

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Management



Bachelor Thesis

**Business plan for an entrepreneur:
A Bubble Tea shop in Prague**

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

THI KIM XUYEN TRAN

Economics Policy and Administration
Business Administration

Thesis title

Business plan for an entrepreneur, a Bubble Tea shop in Prague

Objectives of thesis

The main objective of this thesis is to prepare a business plan which can be used as a basis for opening a tea shop in Prague.

Methodology

Theoretical part summarises current thinking about business planning, and also about the management and operation of a retail food and drinks shop. Marketing theory for this sector is also studied, as well as project management. The main sources for this information are books, journal articles and case studies.

In the practical part, a business plan is created, based on an analysis of the market (including competition and well as customers), structuring the business (Financial, HR and marketing), and including financial predictions for the business.

The proposed extent of the thesis

Approx 40-50 pages

Keywords

tea shop, tourism, business plan,

Recommended information sources

Ekanem, I., (2017), Writing a Business Plan: Practical Guide, Abingdon UK.:Routledge, 134pp, ISBN-13: 978-1138206021

Kotler P., (2016), Marketing Management, Harlow UK., Pearson Education, 832pp, ISBN-13: 978-9332557185

Mullins, L.J. (2010), Management and organisational behaviour, 11th edition, Harlow UK.: Financial Times, 680pp., ISBN 9780273728610.

Varey R.J. (2002), Marketing communication: Principles and practice, London UK.: Routledge, 416pp., ISBN 0-415-23040-3

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Declaration

I declare that I have worked on my bachelor thesis titled "Business plan for an entrepreneur: A Bubble Tea shop in Prague" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 23rd of March 2020

Tran Thi Kim Xuyen

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Podnikatelský plán pro podnikatele: Obchod s čajem Bubble v Praze

Abstrakt:

Tato práce si klade za cíl připravit podnikatelský plán, který lze použít jako cestovní mapu k otevření čajovny “SEN“ v Praze. Práce je rozdělena na dvě části: přehled literatury a praktická část.

Přehled literatury umožňuje pochopit definici, účel, strukturu podnikatelského plánu i drobného podnikání, právní požadavky a související tržní prostředí v České republice.

Praktická část popisuje reprezentaci relevantních zdrojů za účelem ověření podnikatelského nápadu a úspěšného otevření čajovny. Praktická část navazuje na standardní strukturu obchodního plánu ilustrovanou v teoretické části: shrnutí, úvod, obchodní strategie, marketingový plán, řízení lidských zdrojů, řízení provozu, finanční plán a analýza rizik. Kromě toho je využito PEST analýzy k přezkoumání vnějších environmentálních faktorů politického, ekonomického, sociálního, technologického, které ovlivňují fungování organizací. SWOT analýza je užitečně využita pro hodnocení klíčových faktorů jako jsou silné stránky, slabé stránky, příležitosti a hrozby k dosažení cíle v rozvoji organizace.

Klíčová slova: obchodní plán, čajovna, bublinový čaj, SWOT, PEST.

Business Plan for an Entrepreneur: A Bubble tea shop in Prague

Abstract

This thesis aims to prepare a business plan which can be used as a roadmap to open a Bubble tea shop “SEN” in Prague. The work is divided into two parts: literature review and practical part.

Literature review gives an understanding about definition, purpose, structure of business plan as well as small business, legal requirements and its related market environment in the Czech Republic.

The practical part describes a representation of relevant sources in order to stand a test of business idea and succeed in opening a tea shop. The practical part follows a standard business plan structure illustrated in theoretical part: Executive summary, Introduction, Business strategy, Marketing plan, Human resource management, Operation management, Financial plan and Risk analysis. Besides, PEST analysis is used to review the external environmental factors Political, Economical, Social, Technological that influence the operation of organizations. SWOT analysis is helpful for evaluating key factors Strength, Weakness, Opportunity, Threat to achieve objective in the development of organization.

Keywords: business plan, tea shop, bubble tea, SWOT, PEST.

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1. INTRODUCTION

The aim of the bachelor thesis is to create a business plan for a new Bubble tea store in Prague. Bubble tea is an extremely popular drink in most Asian countries, and originally started from Taiwan in 1988 and has proven in success all over the world. The author came up with ideas to create new concept of bubble tea using pure material from Vietnam, author's home country. The bachelor thesis is divided into two main part: literature review and practical frameworks.

The first part starts with definition, purpose and structure of business plan based on reviewing various source about business and business planning in general, mainly in books and journal articles. The standard structure of business plan includes Executive summary, Introduction, Business strategy, Market research and Marketing, Human resource management, Operation management, Financial management and Risk analysis. Then this describes and analyzes the field of small entrepreneur in the context of company size, strength, strategy and legal requirement in the Czech Republic. Finally, an overview of Bubble tea market, what is the market share projection, franchise business as well as Czech Republic tea and coffee market were also mentioned in this part.

The practical part is the application of knowledge gained from theory, results and discussion on a real Bubble tea store. The author created a detailed plan following all structure and requirements in the theory. It begins with brief description of company, vision, mission, objective and location of store. Then marketing plan focuses on understanding target customers and their buying habits, competitor's business strategies in order to succeed. Operation management and human resource management are next important section, describing day to day business process. At the end, financial plan contains detailed calculation of startup cost, cost of goods sold, break-even analysis and income statement, and how long is the payback period.

2. OBJECTIVE AND METHODOLOGY

2.1.Objective.

The main objective of this thesis is to prepare a business plan which can be used as a roadmap to open a milk-tea shop in the city of Prague.

Particularly, a plan would be prepared to identify what are the *essential requirements* to open a shop selling foods and drinks, where main product is bubble tea. This thesis also aims to provide a better understanding of related factors which has an influence on opening and running a store selling bubble tea, and to some extent of food and beverages. The thesis also expects that result of this research can be used as a guideline for entrepreneurs to successfully open a Bubble Tea shop in Prague.

2.2.Methodology.

Theoretical part studies on the recent concepts of making a business plan and its elements. Theories review is conducted by using mainly secondary sources such as books, journal articles and academic papers. Besides, some information is generated from the publication of government website and local authorities such as legal act and accounting standards. News and media are the main sources for the market overview and brief review of bubble tea product.

In the practical part, a detailed plan is prepared using some prominent analytical tools such as PEST and SWOT analysis. The outcome of these analysis tools is useful during planning processes. Internal conditions of an entrepreneur and external environmental factors are vital information for a plan in finding locations, financial resources and setting up the goals and target, identifying its competitors and potential growth in the market under current conditions, and legally open a shop. The author also conducts personal researches on the prices, locations, staff attitudes of current opening bubble tea stores in Prague.

2.3.Limitation of research

Since the bubble tea is the Asian milk-tea drinks which recently merged into Czech Republic, the author faced the difficulty in finding the trusted resources for a review of current market, customer's behaviors and market growth of the bubble tea consumption.

News and articles related to this topic in the local language also limit the author's accessibility to the information. Therefore, to some extent, the thesis uses the result of conducted researches in other countries, or in broader areas such as tea and coffee in the food and beverages industry in order to imply on the future growth of bubble tea.

3. LITERATURE REVIEW

A business plan can be simply understood as a plan to start doing business; however, a business plan should not be made without the understanding of differences between types of business plan, and the nature of a product or service in an industry. In order to gain that knowledge, this paper conducts a review of current literature relating to definitions and structures of a business plan, the theoretical background of analytical tools, and market overview for “bubble tea” as well as legal requirements for a small business in the Czech Republic.

The first part provides the different viewpoints of how a business plan can be defined and its purpose, identifies what should be considered while planning one. By choosing one structure that could be most appropriate for a Bubble Tea shop, this study identifies the importance sections where the plan should consider and cover. Because of their importance and significance, this paper defines the methodologies which should be applied during planning processes. For instance, while SWOT analyses provide the understanding of not only the business itself but also external factors that might having effects to the operation of the business, the PEST analyses focus mainly on the external effects of economic environment to the operation of the business. Although these analytical tools can be merged within a business plan, it is useful to have the independent research on the theories, advantages and limitations of these tools, in order to have a better understanding of their contributions to planning processes.

