

**+851Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Diploma Thesis**

**Business Plan Mexican Restaurant Prague**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## DIPLOMA THESIS ASSIGNMENT

Eng. Jesus Sanchez

Business Administration

Thesis title

Business Plan: Mexican Restaurant Prague

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### Objectives of thesis

Business Plan Mexican Restaurant Prague

- Develop a deep analysis of the Mexican restaurant industry in Prague
- Determine the feasibility of establishing a new Mexican restaurant in Prague
- Develop an new original concept of Mexican restaurant to be established in Prague

### Methodology

Business Plan Mexican Restaurant Prague

The Methodology used on the Business Plan will be based on the Canvas model. This model is considered to be dynamic with a very flexible approach suitable for new entrepreneurial efforts.

The aggregate value of this model is to provide in one general view all the relevant components require for the business.

**The proposed extent of the thesis**

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**Keywords**

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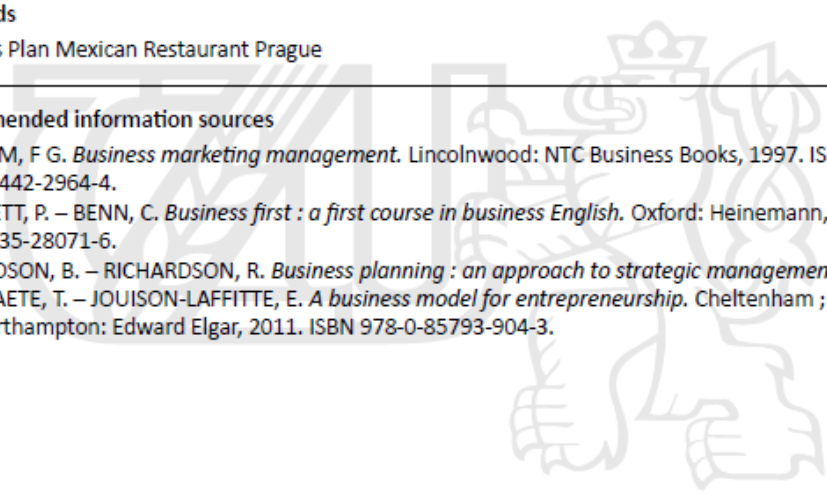
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### **Declaration**

I declare that I have worked on my diploma thesis titled "Business Plan Mexican Restaurant Prague" 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 their person.

In Prague on 31 March 2018

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### **Acknowledgement**

I would like to thank Ing. Karel Malec, Ph.D. for his advice and support during my work on Diploma Thesis and also to dedicate this work to my parents, María Laura Reyes Vazquez and Pablo Sanchez Olguin,, and my brother Pablo Sánchez Reyes that supported me always and specially during this amazing experience of moving to Prague.

# **Business Plan Mexican Restaurant Prague**

## **Abstract**

The following Diploma Thesis will present the elements, opinions and experiences collected by Jesus Sanchez for the last year and a half in the city of Prague; regarding the feasibility of establishing a new concept of authentic Mexican Restaurant in the city.

The information presented is based on Jesus' direct experiences from working for "Prague Beer Museum", "Irish Pub", Mexican Restaurant "El Fossil" and most recently in "Las Adelitas". These experiences represent a huge advantage in terms of getting to know the market, the industry and the potential new business opportunities in the city. In all of these experiences he had direct contact with a good sample of the Prague's market, adequate mix of locals, expats and tourists.

The great acceptance and interest for the Mexican food in Prague, combined with the lack of authenticity and adequate customer service in this restaurant industry, represent a great opportunity to establish this New Mexican restaurant development. It is clear that, in order to be successful, it is mandatory to elaborate a well structure differentiated concept that provides aggregate value to customers based on authenticity represented by tasty quality food and great customer experience.

**Keywords:** Experiences, feasibility, advantage, market, business opportunities, sample, authenticity, customer service, development, customer experience.

# Obchodní plán Mexická restaurace Praha

## Abstrakt

Následující diplomová práce představí prvky, názory a zkušenosti shromážděné Jesusem Sanchezem za poslední rok a půl ve městě Praha; týká se možnosti uskutečnění nové koncepce autentické mexické restaurace ve městě.

Předkládané informace jsou založeny na přímých zkušenostech Jesuse z "Prague Beer Museum", "Irish Pub", mexické restaurace "El Fossil" a v současné době z "Las Adelitas". Tyto zkušenosti představují obrovskou výhodu z hlediska poznání trhu, odvětví a objevení nových potenciálních obchodních příležitostí ve městě. Ve všech těchto pracovních zkušenostech měl Jesus přímý kontakt s dobrým vzorkem pražského trhu, odpovídajícím mixem místních obyvatel, expatů a turistů.

Výborné přijetí mexického jídla v Praze a zájem o něj spolu s nedostatečnou autentičností a odpovídajícím zákaznickým servisem v tomto restauračním průmyslu představují skvělou příležitost k vytvoření této nové mexické restaurace. Je jasné, že pro to, aby byla úspěšná, je nutné vypracovat strukturovanou odlišnou koncepci, která poskytuje zákazníkům souhrnnou hodnotu založenou na autenticitě, chutných a kvalitních jídlech a skvělé zákaznické zkušenosti.

**Klíčová slova:** Zkušenosti, proveditelnost, výhoda, trh, obchodní příležitosti, vzorek, autenticita, zákaznický servis, vývoj, zákaznická zkušenost.

## Table of content

<b>1 Introduction</b>	<b>10</b>
<b>2 Objectives and Methodology</b>	<b>11</b>
2.1 Objectives	11
2.2 Methodology	11
<b>3 Literature Review</b>	<b>20</b>
3.1 Business Plan	20
3.2 Canvas Business Plan Model	21
3.3 Entrepreneurship	22
3.4 A Business Model for Entrepreneurship	22
3.5 International Business Development Strategy	23
3.6 Czech Republic, a “Paradise”	25
3.7 Restaurant Management	27
<b>4 Practical Part</b>	<b>29</b>
4.1 Concept	29
4.2 Analysis	29
4.3 Canvas Business Plan	41
4.4 SWOT Analysis	59
<b>5 Results and Discussion</b>	<b>61</b>
<b>Conclusion</b>	<b>63</b>
<b>References</b>	<b>66</b>
<b>Appendix</b>	<b>68</b>





# 1 Introduction

The city of Prague represents a great Market opportunity for establishing businesses in the present time; the economic and working situation are very suitable for investing in new developments, including in the Mexican/ Latino restaurant industry.

The following Diploma Thesis and basis for the business plan was completed and based on real information sources like direct opinions, interviews and experiences collected by Jesus Antonio Sánchez in the city of Prague. His experiences derive directly from working in local Pubs like Beer Museum and traditional Mexican restaurants like “Las Adelitas” and “El Fossil” for the last year and a half.

The concept of the new authentic Mexican restaurant was develop by MBA Jesus Sanchez and Adrian Asencio, actual owner of four successful restaurants in Mexico, and it is planned to be settle in Prague at the beginning of the following year 2019. This strategic alliance should be very strong and effective when entering a very competitive market and in this case, international industry.

The great acceptance and interest for the Mexican food in Prague, combined with the lack of authenticity and adequate customer service in this restaurant industry, represent a great opportunity to establish this New Mexican restaurant development. It is clear that, in order to be successful, it is mandatory to elaborate a well structure differentiated concept that provides aggregate value to customers based on authenticity represented by tasty quality food and great customer experience.

Additional to these, it is relevant to mention that Jesus is also an active member of the Salsa and Bachata community of Prague, therefore adding this experience to the mix represents a great advantage and opportunity to involve the dancing music concept into this new development.

## **2 Objectives and Methodology**

### **2.1 Objectives**

Determine the feasibility of establishing an authentic Mexican restaurant in Prague  
Develop a new original concept of Mexican restaurant to be established in Prague  
Develop the basis and structure of a real Business Plan for the Mexican Restaurant project.

### **2.2 Methodology**

The Methodology used on the Diploma Thesis is going to be based on building the Canvas Business Plan model for the New Mexican restaurant in Prague. This model is considered to be dynamic with a very flexible approach suitable for new entrepreneurial developments.

The aggregate value of this model is to provide in one general view all the relevant components require for the business. It standardizes the elements of business model and turns them into modules that predictably interact with and influence one another.

#### **2.2.1 Canvas Business Model**

##### **2.2.1.1 The Customer Segments**

The customer segment defines the potential groups of customers or organizations the Business aims to serve and reach. Profitable customers are relevant for any business development that wants to survive in the middle and long term (Index of /temp, 2018).

Once the business identifies the potential customers, it is necessary to segment them into smaller groups with similar needs, attributes or common behaviours, in order to better satisfy their needs. It is important the internal analysis of the business to identify the correct segments they will aim to serve and satisfy the needs; the business model should be carefully designed through a strong understanding of specific customer needs (Index of /temp, 2018).

For developing the customer segments the following questions must be answered:

- For whom are we creating value?
- Who are our most important customers?

The Business model can be focus on targeting the following Market Segments:

a) Niche Market

The specific characteristics of a niche market had already been identified so the business model should focus on driving the Value Propositions, Distribution Channels, and Customer Relationships for satisfying the requirements of the niche market (Index of /temp, 2018).

b) Segmented Market

The market segments identified that present slightly different needs (Index of /temp, 2018).

### **2.2.1.2 Value Proposition**

The Value Proposition is the promise of value for the identified customer, the benefit the customer will get for selecting your proposal by solving a problem or satisfying his need. Each Value Proposition consists of a selected bundle of products and/or services that caters to the requirements of a specific Customer Segment (Index of /temp, 2018).

The unique value proposition should be visible and easy to understand. It should be innovative or may be similar to existing market offers, but with added features and attributes (Index of /temp, 2018).

The value proposition should answer the following questions for the business model:

- What value do we deliver to the customer?
- Which one of our customer's problems are we helping to solve?
- What customer needs are we satisfying?
- What bundles of products and services are we offering to each Customer Segment?

The Value Proposition can be based on the following strategies and characteristics:

a) Newness

Satisfy new set of needs that were not previously perceived because there was no similar offering (Index of /temp, 2018).

b) Performance

Create value through the improvement of the performance of the products or the offered services (Index of /temp, 2018).

c) Customization

Create value through customizing products and services to specific needs of customer segments (Index of /temp, 2018).

d) Design

Create value standing out a product through a superior design compare to competitors (Index of /temp, 2018).

e) Status

Find value generating status for the simple usage or displayment of a particular brand (Index of /temp, 2018).

f) Price

Satisfy the needs of customer segments by offering good quality in product or service at a lower price than the competitors (Index of /temp, 2018).

g) Convenient usability

Create value in the product by focusing on making it more easy and convenient in its usage (Index of /temp, 2018).

### 2.2.1.3 Channels

The Channels in the business model are the drives or paths that the business will use to communicate and reach their customers segments. The main objective is to deliver value proposition through adequate usage of communication, distribution and sales channels that comprise the interface with the customers. The channels are customer touch points that play an important role in the customer experience (Index of /temp, 2018).

For effective communication when developing the channels it is important to identify:

- Through which Channels do our Customer Segments want to be reached?
- How are we reaching them now?
- How are our Channels integrated?
- Which ones work best?
- Which ones are most cost-efficient?
- How are we integrating them with customer routines?

The main functions that the channels serve are the following:

Increasing awareness among customers about a company's products and services  
Helping customers evaluate a company's Value Proposition  
Allowing customers to purchase specific products and services  
Delivering a Value Proposition to customers  
Providing post-purchase customer support

These functions can be identified by the five phases of the Channels process (Index of /temp, 2018):

1. Awareness
2. Evaluation
3. Purchase
4. Delivery
5. After Sales

Businesses can distinguish between their Own Channels or Partner Channels, as well as direct and indirect channels, finding the right mix of Channels to satisfy how customers want to be reached is crucial (Index of /temp, 2018).

Owned Channels can be direct, such as own stores, in-house sales force or a Web site or they can be indirect, such as retail stores owned or operated by the organization. Direct channels usually have higher margins, but can be costly to put in place and to operate. Finding the right balance between the different types of Channels and integrating them in a way to create a great customer experience is the challenge (Index of /temp, 2018).

The Partner Channels are indirect and aim a whole range of options like wholesale distribution, retail, or partner-owned Web sites. It is important to mention that Partner Channels lead to lower margins, but they allow an organization to expand its reach and benefit from partner strengths (Index of /temp, 2018).

Integrating the types of Channels creating the right balance is relevant for maximizing revenues by generating great customer experience (Index of /temp, 2018).

#### **2.2.1.4 Customer Relationships.**

The Customer Relationships section of the business model describes the relationship between the business and the selected customer segments. It is very important that the business have clear the type of relationship they require to have for each customer segment identified (Index of /temp, 2018).

The following questions should be answered when developing the customer relationships for the business:

- What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
- Which ones have we established? How costly are they?
- How are they integrated with the rest of our business model?

