a new business or finance a new production program.

Writing a business plan undoubtedly contributes to internal company management, as it is developed on the basis of setting goals and methods for their practical implementation, as well as linking financial, material and human resources. It forces managers to analyze and predict the situation, examine the firm's capabilities in order to be able to make more informed decisions. Professional preparation of business plan allows investors to save money and reduce the probability of bankruptcy.

Business - plan is necessary for entrepreneur himself in order to thoroughly analyze his ideas, test them in terms of reality. It is also needed for investors and future partners in the negotiations and company employees when signing contracts, who want to understand the perspectives and challenges.

There are several requirements for writing a business plan. First of all, the work must be clear and simple and should have a clear structure. The plan should contain compelling information about the entity's ability to make a profit. Secondly, business plan should be written by a professional and divided into logical chapters. In case of inability to assess the situation objectively, a company should hire a specialist for making a business plan. Finally, a business plan should respect the rule of confidentiality.

1.3.2 Structure of business plan

In this chapter, I would like to describe the structure of a business plan. It should be noted that a unique technique of preparing a business plan simply does not exist, however there is a list of mandatory items that a standard business plan must contain (L. T. Kamara, *New Business Beginners' Guide: Tools for a New Business*, p. 5).

1. Panoramic section containing a short description of the project
2. Company description - description of future business as seen by the entrepreneur
3. Product description - characterization of the provided service or product
4. Market analysis - analysis of competitors and market segments in general
5. Production plan - Realization of a project step by step
6. Marketing plan - a description of marketing methods used and distribution channels of service or product
7. Financial plan - plan of financing a project
8. Project analysis - additional project evaluation conducted by specialists
9. Annexes - tables, graphs, charts, etc.

Any proposed form of a business plan only gives a general idea. Every business has its own characteristics, therefore, there can not be a kind of "standard" business plan acceptable in all cases. However there is one universal principle of making any business plan: it should always be brief. Sometimes to adequately disclose the problem, a business plan can be quite lengthy, but at the same time it should not be too overloaded so that the reader does not abate interest. Most of business plans are limited to 10-20 pages. Submitted content of a business plan is nothing more than a scheme. Nevertheless, it contains all the main points that should be provided.

2 Application part

2.1 Representing the idea of a Coffee shop (design, location, idea, innovations)

The coffee shop I would like to investigate for the purposes of my analysis is the Russian chain Coffee House. The coffee shops of the chain function in the Russian Federation and Ukraine, and have a very good reputation on the market. The market of the Czech Republic represents a prospective geographic segment for Coffee House's expansion in Central Europe. Taking into account the company's experience and market reputation, it would have the required preconditions for the successful start of its business in the Czech Republic, and therefore it is worth investigating this business initiative more in detail, and develop the entire concept, staff requirements, marketing and financial plans for Coffee House in the Czech Republic.

First of all, it is worth noting that the main audience of Coffee House is represented by young people with average income. It is not a fast food restaurant, and Coffee House offers high-quality services to its customers. However, at the same time, it is not a restaurant in its pure form, as the prices offered are moderate for restaurants. The range of food products offered includes different types and sorts of coffee and tea, and various confectioneries offered as desserts. Also, establishments working under the Coffee House brand offer salads and light meals, but do not offer any full-fledged restaurant menus, as the main focus is put on coffee. Thanks to this, the restaurant is particularly popular among entrepreneurs who often choose it as a place for their meetings and conversations. This should be taken into account when promoting the brand to the Czech market.

Another particularly important detail is that the Coffee House restaurants always hold separate buildings, as they cover a great area, and they are only located in major cities of Russia and Ukraine (Moscow, St. Petersburg, Kyiv, etc.), as only in the large economic centers, there is sufficient demand for the company's products.

Based on the information above, in my opinion, the best location for opening a Coffee House restaurant in the Czech Republic would be Prague. With its population of over two million people and the high level of economic activities, Prague would represent the best opportunities for the highest development of the coffee chain, with the preservation of its business profile and key business priorities. The customers living

in Prague have a significant level of the purchasing power, and therefore Coffee House wouldn't be likely to face any difficulties with the customer base.

The best location in Prague would be city center, in close proximity with historical sites, shopping malls and business centers. The prices for the lease of premises and utility charges are the highest here, but at the same time, such location would maximize the prospective profits of Coffee House, taking into account the specificities of this chain. It is particularly worth understanding here that Coffee House is not a pure restaurant which may be located in the suburbs, and still get enough clients coming specifically to take meals at this establishment. To the contrary, similarly to fast food restaurants, Coffee House is largely dependent on the flow of visitors coming to take a cup of coffee or meal when being busy with their own affairs.