Besides, because bubble tea is the new cultural drink which merged from Asian into Czech Republic in the recent years, it would be a shortage without reviewing the current position of bubble tea and its trend in the consumption market in Czech Republic. Therefore, the next part provides an overview of the industry while highlighting the potential growth of bubble tea and its relating business. Last but not less important, the relevant legal requirements are identified to help a business running smoothly in accordance with law and regulation in Czech Republic.

3.1. Business plan.

3.1.1. Definition and purposes of a business plan.

According to Ekanem (2017, p. 1), business plan is a written document to describe a business opportunity, the goals of the business and the methods to achieve the goals. It is a road map for your business. The first objective of a business plan is to guide the business and a basis for making strategic decisions, and it serves as a subsequent monitoring device. The second purpose of a business plan is to help you raise money from banks, investors or other lenders. The author argues that many people pay more attention to the second function of a business plan than the first. For all intents and purposes, he considers the first is the most important.

McKeever (2011, p. 7) defined that: A business plan is a written statement that describes and analyzes your business and give detailed projection about its future. A business plan also covers the financial aspects of starting or expanding your business-how much money you need and how you will pay it back.

On the contrary with Ekanem, the first essential purpose of writing a business plan is to help you get money from investors, about 35% or 40% of the people currently in business do not know how money flows through their business (McKeever, 2011, p. 7). A business plan will help to clarify where the money comes from and where it goes.

As a small entrepreneur, this business plan will focus on both how to plan strategy, map the direction, keep business on track and prepare a detailed financial projection to the future expansion.

3.1.2. Structure of business plan.

As the first important characteristic of a business plan, its content is unlikely to be prescriptive as it varies in an arrangement; every business plan will differ significantly and will be designed for specific requirements. However, there are several standard sections that must be covered in a business plan.

In their publication, Nun and McGuire (2010) suggested that a good business plan includes main sections on (1) Executive summary, (2) Business Description, (3)

Management, (4) Market and Business Analysis, (5) Business and Market Development, (6) Marketing and Sale, (7) Financial Data, (8) Application of Fund (Nunn & McGuire , 2010).

In the more recent study, Ekanem (2017, p.7) advised that any business plan should cover the following sections:

- Executive summary
- Introduction
- Business strategy
- Marketing research
- Finance
- Operation management
- Human resource
- Risk analysis

Executive summary: This is the first significant section of a business plan. However, Ekanem implied that it should be the last to be written since it is a summary of the main contents of the business plan. This section should state the purpose and objective of the business plan. The Executive summary should be a concise summary of marketing, financial, operational and management, organization plans. Ideally, a brief description of markets and products/services will also be included in this section. For this reason, the executive summary should capture the entire business plan. ¹

As often called the most important part of a business plan, the executive summary should generate enough interest in the reader. ‘It is important to bear in mind that some people will read only the executive summary’ (Ekanem, 2017, p. 7).

Introduction: After the executive summary, the introduction will be the first main chapter, identifying describing your choice of business, providing the name of the business and legal form of ownership. There are five main types of business that the owner should consider:

¹ Ignatius Ekanem, Writing Business Plan: A practical Guide, P.7

Table 1: Types of business

Types of business	Characteristics
Retail	Retail business buy merchandise from a variety of wholesale and sell it directly to consumers. While some retailers can provide services and repair facilities, most retailers just purchase then sell goods with addition mark up, sometimes doubling their purchase price to arrive at a sales price.
Wholesale	Wholesalers buy merchandise from manufactures or brokers and resell the goods to retailers. This type of business is characterized by low gross profit margins (sometimes varying between 15% and 33% of the wholesalers' selling price) and high inventory investment
Services	People with some skills sell it to consumers or to other business, depending on their skills. The end-product of a service business is usually consultation or task completion.
Manufacturing	Manufactures assemble components or process raw materials into products usable by consumers or other business. The most difficult part of the manufacturing business is to find a product, or even better, a series of products, that have acceptance in the marketplace and generate a steady sales volume.
Project development	Developers create and finish a saleable commodity by assembling resources for a one-time project. Before starting a project, developers should know the market value of the finished product. When the project is complete, the developer sells her interest in the project, normally directly to the user or consumer.

Source: McKeever, 2011, pp. 25-26

Each of the business categories requires different skills in order to succeed. Being at a pre-start stage or considering setting up a business, people might come up with many ideas. If ideas involve in several types of business, it may be too complicated to run business efficiently, particularly small business. These type of business listed above are giving the necessary knowledge to indicate the location of the business and strive for simplicity.

Business Strategy: Having decided what types of business are going to establish, further exploration and development will be discussed more detail in this section. Vision/mission statement, Short-term/Long-term objective, as well as Market context/business environment, should be outstanding points.

- Mission statement is a short statement of business goal and philosophies. This statement aims to represent the business, the customer company serves, and the skills company intends to develop in order to fulfil vision statement (Ekanem, 2017, p. 17) Les Nunn and Brain Mcguire emphasized that mission statement should be written in such a way that the reader can see the passion for the business you are creating as well as explain these things clearly and succinctly. (Nunn & McGuire , 2010, p. 98). Furthermore, Ignatius Ekanem also suggested the main thing is that always clear about aspiration and objective of the business.
- Vision statement includes three functions²
 - ✓ Communicates both the purpose and value of an organization
 - ✓ Gives employees direction about how they should behave
 - ✓ Shapes customer's understanding of why they should patronize the organization.
- Objective ³: The short-term objectives are the objectives which your business seeks to achieve within the first three years of its operation. For example: to breakeven, cutting expenses. The long-term objectives are those that are achievable after the first three years. For example: opening a new store, hiring more employees or expanding new facilities.
- Market context and Business environment should analyze how easy it is to set foot in the chosen area, what barriers to entry are in the industry, and whether start-up will be able to overcome the obstacles. SWOT and PEST method is useful to describe the business environment. Before establishing a market position, firms need to know

² Ignatius Ekanem, Writing Business Plan: A practical Guide, P.18

³ Ignatius Ekanem, Writing Business Plan: A practical Guide, P.19

who their current and potential competitors are since they are trying to satisfy the same set of customers. Particularly, it is important to identify competitor's strategies that will help to indicate any advantages contributing to their success. Competitive advantages may appear out of relationship, reputation or innovation. (Ekanem, 2017, p. 21)

- ✓ Relationship: Nunn & McGuire (2010) emphasized that "One of the keys to a successful business is your ability to network". Creating a relationship with other businesses can help to do the job better and with those who can bring customers to the business. For example, you might have a good connection with a social influencer who will promote your product or service. Hence, you will gain immediate credibility with the consumer. Relationship can be divided into internal relationships (employees), external relationships (customer, suppliers, investors, government and competitors) and networks (groups of businesses engaged in related activities)
- ✓ Reputation is the market's method for dealing with the attributes of quality which people cannot easily monitor themselves (Ekanem, 2017). Normally, customer is influenced to purchase a product based on the company's reputation when they cannot determine quality by search or experience. Reputation can be hard to gain but easy to lose; therefore, small firms should pay attention from the beginning to quality of products and customers need. Warren Buffet⁴ says: "It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you will do things differently."
- ✓ Innovation, particularly technical innovation, can be costly, uncertain and hard to manage- and the rewards are difficult to keep (Ekanem, 2017). In this statement, the highlight points should be what makes the business unique and attractive.

⁴ Warren Buffet, CEO of Berkshire Hathaway, American Billionaire

Market research and Marketing: Market research and marketing plan are essential to the success of any business. Firstly, market research will provide an evidence base for the viability of the business, particularly in term of identifying demand for product/service, refining understanding of customer needs, and underpinning marketing strategy (Ekanem, 2017, p. 20). There are two types of research to consider: primary and secondary.