The customer relationships should be differentiated in categories based on the type of customer segment targeted by the business:

a) Personal assistance

There is a direct interaction with the customer, it is based on human relationship, where the customer can communicate with the sales representative personally and get advisory during the sales process and after it is completed. This customer relationship occurs on site point of sales locations (Index of /temp, 2018).

b) Self-service

There is no direct personal interaction with the customer; the business is focus on providing the necessary means to the customer in their facilities so that they can make their own choices (Index of /temp, 2018).

c) Automated services

This is a customer relationship that simulates a personal relation with automated processes and a customer self-service. These processes can recognize individual customers with specific characteristics and are able to relate them with the appropriate customized services information for their purchasing decision (Index of /temp, 2018).

d) Communities

This a customer relationship in which businesses are getting more involved with the customers and/or prospects through the development of communities. This allows customers to exchange opinions, knowledge and experiences of their purchases and also allows the businesses to have a better understanding of them, their needs and demands (Index of /temp, 2018).

e) Co-creation

This is a customer relationship in which the main objective for the business is to co-create value directly with the customers. This is a different customer-vendor relationships in which business engage their customers by allowing them to get involve on new developments or creating content for public consumption (Index of /temp, 2018).

### **2.2.1.5 Revenue Streams**

The Revenue section of the business model describes how the revenue is going to be generated from each customer segment for the business. Each Revenue Stream may have different pricing mechanisms, such as fixed list prices, bargaining, auctioning, market dependent, volume dependent, or yield management (Index of /temp, 2018).

When developing the revenue a process is very important to consider the following:

- For what value are our customers really willing to pay?
- For what do they currently pay?
- How are they currently paying?
- How would they prefer to pay?
- How much does each Revenue Stream contribute to overall revenues?

There are different perspectives that a business can approach to generate revenue and they can be consider as follow:

a) Selling Assets

Generation of revenue from selling the ownership rights of an asset or product (Index of /temp, 2018).

b) Usage Fee

Generation of revenue from payment's fees for the usage of a particular service. The range of fees will be determined by the owner based on the usage and the demand of the service (Index of /temp, 2018).

c) Subscription Fees

Generation of revenue from payment's fees derived from continuous access to a particular service for a determine period of time (Index of /temp, 2018).

d) Lending/ Renting/ Leasing

Generation of revenue from payment's fees for the temporary usage of a particular asset for a specific period of time. The lessees are granted the exclusive right to use the asset having limited expenses for that period of time (Index of /temp, 2018).

e) Licensing

Generation of revenue from licensing payment's fees for the usage of intellectual property. Licensing is a business model that allows the owners of the rights to generate revenue without making an investment for production manufacture or for a service commercialization (Index of /temp, 2018).

### 2.2.1.6 Key Resources

The Key Resources section of the business model is where the main assets and resources require for the success of the business are specified. These are the most relevant to achieve the offered Value Proposition to generate the required revenues (Index of /temp, 2018).

It is very important to identify:

- What Key Resources do our Value Propositions require?
- Our Distribution Channels?
- Customer Relationships?
- Revenue Streams?

The Key resources can categorized as tangible and intangible:

a) Physical

The tangible assets of a business that includes raw materials finish products, machinery, vehicles, buildings, infrastructure, etc... (Index of /temp, 2018)



b) Human

The human resources required to operate the business. Their level of qualifications and training requirements can vary depending on business's industry (Index of /temp, 2018).

c) Financial

The financial resources that a business might require for leveraging its operations; these can be stocks, lines of credit, cash and other financial guarantees (Index of /temp, 2018).

d) Intellectual

The intangible assets of a business that includes intellectual property such as brands, patents, knowledge, partnerships, copyrights, customer databases, etc... The intellectual resources are not easy to develop, but when they are success-fully created, they will offer substantial value for the business (Index of /temp, 2018).

### **2.2.1.7 Key Activities**

The Key Activities section of the business model describes the main activities the business requires to perform its operations prominently, achieving the value proposition offered to the customer segments and generating the establish revenues. The Key Activities will differ depending on business model approach (Index of /temp, 2018).

The key activities can be can be categorized as part of new approaches of the market as:

a) Production

The key activities of the business model will focus on offering a final product to a particular segment market. This process can be based on analysing, designing, manufacturing and delivering a product with superior quality and unique characteristics in specific quantities (Index of /temp, 2018).

b) Problem Solving

The key activities of the business model will focus on offering knowledge, management, experience and continuous training. These will relate to coming up with new innovative solutions to particular customer problems. This approach will be applied on service organizations with focus on problem solving activities (Index of /temp, 2018).

c) Network

The key activities of the business model will be related to platform management, service provisioning, and platform promotion as key resources. These resources can be networks, software and platforms required to manage the interface transactions of their operations directly with the customers (Index of /temp, 2018).

### **2.2.1.8 Key Partnerships**

The Key Partnerships section of the business model will be focus on specifying and describing the potential alliances with specific partners and suppliers for the business. These alliances will be relevant for optimizing the operations, assuring resources and reducing potential risks for the business (Index of /temp, 2018).

In order to develop the key partnership alliances it is important to consider the following:

- Who are our Key Partners?
- Who are our key suppliers?
- Which Key Resources are we acquiring from partners?
- Which Key Activities do partners perform?

The key partnerships can be classified depending on objectives that are driven by the specific characteristics of the partners:

#### a) Strategic alliances between buyer-supplier.

The alliance designed to optimize, through economies of scale, the allocation of resources and activities and it is based on the partnership of buyer-supplier. The main objective of this alliance is to reduce costs and it might involve outsourcing particular activities, processes and infrastructure (Index of /temp, 2018).

#### b) Strategic alliances between competitors.

The alliance designed to reduce risk in an environment that is characterized by uncertainty. Competitors can form strategic alliances in specific markets while they compete in others (Index of /temp, 2018).

#### c) Joint ventures

The alliance designed to enhance the strengths of the partners by acquiring resources, knowledge, licences or granting access to specific customers. Partners can extend their own capabilities by relying on others to furnish particular resources or perform certain activities (Index of /temp, 2018).

### **2.2.1.9 Cost Structure**

The Cost Structure section of the business model will be focus on describing the costs incurred to operate the business. Identifying and calculating these costs will come along after defining the Key Resources, Key Activities, and Key Partnerships of the business model. It is relevant to consider all the costs that will incur while creating and delivering value, maintaining the customer relationships, and generating the revenue for the business (Index of /temp, 2018).

In order to develop an accurate cost structure it is important to consider the following:

- What are the most important costs inherent in our business model?
- Which Key Resources are most expensive?
- Which Key Activities are most expensive?

For many business models, it is very relevant to consider strategies that minimize costs as possible, but low costs structures are more suitable for some business than to others. This approach depends on the design of the value proposition of the business; therefore we can distinguish two broad classes of costs structures (Index of /temp, 2018):

a) Cost-driven

Cost strategy structure that focus on minimizing costs as possible, creating and maintaining the leanest cost structure for the business. The main objectives are settled to use low price value propositions, maximum automation and extensive outsourcing (Index of /temp, 2018).

b) Value-driven

Cost strategy structure that focus on value creation and less concern of the costs implications for the business model. Offering a premium value proposition and high personalized services are the priority for generating the revenue objectives of the business (Index of /temp, 2018).

Image 1 Canvas Business Model

## 3 Literature Review

### 3.1 Business Plan

The Business Plan in its most simple meaning is a document that describes what you want to do or develop for a business and the way you are planning to do it. It is important to mention that the business plan can also be an important tool for investment-seeking entrepreneurs who are looking to convey their idea or vision to potential investors, also by companies in attracting new employees, potential new businesses prospects or use also to look for better deals with suppliers (Entrepreneur, 2018).

Statements for developing a Business Plan (Joseph, L., 1988, p.23):

- Examine and consider each and every facet of the venture; the details that will make or break the business.
- Focus the direction of time and resources on the original business objectives.
- Plan the strategy that will allow competing in the marketplace.
- Develop a tangible evidence of concepts, thoughts and research that your business will represents.
- Develop a roadmap that will inform where you are going and how you plan to get there.

The main basic content and structure of a business plan should include the business goals or objectives with their adequate strategies to achieve them, the potential problems or risks that the business might confront together with the potential solutions for them, the internal organizational structure and the financing requirements to venture the whole business (Entrepreneur, 2018).

The business plan should follow four main parts as relevant in its structure (Joseph, L., 1988, p.25):

1. Business Concept
2. Market
3. Unique Features
4. Financial

#### 3.1.1 Business Concept

The products and services that will be offered to the potential market, both the products and services that will be immediately available and future products that will be offered by the business (Joseph, L., 1988, p.25).

#### 3.1.2 The Market

The description of the potential customers: Who are they? Where are they? How are they identified? How do you plan to reach them? Who is going to buy from your business? (Joseph, L., 1988, p.25).

### 3.1.3 Unique Features

The features that will make the product or service stand apart from the competitors (Joseph, L., 1988, p.25).

### 3.1.4 Financial

The financing required for the business and how the funds will be use (Joseph, L., 1988, p.25).

## 3.2 Canvas Business Plan Model

When an entrepreneur has an idea, it is very difficult to capture it on paper and develop it. It is here when the business schools began to be in charge of teaching the companies the right strategies for this initiative to be successful. There were so many business models, but not always the one the entrepreneur's chose fitted their business proposal (Bien Pensado, 2018).

Alexander Osterwalder developed the Canvas Business model based on his earlier book: Business Model Ontology. It outlines several prescriptions which form the building blocks for the activities. It enables both new and existing businesses to focus on operational as well as strategic management and marketing plan. He established it as a real alternative to add value to business ideas. It emerged as an analysis tool that reflects the strengths and weaknesses of a business model, providing a global vision of this quickly and easily (Bien Pensado, 2018).

The Business Model Canvas empowers entrepreneurs to create, visualize and test business models without wasting capital or overcomplicating their approach. The individual elements prompt consideration of a business' full scope, while the layout encourages thought about how the pieces fit together (Bien Pensado, 2018).

This method can be applied to any company and adapts to any type of business strategy. The blocks interact with each other to reflect the logic that a company follows to earn revenue. It clarifies the distribution channels and relationships between the parties, determines the benefits and revenues, and specifies the essential resources and activities that determine the most important costs. Finally, the necessary alliances can be determined to operate and start up the company (Bien Pensado, 2018).

The 9 blocks or the components of the Canvas Business Model are (Bien Pensado, 2018):

1. Customer Segments
2. Value Proposition
3. Channels
4. Customer Relationships
5. Revenue Streams
6. Key Resources
7. Key Activities
8. Key Partnerships
9. Cost Structure

### 3.3 Entrepreneurship

Entrepreneurship can be defined as the activity of accepting the calculated risk of starting a business to make a profit. An entrepreneur is an innovator who organizes, manages and assumes the risks of starting a business. They are special people that may invent a product and has the ability to develop it into a successful business product (G., W., 1990, p.136).

The main motivators that people follow for entrepreneurship are:

- Profit
- Independence
- Opportunity
- Challenge

In order to succeed as an entrepreneur it is very important to identify the managerial and leadership skills, as well as, the personality to assume risks, take the initiative, create the vision and rally other to follow the lead. The following attributes are required to become an entrepreneur (G., W., 1990, p.137):

- a) Self-directed. The attribute to be thoroughly comfortable and disciplined, responsible for success and possible failure.
- b) Self-nurturing. The attribute to stand and believe in the original idea and replenishment the self-enthusiasm.
- c) Action-oriented. The attribute of having the desire to realize, actualize and build the idea into reality.
- d) High energy level. The attribute to be emotionally, mentally and physically able to work long and hard on the business.
- e) Tolerant of uncertainty. The attribute to be able to take risks.

### 3.4 A Business Model for Entrepreneurship

Starting up a new company is never easy because so many factors have to be considered. For example, having devoted considerable time to a project, how can an entrepreneur explain it clearly to an investor when he may have a few minutes to do so, during the initial meeting? The entrepreneur has to convince the investor of the potential of the project so that he / she will invest in it (Verstraete, V., 2012, p. 2).

But first the entrepreneur himself must believe that the project is viable. This will help him to be more convincing. The essential resources for the project are his creativity, energy, motivation, competence in the area, and his network. The entrepreneur will probably also need an office, a patent, a reputation, an employee, financing, and so on. It is likely that the entrepreneur does not possess the diversity of resources for launching the business, so his job is to convince those who have these to share with him (Verstraete, V., 2012, p. 3).

The challenge for the entrepreneur is to develop a Business Model that promotes his idea. The Business Model should be a convention related to the generation of value, its remuneration and the sharing of this remuneration. It is called convention because the

success of a business rests on a collective agreement between all partners to accept the business model. This convention is strongly linked to the concept of value because the business partners want something in return for what they brought to this endeavour, and the more the project offers them, the stronger their desire to join (Verstraete, V., 2012, p. 3).

The value introduced by the project is relative to the market to which it is delivered and also to each of the partners with whom a relationship of exchange is established. It is necessary to take into account the value of the project itself and what will be created from it. The value cannot be reduced to profit maximization but must be considered. In context of founding a company, this becomes obvious because an entrepreneur needs to satisfy the holders of resources in order to launch his business and to make it last (Verstraete, V., 2012, p. 3).