The design should be kept in line with the original brand design of Coffee House used in the Russian Federation and Ukraine. I.e. the design used should be contemporary, but still moderate, with lounge and jazz music played on the background, and with the use of plants in the interior. This combination has already proven itself to be effective in the Coffee House chain in the CIS countries, and it should be kept in Prague as well. The personnel should wear the same black-and-red uniform which is the corporate uniform currently used in all the establishments of the restaurant chain. This is important for promoting brand values and spreading the company's popularity in the Czech Republic.

The menu used in the Czech coffee shop should be the same, probably with some additional involvement of Czech snacks or other similar meals, but without any major changes. The purchases of the different types and sorts of coffee in the Russian Federation and Ukraine are currently done from Swiss suppliers, and such supplies are made by road transport via EU member states. Therefore, the supply chain currently existing may be effectively used, and might even further improve the existing logistics system, as the coffee beans may be supplied to Russia and Ukraine via the Czech Republic. Other products may be purchased from the Czech suppliers.

The prices for coffee and meals should be kept at the average level for the purpose of positioning the company as a coffee shop standing close to the level of restaurants, without any services similar to fast food. It is particularly important for promoting the idea of the coffee shop as a place of meeting for young people fond of coffee and for entrepreneurs who wish to comfortably discuss their idea drinking a cup of coffee.

The main innovations which may be used in the work of the Czech branch of Coffee House may be connected with the types of coffee offered. Namely, the Russian and Ukrainian menus lack some sorts of coffee drinks which are very popular in the countries of Central and Western Europe, for instance, the Vienna yolk coffee. Further expanding the product range for the purpose of meeting the demand of the Czech customers may be an effective way to boost the company's image in the country, and effectively expand its activities in the new region.

Finally, the first coffee shop in Prague should be used for further enlarging the chain in the Czech Republic, as the similar concept may prospectively become an effective way of business development in other major Czech cities such as Plzeň, Liberec, etc.

2.2 Staff requirements

The staff hired by Coffee Shop should include only high-quality trained specialists in the field of restaurant service, and namely in the field of coffee shops. The main technical vacancies to be fulfilled include waiters and baristas, and other technical professionals such as cleaners. The main managerial vacancies include the Czech regional manager responsible for the development of the Czech Coffee Shop chain, the local manager of the Prague coffee shop, and other managerial positions such as the chief accountant officer, the chief legal officer, and so on.

As for the managerial positions, apparently, the best option would be to hire local Czech Russian-speaking professionals in the field of restaurant business. It would be the best way to ensure effective communication with the Russian headquarters, and would also allow effectively promoting the Czech coffee shop thanks to the manager's knowledge of the Czech market, and the particularities of the local customers' demand on this segment. However, when speaking of the manager responsible for the development of the entire Czech regional segment (which would be a key goal in case of the effective results shown by the first coffee shop in Prague), it is worth noting that an expatriate may be used as well, however it would be best to choose a person acquainted with the Czech culture and business approaches, or even with an experience of living in the Czech Republic.

The persons hired to the managerial positions need to have special higher education, and the diplomas from universities in the respective fields of activities. Also, they

should have an extensive experience of work in other restaurants (preferably coffee shops in the Czech Republic). It would also be good to get their positive recommendations from previous employers for the purpose of ensuring the highest quality of their performance on the respective positions. It is also essential that the head of the Russian headquarters' HR department holds extensive interviews with the prospective candidates for managerial positions in the Prague branch of Coffee House in order to ensure that all those candidates comply with the legal and substantial requirements imposed by the management of the corporation. In the long run, this will allow ensuring the managerial staff's compliance with the corporate values and standards of Coffee House.

As for the technical specialists, they should be divided into three groups: cleaners and other technical staff which may be required (for instance, electricians, technicians, drivers, and so on), waiters, and baristas and cooks. The requirements to the first group of staff should be the lowest, as in fact those are professions which do not require any significant level of skills, and are the least paid. Here, there should be no age restrictions or any other similar limitations.

The second group is more important in the context of the requirements imposed on them, and their direct participation in the formation of Coffee House's brand image. Waiters hired for work at the Czech coffee shop should be young people showing great sociability and amicability, i.e. those which are able not only to service the guests, but also to offer them some positive emotions. It would be possible to hire students for part-time job as waiters, as students are most often suitable for this kind of work, and it is generally easier to find applicants for similar positions among students.