- Primary research is a process of collecting information yourself through a small survey, key informant interviews, questionnaires. A recommendation from the author, taking advantage of any existing contacts, such as family or friend who are involved in small business.
- Secondary research involves collecting and reviewing existing sources of data relevant to the business or industry through industry journal, organization website, academic source, national statistic etc

Secondly, marketing is a broad term that covers many specific issues (McKeever, 2011, p. 140). Marketing plan will cover areas ranging all the way from identifying how to enter the target market and gain market share to deciding what color logo should be. Furthermore, a marketing plan should illustrate how to market products/services to make a profit (Ekanem, 2017, p. 25). This section must involve potential customers, how to attract and retain them, and analyze their financial profile, needs, purchasing behavior, price sensitivity etc. Besides, direct and indirect competitors must also be determined, such as number of competitive firms and their locations, distribution channels, suppliers, pricing strategy and competitive advantages. In addition, promotion plans, advertising programmes, selling methods, purchasing plans, suppliers, distributors, and research and development are necessary as they influence sale revenue.

In brief, there are five main items that marketing plan should focus on: Natural Market, Competitors Analysis, Customer Analysis, Promotion/Advertising, Sale and Pricing. The following tables are guideline on how to set up each item.

Table 2: Analyzing market, advertisement and promotion

Analyze the Market	Advertising and Promotion
<ul style="list-style-type: none"> • What is the size of the local market? • What is the size of the national market (if you will be trading nationally?) • What is the size of the international market (if you will be trading nationally?) • What seasonal or periodic change significantly affect the market (if any) 	<ul style="list-style-type: none"> • What do you want to happen? • How much expenditure is appropriate and affordable? • What messages do you want to project? • What media should be used? • Main type of promotional tools: Advertising/ Mailshots/ Leaflet distribution/ Demonstration/ Small scale trading/ Sale by sample/ Trade exhibitions

Source: Author, Ekanem, 2017, p. 25)

Table 3: Analyzing customers & competitors

Analyze Customers	Analyze Competitors
<ul style="list-style-type: none"> • Social Status/occupational groups A: Upper middle (Top managerial, administrative, professional) B: Middle (Intermediate managerial, administrative, professional) C1: Lower Middle (Supervisory clerical, junior managerial) C2: Skilled working class (Skilled manual workers) D: Working class: Semi-skilled and unskilled manual workers E: Lowest levels of subsistence (widow, state pensioners, casual labor) • Other ways classified customer: 	<ul style="list-style-type: none"> • What gives you an advantage over your competitors? • What advantages do your competitors have over you? • What other relevant factors are there about your competitors? • Does your product/service have a ‘unique selling point’? • Marketing Mix: Product: design, quality, after-sale service Pricing policy Promotion: advertising etc. Place: location of business

<p>Age, Gender, Geographically, Occupation</p> <ul style="list-style-type: none"> • Identify customer needs/benefits <p>Product or service suitable for customer's purpose (right product, right quality), Pleasant service or environment, Honest, fulfilment or satisfaction, Flexibility</p> <p>Competitive price, delivery, reliability</p>	
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Source: Author, Ekanem (2017, p. 25)

Financial plan: is a comprehensive evaluation of initial and future (optimally 3 years) monetary resource and flows. According to Ekanem (2017, p.26-28), there are two types of monetary resource: Debt Financing and Equity Financing. When it comes to small business or start-up, banks may be the only institution for debt financing, however they are usually not interested in risky projects. Banks are looking to obtain a potential company, who has the ability to pay an interest rate over a specified period of time and repaid their capital. Since most of start-up lacking of collateral security, good business plan or a track record, equity finance is mainly through personal investment by the founder or family. In this respect, the financial plan should provide:

- Start-up Costs
- Cash Flow Statement
- Balance Sheet
- Income Statement
- Break-even Analysis

Operations Management: the assessment of the business locations, the layouts and their adequacy concerning facilities, equipment, machinery, fixture and fitting, needed to run the business⁵. Therefore, the day-to-day activities of running the business included in this perspective. The concept of a “system of activities” has been used to reveal inputs, throughput, output and customer feedback.

- Input: raw material, information etc,
- Throughput: schedule of activities, shift work, diagram produced(where is the machine, material, etc.), the layout of the office. A critical path analysis could be useful here,
- Output: finished products (delivery, packaging), schedule of activities, delivery system, invoicing system,
- Customer feedback: where the consumer behaviour to the services or products is measured to provide information that will affect the system and lead to changes if necessary.

Furthermore, quality control procedure, inventory and production methods, as well as, materials and finished goods purchasing approaches are also involved in the operations plan. Key elements to generalize on this are⁶:

- An office/workshop diagram, showing the layout of the workplace and key elements.
- A schedule of activities/flow diagram showing what work gets done when(may apply critical path method)

On that ground, it is crucial to bear in mind how the business works on a day-to-day basis. This will help in converting materials and labour into goods and services as efficiently as possible to maximize the profit of an organization.

Human Resource Management (HRM): responsibilities include recruitment, overseeing training and development, motivation, evaluation and compensation. ‘The *people aspects* of any small business are crucial to success, many small businesses operate without

⁵ Ignatius Ekanem, Writing Business Plan: A practical Guide, P.53

⁶ Ignatius Ekanem, Writing Business Plan: A practical Guide, P.53

a separate HRM function and associated formal process' (Ekanem, 2017, p. 56). Furthermore, Skoludova and Brodsky (2015) also illustrated in their paper that 'The basic prerequisite for a company's success in today's competitive environment is finding competitive advantage in their employees'. Several HR-related tasks will need attention, as discussed below and the current trend of HRM in the Czech Republic⁷

- Describe management personnel and their position, expert and role. In the Czech Republic, 79 % of companies have a system of personnel controlling where the power tools are report/statistic, personal audits, and interviewing employees. (Skoludova & Brodsky, 2015)
- Recruitment shows the number of employees needed as well as their task and method of employment and pay. The process of recruitment involves new employees and existing employees. According to the result of research (Skoludova & Brodsky, 2015), 71 % recruiting employee use internal sources and 40 % for related adaption of new employees. Internal source is in term of the mobility of employee. Internal movement means reallocation of employees within the organization.
- Reward system is a program set up by a company to reward performance and motivate employees on individual or group levels (Ekanem, 2017). The most common type of evaluation was semi-annually (35%), monthly (27%), daily (13%). Moreover, 88% of respondent listed that employees are rewarded according to their performance. (Skoludova & Brodsky, 2015)
- Management structure/ Organizational culture is the description of the management team and organizational chart if the structure of the business is too complex.

⁷ Ignatius Ekanem, Writing Business Plan: A practical Guide, P.53

Risk Analysis plays a significant role in promoting a more stable and confident working environment. Every business face risks, it not only face reality but also deal with possible difficulties. The contents of risks by (Ekanem, 2017) are listed below:

- High level of competition
- Political deadlock
- Tax policies
- Interest rate
- Inflation
- Consumer sentiment
- Economic uncertainty
- Geopolitical issues that were never even discussed before
- Unemployment
- Rising healthcare costs
- Technological advancement

Besides, there are more points which should also be considered including:

- Pioneering: how will you avoid going broke trying to develop a market?
- Cycle and Trends: many businesses have cycles of growth and decline based on outside factors such as taste, trends, technology?
- Slow time: Is your business small and simple enough, or capitalized adequately enough to ride out slow times?
- Owner's Expertise: How do you plan to compensate for the knowledge you are short on? (McKeever, 2011)

3.2. PEST

PEST is an analytical tool reviewing the external environmental factors that influence the operation of organizations, representing for Political, Economic, Social and Technological. The below explanations are author's collection from lecture slides and

classes in Czech University of Life Sciences (2019), also referring to open internet resource of pestleanalysis.com (2016)⁸:

POLITICAL: This factor refers to the government policy and change in legislation affect the economy and the application to specific industries. The legal and regulatory factors involved are tax in income, payroll taxes, environment taxes, government law, international grouping, trade restriction and tariffs, environmental regulation, government subsidies and economic intervention.

ECONOMICAL: The economic portion of the analysis targets the key factors of economic growth (GDP), economic development, levels of investment and capital markets, interest rates, inflation rate, costs level, employment levels, industrial composition and size of firm.