Most organizational leaders remain entrepreneurs both by choice and by obligation. The internationalization of markets is often raised as a reason for companies to act as entrepreneurs. Frontiers disappear, technologies spread more quickly, in particular because information becomes more accessible. In consequence, opportunities to act as entrepreneurs increase (Verstraete, V., 2012, p. 6).

Innovation, however, is both an opportunity and a threat. Not always radical in its nature, innovation satisfies consumers' expectations that are constantly being created or renewed. A start-up company's founders seek to take a lead in a market with their product. Some want to develop something entirely new, while others want to improve a product already on the market. Some are seeking a livelihood; others want to develop a company that will be highly profitable and make them rich (Verstraete, V., 2012, p. 6).

Clearly the objectives for new companies differ, and they depend on what the founders are seeking and the contexts in which the business is launched. The marriage of entrepreneurship and strategy starts with the impulsion of an organization to imagine and control its development. If it's not a matter of always conquering new markets, it can be a question of maintaining a position that is in danger of losing market share (Verstraete, V., 2012, p. 6).

### **3.5 International Business Development Strategy**

Driven by the consolidation of the European market and the emergence of new marketplaces, companies are constantly adding new countries to their list of markets. The growing perception of the world as one marketplace hopefully will encourage more business product and service suppliers to change their orientation toward the market to a global one (G., F., 1997, p.516).

- What determines how well a business does in global markets?
- How should performance in global markets be measured?

To successfully compete in today's foreign markets requires a reevaluation of business and marketing approaches in terms of current local trends. The successful business service

provider cannot expect to be sought out by potential foreign customers; instead, the firm must effectively and actively compete in foreign and domestic markets, selling to increasingly demanding customers (G., F., 1997, p.516).

### **3.5.1 The Market**

Business products are those goods and services used in the process of creating other goods and services. Consumer goods are in their final form and are consumed by individuals. Business customers are seeking for profit, while the customer is seeking for self-satisfaction. These factors manifest themselves in specific buying patterns, demand characteristics, and selling techniques for business goods. The strategic approach to a business goods or services consumer is different from the approach to a consumer because each is buying for a different reason (G., F., 1997, p.517).

### **3.5.2 The International Business Environment**

Trading internationally is not an easy task; it requires the information of needs, wants, problems and opportunities of business in other countries. Various environmental factors can influence the international business strategy; it is relevant to be aware of the complex buying process, the social-cultural dynamics, the political-legal environment, and the economic environment in foreign markets as they are of those same elements in domestic markets (G., F., 1997, p.518).

#### **3.5.2.1 Cultural Dynamics**

The global environment is characterized by diverse and deep-rooted cultural norms and value systems. Considering the increasing economic interrelation-ship worldwide, it is relevant to be aware of the importance of social-cultural differences in the process of adjusting and adapting a marketing strategy to foreign markets (G., F., 1997, p.520).

In order to enter a foreign market, business firms should understand all aspects of the selected country, including culture, language, education, social values, material culture, values, and religious attitudes. Culture reflects the human aspect of a person's environment; it consists of beliefs, morals, customs, and habits learned from others. Attitudes and values often present potential or real obstacles to inexperienced business developers (G., F., 1997, p.520).

#### **3.5.2.2 Cultural Imperatives**

These are the business customs and expectations that must be met and conformed to if relationships are to be successful. There is no substitute for establishing friendship in some cultures before effective business negotiations can begin (G., F., 1997, p.522).



### 3.5.2.3 **Cultural Adiaphora**

These consist of the areas of behaviour or customs that cultural outsiders may wish to confirm to or participate in but that are not required. A symbolic attempt will help to establish rapport (G., F., 1997, p.523).

### 3.5.2.4 **The Political and Legal Environment**

It is relevant to understand that business can only prosper when they are developed in stable economic and political environments. Business and governments need each other (G., F., 1997, p.523).

#### 3.5.2.4.1 Political Environment

The political climate can positively or negatively affect the operations of a firm trying to develop business internationally. The task is to assess the political forces that comprise the firm's political environment and to analyse their impact on the business strategy (G., F., 1997, p.524).

Investment climate depends on the type of investment involved and the political mood at the time. Local manufacturing is preferred over imports and over exports of natural resources for manufacturing elsewhere. Business investment in economic sectors with high unemployment rates are usually welcomed, as is the introduction of sophisticated technologies (G., F., 1997, p.524).

To generate foreign capital the host country pledges cooperation and tax and financial incentives; the foreign firms on the other side should provide expertise in local operations and latest technology (G., F., 1997, p.524).

#### 3.5.2.4.2 Legal Environment

The legal environment are the nation's laws and regulations pertaining to business; a firm must have adequate knowledge of the legal environment. The legal principles are the result from the commercial transactions between different nations. The framework of the international trading system is based upon the straightforward concepts of contract law (G., F., 1997, p.525).

The international law is formed by collection of treaties, conventions and agreements between nations that have the force of law. It involves mutuality with two or more countries participating in the drafting and execution of laws (G., F., 1997, p.525).

## 3.6 **Czech Republic, a 'paradise': skyrocketing wages, inflation under control and minimal unemployment**

“The unemployment rate has fallen to 2.5% and wages grow by 7%”

“Public debt stands at 35% of GDP and the economy grows at 5%”

“After decades of strong growth, inequality is under control”

The Czech Republic has been a success story. The economic indicators of this country are the envy of half Europe, and after years of economic growth and rising wages, inflation has fallen below 2%. The economy works, the Czech National Bank has already implemented three rate hikes since mid-2017 to achieve sustainable growth, while the ECB has not even finished its stimulus program (elEconomista.es. 2018).

The economic indicators are dazzling. Since 1995, the per capita income in purchasing power parity has gone from 11,600 euros to 25,600 euros. In addition, all this growth and income generation has been distributed in a fairly uniform way: the distribution of income in the Republic has remained constant in recent decades and is one of the most egalitarian in Europe, at the level of the Nordic countries (elEconomista.es. 2018).

The Gini index shows an inequality of 0.25, below Sweden or Denmark. This index takes the values between 0 and 1. The zero indicates that all the individuals of the country or region have the same level of income, while the 1 indicates that a single individual monopolizes all the income (elEconomista.es. 2018).

#### Low Debt Levels

Right now, the situation also seems unbeatable. The unemployment rate stands at 2.4%, minimum since Eurostat collects this data, while public debt has fallen to 35.1% in the third quarters of 2017 and the primary sector debt is at 68.7% of GDP (elEconomista.es. 2018).

On the other hand, in the last three quarters of 2017, GDP growth was 4.6%, 5.1% and 5.2%. This Data is found to be above the growth shown by the rest of the Eurozone, which was 2.4%, 2.7% and 2.7% (elEconomista.es. 2018).

Jakub Seidler, chief economist of ING for the Czech Republic, highlights in a note that salaries have grown by 7% in 2017, the highest growth since 2008. "Taking into account inflation, the real growth of wages was 4, 4%, the biggest increase since 2003 ". In addition, we expect salary growth to accelerate even more this year to close to 8%, as a result of a labour market that is starting to overheat and the push of the unions, "says the ING expert (elEconomista.es. 2018).

"Strong household consumption in the midst of a positive labour market evolution should provide support for inflation. Despite lower inflation in February (1.8% year-on-year), the robust growth of wages could accommodate Two more increases of the types for BNC this year "(elEconomista.es. 2018).

At present, the ruling interest rate set by the BNC is 0.75%. In August 2017, the Czech bank announced the first rate hike in the country since February 2008, it was also the first upward movement in all of Europe since December 2011 (elEconomista.es. 2018).

Although the general context is positive for the country, the strong growth of wages could erode the competitiveness of goods and services produced in the Czech Republic. Real

wages are growing above productivity, which in 2017 increased by 2.7% in real terms (elEconomista.es. 2018).

At the moment, the current account and capital balance (capacity-need for financing) shows no worrying signs, although in the last two quarters of 2017 it has shown small deficits, in which seasonality has also been able to influence (elEconomista.es., 2018).

### **3.7 Restaurant Management**

The restaurant industry is one of the most competitive in our time, many options offered to high demanding customers provides a clear overview of the market. The customer experience becomes the most relevant aspect to consider when developing the strategy for a restaurant, therefore the employees become the most important asset to consider.

Recruiting, managing and staffing the restaurant can cause problems and solutions. If the management of the restaurant work fairly and professionally, they can inspire loyalty and create a team of favourable brand ambassadors who could become the biggest source for the restaurant. Satisfied employees get their qualified friends, serve as brand ambassadors, and attract job candidates. Therefore, planning the recruitment and the day-to-day management of human resources becomes mandatory when developing the business plan (Waiterio, 2018).

The first and most important decision about recruiting should be to protect the business weaknesses. If the restaurant owner looks forward to create menus, train the chefs, and even work with a line; the need of having someone who understands business software, marketing, or front-of-the-house management tasks is relevant. Some restaurant owners like to interact with guests and in these cases it is necessary to have someone strong to manage the kitchen (Waiterio, 2018).

Identify what types of employees are needed, what skills, and what educational programs can be offered for career development is an essential part of the human resource planning. Every team will need a manager, so it's important to find out how teams work. This does not mean that the employees should not be able to turn to the general manager to any concerns that are not addressed, but employees should first monitor the chain of command for most of the staff management issues (Waiterio, 2018).

#### **3.7.1 Technology**

Technology can simplify the management of the employees in many ways and simplify traffic in the intern daily operations. Intuitive software can calculate payroll, manage voluntary, mandatory and judicially wage deductions, and automate the preparation of government and insurance reports. Proper hardware and software can also mark a restaurant in a way that attracts skilled workers. CRM and ERP software provide help on estimating the needs of staff by season, holiday, local festivals and daytime (Waiterio, 2018).

It is important to have enough staff to cover the needs without having to spend more on wages than necessary. On the other hand, servers will not be satisfied if you have an excessive number of employees because you will not get enough in the tips. Getting a simple and convenient POS system, will make it easier for the employees to take orders, make their own reports, manage tables more effectively, and make payments directly at the table (Waiterio, 2018).

### 3.7.2 Recruitment process

It is important to provide an attractive work environment that attracts skilled employees. Just creating a self-service portal where employees can access their records, change their personal information, request time off, and gain information about their benefits can be a big plus. The best procedures for recruiting and hiring restaurant staff include (Waiterio, 2018):

- Develop descriptive job descriptions
- Effective recruitment requires strong self-promotion. It is important to create live and attractive job descriptions.
- Use your recruiting website
- Active roles in the social media
- Promote social causes and local events
- Encourage existing employees to promote your restaurant
- Identify candidates for career development
- Provide training and mentoring
- Risk management and employee safety

It is relevant that restaurants be prepared to address a number of issues related to employee safety. Older or faulty devices, hygiene problems, bits and falls, cuts, burns, and food-related diseases are common risk factors in restaurants. Bar staff have the associated dangers of dealing with drunken and dishonest customers, and do not provide alcohol to underprivileged and drunk customers, which could cause accountability for any related accidents, alcohol-related incidents, battles, etc... (Waiterio, 2018)

### 3.7.3 Employees

Restaurants around the world experience unprecedented recruitment difficulties now a day. Recommendations remain the most effective way to hire restaurant workers, but technology has changed the way links are made. Social media, personal network of friends and co-workers, on-line work desks, and professional directors have replaced traditional word-of-mouth recommendations with media-based recommendations using digital technologies. One recruitment study found that it took less time and the cost of recruiting a candidate than the general application (Waiterio, 2018).

The millennial employees often care more about their working environment and the restaurant concept than about getting adequate reward rates; however, they responds well to the flexibility of the timetable, details of the supply chain in the restaurant and work in a diversified environment. Many of the millennial employees care a lot for their initial career colleagues, the network of potential friends in the workplace, instead of their immediate entry salaries and benefits (Waiterio, 2018).

## 4 **Practical Part**

### 4.1 **Concept**

The concept is based on establishing a New Mexican restaurant in the city of Prague that will provide as main features, the authenticity of traditional homemade Mexican dishes, selective exotic drinks and friendly cosy environment. The local atmosphere of the restaurant will be focus on providing an experience that will take you directly to Mexico supported by its beautiful culture, the rhythm of its traditional music and exotic historic celebrations.

### 4.2 **Analysis**

The analysis is set to provide relevant information that will be part of the basis for structuring the business plan. Through the application of the following useful tools the perspective for the actual situation for this development will become more clear and realistic.

#### 4.2.1 **PESTL Analysis**

It is relevant to start analysing the Macro environment in order to determine how the external factors will affect direct and indirectly the business development. From the perspective of opening the Mexican Restaurant in Prague for 2019 the PESTL analysis is projected as follow:

##### 4.2.1.1 **Political**

Czech Republic emerged from over 40 years of Communist rule in 1990, and was the first former Eastern Bloc state to acquire the status of a developed economy. It joined the European Union in 2004. Communist rule had lasted since 1948, when the restored pre-war democratic system was overthrown in a Soviet-backed coup. The "Prague Spring" of 1968, when Communist leader Alexander Dubcek tried to bring in liberal reforms, was crushed by Warsaw Pact tanks (BBC News, 2018).