As for baristas and cooks, those people are responsible for making the coffee and cooking the meals, and therefore the requirements to them should be the strictest. It would be best, if those persons had special education in cookery and gastronomy, or at least an extensive experience of work at restaurants or coffee shops. However, in the case with baristas, it is possible to hire untrained persons. The process of coffee-making is quite complex, and it requires specific skills. Therefore, untrained persons hired as baristas would have to undergo special training with the equipment and techniques to be used. Thereafter, baristas and cooks should be acquainted with the menus offered at Coffee House, and with the products to be used. This is important in order to ensure that they are able to provide the guests with the highest level of services.

Also, it is important to provide all staff members with similar uniform kits in order to promote the brand image of Coffee House in the Czech Republic. The staff hired should be not only the employees used for the performance of specific functions, but also a tool to promote the corporate values of the coffee chain, and the brand's key market parameters. In the long run, all staff hired should be able to comply with the internal requirements of the company, and should also be able to withstand stresses, as the coffee shop would prospectively have large inflows of guests.

2.3 Marketing plan and estimations

2.3.1 The target group of clients

The customers representing the target group for Coffee House are people fond of different sorts of coffee drinks, and people coming to the restaurant during their leisure time, for holding meetings or conversations in a relaxed atmosphere. This should be taken into account when planning the company's marketing activities on the Czech market aimed at promoting the brand in the region, and expanding its customer base.

Coffee House's clients can be conditionally divided into several target groups for the purpose of better adapting the company's market activities to the specific needs of each particular group.

The first target group of clients is represented by students and other young people. Such customers are mostly aged 18 to 25. Those are clients with the average level of income able to afford visiting the company's restaurants. Representatives of this group mostly see Coffee House as a place for their meetings, and not as a coffee shop where they can taste different sorts of coffee. They may come to Coffee House restaurants only passing by, or when they have some spare time. It is also a suitable place for dates, and so on. At the same time, the establishment has nothing to deal with fast food restaurants, and provides much larger private space, as the tables are located on a significant distance, similarly to pure restaurants, and the buildings are not too much crowded. Due to this, Coffee House is often chosen for private conversations and discussions between young people. The representatives of this group most often take some coffee or tea and desserts.

The second target group of customers is entrepreneurs and businessmen who see Coffee House as a perfect place for their meetings and discussions of business or other similar

issues. Taking into account the planned location of Coffee House in the center of Prague, where economic activity is traditionally the highest, this group of clients may become particularly important for the company in financial terms. It is worth understanding the particularities of this group. First of all, the clients included in it rarely come to Coffee House when just passing by the restaurant. To the contrary, most often, this is done on purpose, and the tables are booked beforehand, as those clients pre-arrange their meetings in advance. Also, they orders also differ. Most often, they take some meals in addition to coffee. The age of the client in this group may significantly vary, from 20 to 50, and the people included in it have revenues above the average.

The third and last group of Coffee House clients is coffee lovers who come to the restaurants of the chain for the purpose of enjoying drinking different sorts and types of coffee. Those customers see Coffee House as a specialized restaurant establishment offering high-quality coffee drinks which are unavailable in most other restaurants or cafes. Such clients are the most exigent with regard to the quality of coffee, and pay the highest attention to the gourmet parameters. This is in contrast to other groups which mostly Coffee House as a restaurant for meetings. The age of the clients included in this group may significantly vary as well, but most often, those are people older than 30.

All the three target groups of customers are essential for Coffee House, and the company should undertake maximum efforts in order to satisfy all their specific needs. This is also crucial on the market for further expanding the company's activities, namely to other Czech cities.

2.3.2 Basic methods of promotion of a Coffee shop

For the purpose of promoting Coffee House in the Czech Republic, the following promotion methods may be effectively used:

- Loyal reward program. This technique may be effectively implemented using discount cards or other similar data carriers. For instance, a discount card may be offered to a client ordering coffee or meals for a particular amount. Subsequently, when the customer repeatedly comes to the restaurant, he will get discounts for the amount accumulated on his card, or will get a percentage discount on the meals or drinks ordered. The discount may be growing with the

increasing aggregate amount of orders made by the client. Also, special cards may be used for collecting points which may thereafter be exchanged for meals or coffee, or for some special prizes offered by the restaurant. The loyal reward program is a crucial mechanism for attracting the customers' attention, and making them opt toward Coffee Shop, and not choose the restaurants of competitors. This is particularly important on the first stage, when the company needs to form its customer base in the Czech Republic, but may be effectively used thereafter as well;