SOCIAL: Social factors that may be included in PEST analysis are different culture and demographics trend of society such as religion, moral and ethics, value and attitude, level of education, environment, language.

TECHNOLOGICAL: The technological component considers the development of technology within an organization as well as the wider uses, change in technology, transport systems and infrastructures. The organization can fall behind in the competition if they do not keep up with the technological changes.

The mentioned descriptions of PEST factors are based on its nature or understanding of each factor. Nevertheless, there is another important aspect of PEST analytical that it contributes to the planning activities of a business. The idea was supported by Johnson et al., (2009; cited in Kim-Keung HO, 2014) that PEST analysis helps to identify the key drivers of change⁹ which is useful for exercise of scenarios building.

Besides, Fleisher and Bensoussan (2003; cited in Kim-Keung HO, 2014) considered that the outcome of PEST analysis would provide not only vital information for the SWOT

⁸ Available at: <https://pestleanalysis.com/economic-factors-affecting-business/>, 2016.

⁹ The key drivers for change are environmental factors likely to make a high impact on a company's strategy performance (Johnson et al., 2009; cited in Kim-Keung HO, 2014)

analysis but also valid assumption to develop a company's strategy. On the other hand, the outcome of this analysis can vary from time period, and it also relies on the management of the company to collect the relevant data for the analysis.

Therefore, Kim-Keung HO (2014) pointed out some challenges involving in the practice of PEST analysis. For instance, the intellectual capability of firm's managers and analysis practitioners; in which, the limited or invalid perceptions of the environment will cause the difficulty in defining the environment of the business. Moreover, because of the different perspectives for the environment itself, unawareness of that difference can lead to the confusion in the analysis result if each practitioners use different perspectives.

Other researchers might prefer to use a more refined tool called PESTEL analysis with addition of environmental and legal. However, this thesis adopts the PEST analysis because the environmental analysis and legal requirements are researched separately in SWOT analysis and Czech legal requirements. Moreover, from the viewpoints of mentioned researchers, it is useful to conduct PEST and SWOT analysis together because of their support to each other.

3.3. SWOT analysis

SWOT analysis is a strategic planning tool providing information that is helpful for evaluating key factors Strength, Weakness, Opportunities, and Threat to achieve objective in the development of an organization. That powerful tool allows firms and business analyzing themselves from internal and external perspectives in order to generate the strategies. According to Quezada, et al., (2019), the link between internal and external factors can be used to develop four types of strategies, SO (Strengths – Opportunities), ST (Strengths – Threats), WO (Weaknesses – Opportunities) and WT (Weaknesses – Threats).

On the ground that the framework generated from the SWOT matrix is useful to identify and formulate strategies, it is important to understand the description of each factor. The below table describes the characteristics of those factors and show the link between them.

Table 4: SWOT Matrix

	Strengths	Weaknesses
	Aspect or characteristic which are advantages of the business, resources & asset such as land use and location strength, transport and circulation, isolation or preservation strength,	Components or elements that prevent an organization from performing at its optimum level such as a weak brand, lack of capital etc.
Opportunities: Any favorable situation or conditions in the external environment which enable optimal use of an organization's achievement.	Direction for strategies: Using strengths to capture opportunities, in order to achieve a better performance or expanding its operation efficiently by exploiting its strengths.	Direction for strategies: To improve the weaknesses in order to capture opportunities
Threats: Any outside situation or conditions in the external environment that potentially create troubles or prevent the progress of business & organization	Direction for strategies: Building strategies to avoid influences of negative environmental factors or preparing the ability to face situations where threats gives effect to the business operations.	Direction for strategies: Identifies the scenarios when the threats can hit the weak sides of a business, how to prevent or reduce negative effects on the firm.

Sources: Author own work, Namugenyi, et al., (2019), Culp , et al., (2016)

Although SWOT analysis is a useful tool when it combines process reviewing and goal setting activities, it does have the limitations. Namugenyi, et al., (2019) pointed out that the analysis does not help to identify which strategy is more important, or in other words, the priority of factors and strategies built based on those factors.

3.4. Bubble Tea Market Overview

3.4.1. Developments

Bubble tea, Pear milk tea or Boba tea, are the names given to the popular drink in Taiwan which was invented by Liu Han-Chieh in the early 1980s at Chun Shui Tang teahouse in Taichung, Taiwan. It quickly became “national drinks” as today, bubble tea shops occupy nearly every corner of Taiwan’s street and spread to their neighbouring countries like Japan, South Korea and then to the rest of the world. Normally, bubble tea is a mixture of black tea, green tea, oolong tea-based and powdered milk or condensed milk, adding chewy tapioca ball, fruit jelly or budding.

Bubble or pear refers to the concept of tapioca balls. Tapioca is a starch made from cassava flour by adding some water and sugar, food colouring to become different colour balls; however, black is the original version. Bubble tea served in transparent cups to show off its bubbly qualities at the bottom with a full-fat straw so people can easily sip up. While in the global tea market, Bubble tea shops not only have developed high brewing tea but also have invented many different flavours to meet the local tastes, culture, such as latte coffee bubbles, oreo bubbles, smoothie bubbles etc.

Nowadays, most of Bubble tea brands expand their business by selling franchise. According to IFA¹⁰ (International Franchise Association), "franchising is a method which helps to expand a business and distribute goods and services through a licensing relationship." Franchising can be identified as a *business in a box*, which means the business already has a system in place for every aspect of running it, involving the products and services, marketing and sales, operation, training employees and technological system. (Kathleen, 2013).

Bubble tea, in general, has proven its success in the food and beverage industry by the development of milk tea brands and franchise businesses around the world. For instance, two successful brands out of many, Sharetea has entered 15 different countries over 500 locations worldwide (U.S.A., Canada, UK, Hong Kong, Singapore,), and Gongcha also has

¹⁰ IFA, International Franchise Association, [available as: [franchise.org/faqs/basic/what is franchise](http://franchise.org/faqs/basic/what-is-franchise)]

expanded to over 15 countries and more than 5000 locations worldwide and growing. Moreover, Vietnam has more than 1500 bubble tea shops with about 100 local and international brands (ZINGVN, 2019).

Cultural specificity may lead to the different market growth rate between Asia and Europe; nevertheless, Europe so far is becoming a potential market with many bubble tea brand in French, Germany, Netherlands etc. In the Czech Republic, there are several Bubble tea stores, which are Comebuy, OXO Tea, Royal Tea, Chatime, and all of them are follow Taiwan tea culture with the sameness of flavour but OXO Tea.

3.4.2. Czech Republic tea and coffee market

Tea consumption in the Czech Republic is gradually growing as tea market expect to increase annually 1.8%, which will have 53.9 million EUR revenue in 2020 (Statista, 2020). The refreshing taste and healthy image of tea continued to generate growth and place it in a good position to develop. Two international brand, Pickwick and Lipton, have a leading position in the Czech Republic market. Fruit tea take the major market shares, but black tea and green tea also has its followers.

However, the leading distribution channel is through supermarket, reailed store, not tea shops. Well-known health benefits of tea such as antioxidants of green tea can increase the body's ability to reduce the risk of heart attack, anxiety and burn fat etc., is a reason of growing interest in the Czech Republic. Finally, since people already know what bubble tea is through existed brands in the Czech Republic will be a good opportunity to enter the market.

Coffee segment in the Czech Republic is estimated to have revenue at the amount 351 million EUR in 2020 (Statista, 2020) and value sales of coffee have been propelled in recent years by the out of home sector. The development of tea and coffee market creates an opportunity for new drink culture entering the market.

3.5. Small business and legal requirement

3.5.1. Small Business

Entrepreneurship has been defined and described in several different ways, depending on the type of business, where and when it is conducted. The term “entrepreneur” originates from a French word and is commonly used to describe an individual who organizes and operates a business, taking a risk with money to make money. (Steven D. Strauss, 2013). As the world has become more connected, the term Small and Medium Enterprises (SMEs) was established in order to measure, connect, compare in national and international level. According to the European Commission, further definition is based on the number of employees, annual turnover or balance sheet as in table below.