In 1989, as the curtain was coming down on communism in the Kremlin, the dissident playwright Vaclav Havel emerged as the figurehead of the country's "velvet revolution" and became the first president of post-communist Czechoslovakia (BBC News, 2018).

Milos Zeman, the longest-standing figure in Czech post-communist politics, won a second term as president in January 2018, showing off his strong political instincts. Zeman, 73 at the time he was re-elected, bet on a populist anti-immigration stance and sniping at intellectual Prague elites to mobilise his base and gain a narrow win over Jiri Drahos, a mainstream pro-European academic, in the run-off vote (BBC News, 2018).

A trained economist, Zeman is the last of the heavyweights who shaped the country's post-1989 history, a trio that includes Vaclav Havel, an anti-communist dissident and later

president who died in 2011, and Vaclav Klaus, a former centre-right prime minister and president in 2003-2013 (BBC News, 2018).

The billionaire Eurosceptic businessman, Andrej Babis, was formally appointed Czech prime minister in December 2017. His party failed to win an overall majority in the October elections and lost a vote of confidence in January 2018. He subsequently resigned (BBC News, 2018).

He has been unable to form a coalition since the elections, when his ANO party beat the centre-left and centre-right parties that have alternated in power since the fall of the communist bloc (BBC News, 2018).

It becomes relevant to this project to take in consideration Political situation of Prague and Czech Republic, and especially because the actual Political government doesn't have a good inclination for foreign immigration. Recently the laws have been changing in a way that complicates the possibilities to develop business and to reside in the Czech Republic for foreigners and immigrants from outside EU (BBC News, 2018).

#### Image 2 Czech Republic Profile

Capital: Prague
Population: 10.6 million
Area: 78,866 sq km (30,450 sq miles)
Major language: Czech
Major religion: Christianity
Life expectancy: 76 years (men), 83 years (women)
Currency: Koruna
President: Milos Zeman
Prime minister: Andrej Babis

Source: BBC News, 2018

#### 4.2.1.2 **Economical**

Czech Republic is a prosperous market economy that boasts one of the highest GDP growth rates and lowest unemployment levels in the EU, but its dependence on exports makes economic growth vulnerable to contractions in external demand. Czech's exports comprise some 80% of GDP and largely consist of automobiles, the country's single largest industry (Czech Republic - Country Profile -, 2018).

The Czech economy was one of the EU's best performers in 2017, with broad-based growth of nearly 4.5% and an unemployment rate of 2.8%, one of the lowest rates in the EU. The country's low unemployment rate has led to steady increases in salaries, and the government is facing pressure from businesses to allow greater migration of qualified workers, at least from Ukraine and neighbouring Central European countries. The government also plans to remove labour market rigidities to improve the business climate,

bring procurement procedures in line with EU best practices, and boost wages (Czech Republic - Country Profile -, 2018).

Image 3 Czech Republic Economic Profile

GDP - real growth rate:	Labour force - by occupation:
3.5% (2017 est.)	Agriculture: 2.8%
2.6% (2016 est.)	Industry: 38%
5.3% (2015 est.)	<b>Services: 59.2%</b>
Inflation rate (consumer prices):	Taxes and other revenues:
2.3% (2017 est.)	39.9% of GDP
0.7% (2016 est.)	

Source: (Czech Republic - Country Profile -, 2018)

#### 4.2.1.3 Social

The population of the Czech Republic has been growing for a long time. Since 2003 the growth of the population has been interrupted only once, in 2013. In 2016, the population of the Czech Republic added both the natural currency (the number of live births was by 4.9 thousand more than the number of the deceased) and the foreign migration (the balance of 20.1 thousand). The population of the Czech Republic has increased by a total of 25.0 thousand and by the end of 2016, according to the CSO balance, a total of 10 578.8 thousand. Since the beginning of 2011, when the population was first bound to the census results for 2011, the total increase was 92.1 thousand (Czech Republic - Country Profile -, 2018).

The Czech Republic is mainly gaining inhabitants from abroad (where people aged 20-34 are predominant). At the end of 2016, the population of the Czech Republic accounted for 15.6% of children fewer than 15 years, 18.8% of the population aged 65+ and 65.6% of 15-64 year olds (Czech Republic - Country Profile -, 2018).

According to data from the Information System of the Population Register and the Foreign National Information System, in the Czech Republic, 37.5 thousand people immigrated to the Czech Republic from abroad, by 2.6 thousand more than a year earlier. The number of emigrants abroad was 17.4 thousand in 2016, by 1.5 thousand less than in 2015. Traditionally, immigrants and emigrants predominate (approximately 60%) of men (women's representation is slightly higher) and persons aged approximately 15-34 years. The residency requirement for naturalization is 5 years (Czech Republic - Country Profile -, 2018).

#### 4.2.1.3.1 Demography

##### Image 4 Czech Republic Demography Profile

Ethnic groups: Czech 64.3%, Moravian 5%, Slovak 1.4%, other 1.8%, unspecified 27.5%
Age structure: 0-14 years: 15.16% (male 831,150/female 786,984)
15-24 years: 9.59% (male 527,232/female 496,530)
<b>25-54 years: 43.84% (male 2,403,333/female 2,276,261) (prime working age)</b>
55-64 years: 12.44% (male 646,106/female 681,541)
65 years and over: 18.98% (male 842,384/female 1,183,202)

Source: (Czech Republic - Country Profile -, 2018)

#### 4.2.1.4 Technological

In the PESTLE analysis, the technological factors are variables which relate to the existence, availability, and development of technology and for this project the potential factors that may help to improve the customer's experience satisfaction for the restaurant.

The development and adoption of online technology will present a good opportunity to innovate specially focusing on the internet social media strategies for the business development.

Basic technological aspects of the Czech Republic (Czech Republic - Country Profile -, 2018):

Telephones - mobile cellular: total: 12,484,885

Subscriptions per 100 inhabitants: 117

Internet users: total: 8,141,303

Population: 76.5%

#### 4.2.1.5 Legal

##### 4.2.1.5.1 Long Term Residence Visa

Long-term residence for investment purposes is intended for entrepreneurs who intend to stay in the Czech Republic for longer than 90 days and plan to make a "significant investment" in the Czech Republic and also for foreign nationals in the management of commercial corporations with a similar plan. You can lodge an application for long-term residence for investment purposes with the appropriate consulate. If you are already staying in the Czech Republic on a long-term visa or long-term residence permit for another purpose (excluding a long-term visa or long-term residence permit for exceptional leave to remain in the Territory), you may lodge your application direct with an MoI CR office (Long-term residence - Ministry of the interior of the Czech Republic, 2018).

The following documents are required to support the application:



1. Travel document
2. Photograph; this does not apply if an image record has already been captured.
3. A document demonstrating that the foreign national or the commercial corporation, of which the foreign national is a governing body, member of a governing body or of which such foreign national is a procurator or partner, has access in the Territory to finances for implementation of significant investment; such document must not be more than 30 days old on the date of lodging your application;
4. Financial statements or similar documents contain the net profits of the applicant, Commercial Corporation and its controlling entity for the 2 calendar or accounting years preceding the date of lodging the application.
5. Upon request, proof of origin of the finances for implementation of the significant investment (tax return or, in the case of a natural person who is an employee, a document confirming income certified by the employer)
6. A statutory statement by the applicant that a decision with effect similar to a bankruptcy decision has not been served either on the applicant, the commercial corporation or its controlling entity in the country of its hitherto operations.
7. Documents proving ownership and origin of other assets to be invested (e.g. purchase contract) and an expert valuation of such assets.
8. A document proving that the foreign national is debt-free; this shall not apply for a foreign national who has not yet been in the Territory.
9. If the applicant is a foreign national applying for long-term residence for investment purposes as a partner, governing body, member of a governing body or procurator of a commercial corporation:
  - a) A document proving the commercial corporation is debt-free
  - b) A document proving that the applicant's activity in the territory of the Czech Republic will have a substantial influence on the business of the commercial corporation (if more than 5 persons from the same company apply for entitlement to residence, their concrete significance for the company by means of candidate profiles – candidate curricula vitae. In the absence of the aforementioned, the rebuttable assumption stipulated in the government ordinance laying down details relating to the issuance or extension of long-term residence for investment purposes shall apply, i.e. if there are fewer than 5 persons, it is assumed that they have a significant influence for the company – an extract from the commercial register is required)
  - c) A document proving that his/her/its share in such commercial corporation is at least the minimum share stipulated in the government ordinance (extract from the commercial register)

10. Proof of registration in the appropriate register, list or records.
11. Upon request, a document similar to an extract from the Penal Register.
12. Upon request, a document confirming satisfaction of the requirements of measures for preventing the introduction of infectious disease.
13. A travel medical insurance certificate, and, upon request, proof of payment of the insurance premium specified in the travel medical insurance certificate.
14. A **Business Plan** containing a description of the targets of the plan to implement a significant investment, a risk assessment of execution of this plan, the reasons for making such significant investment in the Territory, a description of the separate stages of the plan to implement a significant investment, including a time schedule, the volume of finances earmarked for each stage, description of the product to be manufactured or service to be provided, customer and sales outlet target groups and of the technical and technological processes of production or the method of provision and description of the method of securing a work force.

#### 4.2.1.5.2 Trade Licensing Authority and Trade License Application

The Trade Licensing Act between the trade craft trade establishes that, in order to have a commercial activity, it is necessary to obtain a trade certificate. And since it is not a free trade, the requirements for professional competence must also be met. According to Section 21, it is possible to prove the following (Zdeněk Vesecký, 2018):

- a) The proper completion of secondary education with an apprenticeship certificate in the relevant field of education
- b) The proper completion of secondary education with a mature examination in the relevant field of education or vocational training in the relevant field
- c) The proper completion of higher professional education in the relevant field of education
- d) The proper completion of higher education in the relevant field of study programs and fields of study.
- e) A retraining certificate or other evidence of professional competence issued by an institution accredited by the Ministry of Education, Youth and Sports or the relevant Ministry

The particular branch of study includes the chef-waiter, waiter-waitress, chef, cookery. It is also established that if a person who longs for his own restaurant cannot prove by a certificate or an appropriate practice, a consultant who has and will supervise education and practice, must be added to his business. It is the so-called responsible representative (Zdeněk Vesecký, 2018).

To start a business in the field of innumerable activity, it is also necessary to have the ability to work with food, as evidenced by a valid health card issued to you by your local physician (Zdeněk Vesecký, 2018).

#### 4.2.1.5.3 Municipal Office, Building Office and Others

The basis of establishing a business is directly related with getting the adequate permission from the authorities. One of the obligations relies on asking the department of construction of the relevant municipal authority to approve an application for the operation of the innkeeper's activity. The building authorities are also often located in the buildings of individual town halls (Zdeněk Vesecký, 2018).

It is relevant to consider that the building can only be used for the purpose specified in the building approval decision and the building permit. If the operators want to use these areas beyond the valid building approval decision, there must be a legal change in the purpose of the use of the building. The entrepreneur is obliged to ensure that the establishment is eligible for the trade under the Building Act (Zdeněk Vesecký, 2018).

#### 4.2.1.5.4 Taxes

The act of performing business in Czech Republic will result in the modality for paying taxes in accordance with the tax legislation in force Czech Republic (Taxes, VAT and other fees | BusinessInfo.cz, 2018).

Types of Taxes:

- a) Income taxes (inheritance and gift tax is a part of the income tax)
  - Income tax of natural persons, flat rate of 15% (the same for wage earners and self-employed people.
  - Income tax of legal entities, flat rate of 19%
  - Pension and investment funds pay 5% corporate tax
  
- b) Value added tax
  - The Czech VAT law is based on the principles of the common system of VAT as an indirect tax.
  - There are three different rates: basic rate of 21 % and two discounted rates of 15 % and 10 %.
  
- c) Road tax
  - Road tax applies only to those vehicles that are used or intended for business. Vehicles used exclusively for personal needs are exempt from the tax.
  - Tax rates are defined as fixed annual amounts.

#### d) Immovable Properties

Tax generally applies to land and buildings situated in the territory of the Czech Republic registered in the Land Registry. Each of these tax rates is set out individually. The tax period is a calendar year and a taxpayer is required to file a tax return for the tax period to the corresponding tax authority by 31 January (Taxes, VAT and other fees | BusinessInfo.cz, 2018).

e) Tax on the acquisition of immovable property  
 Subject to tax is the acquisition of immovable property (land, building, part of the utilities) situated in the territory of the Czech Republic or the right to property or ownership share of the immovable property (Taxes, VAT and other fees | BusinessInfo.cz, 2018).

f) Excise Duty Tax  
 Subject to excise duty are selected types of goods (mineral oils, spirit, beer, wine, tobacco products) (Taxes, VAT and other fees | BusinessInfo.cz, 2018).

g) Environmental taxes  
 Subject to environmental tax are natural gas, certain other gases, solid fuels and electricity (Taxes, VAT and other fees | BusinessInfo.cz, 2018).