- Bonus packs deal. There are different options following which bonus packs deals may be effectively used by Coffee House for promoting its activities in the Czech Republic. The company may offer different combinations of coffee drinks or meals with some additional drink or meal offered to the customer for free or with a discount. For instance, if the client offers three cups of coffee, he will get the fourth cup for free. Similarly, when the client offers two cups of coffee, he will get a cheesecake for free. Such combinations may vary and include different meals offered for different combinations. When people come to the restaurant together in companies, they will be interested in using the option of getting some meals for free. Thus, bonus packs deals would obviously represent an important promotion technique for boosting Coffee House's popularity on the Czech market;
- Contests and games. Here, there may be a wide variety of tools to be used for promoting Coffee House through contests and games. Namely, the restaurant may organize contests among its visitors on a regular basis (for instance, once a week), or on a daily basis, during certain working hours. In this case, for instance, clients coming to the restaurant from 7 to 9 PM may participate in a lottery or quiz allowing getting a meal or coffee drink for free. The quiz may include questions related to the history of coffee or to the activities of Coffee House. Such contests would allow effectively popularizing the brand of Coffee House, and position the company as friendly and amicable toward its clients. There may also be other options of contests, for instance, online competitions among the customers of Coffee House which would be organized for the same purposes and in similar ways. It is particularly important to focus on the online promotion of the restaurant, as the target clients of Coffee House are mostly

young people actively involved in the activities of various social networks and online communities. For instance, prizes may be given to the people who first share photos with some particular coffee drinks in Coffee House of Foursquare, Facebook or Instagram, or to those who get a particular number of reposts or likes for their announcement about Coffee House in online social communities;

- Kids eat free specials. This promotion technique may be effectively used for attracting the attention of people who come to the restaurant with their families. For instance, if the adults order some particular meals of coffee drinks, their child will get a dessert for free. This may be an important promotion tool for raising the popularity of Coffee House in the Czech Republic, and rapidly expanding the restaurant's customer base.

All of the aforementioned promotion techniques may be very effectively used for promoting the brand of Coffee House in the Czech Republic, especially if they are effectively combined at once.

2.4 Financial plan for the establishment of a Coffee shop

For the purpose of preparing a detailed financial plan with the financial estimates comprising all incomes and expenses borne by Coffee House Prague, it is worth investigating in detail the main items of expenditures, and the potential income generated by the company in such circumstances. Such a detailed financial plan should describe the initial investment required for the entity to launch its activities in Prague, and the standard expenses borne by the company in the course of its activities. The difference between the potential income and such expenses will testify the actual level of profitability which can be reached. Based on the values of profitability, it is particularly worth investigating where the break-even point will occur in order to understand how much time the company will need to return its initial investment, and start gaining real profits from its operational activities.

The estimated initial investment required to be made by Coffee House Prague prior to the start of its commercial activities on the Czech market makes up 340,000 US dollars. This amount will be spent on the equipment required for the company to run its activities, namely on professional bean-to-cup coffee machines, refrigerators, juice extractors, TV sets, and so on, i.e. the entire range of equipment needed to ensure the

full scale of the coffee shop's activities for satisfying in full the demand of the Czech customers residing in Prague.

In addition to the initial investment, Coffee House Prague will bear other expenses throughout the course of its activities. First of all, it is worth noting that the company will be purchasing materials from suppliers. Such materials will include coffee beans, fruit, salads, tea leaves, confectionery, and other products to be used for cooking the dishes for the coffee shop's guests. The amounts spent on such materials will vary throughout the year, depending on the actual level of demand during different months. Thus, traditionally, in summer months, the level of consumption of hot drinks decreases, and therefore the company will be likely to decrease its purchases of materials from suppliers during this period. To the contrary, in autumn and winter months, the sales of coffee and tea drinks tend to grow, as the level of their consumption increases.

Another important item of expenditures will be labor costs. Such costs will include all expenditures borne by Coffee House Prague for paying the wages to its employees. It is planned that the company's wage fund will remain the same in 2015, and will make up 32,000 US dollars per month. In 2016, if the company reaches its plan figure, the wages of its staff will be increased, and the aggregate wage fund will make up 36,000 USD per month.

Each month, the company will be liable to pay rent for the premises it leases for the coffee shop. On the first stage it is not effective to purchase a building for the company's coffee shop, as this would require significant initial investment. Therefore, the company should better rent the required premises. The rental agreement will be concluded for a period of three years, and therefore the monthly expenses borne by the company for paying rent will remain proportionate throughout this period. They will make up 13,000 US dollars per month.

Transport costs will be borne by the company for transporting the required materials from suppliers' warehouses. Such costs will insignificantly vary in different months as a result of the variations in the physical volumes of goods to be transported.

Also, the company will pay legal expenses to its legal advisors on a regular basis for the purpose of ensuring the compliance of its activities with the legislation in force of the

Czech Republic. In the second year, the expected amount of legal expenses will increase from 750 US dollars to 850 US dollars per month.