Table 5: SME category

Type of SME	Staff headcount	Annual turnover and balance sheet
MEDIUM	< 250	≤50 million EUR or ≤43 million EUR
SMALL	< 50	≤10 million EUR
MICRO	< 10	≤2 million EUR

Source: author own work , (European Union, n.d.)

Kubickova, et al., in their article, indicated that SMEs play a significant role in economic growth and job creation in the Czech Republic as they account for up to 99 % of all economic entities and how they engage in internationalization effectively. (Kubickova, et al., 2014). One of government strategy to boost company’s competitive advantages for achievement is taking part in foreign market. The critical motives for entering a foreign market founded in this research are international demand for products, lack of demand in the domestic products, competitive pressure in the local market, increase in sale. Moreover, the dependence between motives and characteristics (age and experience) of entrepreneurs was verified.

Small business has general strength that they must have to recognize in order to compete or at least survive in the market. They are emphasized in “The Art of War for Small Business”:

- “Agility and speed of movement,
- Excitement and enthusiasm of new and young companies and ideas,
- Power of unexpected,
- Flexibility in processes and procedures,
- Iconoclastic worldview and readiness to take on all comers.”

According to Sun Tzu conclusion (Sheetz-Runkle, 2014), there are several highlighted strategies in running a small business:

- “Avoid strength and attack weakness”: go where competitors are unable and unwilling to go
- “Move with speed”: quickly moving can help to achieve a better position than competitors
- “Maximize resource”: make the best use of acquiring new customers and current customers.

3.5.2. Legal form of business in the Czech Republic

Type of business	Czech name, abbreviation	Minimum required startup capital	Minimum required number of founders	Financial liability
Unlimited partnership	<i>veřejná obchodní společnost, v.o.s. “, „veř. obch. spol. “ or a name of a partner + „a spol. “</i>	0 CZK	2	Unlimited liability
Limited partnership	<i>komanditní společnost, k.s. “, „kom. spol. “</i>	0 CZK	2 (at least one unlimited/general partner and at least one limited/special partner)	General partners have unlimited liability for the partnership’s obligations; Special partners have limited ability to the extent of their unpaid contribution
Limited liability company	<i>společnost s ručením omezeným, s.r.o. “, „spol. s r.o. “</i>	1 CZK	1	Partners have limited liability to the extend of their unpaid contribution
Joint-stock company	<i>akciová společnost, a.s. “, „akc. spol.</i>	2.000.000 CZK or 80.000 EUR	1	Shareholders are not personally liable for the company’s obligations
Cooperative	<i>Družstvo</i>	0 CZK	3	Members are not personally liable for the cooperative’s obligations

Table 6: Legal forms of business

Source (Businessinfo, n.d.)

3.5.3. Accounting, tax and insurance¹¹

Accounting is a data-processing system for recording and reporting business transaction in financial terms. These records are used in two main ways: to fulfil the legal obligation of organization and to manage the process within organization.

The fundamental legal regulations of financial accounting are set by:

- Act No 563/1991 Coll. On accounting (Accounting Act)
- Decree on double-entry accounting for Entrepreneur, No 500/2002 Coll.
- Czech Accounting Standard for Entrepreneurs

Other regulations connected with a financial accounting are:

- Act No. 90/2012 Coll., on commercial companies and cooperatives (Business cooperation Act)
- Income Taxes Act No 568/1992 Coll.
- VAT Act, Provision Act, Social and Health Insurance regulation, etc.

The Czech Republic Recording Duty for entities running a business is displayed in the following table:

Table 7: The Czech Republic recording duty

Entity	Records	Duty
Natural person with annual turnover under 25 mil CZK	Tax recording (Financial accounting optional)	-Keep tax evidence (receipts and payment) -Accounting voluntarily
Natural person with annual turnover over 25 mil CZK	Financial accounting- Czech Republic	Keep double-entry accounting
Legal person (partnership, corporation)	Financial accounting – Czech Republic	Keep double-entry accounting

¹¹ Information from Accounting Theory book, Ing. Marta Starova. PHD. Czech university of Life Sciences

Person with stocks registered at EU stock market	IFRS ¹² Record for CZ tax authorities	-Keep double-entry accounting -Prepare Financial Statement
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Source: author own work

Taxes are compulsory charge on income, consumption, wealth, or other basis for the benefit of all those governed. Currently, there are several laws in place, each involving a different type of taxes. The following list focusing on Direct and Indirect taxes

- Direct
 - Income tax (Act No 586/1992)
 - ✓ Personal taxable income: 15% of super gross income (gross salary plus social and health insurance paid by the company)
 - ✓ Corporation taxable income: 19 % from tax-based

- Indirect

VAT (Value Added Tax) (Act 235/2004 Coll)

There are three VAT rates are used in the Czech Republic, one standard rate and two reduce rates): 21%, 15% (food, pharmaceuticals and medical goods etc.), 10 % (infant food and food for children, printed books and newspaper etc.)

VAT registration is obligatory for a turnover exceeds CZK 1,000,000 within 12 consecutive calendar months and obligatory for entities with economic activities.

Apart from taxes, other social security contributions are

- Health insurance: 13,5% of gross income (employees 4,5% and employers 9%)
- Social security insurance: 31,5% of gross income (employee 6,5 % and employers 25 %)

¹² IFRS : International Financial Reporting Standards

4. PRACTICAL PART

4.1. Executive summary

[SEN] (share-enjoy-new generation) tea is going to be a new bubble tea brand. The main concept of [SEN] is to sell fresh, well-prepared drinks with a modern style and reasonable prices. [SEN] includes creative recipes of Vietnamese teas and coffees with delicious bubble toppings (pear, mini pearl, pudding, jelly) that uniquely define bubble tea.

[SEN] tea specializes mainly in its menu of drinks and comfortable atmosphere where customers can spend hours either with friends or working. Additionally, to be profitable, the author will also sell an exclusive list of desserts and paninis. The targeted location is Praha 1, or nearby areas in the center of Prague which are easily accessible by transport.

The company will include three main employees: the general manager (charged with the primary daily business activities), the bartender, and the cashier. The company plan to commence its operation from June 2021, with a start-up cost of 2.660.968 CZK.

4.2. Company's introduction.

The [SEN] company, a limited company, is new to the food and beverage industry and provides the customer a unique experience with tea culture which combines a great flavor of Vietnamese tea and well-known recipe of traditional bubble tea. When it comes to Vietnamese culture, tea and coffee are the most well-known physical goods¹³ with a variety of unique tea flavours and types of coffee. On that ground, SEN enters the bubble tea market, and engages in Czech's general tea and coffee market by taking advantage of the abundant resources of high-quality tea leaves and coffee in Vietnam.

Despite of the harsh competition in the market, our deep understanding about the culture of tea helps us to be able to create innovative and unique recipes that will make our company exclusive.

¹³ The country is in the top 10 tea exporting countries and is the second-largest coffee exporting country after Brasil (according to worldtopexport, 2019).

4.3. Business strategy

4.3.1. Vision statement

- With our ceaseless passion for expanding our market through sustainable development, SEN strives to become a company that specializes in making and serving high-quality bubble tea and coffee in the Czech Republic.
- SEN hopes to create a Vietnamese brand with outstanding quality that is easily recognized not only in the Czech Republic but throughout Europe.

4.3.2. Mission Statement

- To become a pioneer by creating new ideas for bubble tea and coffee,
- To develop an outstanding brand,
- To provide a joyful experience and treat our customers with courtesy and respect (employees must always be cheerful, never be inactive or avoid challenges, and never stop continuously improving the company),
- To maintain our high quality that satisfies customers by having a deep understanding of their needs and values.