Since December 2016, the rate for catering and alcoholic beverages has decreased, from 21% to 15% as compensation for the introduction of the EET (electronic sales records) (Taxes, VAT and other fees | BusinessInfo.cz, 2018).

#### 4.2.2 Competitors Analysis

The competitor’s analysis, for the New Mexican restaurant in Prague, was targeted directly for the restaurants that seem too offered “authentic Mexican dishes and experience”. The research was mostly conducted by direct opinions and experiences of customers who appreciate the authenticity of the Mexican food and the Mexican people living in Prague.

The following chart shows the main competitors identify for the New Authentic Mexican restaurant in the city of Prague. These competitors fulfil specific requirements based on quality of the food, traditional dishes, authentically Mexican experience and good location; all of which makes them a potential threat.

Image 5 Competitors Comparison

	<b>Las Adelitas</b>	<b>Alebrijes Bar Bar</b>	<b>Cantina</b>	<b>El Fossil</b>
<b>Mexican Menu Offer</b>	Commercial/ Authentic	Authentic	Commercial	Commercial/ Authentic
<b>Average Ticket</b>	350 Kc	350 Kc	500 Kc	250 Kc
<b>Prices Perception</b>	Expensive / Adequate	Expensive / Adequate	Expensive	Adequate
<b>Location</b>	Excellent / Very Good	Very Good	Excellent	Regular / Bad
<b>Physical Environment</b>	Very Good	Good	Good	Good
<b>Customer Service</b>	Very Good	Good	Good	Good
<b>Atmosphere</b>	Very good	Good	Regular	Regular

Source: Self-created, 2018

It is very clear that the most relevant direct competitors, regarding authenticity and quality, will be Las Adelitas and in second instance Alebrijes Bar Bar. Both restaurants are own by authentic Mexicans established in Prague who seem to know very well the market. Las Adelitas have already open 3 branches that are very well distributed in great locations in the city.

A more detail analysis of Las Adelitas was developed due to their relevance in the market of Prague; understanding their success is mandatory to make a better planning for projecting the new business.

#### 4.2.2.1 **Las Adelitas**

Authentic Mexican restaurant, named in honor of revolutionary woman warriors that cooked and cared for the wounded in 1920, that opened their first restaurant in 2009 in Prague. The main founder Rodrigo Flores Vinas started working as chef in other Prague's restaurants, but he was always forced to keep up preparing commercial Mexican dishes.

Their success can be based on the original and authentic concept of Mexican food, concept they had preserved since they open their first restaurant. They seem to invest on the image of their restaurants and their dishes, making them both have strong presence. The quality of the food is very for the Czech market but they don't try to innovate dishes that often.

Their 3 restaurants are located in Male Namesti at the city center, Lucemburska Street and at Americká Street near Namesti Miru. All of these locations are planned to be in trend areas of Prague and near metro or tram stations.

The offer on their menu is good but still can be considered as commercial; the aggregate value they offer is the authenticity of their recipes cooked by Mexican chefs. The atmosphere is very nice, compare to other competitors, and respect thematic icons of Mexican culture like Frida Kahlo and revolutionary character like Francisco Villa and Emiliano Zapata.

Their marketing and sales strategies are targeting very well their customers:

- Famous specialty the so-called frozen margarita with fruit.
- Traditional Mexican Parties
- "Live Music" on Thursdays and Fridays
- "Ladies Night" including cheaper Margaritas for the ladies on Wednesday
- "Happy hour" every Monday to Friday from 3 to 6 pm.

Micro Environment Analysis of Las Adelitas:

Strengths

- Establish Brand in the Market
- Authentic Original Mexican name easy to pronounce
- Great locations in Prague
- Very tasty dishes with nice presentation
- Great variety on their drinks
- Standardization of their processes
- Knowledge of their market
- Perform good temporary events
- Friendly staff

## Weaknesses

- Rely too much on their brand now and don't work anymore on their marketing
- The menu doesn't present innovative offers
- Perception that is overprice now a day
- It's no longer perceive as homemade food
- The atmosphere is not that authentic anymore
- Lack of improvement in the customer service

As mentioned before, "Las Adelitas" seem to be the perfect reference to learn for success, their Mexican offer acceptance in the Prague market and how they were able to understand their needs.

Image 6 Logotype of Las Adelitas Prague



Source: Las Adelitas Prague, 2018

### 4.2.2.2 El Fossil

The first authentic Mexican restaurant established in Prague 12 years ago. The owner Jose Luis is a Mexican from Acapulco who married to a Czech woman. "El Fossil" was a very successful concept from its beginning, the homemade and authentic tastes were an exotic original development for the Czech market, and it had a steady growth for about 5 years.

Jose Luis had problems with the administration of the restaurant and had to close it at the 6<sup>th</sup> year. He explained this situation as a result of his inexperienced as business person, architect background in Mexico, and the bad intentioned employees he had at the moment. It is interesting that none of these reasons were directly for the lack of quality of his product, more than for the bad customer service offered by his staff.

After 5 years of being closed, "El Fossil" reopened its doors again, but in a smaller concept and in a no centric location in Prague. Now 2 years since its reopening it is located on Na Zlíchově, Praha 5, and it still has some of the original customers. It is relevant to point out that the new customers now are mostly Czech and they really appreciate the homemade taste and are helping the business to grow again.

This is a clear example that good homemade Mexican food is really appreciated in this market. It is clear now that the challenge becomes on building a strong concept with steady basis for business development and clear internal processes that provide a clear administration strategy.

#### 4.2.2.3 Alebrijes Bar Bar

The “Alebrijes” Mexican restaurant was established one year ago in Prague. It is very relevant to mention that the founders of this concept are also Mexicans that used to work in “Las Adelitas” for the last 3 years. The owners are four people with restaurant background directly from Mexico and they were brought all the way to Prague hired by “Las Adelitas”.

The concept is very similar to “Las Adelitas” but it is still becoming successful by its own. The location is established in a centric area of Prague, Všešrdova in Malá Strana, and even though it is not over a main avenue the restaurant it is still growing. The quality of the food is good and authentic; the atmosphere and customer service can actually improve.

The weakness that can be identified relies on the lack of business development experience of the owners, due to the fact that the concept is not very different from the ones established in Prague and very similar in particular to “Las Adelitas”. Another factor is that the location is very near to a very famous Czech/ Mexican restaurant “Cantina”.

To consider that their Menu offer is good but very wide and therefore the customers experience some problems when choosing dishes that they have never heard of. The physical place looks nice and very modern but still not providing a cosy atmosphere. It is relevant to point out again that this is one more example for potential success for authentic Mexican restaurant today in Prague market.

Image 7 Logotype of Alebrijes Bar Bar Prague



Source: alebrijesbarbar.cz – Cocina Tradicional Mexicana, 2018

### 4.2.3 Porter's 5 Forces Analysis

The restaurant industry in Prague is highly complex nowadays; from the perspective of Mexican concepts it is relevant to determine the intensity of the competition and suppliers availability in order to determine the business opportunity's to perform in the market.

Porter's 5 Forces Model provides the analysis of the industry structure, for authentic or similar Mexican restaurants in Prague, the available suppliers, the substitutes and the possible future new potential entry's. This model is focus in strategic process that measures the intensity of rivalry for the participants.

Image 8 Porter's 5 Forces Analysis



Source: Self-created, 2018



## 4.3 Canvas Business Plan

### 4.3.1 Customer Segments

The New Mexican restaurant will be focus on satisfying the needs of very specific customer segments in Prague. The potential customers have been identified in smaller groups with similar needs, attributes and common behaviours.

The customer segments identified for the New Mexican restaurant will be defined as the following potential customers:

#### Target Group 1:

- Men and woman age 23 – 40 years old
- Work in office from 8:00-9:00 till 17:00-16:00
- Receive income above CZK 27000 gross
- Have special loyalty cards and coupons from their companies
- Come for lunch or dinner after 18:00
- Look for a place where to spend team buildings with colleagues

#### Target Group 2:

- Women age 21- 45 years old
- Work in various fields
- Receive income above 20000 CZK gross.
- Come for cocktails and dinner after 18:00
- Look for a place to have fun, drink and dance with their female friends
- Look for a place to celebrate bachelor parties and birthday dinners

#### Target Group 3:

- Families and Tourists ages 30 – 60 years old
- Work in various fields or are retired with pensions
- Receive income above 30000 CZK gross.
- Come for meals at 15:00 and dinner after 18:00
- Look for a place to spend time with their family members in a cosy space
- Look for a place to celebrate birthday's meals

#### Target Group 4:

- Men and woman age 19 – 26 years old
- University students in Prague, international, exchange and locals
- Receive income from scholarships or transfer from parents
- Come for happy hours from 15:00 to 18:00 or dinner after 20:00
- Look for a place that offers good taste for food and special discount promotions
- Look for a place to have fun, drink and dance with their friends
- Look for a place to celebrate birthday's dinners with friends

### 4.3.2 Value Proposition

The Value Proposition of the New Mexican restaurant will be focus on offering the authentic Mexican experience to the customers. Prague is a capital city in the centre of Europe that offers many options of restaurants that claim to have a Mexican concept, but only a few can be considered as authentic. This represents a great business opportunity to accessing the market if the concept offered can be different and qualified.

The Value Proposition of the restaurant is planned to be based on the following business strategies:

- Newness
- Authenticity
- Design
- Status

In order to achieve the main objective of authenticity, the marketing strategy approach is going to be focus on the product, the physical environment, the experience and the customer service.

The product offered will be a selection of regular Mexican dishes complemented with new specific new proposals for cold weather. The physical environment will be designed as traditional but will be implemented with trendy cultural features based on thematic Mexican traditions. The experience and customer service is planned to be perform by Mexican and Latino American staff that will enhance the features of a joyful culture.

#### 4.3.2.1 **Homemade Dishes**

The dishes represent a very important asset of this new development; they will have the main objective of enhancing the traditional tastes of Mexican cuisine along with a very specific homemade style typical from this culture. It is important to mention that, due to the big presence of local suppliers that offered real ingredients in Prague, big part of the menu offer will be able to have authentic tastes based in the real cooking elaboration processes.

The main dishes selections that will be offered in the menu are:

- a) Pozole

Traditional Pozole is a 100% Mexican dish based on corn grains, vegetables and hot soup. It can be serve with chicken meat, pork meat or additional vegetables like mushrooms. This dish can also be offered with spicy salsas options and it is ideal for winter season served as a complete main dish.

Image 9 Pozole Blanco, Image 10 Pozole Rojo, Image 11 Pozole Verde

b) Tacos Dorados

The famous fried tacos served with fresh vegetables, cheese and sour cream. These can be prepared with chicken, pork, beef and potatoes as vegetarian option served with spicy salsa on the side.

Image 12 Tacos Dorados

c) Milanesa con Enchiladas

Traditional enchiladas dish served with a portion of chicken or beef stake. The dish will be served with potatoes, salad and refried beans.

Image 13 Milanesa con Enchiladas

d) Enchiladas

Traditional dish offered as spicy version of tacos. They are completely covered with spicy salsas and can be prepared with chicken, beef or vegetables. They come served with cheese, lettuce and sour cream.

Image 14 Enchiladas Verdes, Image 15 Enchiladas Rojas

e) Chilaquiles

Traditional spicy dish based on corn tortilla chips, spicy salsa and Mexican spices. It can serve with fried eggs or chicken and beef steak. This is usually a spicy dish served with refried beans, onions, cheese and sour cream.

Image 16 Chilaquiles, Image 17 Chilaquiles

f) Tortas

Traditional Mexican sandwich prepared with bread similar to a baguette and served as a full meal due to its size and amount of portions. It is easy to prepare and can be offered with ham, beef, chicken, sausage or pork. It comes served with vegetables, mayonnaise and melted cheese.

Image 18 Torta, Image 19 Torta

g) Tacos al Pastor y Tacos Carne Asada

The Traditional authentic Tacos prepared with soft corn tortilla served with substantial portion of special cooked meat and accompanied with onion, lemons and coriander. They can offer with beef and pork.

Image 20 Tacos al Pastor, Image 21 Tacos de Carne Asada

h) Ensaladas Frescas

The menu will have an offered of two kind of salads based on lettuce, tomatoes, avocado, peppers, onion, cheese and mayonnaise served with chicken or tuna.

Image 22 Ensalada Atun, Image 23 Ensalada Pollo

#### 4.3.2.2 **Original Exotic Beverages**

The concept of the New Mexican restaurant will be strongly supported by the offer of beverages like Cocktails based on mixes with traditional Tequila and trendy Mezcal. It is very important to consider that the restaurant industry in Prague is strong in offering diverse options of alcoholic beverages as part of their regular menu. Beer and wine are also considered as indispensable for the drinking offer.

- a) Mexican Cocktails based on Mixes with Tequila and Mezcal adding natural exotic fruits.

Image 24 Mezcal Cocktail, Image 25 Mezcal Cocktail, Image 26 Mezcal Cocktail

Mezcal is a pillar of Mexican culture and identity. This distillate, strong and with character, can only be produced in specific areas of the Mexican Republic, geographic and climatological qualities that give the final product a unique and characteristic flavor that only Mexico has.