Finally, the company's expenses will include the depreciation of its equipment. Depreciation will be calculated under the straight-line method. Therefore, the monthly amount of depreciation borne by Coffee House Prague will be the same in both 2015 and 2016. The expected service period of the equipment makes up 6 years, and therefore the monthly amount of its depreciation will make up approximately 4,722 US dollars.

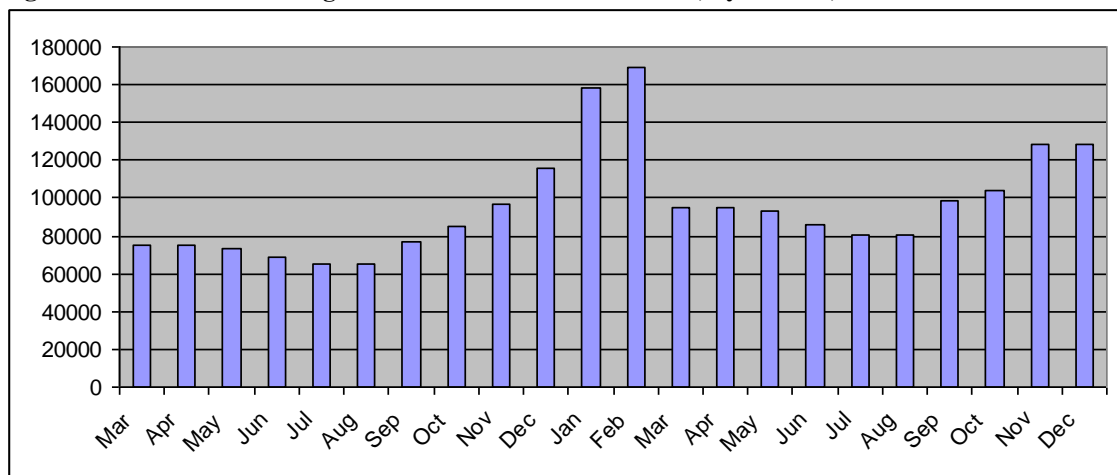
Table 2. Estimation of the key financial indicators of Coffee House Prague, in US dollars

Year	2015											
Quarter	1			2			3			4		
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Initial investment		34000 0										
Material costs			75000	75000	73500	68300	65000	65000	77000	85000	96800	11540 0
Labor costs			32000	32000	32000	32000	32000	32000	32000	32000	32000	32000
Rent of premises			13000	13000	13000	13000	13000	13000	13000	13000	13000	13000
Transport costs			1750	1750	1680	1600	1400	1400	1825	1890	1935	2100
Legal expenses			750	750	750	750	750	750	750	750	750	750
Depreciation of equipment			4722	4722	4722	4722	4722	4722	4722	4722	4722	4722
Total costs			127222	127222	125652	120372	116872	116872	129297	137362	149207	167972
Total revenues			148650	148650	146700	143350	135000	135000	151170	159600	163470	188090
Gross profit			21428	21428	21048	22978	18128	18128	21873	22238	14263	20118
Corporate profit tax (19%)			4071	4071	3999	4366	3444	3444	4156	4225	2710	3822
Net profit			17357	17357	17049	18612	14684	14684	17717	18013	11553	16295
Balance as of the end of the period		- 34000 0	- 32264 4	- 30528 7	- 28823 8	- 26962 6	- 25494 3	- 24025 9	- 22254 2	- 20453 0	- 19297 7	- 17668 2
Year	2016											
Quarter	1			2			3			4		
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Material costs	15867 0	16890 0	95000	95000	93200	85600	80500	80500	98550	10390 0	12800 0	12800 0
Labor costs	36000	36000	36000	36000	36000	36000	36000	36000	36000	36000	36000	36000
Rent of premises	13000	13000	13000	13000	13000	13000	13000	13000	13000	13000	13000	13000
Transport costs	2850	3350	2300	2300	2270	2150	2100	2100	2600	2680	2900	2900
Legal expenses	850	850	850	850	850	850	850	850	850	850	850	850
Depreciation of equipment	4722	4722	4722	4722	4722	4722	4722	4722	4722	4722	4722	4722
Total costs	21609 2	22682 2	15187 2	15187 2	15004 2	14232 2	13717 2	13717 2	15572 2	16115 2	18547 2	18547 2
Total revenues	24701 7	26350 0	17865 0	17760 0	17950 0	16740 0	16287 5	16887 5	18693 0	19453 5	22022 0	22563 5
Gross profit	30925	36678	26778	25728	29458	25078	25703	31703	31208	33383	34748	40163
Corporate profit tax (19%)	5876	6969	5088	4888	5597	4765	4884	6024	5929	6343	6602	7631
Net profit	25049	29709	21690	20840	23861	20313	20819	25679	25278	27040	28146	32532
Balance as of the end of the period	- 15163 2	- 12192 3	- 10023 3	-79394	-55533	-35220	-14401	11278	36557	63597	91742	12427 4