4.3.3. Core Value

- To the consumers: Commit to supply the best quality products and services.
- To the employees: Continue to improve the professional, dynamic, and creative work environment and provide a fair and friendly working environment.
- To the community: Balance the benefits of the company with those of the community. We are protecting the environment by using paper material instead of plastic

4.3.4. Objectives

- To provide high-quality bubble tea and coffee,
- To provide a fancy, relaxing, and comfortable atmosphere,
- To provide new, unique tea and coffee flavours,
- To grow faster than our competitors and gain the most significant market share,

- To break even after one and a half years,
- To build a good reputation and create a famous brand in the Czech Republic,
- To get attention not only from local customers but also tourists.

4.4.SEN's SWOT

In order to gain better understanding of its own strengths and weaknesses, as well as opportunities and threats from the external environment, SEN has conducted SWOT analysis and obtained some main point as follow:

Table 8: SWOT analysis

<p>STRENGTHS</p> <ol style="list-style-type: none"> 1. Unique products 2. Organic tea-based 3. Fancy atmosphere 4. Customized beverages 5. Transport accessibility 	<p>WEAKNESSES</p> <ol style="list-style-type: none"> 1. New and not a franchise brand 2. High shipment cost of raw material from Vietnam 3. Owner of store is a student, lack of real manage experience 4. Limited financial budget as it is owner's fund
<p>OPPORTUNITIES</p> <ol style="list-style-type: none"> 1. Ability to expand 2. To be attractive not only among local people but also tourist (Czech Republic is on top 10 best place to visit) 	<p>THREATS</p> <ol style="list-style-type: none"> 1. Risk in the new market 2. Many direct and indirect competitor 3. Prejudice: bubble tea store only for young people

SEN uses the knowledge of its internal and external factor to build the plan toward achieving its objectives. The directions of the business strategies are as follow:

- Strengths – opportunities: attracting local Czech young generations and tourist by SEN's unique recipe of drinks, focusing on its friendly and fancy atmosphere to attract customers.

- Strengths – threats: focusing on price competition with current competitors, creating set of unique drink with reasonable price, and build the nice store, friendly staff to attract young people
- Weaknesses – opportunities: not bounded by franchising contract, Sen can build its outstanding brand image, lowering price to compete
- Weaknesses -threats: overcome the limited financial budget by using more low cost or free advertising tools,

4.5. PEST analysis of Czech Republic

POLITICAL

The Czech Republic has become one of the most stable and prosperous markets in Central Europe. The Czech government is increasing the support provided to start-ups, particularly those with a technological character. The government agency CzechInvest is not only promoting the Czech Republic as a destination for more high-tech investments but also increasing its support for the domestic small and medium enterprise (SME) sector. One more support program, Potential, helps SMEs carry out research, development, and innovation activities as part of their business.

In addition, if SEN wants to expand its business, Guarantee 2015–2023 will help it access bank loans with a 70% guarantee for six years. Finally, fast-changing legislation and complex administrative procedures might be major problems for doing business in the Czech Republic. However, the Action Plan to support SMEs for 2017 was introduced to ensure effective start-up procedures. After all government efforts, the country is 41st in the World Bank's Ease of Doing Business 2019 ranking and remained 32nd out of 141 countries in the WEF Global Competitiveness Report 2019.

ECONOMICAL

The Czech economy is performing powerfully and is forecast to continue to perform well. According to the Czech Statistical Office (CZSO), most Czech macroeconomic indicators remained healthy, with government gross debt falling from 33.88% to 31.97% in

2019. Furthermore, in 2019, the GDP grew by 2.4%, and the unemployment rate remained low at 2.0% and is expected to decrease in 2020—contributing to the high growth of wages. In 2019, the average annual inflation rate is 2.8 % and is projected to be stable in 2020–2021.

SOCIAL

Czech nationals compose 95% of Czech society, with minority populations of Slovaks, Gypsies, Poles, German, and Vietnamese. This diversity may favour the introduction of a new tea culture. Moreover, organic agriculture is engaging considerable interest in the Czech Republic. To reduce the impact of a rapidly ageing population, the government promotes a healthy lifestyle. The country has a long tradition of the broadest strata of the society being well-educated (94% of adults aged 25–64 have at least upper secondary education). The latest Social Progress Index, which monitors social life and quality of life in 133 countries, ranks the Czech Republic twenty-fourth.

TECHNOLOGICAL

Trends in advanced technologies influence behaviours and forms of communication in companies, providing potential business opportunities and accelerating business processes. Cloud computing, mobile technologies, social networks, and business intelligence are considered the most promising technologies in the Czech Republic. The proportion of SMEs purchasing online in the Czech Republic is the highest among all EU members. Similarly, the turnover from e-commerce is the third highest in the EU. Notably, in the food and beverage market, the wide-ranging use of delivery apps, such as Uber Eats, Wolt, and Dame Jidlo, showed technological advantages in consumers' behavior.

4.6. Marketing plan

4.6.1. Customer analysis

Our company will aim for a diverse customer segment from commuters and tourists to students. However, it would fall short without reviewing the current types of customers

in the Czech Republic. There are seven types of customers: rational, timid, Scrooge, spender, saint, refusing (money is evil), and worshipping (money is everything) (Tomek et al., 2013).

- Rational customers accounted for the biggest part at 27.3%. They believe that money is important but is not everything, and they will not buy something just to show off their wealth. This type of customer always has detailed plans on expenditures but can also enjoy money. Consumers of this segment are mostly middle-aged and higher income.
- Timid consumers represent 23.5% of the Czech market. They believe that money degrades people's relationships and will reject loans. Cheap priced products are always their choices. This segment involves lower-income and completed education customers.
- Scrooge defines over one-fifth of the Czech population. This type of consumer tends to save money and spend only when needed. Both lower- and upper-income groups are found in this segment.
- Spender is the opposite of Scrooge. They like to show off their wealth by purchasing expensive things, even when they cannot afford to. Customers who belong to this segment are mostly young people with middle and higher income.
- Saint consumers are willing to share money with people who need it. Consumers with different social-demographic characteristics were mainly involved in this segment.
- "Money is evil" customers do not care about money. They believe that money will not bring them pleasure. Consumers in this group have lower incomes and education levels.
- "Money is everything" customers wish to have a lot of money. They believe that money brings pleasure, happiness, and power over others. 15% of young people are found in this segment.

The knowledge coming from these types of Czech consumers will help make price policies correctly and meet the needs of customers that the company can focus on. Thus, the

company will target on three types of customer: rational, worshippers and spenders since they are mostly young people with middle or high income.

GEOGRAPHIC

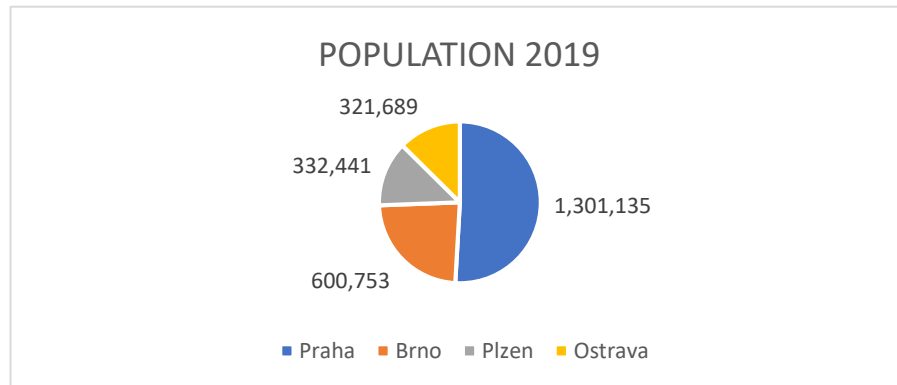


Figure 1: Population in Praha

The chart above shows the population in the four major cities Praha, Brno, Plzen, Ostrava of the Czech Republic. The main potential customers are the resident of Praha since our store is located in Praha, where have the highest number of 1.301.135 citizens.