- b) Mexican and Czech Beer.

Image 27 Corona, Image 28 Pilsner Urquell, Image 29 Kozel

The traditional beer and most respected drinking beverage from the czech culture will be present in the beverages offer for the restaurant. The offer will include both Czech and Mexican beer combining the two different approaches but fulfilling the need of drinking while having a nice meal.

- c) Wine

The wine offer is mandatory for the Prague market, most of the women that don't necessarily prefer alcoholic cocktails or beer have a strong affinity for drinking wine, specially when having a nice meal.

The beverages offer will also include many other alternative including none alcoholic options as well as typical comercial drinks.

For terms of achieving the real purpose of opening the New Mexican Restaurant in Prague for 2019, the detailed information regarding the complete offer from the food and beverages menus, will not be presented in this document.

### 4.3.3 Channels

#### 4.3.3.1 Location of Direct Channel Point of Sale

The distribution channel will be Direct on the location of the New Mexican restaurant and finding the right location is one the most important aspects for the future success. Both the location and the physical environment should be focus on meeting and providing the authentic experience for the targeted potential customers.

The location of the restaurant is set to be near a bus, tram or metro station and over main avenues or streets. It is also relevant to consider the location of the potential competitors in order to determine the most suitable for this new development.

It is relevant to mention that information regarding the potential location zones for this development where mainly from direct recommendation of target customer's residents from Prague. The analysis to determine the potential zones in Prague to locate the restaurant and meet the targeted customers was based on the following aspects:

- Commercial Zones
- Trendy Zones
- Expats Establishments
- New Developments Zones
- Touristic Zones

The zones that fulfil the mentioned requirements suggested for the adequate location to establish this new development in Prague are:

Image 30 Potential Zones

Praha 2 - Nové Město
Praha 2 - IP Pavlova
Praha 2 - Namesti Miru
Praha 2 - Vysehrad
Praha 3 - Vinohrady
Praha 3 - Žižkov

Praha 5 - Andel
Praha 7 - Holešovice
Praha 7 - Kamenická
Praha 7 - Hradcanská
Praha 7 - Dejvicka
Praha 8 - Karlín

Source: Self-made, 2018

It will become a priority aspect to find the right location in these zones in Prague regardless the time it might actually take to get it.

Image 31 Potential Zones in Prague

## 4.3.3.2 Communication Channels

### 4.3.3.2.1 Advertisement

The advertisement of the restaurant will be driven by 4 strategies:

- a) Electronic Media advertisement providing an attractive, informative and interactive web page of the restaurant.
- b) Display Media advertisement present in the different Universities in Prague that offer exchange programs for their students.
- c) Print Media advertisement focus on magazines for Touristic establishments.
- d) Word to Mouth by the customers.

### 4.3.3.2.2 Social Media

The Social Media channels are indispensable for the communication strategy of the business. This channel offer direct ad easy contact to our target customers at a very low cost and with a really wide range. Offering promotions and communicating the daily specials can be really simple tasks through these applications. The strategy will be focus mainly in the most relevant and trend social media applications use by our potential customers:

Facebook, Instagram, Tripadvisor, Foursquare

### 4.3.3.2.3 Public Relations

The public relations strategy will focus the specific task for the owners of the restaurant to attend social events for networking in Prague and other cities in near countries of Europe. Prague has a very strong and growing presence of expats, and through the year many social gatherings are organized by the same community. Expats represent a huge market of potential customers for the Mexican restaurant.

### 4.3.3.2.4 Local Events

The events represent a great opportunity to generate awareness with the potential customers. Prague has an increasing presence of Latino American events in the recent years and most of these events involved food offering from local restaurants. The trend for the Latino American culture, food and music is growing very fast in Prague so the timing for this new development is very suitable.

Some of the most relevant Latino American events that occur in Prague every year are:

- Merkádo
- La Calle Mexicana
- La Feria Latina
- Día de Muertos
- Karnaval Latino

#### 4.3.4 **Customer Relationships**

The Customer Relationships describes the relationship between the business and the selected customer segments. It is very important that the business have clear the type of relationship they require to have for each customer segment identified.

The relationship with the potential customers will be focus on:

##### 4.3.4.1 **Personal assistance**

The customer service is one of the most important aspects for the success of the restaurant. Prague restaurant market is characterized by the lack of good customer service, taking in consideration the increase of foreigners moving to the city, this becomes a great timing opportunity for the new development. The staff in the restaurant will have specific KPI's to perform, based on kind, friendly and accurate assistance, as well as constant training to maintain and improve the service and experience of the customers.

##### 4.3.4.2 **Communities**

The customer relationship the restaurant will also try to aim by getting more involved with the customers through the development communities. This relationship will allow customers to exchange opinions, knowledge and experiences from their visits to the restaurant. This becomes relevant for the restaurant feedback in order to have a better understanding of customers, their needs and demands.

#### 4.3.5 **Revenue Streams**

The New Mexican restaurant will be focus on generating revenues through the service offering of providing authentic Mexican dishes accompanied with exotic Mexican and international drinks. In order to generate more and steady revenues, the restaurant will aim to the following business development strategies:

##### 4.3.5.1 **Personal Selling**

The revenue stream generated from the direct interaction in the Point of Sale, in this case, directly in the restaurant. This stream is focus on the regular customers that doesn't require additional incentives to spent time and money in the restaurant.

##### 4.3.5.2 **Direct Promotion to Companies**

The revenue stream generated from direct promotion to companies in Prague. This interaction is planned to be relevant to generate revenue by developing a new business selling channel. Now a day, the concept of Team building is very common, and companies are looking for spaces outside the company, that can offer a comfortable environment for their employees to bond together as team members.

Visiting companies, making presentations, offering direct promotions and generating deals for their team buildings in the restaurant will represent an important aspect of increasing awareness and attracting new potential regular customers.

#### 4.3.5.3 **Sales Promotions**

The revenue stream that will target new potential customers and that will be offered different and additional incentives for the regular customers. These can be a variety of short-term seasonal incentives to encourage the sales.

The promotions that the restaurant will be focus that target their potential customers are:

- Loyalty cards
- Happy hours
- Ladies nights
- Student discounts

#### 4.3.6 **Key Resources**

The key resources are the main assets identify for this development that will lead the path to achieve the value proposition, regarding authenticity and originality, for the new concept of Mexican restaurant in Prague are:

##### 4.3.6.1 **Physical Environment**

This key resource is planned to be one the most important aspect for the success of the restaurant. It is the visible expression of the new concept that will be enhancing the beauty and colourfulness of the Mexican culture in its designs.

The design in the interior of the restaurant will be thematic based on specific characters and traditional celebrations that take place in Mexico. The idea is to bring materials and furniture, as possible as it might be, directly from Mexico along with specific colourful designs. The concept of having big “sombros” and “cactus” as the decorative attributes has already been explored at their most.

Similar type of concepts already exists in Mexico for some trend restaurants in big cities. At this moment there are three different possible themes that will be proposed for the interior designs of the restaurant, but the most important aspect, is to provide an authentic, unique colourful and original experience since the moment you get inside the restaurant.

Image 32 Physical Environment, Image 33 Physical Environment



#### 4.3.6.2 **Human Resources**

The most important resource identified for the success of the New Mexican Restaurant in Prague. The customer experience, as mentioned before, is one of the pillars to provide an authentic experience; therefore having the adequate staff to execute it becomes mandatory. The profile of the staff will be selected depending on the specific tasks required for the operations and activities of the restaurant. It will be relevant to keep as much as possible Mexican or Latino staff for the front activities, servers and bar tenders, providing complete authentic atmosphere to the place.

The operation of the restaurant is planned to be fulfilled daily with the following staff:

- 1 to 3 servers including morning and afternoon shifts.
- 1 or 2 bartenders including morning and afternoon shifts.
- 2 kitchen assistants and 1 main chef for the whole day shift.

#### 4.3.6.3 **Financial Resources**

The financial resources that will be used for this investment will belong directly from both the future business partners Jesus and Adrian. Each of them will be contributing on their own possibilities to this project and based on the amount they contribute, the percentages of participation from the company will be assigned.

It is very relevant to point out that this project is not planned to be financed by any other external source or investors different from Jesus and Adrian. This aspect will provide an easier command in order to make decisions regarding the business. Adrian and his family already own 4 successful restaurants in Mexico, which are considered to be Adrian's most important asset for this investment. Jesus on the other hand, counts with his personal savings from his working time in Mexico and now in Prague. Jesus counts with a Czech account since he moved to Prague and had kept it always with a positive balance for future references.

This aspect will be relevant when applying for the Business Visa in terms of providing stability and solid sourcing for the future investment in Prague to the Czech authorities.

#### 4.3.6.4 **Intellectual Resources**

The aggregate value for the success of the New Mexican restaurant in Prague will rely in big part on the experience and expertise of the future business partners. Developing a business is not an easy task, developing an international business is set to be very challenging, especially if you don't really know the local market.

These intellectual resources are not easy to develop, but in this case, they will offer substantial value for the business development of the restaurant. Both business partners will provide their own strengths to the project based on experience and expertise.

The expertise from Business partner 1 relies on successfully developed and consolidates 4 restaurants directly in Mexico.

The expertise from Business partner 2 relies on real working experience on restaurants in Prague market for more than 1 year.

#### 4.3.7 **Key Activities**

The key activities identified, that will support directly the experience of this new concept of Mexican restaurant, will be based on customer service with friendly staff and regular events with live music for dancing Latino rhythms.

##### 4.3.7.1 **Customer Service**

As mention before, the customer service is a relevant aspect to consider for success in every restaurant now a day. Customers now have many options to look at, for satisfying their needs, so the key to pursue them relies on a good experience, therefore great customer service.

The customer service that is planned to be provided at the New Mexican restaurant will come along taking advantage of the lack of consideration for the customer experience in the restaurants in Prague. As part of providing a great experience to the customer, the following aspects are very important to be considering as customer service:

###### 4.3.7.1.1 **Friendly Staff**

Mexican and Latino people are known for their joy and nice attitude with others, so in order to provide an authentic experience to customers, it is important to try to keep these people as part of regular staff. It won't be mandatory to have only these profile for the staff, in general the idea is to look for nice, kind and friendly people working specially as servers.

As part of maintaining the customer service and experience in the restaurant, the staff will be having continuous training on specific periods throughout the year. The aim will be on reviewing new promotions, changes in menu, or to share experiences and feedback from customers.

Image 34 Friendly Staff

###### 4.3.7.1.2 **Delivery Time**

When talking of customer service, one very important aspect to take in consideration is the time, especially the delivery time they have to wait for any service they pay to received. The customers that visit a restaurant have a very important need to fulfil; being hungry can generate stress and bad attitude in general, so the time they have to wait for their dish, once they have already ordered it, should be the adequate, no more no less than the expected.

#### 4.3.7.1.3 Nice Presentation of Dishes

The design and looks of the food is such a relevant aspect in the restaurant industry in our time, it is no secret that customers also look for dishes that may look attractive at first view. Mexican food can be prepared and presented as very colourful and tasty, especially in Europe, where the knowledge of how it really looks like is not necessarily authentic.

The Mexican restaurant “Las Adelitas” in Prague is specialized on providing nice looking dishes, the product has quality but also the presentation looks very unique and tasty. Part of the challenge to compete in the market relies on making the dishes look attractive from first site to customers.

#### 4.3.7.2 **Musical Events**

One very important aggregate value the New Mexican restaurant will provide as part of differentiated customer experience will be the music and dancing events. The Mexican and Latino American culture is well known as happy and always comes along with friendly and nice rhythmical music. The target customers for the restaurant are considered as enjoyers of music and open to try to dance depending on their mood and atmosphere of the place.

The main idea relies on organizing these musical and dancing events once or twice per week, especially on weekends, so that customers can come also for singing or dancing. The aim will be focus on the offer rhythms from Latino America, but not necessarily Cuban which is the most common in Prague, and organizing dancing parties.

Prague has a very strong dancing community and the idea is to target part of this community to assist for party time and drinks. Both the future business partners and owners have strong taste for Latino American dancing rhythms, so the nice fun atmosphere is guaranteed. The aggregate value is based on providing real Mexican rhythms that are not really offered in Prague, only sometime in Las Adelitas, but not as proper entertainment acts.

#### 4.3.8 Key Partnerships

The key partnerships are very important when developing a business, especially if this is set to be in an international market. Establishing the New Mexican restaurant in the city of Prague will represent a great challenge and it could not be possible without the strategic alliances that provide solidity and strength to the project. The aim of these alliances is to optimize the operations, assure the resources and reduce the potential risks of the business.

The key partnership or main strategic alliances set for the development of this new project are identified as:

- The future alliance between the two strong specialized business partners.
- The relationships to be settle with the local suppliers for the restaurant.

##### 4.3.8.1 Strategic Alliance between experienced Business Partners

The key partnership for the development of the New Mexican restaurant in Prague will be the strategic alliance of the future business partners. This alliance will be relevant for standardizing the processes and reducing potential risks for the business.