Source: own creation

Table 2 above shows the key expected financial parameters of Coffee House Prague’s activities on the Czech market in the first two years – 2015 and 2016. As can be seen from the data given in the table, Coffee House Prague will be subject to corporate profit taxation at the interest rate of 19%, which should be taken into consideration when evaluating the net profit margin of the company’s business activities. The last row in the table shows the balance of the month end taking into account the company’s initial investment for revealing the break-even point, and thus the period required for returning the coffee shop’s initial investment.

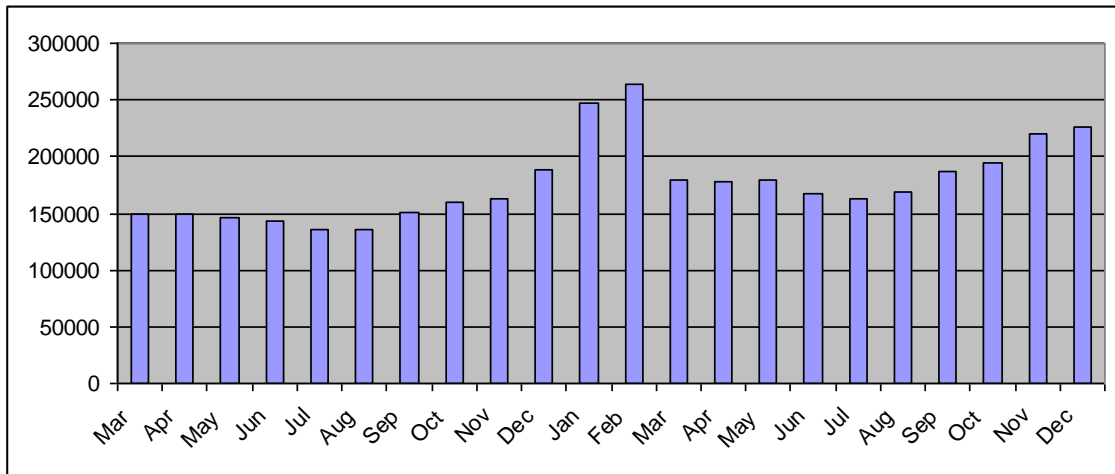
Figure 13. Coffee House Prague’s material costs in 2015-2016, by months, in US dollars



Source: own creation

Figure 13 above illustrates the dynamics of Coffee House Prague’s material costs in 2015-2016. As can be seen from the chart, there are two visible peaks when the company’s material costs are expected to reach their maximum. As it has already been stated earlier in this thesis, such peaks are due to the natural variation in the level of consumption of hot drinks based on the particular season. Thus, as Table 2 and Figure 13 show, the first peak in the company’s material costs will be reached in winter 2015-2016: in December 2015, the company’s material costs will make up 115,400 US dollars, in January 2016 and February 2016, they will amount to 158,670 and 168,900, respectively. The second peak should be expected in November-December 2016, when the company’s material costs will be expected to make up 128,000 US dollars in each month. Obviously, during those peak periods, the company’s sales will be expected to grow as well as a results of the increased seasonal consumption of hot coffee and tea drinks.