AGE

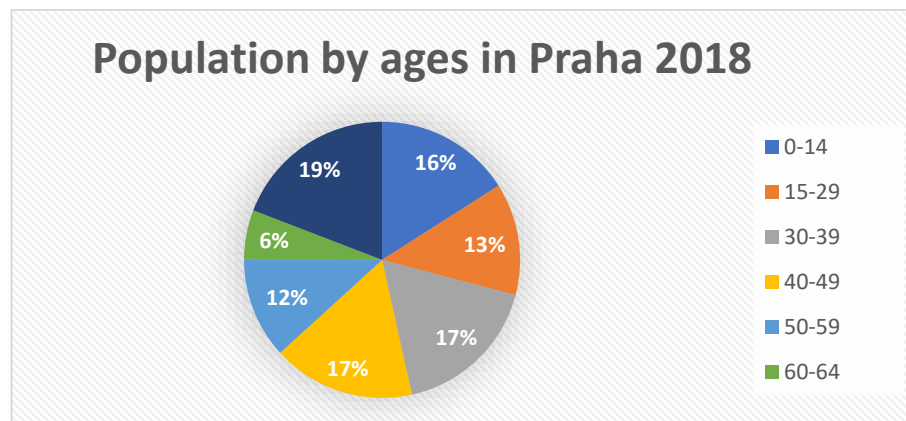


Figure 2: Population by ages in Praha

Source: author own work, CZSO

The given pie chart illustrate the percentage of population by ages in Praha. One of strengths of the company is diversified customer base, therefore, equitable ages group distribution will enhance sales value.


TOURISTS




Apart from local customers, tourists are also our target customers. According to Expatriat, a total of 10.6 million foreign tourists visited the Czech Republic over the course of 2018. Germans represented the highest number of tourists at more than 2 million, which is 20% of the total number of tourists. Following the Germans was the Chinese (620.000), the Americans (556.000), and then the South Koreans (416.000). Those countries are already familiar with Bubble Tea. They are even the leading countries in the Bubble Tea market. Since SEN's store is targeting to place in the center of Prague, which is the most attractive destination in the Czech Republic, our outstanding banner will easily draw customer attention.

4.6.2. Competitors analysis

The study of competitors has been described but will continually be brought up to date. The present competitors are displayed in the table below. The analysis of each competitor will help in understanding the market trend and consumer behaviour.

Table 9: Competitors' overview

Name	Description	Pictures
Comebuy	<ul style="list-style-type: none">- Launched in 2018- Located in Praha 1- Offering: tea espresso, fruit tea, milk tea- Franchise business, original tea from Taiwan	 <p>Source: Comebuy Prague Face book page</p>

<p>Chatime</p>	<ul style="list-style-type: none"> - Launched in 2018 - Located in Praha1 and Libuska - Offering: fruit tea, milk tea, smoothie, coffee, juice - Franchise business, original tea from Taiwan 	 <p>Source: Chatime Prague Facebook page</p>
<p>Royal tea</p>	<ul style="list-style-type: none"> - Launched in 2018 - Located in Praha1 and 1 take away store in Westfield Chodov Shopping mall - Offering: smoothie, fruit tea, milk te, chocolate and cheese drink, juice tea - Franchise business, original tea from Taiwan 	 <p>Source: Royaltea Facebook page</p>
<p>OXO tea</p>	<ul style="list-style-type: none"> - Launched in 2018 - 7 take away store: Located in Praha Shopping Center Arkady, Palladium, Smichov - Offering: fruit tea, milk tea 	 <p>Source: OXO Facebook page</p>

Source: author's collection from the Facebook webpage of mentioned brands, taken photos do not violate any copyrights

It can be easy to realize that all the current brands in the Czech Republic has been entered the market for at least two years, and there is an increase in the number of stores each year. Therefore, it is a challenge for any new joiner that they need to understand their competitors. SEN conducted the research on its competitors and obtained the result as follow:

Table 10: Marketing mix

Marketing mix	Comebuy	Chatime	Royaltea	OXO tea
Place	Jindrisska street	Jungmannova street, Libusska street	Hradebini street, Chodov center	Smichov, Akady, Palladium, Cerny Most, Chodov center
Promotion	Facebook Website Instagram	Facebook Instagram	Facebook Instagram Website	Facebook Instagram Website
Price	79 - 124 CZK	85- 120 CZK	99– 125 CZK	110-140 CZk
Product	Tea Presso, Milk tea, Fruit tea, Summer & Winter special,	Fresh milk, Fruit tea, Mousse series, Smoothie, Brew tea,	Matcha, Chocolate, Royal cheese, Milk tea, Smoothie	Fruit tea, Bubble tea, Cocktail tea
Quality	4.9/5	4.5/5	4/5	3/5
Services	5/5	4.5/5	3.5/5	4/5
Atmosphere	3/5	4.9/5	3/5	Take away
Franchise business	Yes	Yes	Yes	Yes

Source: author own collection, using internet research

The ranking score was estimated using reviews from TripAdvisor, Facebook, and delivery apps, such as Wolt, Uber Eats, and Dame Jidlo. The table above shows that all bubble tea brands are in the very centre of Praha (Praha 1–2), where many shopping malls, offices, and famous tourist attractions are located. Currently, the leading brand in the market is Comebuy, which has a high score in most aspects but also needs improvement in terms of atmosphere. On the other hand, OXO is ranked low because they only have takeaway stores; also, their quality and service are not good. Among them, Chatime and Royaltea, these two brands are doing well, but not many people know about them, and they still get some bad reviews for their quality and services.

In brief, SEN decided that its selling price will vary from 100 CZK to 120 CZK, which is the equal price compare to other bubble tea brands as well as the average price for tea and coffee in Praha. SEN differs from its competitors, especially regarding its high-quality products and fancy atmosphere. Having a good after-sale services is also our company target because it plays a role in the client's decision to purchase and company's reputation. Loyalty program will efficiently be used to retain an existing customer. Being not a franchise business is neither an advantage nor an disadvantages of SEN. However, our company will take advantage of that to be able to expand quickly and go futher in the bubble tea market.

4.6.3. Advertising and Promotion

Nowadays, marketing is not only about selling products but also about creating an emotional connection with people. Having an innovative product with an inspirational story can give a brand an extremely powerful advantage. Making videos with some CZ YouTubers who create lifestyle or Prague content will help to take our new brand viral and help us connect with customers more quickly. Furthermore, daily posts to our social networks also keep customers updated on important news. Finally, delivery apps will increase sales and reputation through customer reviews.

Table 11: Type of advertising

Type of advertising	Name	Frequency	Price (CZK)
Partnership with YouTuber	<i>Be Ha Stylewithme</i> <i>FIZI style</i> <i>Honest guide Prague</i>	As soon as possible	Variable
The food festival		3 times per year	Variable
Social networks	<i>Official Website</i>		0
	<i>Official Facebook page</i>	Daily update	0
	<i>Official Instagram account</i>	Daily update	0
	<i>Twitter</i>	Daily update	0
	<i>Influential Facebook groups like "Travel Prague"</i>	As soon as possible	variable
Delivery Apps	<i>Uber Eats</i>	As soon as possible	Deposit: 5000 27% per each order
	<i>Wolt</i>	As soon as possible	Initial invest: 11000 27% per each order
	<i>Dame Jidlo</i>	As soon as possible	Deposit: 5000 27% per each order

Source: author own work

4.7. Human resource management

Organizational structure

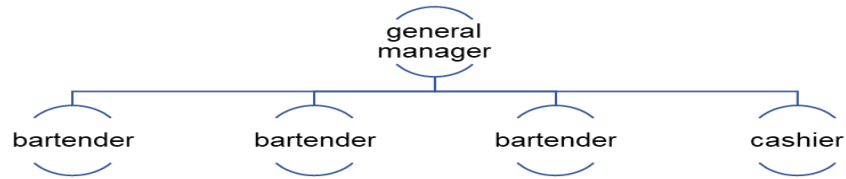


Figure 3: Organizational structure

4.7.1. Recruitment

There are several recruiting ways that SEN can use in Czech Republic:

- Recruitment online through websites: company will post a briefly introduction and detailed job description on Job.cz, Sprace, CV-Online Czech Republic, Jobmaster.cz, Expaz.cz, etc.
- Referral Recruitment: it means recruiting through the suggestion of friends, family or colleagues. This is one of the most effective hiring methods particularly for startup since it saves time and cost.
- Recruitment using digital technology and social network: Using LinkedIn or Facebook, a viable source of recruitment, company can easily find and connect with high quality employees.