###### 4.3.8.1.1 Business Partner 1

**Adrian Asencio** is Mexican and plans to move to the city of Prague for the beginning of 2019. He and his family own a successful chain of restaurants in the city of Queretaro in Mexico; their concept is based on offering authentic traditional dishes and specialized on elaborating the famous dish “Pozole”. This particular dish can be served in different varieties including level of spiciness and vegetarian options.

The success they had in their business relies since the opening of the first restaurant, 6 years ago, based on the quality of their dishes and the great customer service. His contribution to this new project will be based on the experience and “Know How” in establishing and operating a successful restaurant. Adrian is considered as a social person with big attraction for the Latino American musical rhythms.

Adrian will be applying for the Business Visa directly from Mexico in order to move to Prague with the legal status for establishing the restaurant. The relevance of this Diploma Thesis also relies on being the basis for the requirement of a real Business Plan in the application for his Visa.

Image 35 Business Partner Adrian



Source: Self-made, 2017

#### 4.3.8.1.2 Business Partner 2

**Jesús Antonio Sánchez Reyes** is a Mexican MBA student living in the city of Prague for the last year and a half. He moved to study at CZU from Mexico City and since then he has been working part time in different service places in the city. His professional background includes working in small, medium and big companies in Mexico City, but more relevant to this project, he managed a small franchise named Pizza Amore for one year.

Jesus is set to be a passionate social man with particular attraction for working and managing small service businesses. When managing the Pizza Amore franchise he understood that his professional future should be related to the direct customer interaction combined with strong discipline working conditions. It is important to mention that he has developed an entrepreneurial mind-set since this experience and he had also identified this time as the perfect one to pursue his professional entrepreneurial ambition.

From the perspective of the Prague market, Jesus has gain a lot of knowledge, from his many working experiences since the last year and half. His background relies on working for Prague Beer Museum, Irish Pub, Mexican Restaurant El Fossil and most recently in Las Adelitas. These experiences represent a huge advantage in terms of getting to know the market, the industry and the potential new business opportunities in the city. In all of these experiences he had direct contact with a good sample of the Prague's market, adequate mix of locals, expats and tourists.

Image 36 Business Partner Jesus



Source: Self-made, 2015

#### 4.3.8.2 **Strategic Alliance with Suppliers.**

The strategic relationship with the local suppliers for optimizing the allocation of resources and simplify the operational processes of the restaurant. The main objective of this alliance is to reduce costs and assure the accurate delivery in terms of amounts, time and closest locations.

Prague has a very strong presence of suppliers for Latino and Mexican products; it is not surprise to have such a big presence of “Mexican” food concepts in the city. The infrastructure of most of these suppliers is such that almost all of them realize deliveries on site depending on the necessity of the clients.

The strong benefit of having many suppliers is the set for getting “good affordable” prices in terms of the requirement of volumes. The leverage advantage is positive from the perspective of having big suppliers, which based on their strong infrastructure; they can offer adequate prices in good delivery conditions.

The main suppliers identified for the specific requirements of the New Mexican restaurant we can find:

- Mexicali Mercado
- JIP
- Pilsner Urquell
- Coca Cola

For terms of achieving the real purpose of opening the New Mexican Restaurant in Prague for 2019, the detailed information regarding the complete list of the suppliers, will not be presented in this document.

#### 4.3.9 Cost Structure

The initial investment structured required to open the New Mexican restaurant was determine by identifying the local costs including rent, furniture, SRO license, and other fixed and variable costs. It is important to understand that the costs will vary depending the actual conditions of the selected places.

It is relevant to inform that, the following data regarding location costs, was obtain directly from Remax agents (real estate) and actual owners of restaurants in Prague. This research was conducted directly on site through personal interviews and the first contact was made through the local website for properties “SReality”.

This first research to determine the costs also provided the information regarding the two types of properties that can be used for renting restaurants spaces in Prague. The private properties that have a particular owner and the deal will be directly with him. The second when the property is owned by the state of Prague and this option is set to be cheaper but necessarily better a medium-long term. It was suggested, by the real estate agents, to make deals only with particular owners due to stability of the conditions; in the other case the state of Prague can make changes and cause problems even cancelling the on-going contract.

The costs structure is set to be determine by the elements required to open the restaurant; the following list of elements that will be presented was specified, as the main requirements, by the business partner Adrian. From this perspective it is important to mention that, this first research approach still needs to be complemented in more detail, so the complete research will be performed once Adrian moves to Prague on June 2018.

This research was made looking only for locations that were already adapted as restaurants and didn't require many internal changes or adjustments. The costs that will be presented are not detailing the furniture, either kitchen or service rooms, because the contacted owners were selling everything as a package for the restaurant.

Regarding renting a property in Prague for the restaurant purpose there are two different scenarios:

- The owner of the former restaurant is also the owner of the property, in this scenario there will be only one direct conditions agreement.
- The second scenario applies when the owner of the restaurant is just renting the property and the furniture inside is his. In this case, two different conditions agreements will have to be made separately.

The following lists of costs are an average and based on four different options depending the size of the locations. These are the options that are still being analysed for the size of the restaurant.

#### 4.3.9.1 Standard Option 1 “Small Size Restaurant”

This option is considered to be slightly small for the main purpose of the concept planned for the restaurant. This assumption regarding the size of the location was established by Adrian based on his experience from his own restaurants in Mexico.

Image 37 Option 1

<b>Standard Option 1 "Restaurant"</b>	
Average Measures 60 * 80 m2	
Average Measures Kitchen 10 m2	
	Kc
SRO (Business Trade License)	1,000
Price including complete equipment and furniture	600,000
<b>Total</b>	<b>601,000</b>
Rent	25,000
Electricity	2,800
Water	1,000
Tv	150
Garbage	300
Sending information to Government	400
Gas	1,000
Terrace	
<b>Monthly Fixed Costs</b>	<b>30,650</b>

Source: Self-made, 2017



#### 4.3.9.2 Standard Option 2 “Medium Size Restaurant”

This option is considered to be adequate to develop properly the concept planned for the restaurant. This assumption regarding the size of the location was established by Adrian based on his experience from his own restaurants in Mexico.

Image 38 Option 2

<b>Standard Option 2 "Restaurant"</b>	
Average Measures 80 * 100 m2	
Average Measures Kitchen 15 m2	
	Kc
SRO (Business Trade License)	1,000
Price including complete equipment and furniture	790,000
<b>Total</b>	<b>791,000</b>
Rent	30,000
Electricity	3,000
Water	1,200
Tv	150
Garbage	300
Sending information to Government	400
Gas	1,000
Terrace	
<b>Monthly Fixed Costs</b>	<b>36,050</b>

Source: Self-made, 2017

#### 4.3.9.3 Standard Option 3 “Big Size Restaurant”

This option is considered to be also suitable to develop properly the concept planned for the restaurant but due to the costs seems very expensive for the actual budget possibilities. The assumption regarding the size of the location was established by Adrian based on his experience from his own restaurants in Mexico.

Image 39 Option 3

<b>Standard Option 3 "Restaurant"</b>	
Average Measures 150 m2	
Average Measures Kitchen 15 m2	
	Kc
SRO (Business Trade License)	1,000
Price including complete equipment and furniture	1,500,000
<b>Total</b>	<b>1,501,000</b>
Rent	30,000
Electricity	3,500
Water	1,500
Tv	150
Garbage	300
Sending information to Government	400
Gas	1,500
Terrace	
<b>Monthly Fixed Costs</b>	<b>37,350</b>

Source: Self-made, 2017

The final decision regarding the selection of the final place will be based on many factors including the size, location and costs. This first initial research analysis provided an insight of the costs that will have to be considered for the investment and therefore to start planning a potential budget for the development.

## 4.4 SWOT ANALYSIS

Developing solid strategic plans for the business development is fundamental at the initial state; this strategic planning technique enables to have a complete view of the Macro and Micro environment of Mexican restaurants market in Prague. The SWOT analysis of the New Mexican restaurant presents final results driven by objective internal analysis and recompilation of real data from the market.

### 4.4.1 Strengths

Image 40 Strengths

<p>New concept with original, colourful and informative decoration that enhances authentic Mexican culture</p> <p>Original and authentic Mexican cocktails based on Mezcal and Tequila</p> <p>Restaurant with fun staff and authentic friendly atmosphere</p> <p>Seasonal performance of small dancing Latino events</p> <p>Original Mexican recipes including vegetarian options</p> <p>Different Mexican menu offered with wide options specialized for cold weather</p> <p>Continuous training to servers enhancing the specialties of the menu</p> <p>Standardization of processes</p> <p>Location on transited area for Czech people and expats in Prague</p> <p>Experience staff with knowledge of Czech market</p> <p>Experienced staff in Mexican restaurant development</p> <p>Strong knowledge of the direct competitors in Prague</p> <p>Strong presence of suppliers for Mexican products</p>
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Source: Self-made, 2017

### 4.4.2 Weaknesses

Image 41 weaknesses

<p>New development for a competitive market</p> <p>Hard to get to be known at the beginning</p> <p>Strong initial investment for the new development</p> <p>Finding adequate location for the restaurant</p> <p>Finding adequate staff to operate the restaurant</p> <p>Language barrier limitations in all processes</p> <p>Barrier for local customers trying new dishes</p> <p>No historical data for estimating and forecasting demand</p>
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Source: Self-made, 2017

#### 4.4.3 Opportunities

##### Image 42 Opportunities

Prague market is more open for different exotic tastes on food and are willing to pay for it  
Mexican food is already recognized and appreciated in Prague and European market  
Growth of the Latino and American market in Prague  
Growth of European expats market in Prague  
Lack of good authentic Mexican restaurants in nearby countries like Germany, France, Italy, etc....  
Take advantage of established Mexican brands of restaurants in Prague like Adelitas, Cantina, etc...  
Clear lack of customer service in the restaurants in Prague  
Lack of authenticity in the actual Mexican restaurants in Prague  
Presence of many universities in Prague with exchange students from the US as potential customers  
Support from Mexican embassy in promotion for the Czech market

Source: Self-made, 2017

#### 4.4.4 Threats

##### Image 43 Threats

Easy to replicate Mexican restaurant without a differentiated concept  
Due to low investment in Prague, compare to countries in Europe, it is easy to open new substitutes in the market  
Strong growth and expansion of Mexican fast food in Prague like Burrito Loco  
Due to easy access to Mexican products in Prague, it can be easy to try elaborate similar Mexican dishes for sale  
Probability that Mexican ex-employees of restaurants will try to replicate the concept  
Continuous changes in Czech law that may difficult the opening and operation of the restaurant

Source: Self-made, 2017

## 5 Results and Discussion

As the result of this work I can determine that the main objectives of, determining the feasibility of establishing a New Authentic Mexican restaurant in the city of Prague and developing the basis and structure for the real Business Plan to develop it were accomplished.

Regarding the concept of the restaurant I conclude that, it should be different from the existing ones already established on Prague and that the location should be in one of the selected zones specified, trying not to be close to the other authentic Mexican competitors. The dishes offered should respect a homemade style prepared with authentic ingredients as much as possible. The menu should not offer wide list of options and focus on specific “attractive” items. It is relevant to mention that the musical atmosphere will be present all the time including the organization of dancing events. The physical and thematic atmosphere will be relevant and enhanced by the social and relax personalities of the future business partners.

There is a great opportunity for success supported by the clear strategies to develop the business and the adequate segmentation of the target customers. It is very important to identify the right channels to approach the targeted customers including good and effective marketing strategies. The whole concept of this restaurant will be set on providing a great customer experience based on the authenticity of its Mexican atmosphere.

The solid growth of Mexican restaurant concepts in the last years in Prague is a good sign that if the quality and service are good there is a potential for success in this market. These examples can be identified as well designed and planned enhancing as possible their attributes. It becomes relevant to understand the key of their success and also that there is a growth of the market that enjoy Mexican and Latin-American food in Prague.

It is important to consider that there is a continuous increase in the population of Expats in the recent time in Prague due to the flourish economic situation. This represent a good opportunity from the business perspective in terms of a growing market, especially for the restaurant industry and more precise the famous Mexican cuisine. This couldn't be possible without the presence of local suppliers that already offer a wide variety of real Mexican ingredients.

A very important aspect mentioned in this document, as a huge aggregate value to the success of the business, relies on the strength of the strategic alliance between the experienced business partners. Providing expertise and know how on the development of successful Mexican restaurants and the knowledge of the Prague market.

The general Canvas Business Model for the New Mexican restaurant is presented below, it is important to mention that this version only represents the basis and structure for the real business plan. This representation shows the dynamic and

flexible approach for developing the strategies of this entrepreneurial business project.

As mentioned before, the aggregate value of this model is to provide in one general view all the relevant components required for the business development. It standardizes the elements of business model and turns them into modules that will predictably interact with and influence one another.

For the purpose of real development of this project the detail version of the Canvas Business Model is not presented in this document.