Figure 14. Coffee House Prague’s revenues in 2015-2016, by months, in US dollars

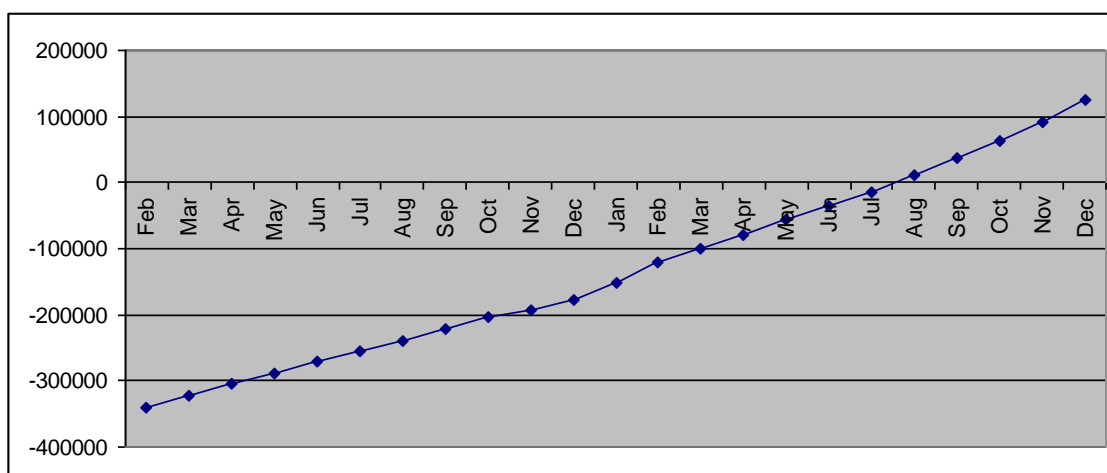


Source: own creation

Figure 14 above depicts the expected dynamics of Coffee House Prague’s revenues in the period from 2015 to 2016. As we can see from the chart, those dynamics generally correlate with the expected distribution of the company’s material costs by time intervals. Thus, in January and February 2016, the values of revenues will make up 247,017 and 263,500 US dollars, respectively; in November-December 2016, those figures will make up 220,220 and 225,635, respectively.

It is particularly worth noting here that the data presented in Table 2 and on the graphs above obviously testify that the company’s activities will be expected to bring profits throughout all months of the analyzed period, as in each month, the expected revenues significantly exceed the expected amounts of aggregate expenses. This is definitely a positive forecast for the company, as it testifies that Coffee House Prague’s activities are expected to be highly effective on the market, and therefore the company will be able to return the investment made quite rapidly.

Figure 15. Coffee House Prague’s net balance in 2015-2016, by months, in US dollars



Source: own creation

Figure 15 above illustrates the net financial balance of Coffee House Prague in the first two years of its activities on the Czech market. As we can see from the chart, thanks to the constant profits generated in all months of the company’s activities, Coffee House Prague will be likely to return its investment and start generating further profits already in the month of August 2016. Thus, for returning its investment, Coffee House Prague will require 17 months. Taking into account all the expenses borne by the company and its initial expenses, after those 17 months, the company will be likely to start generating net profits. This payback period is rather short, and this is definitely a positive sign for the coffee shop, as it means that Coffee House Prague will be able to return its initial investment and generate net profits quite quickly after the start of its activities, and therefore the company’s financial condition will be stable and strong.

Table 3. Coffee House Prague estimated profitability in 2015-2016, in US dollars

	2015	2016	Absolute change	Relative change
Total costs	1318052	2001187	683134	52%
Total revenues	1519680	2372737	853057	56%
Gross profit	201628	371550	169923	84%
Corporate profit tax (19%)	38309	70595	32285	84%
Net profit	163319	300956	137637	84%
Net profit margin	10,75%	12,68%	1,93 p.p.	18%

Source: own creation

Table 3 above presents the data relate to the profitability of Coffee House Prague’s activities in the first years of its existence. As can be seen from the table, in 2016, the aggregate amount of the company’s costs will increase by 52%, while its revenues will grow at an even higher pace of 56%. Thanks to this, the profit levels of the company will increase by 84%. In 2015, the company’s net profit (not taking into account the initial investment) will be likely to make up 163,319 US dollars, and thus the net profit margin will amount to 10.75%. Already in 2016, the level of net profit will make up 300,956 US dollars. Thanks to this, Coffee House’s profit margin will increase by 18%, and will reach the figure of 12.68%. Those expected tendencies are definitely positive for Coffee House Prague, as they testify that the company’s net profitability will only increase in the second year of its activities, and the absolute value of net profit will increase over 137 thousand US dollars.

Table 4. Coffee House Prague’s planned cash flows structure in 2015-2016

Form of settlements	2015		2016	
	Customers	Suppliers	Customers	Suppliers
Payment in arrears	100%	30%	100%	20%
Advance payment	0%	10%	0%	8%
Deferred payment				
30 days	0	45%	0	52%
60 days	0	15%	0	20%

Source: own creation

Table 4 above presents data regarding the structure of Coffee House Prague’s cash flows in 2015-2016. As can be seen from the table, all customer payments are made in arrears which is due to the specificities of the company’s business. At the same time, the structure of outgoing payments to suppliers is much more diverse. Thus, in 2015, the company will be expected to make 30% of its payments to suppliers in arrears, 10% - as advance payments, and 60% - as deferred payments (45% - with a delay of 30 days, and 15% - with a delay of 60 days). In 2016, this structure will be likely to change. Thus, the share of advance payments will be likely to decrease by 8 percentage points, and the share of payments in arrear – by 10 percentage points. At the same time, the share of deferred payments will be likely to grow by 18 p.p. in aggregate (payments with a delay of 30 days – 7 p.p., payments with a delay of 60 days – 5 p.p.). This

tendency is definitely positive for the company, as it testifies that in the second year of its business activities on the Czech market, Coffee House Prague will be likely to increase the amount of circulating assets available thanks to the decrease in the shares of arrear and advance payments. Thanks to this, the company will get an opportunity to manage all its activities more effectively, and thus to get overall higher market results.