Image 44 General Canvas Business Model New Mexican Restaurant

<b>Key Partnerships</b>	<b>Key Activities</b>	<b>Value Proposition</b>	<b>Customer Relationships</b>	<b>Customer Segments</b>
<b>Alliance between experienced Business Partners</b>  <b>Alliance with local Suppliers</b>	<b>Customer Service</b> <i>"Friendly Staff"</i> <i>"Adequate Delivery Time"</i>	<b>Authentic Mexican Atmosphere</b>  <i>"Homemade Dishes"</i>  <i>"Original Exotic Beverages"</i>	<b>Personal Assistance</b>	<b>Target Customer Group 1</b>
	<i>"Presentation of Dishes"</i>		<b>Communities</b>	<b>Target Customer Group 2</b>
	<b>Musical Events</b>		<b>Channels</b>	<b>Target Customer Group 3</b>
	<b>Key Resources</b>		<b>Direct Channel POS</b>	<b>Target Customer Group 4</b>
	<b>Physical Environment</b>  <b>Human Resources</b>  <b>Intellectual Resources</b>  <b>Financial Resources</b>		<b>Communication</b> <i>"Advertisement"</i> <i>"Social Media"</i> <i>"Public Relations"</i> <i>"Local Events"</i>	
<b>Cost Structure</b>		<b>Revenue Streams</b>		
<b>Operative Costs</b>  <b>Variable Costs</b>	<b>Fixed Costs</b>	<b>Personal Selling</b>	<b>Direct Promotion to Companies / Universities</b>	<b>Sales Promotions</b>

Source: Self created, 2018

## Conclusion

The Diploma Thesis presented here represents the final document that compiles all the information, regarding the analysis and results that concludes the potential opportunities for establishing a New Mexican restaurant in Prague, gathered through the last year and a half by Jesus Antonio Sanchez Reyes.

The ideas presented for the new concept are based on real opinions and experiences from the targeted customers; it was a great advantage that Jesus experienced this opportunity of direct contact with them while experiencing the new facet of student life in a foreign European environment. These experiences become very relevant in order to identify the actual potential customers from the market and therefore to construct the basis for the new concept.

The segmentation of the market is very clear now and the potential customers demand can be described as steady, therefore this document also focuses on mentioning the different strategies and approaches that will be the path to get the potential customers.

The objectives of the Diploma Thesis that were settled from the beginning of this document were clear, followed and successfully fulfilled till the end of this work. The objectives that were settled for the Diploma Thesis were:

- Determine the feasibility of establishing an authentic Mexican restaurant in Prague
- Develop a new original concept of Mexican restaurant to be established in Prague
- Develop the basis and structure of a real Business Plan for the Mexican Restaurant project.

The document presented fulfills the objective of confirming the feasibility for establishing a new authentic Mexican restaurant in Prague, through the analysis presented, it is clear that there is a huge potential for success in the market only if the new development is able to perform and target a differentiated original concept. The Prague market has already been open, by risky and ambitious Mexican entrepreneurs from "El Fossil", "Las Adelitas" and most recently "Alebrijes Bar Bar", so the path is clear to follow but only with the right strategy.

Regarding the concept I conclude that, it should be different from the other "authentic" concepts already established in Prague, and the location should be selected from the specified zones, not close to other competitors. The dishes offered should respect a homemade style prepared with authentic ingredients as much as possible. The menu should not offer a wide list of options and focus on specific "attractive" items. It is relevant to mention that the musical atmosphere will be present all the time including the organization of dancing events. The physical and thematic atmosphere will be relevant and enhanced by the social and relaxed personalities of the future business partners.

The main objective of this Diploma Thesis was to actually structure a real document that would be used as reference for elaborating the real business plan for the development of this New Mexican restaurant for 2019 in Prague. This document presents the basic necessary elements and requirements for establishing a Mexican restaurant, the legal aspects, analysis of the potential customers, the direct suppliers, the estimated costs and the authentic Mexican restaurant Industry in Prague.

Regarding the Methodology used for the Diploma Thesis, as mentioned before, was based on building the structure for a real Canvas Business Plan model for the New Mexican restaurant in Prague. This model is considered to be dynamic with a very flexible approach suitable for new entrepreneurial developments.

The aggregate value that this model provided was to have in one general view all the relevant components required for developing the business. It also standardizes the elements of a business model and turns them into modules that will predictably interact with and influence one another.

The practical part of the Diploma Thesis was structure with the analysis tools that supported the process of achieving the objectives established for this project and that guided the identification of the modules and elements that compose the Canvas Business Plan.

The specific tools that were used for this analysis were:

- PESTLE Analysis
- Competitor's Analysis
- Porter's 5 Forces
- SWOT Analysis

Additional to the analysis it is relevant to consider the strong alliance, that together represented Jesús and Adrian, is the most important asset that supports the credibility for this new project. Both their experience on the local market and expertise on the restaurant development, seem to be the most attractive combination for success, even in a foreign market like Prague.

Regarding the results of the Diploma Thesis it is suitable to mention that the timing for this development seems as the most adequate due to the actual positive economic situation in Prague and the clear acceptance of the market for authenticity in the tastes and the appreciation for the customer experience.

There is a great opportunity for success in this project, supported by clear strategies of business development and the adequate segmentation of the target customers. It is relevant to identify the right channels to approach the targeted and segmented customers including good and effective marketing strategies. The whole concept of this restaurant will be set on providing a great customer experience based on the authenticity of its Mexican atmosphere.



The solid growth of Mexican restaurant concepts in the last years in Prague is a good sign that if the quality and service are good, there is a potential for success in this market. These examples can be identified as well designed and planned concepts that enhance as much as possible their attributes. It becomes relevant to understand the key of their success and also that there is a growth of a market that enjoys and appreciates the Mexican and Latin-American food in Prague.

Relevant to mention that due to the local currency in Prague, the initial investment to develop this project becomes suitable for Mexican investors. It is the perfect stage for starting the Europe development and maybe in the future consider other markets like Germany where based on customers opinions, lack of good authentic Mexican restaurants.

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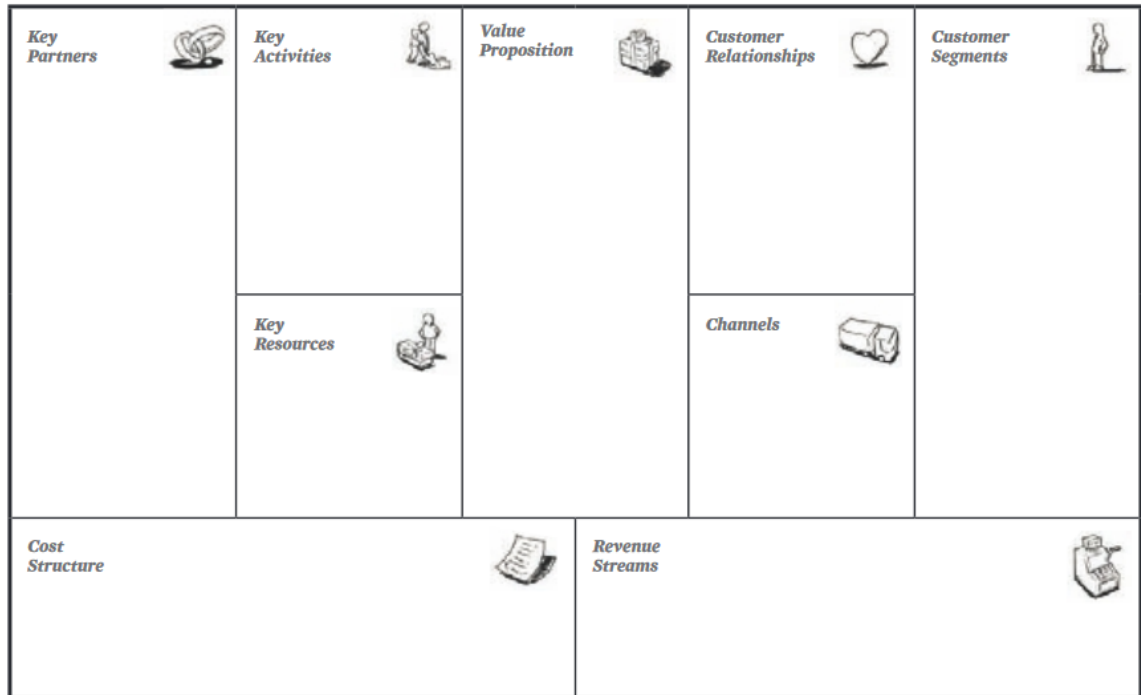
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# Appendix

Image 1 Canvas Business Model

**The Business Model Canvas**



Source: Index of /temp, 2018

Image 9 Pozole Blanco



Source: Don Potzol, 2018

Image 10 Pozole Rojo



Source: Don Potzol, 2018

Image 11 Pozole Verde



Source: Don Potzol, 2018

Image 12 Tacos Dorados



Source: Don Potzol, 2018

Image 13 Milanesa con Enchiladas



Source: Don Potzol, 2018

Image 14 Enchiladas Verdes



Source: Don Potzol, 2018

Image 15 Enchiladas Rojas



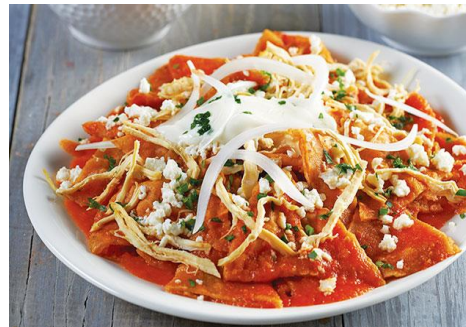
Source: Don Potzol, 2018

Image 16 Chilaquiles Verdes



Source: Chilakillers, 2017

Image 17 Chilaquiles Rojos



Source: Don Potzol, 2018



Image 18 Torta



Source: Chilakillers, 2017

Image 19 Torta



Source: Don Potzol, 2018

Image 20 Tacos al Pastor



Source: La Lupita Ayuuk, 2018

Image 21 Tacos de Carne Asada



Source: Los Chupacabras, 2018

Image 22 Ensalada Atun



Source: Don Potzol, 2018

Image 23 Ensalada Pollo



Source: Don Potzol, 2018

Image 24 Mezcal Cocktail



Image 25 Mezcal Cocktail



Image 26 Mezcal Cocktail



Source: La Mil Amores, 2017 Source: La Mezcaliña, 2017 Source: La Mil Amores, 2017

Image 27 Corona



Image 28 Pilsner Urquell

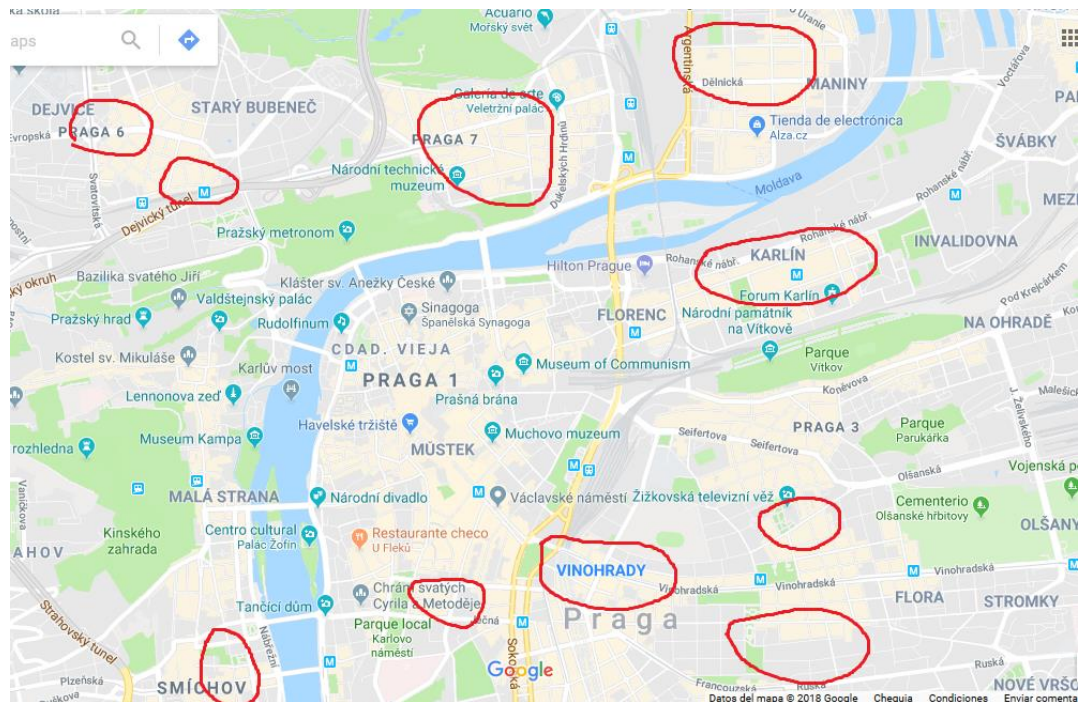


Image 29 Kozel



Source: Grupo Modelo, 2018 Source: Pilsner Urquell 2018 Source: Kozel, 2018

Image 31 Potential Zones in Prague



Source: Google maps, 2018

Image 32 Physical Environment



Source: La Mil Amores Mexico, 2017

Image 33 Physical Environment



Source: La Mezcaliña Mexico, 2016

Image 34 Friendly Staff



Source: Las Adelitas Prague, 2017