Table 5. Coffee House Prague planned asset structure in 2015-2016

Balance Sheet item	As of February 2015	As of the end of 2015	As of the end of 2016
Non-current assets	340000	292780	236116
Current assets	0	45900	44000
Total:	340000	338680	280116

Source: own creation

Table 5 above presents data related to the planned asset structure of Coffee House Prague in the first two years of the company's activities on the Czech market. As can be seen from the table, the absolute values of the company's total assets are expected to fall in the analyzed period. Thus, as of the end of 2016, Coffee House Prague's total assets will be likely to make up 280,116 US dollars, which is almost 60 thousand less than as of February 2015 when the initial investment is to be made. Such a decrease is due to the decrease in the value of Coffee House Prague's non-current assets. As it has already been stated earlier in this chapter, as those assets are subject to depreciation, their balance sheet value will drop, and as company doesn't plan to buy new equipment in the first two years of its activities, the value of its total assets will fall as well. At the same time, the value of current assets will be likely to remain relatively stable, and will be connected with the inventories stored by the company for servicing its customers' needs.

3 Suggestions and recommendations

Overall, the financial plan drawn up for Coffee House Prague shows that the expected economic output of the company's business activities run on the Czech market is expected to be high. Despite the large amount of initial investment, thanks to the high profitability of its activities, the coffee shop will be able to return its investment and start generating net profits already in the second year of its activities. Such a payback period is very small, especially in the coffee shop business, and therefore this testifies that the business project offered for launching the business of Coffee House in the Czech Republic is potentially very attractive and beneficial in financial terms. Also, it is particularly worth noting that the company's net profit margin is only expected to further grow after the break-even point is reached. This only proves that Coffee House Prague's activities will become more profitable in the future, and the financial benefits gained by the shareholders will grow. Therefore, it can definitely be stated that the financial plan presented above is economically grounded, and the company could effectively implement it in its activities on the Czech market.

The company should particularly focus on the promotion methods and techniques analyzed in the previous chapters for the purpose of maximizing the attractiveness of its establishment for customers. The financial plan described above assumes the preliminary marketing campaign aimed at making the Czech customers acknowledged with Coffee House's brand and products. Without the effective promotional campaign, the company won't be able to reach the planned high market results.

Also, in its market activities, Coffee House Prague should particularly focus on the structure of its assets, and should tend to minimize the share of arrear and advance payments for increasing the amounts of circulating funds available for financing the company's activities. This can only be reached through effective partnership ties with the company's suppliers, and therefore the company should build up close cooperation with them.

Conclusion

In the current conditions of globalization, the degree of competition between companies tends to grow at a very rapid pace. As a result, companies are forced to seek substantial market advantages to withstand the impact of their competitors and further expand their market activities. In such circumstances, innovations and entrepreneurial skills play a prominent role in reaching success on the market.

Entrepreneurial skills assume that the founders of business need to invest their own talent, creativity, and analytical abilities for the purpose of driving their entities' growth. Without the initiative and audacity inherent of entrepreneurs, it would be impossible for businesses to effectively compete on the market, and therefore this factor is essential in the activities of companies as of today.

In addition to their skills, entrepreneurs also need to thoroughly evaluate all the risks they incur in their business activities, and thus compare the actual and expected figures of income and expenses for the purpose of guaranteeing the highest effectiveness of their respective entities' activities. This can be achieved through the preparation of financial plans covering all financial indicators related to corporate activities, and thus allowing making wise managerial decisions based on grounded forecasts of the outcome of the respective company's activities in future periods.

In the practical part, we have analyzed the example of the Russian coffee chain Coffee House from the perspective of its potential activities on the Czech market. This brand isn't yet represented on the local market, but it fits well for the Czech business environment, and therefore opening a coffee shop of the chain in Prague would potentially be an effective option for the corporation.

We have tested this affirmation by drawing up a financial plan for Coffee House Prague's activities on the Czech market. The figures obtained show that the company's activities on the Czech market could be very effective, and even despite the large amount of initial investment required, already in the second year of its business operations in Prague, the company will be likely to reach the break-even point. By compiling this financial plan, we have proven that Coffee House should indeed consider the possibility of launching its coffee shop in Prague, as such activities could bring significant financial benefits.

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