4.7.2. Reward

It has been mentioned in theoretical part that 88% of employees are rewarded according to their performance in Czech Republic. Therefore, our company will set up suitably rewards for employees who consistently perform well. The main goal behind

rewards is to give employees tangible reasons to continue to improve their performance and help company grow. Our company rewards are listed below:

- Offer ticket for local concert,
- Highlight staffs on social media (webpage, Instagram, Facebook etc.),
- Targeted, behavior-based individual bonuses,
- Free meal vouchers,
- Organized team building twice a year.

4.8. Operation management

4.8.1. Location

[SEN] tea targets to locate its store in a very crowded place downtown. The rented place will have 56.76 square meters with one large room, toilet, and storage. It has also 7.55 square meters in the basement. The building is located on Na Prikope Street. The wide boulevard runs eastward from the bottom of Wenceslas Square. The avenue is lined with shops and shopping “galleries” (the Cerna Ruze, Myslbek, and Slovensky dum), cafes and restaurants, bars, and a few major banks. Passages can all be found there. This beneficial location will guarantee potential customers will pay attention to the new place.

According to Cushman & Wakefield’s annual Main Streets Across the World 2019, Na Prikope hosts 120.000 people per day in the busiest spot. Moreover, there are many hotels and apartments located nearby. It is important to implement the goal of attracting tourists. After considering all the pros, SEN considers one noticeable risk: the presence of many indirect competitors in the Na Prikope Street area. Rent and utility fees were estimated to be about 350.000 CZK (from a real estate company). The shop will be reconstructed and redecorated to meet all the requirements of a tea and coffee shop.

4.8.2. Products and services

When most people think of a milk tea shop, they believe there is only bubble tea for sale to young people. A SEN menu is not like this since we offer different beverages from traditional tea to milk tea, fresh juice, and coffee. Furthermore, our product is a customized

drink: customers can choose the coldness, sweetness, and topping, by changing the amount of sugar, ice, or tea base.

There are more than 42 flavours to serve any customer’s taste. Firstly, people who prefer coffee flavour can choose caramel coffee, rich milk coffee, or, for a new experience, Vietnamese traditional coffee. Secondly, our fresh juice menu’s delicious tropical flavours will satisfy customers’ needs. Finally, special teas (Lychee, Lotus, Rose) and milk tea produce our successful niche factor because they provide unique experiences and embody the scents of nature, unlike other bubble tea stores. Our materials are pure and sourced from the two largest tea hills in Vietnam (Thai Nguyen and Bao Loc), where only a few top young and juicy leaves are harvested manually. Staff members will be trained one month before opening, and every flavour will be tested to ensure the store is in a ready-for-business condition.

Table 12: SEN menu

Special tea	Cold Beverage	Blended Creamy	Classical coffee
Lemon Black tea	Peach Tea	Creamy Hazelnut-Lotus tea	Cappucino
Peach Milk tea	Caramel	Creamy Hazelnut-Black tea	[SEN] Cappucino
Black Milk tea	Hazelnut Cappuccino	Creamy Rose Tea	Cafe Latte
[SEN]. Tea Latte	Choco Lover	Fruit juice	Vanilla Latte
Peach Black Tea	Cappuccino Blast	Pineapple	Caramel Coffee
Lychee tea (Lotus/Jasmine)	Oreo Cappuccino Blast	Orange	Espresso

Logan Tea (Lotus/Jasmine)	Choco Almond Crunch	Tropical fruit	
Lucky Tea	Green Tea Iced Blended	Pomelo	Fruit Smoothie
Rose Tea	Green Tea with Almond	Vietnamese Traditional Choice	Happy Summer (banana)
Oolong Milk Tea	Coffee Green Tea with Almond	Jasmine Tea	Red Sunset (strawberry, raspberry, blueberry)
[SEN]. Cocktail Tea	Coconut Coffee Smoothie	Lotus Tea	Vitamin C (lemon, mango, pineapple)
Greentea Latte			
Topping	Pudding Pearl, Mini Pearl, Crystal Pearl, Jelly		
Adjusting ingredients	Iced Level	Sugar level	
	30%	30%	
	50%	50%	
	70%	70%	

Source: author own work

4.8.3. Personnel

INTERNAL EMPLOYEES

GM: The owner of the company will be the general manager. Since it is a new and small company, the owner will oversee all activities and processes. The responsibilities of the GM are as follows:

- Ensure products offered to customers are delivered at a high quality,

- Build a good relationship with suppliers,
- Oversee day-to-day operations,
- Design the strategy and goals for growth for the loyalty program, seasonal menu, etc.
- Manage the recruitment and training of new staff members,
- Provide solutions to issues (e.g., profit decline, low product quality, etc.),
- Maintain the budget and minimize expenses.

Bartenders: There are two six-hour work shifts each day, with three bartenders on each shift. The responsibilities of bartenders are as follows:

- Restock and replenish bar inventory and supplies,
- Greet customers and respond to guest inquiries and requests in a timely, friendly, and efficient manner,
- Mix and garnish beverage according to recipe and portion control standards
- Maintain a clean workspace,
- Prepare the table, making the tea and topping at least 2 hours before opening.

Cashiers: There will be one cashier every day with full-time hours. The responsibilities of cashiers are the following:

- Welcome customers by answering questions, helping them locate drinks, and providing advice or recommendations,
- Accept all payments, ensuring all prices and quantities are accurate, giving a receipt and the number of orders to,
- Follow all store procedures regarding coupons and gift cards,
- Check orders on delivery apps: Uber Eats, Wolt, Dame Jidlo.

EXTERNAL EMPLOYEES

Accountant: As SEN s.r.o is a new company; the accounting process will be completed by the owner. However, to ensure everything is balanced and in accordance with the government regulations, the professional accountant will prepare a detailed report at the end of every month.

4.9. Financial plan

4.9.1. Startup cost

The initial costs represent a non-reoccurring investment, which is estimated at 2.660.968 CZK and connected directly to the opening of the bubble tea store. The highest cost will be paying for rent and decorations, as well as the cost of importing materials from Vietnam. Normally, there are unexpected expenses when opening a business, and to face that risk, a budget with 30.000 CZK has been prepared. The initial capital required will be supplied in full by the owner.

Table 13: Estimated services cost

Service Expenses	CZK
Rent and Utility	350,000
Kauce (deposit)	700,000
Registration of the company	20,000
Logo, menu	50,000
EET program	5,000
Reconstruction & Decoration	290,000
Total	1,415,000

Notes: amount displayed in CZK

Table 14: Estimated equipment cost

Equipment Expenses		
Tea & coffee espresso machine	1	120,000
Sealing film machine	1	9,500
Snow ice freezer	1	18,880
Blender	1	1200
Fructose Dispenser	1	9,800
Electric stove	1	988
Cream dispenser	1	5,000
Insulated tea dispensers	3	2,100
Container for tapioca and topping	1	3,000
Computer cashier	1	13,500
Security camera	1	12,000
Cup, straw, spoon, bag	–	20,000
Inventory (raw material)	–	1,000,000
Other expenses	–	30,000
Total		1,245,968

Note: amount displayed in CZK

4.9.2. Break-even analysis

- Cost of goods sold

Table 15: Cost of goods sold and selling prices

	cost of good sold	selling price include VAT
Special tea	38	120
Classic coffee	33	110
Fruit Smoothie	30	105
Fruit juice	55	110
Cold blended	36	115
Creamy	32	105
Average	37.33	110.83

Note: Amount displayed in CZK

- Wages and salaries

The salary was estimated using information about average gross salaries 2020 on Czech Statistical Offices.

Table 16: Estimated wages

Wages and salaries	number	CZK/hour	10:00-21:00	1 month CZK	1 year CZK
Bartender	3	110	1,320	118,800	1,425,600
Cashier	1	100	1,200	36,000	432,000
GM	1			40,000	480,000
Accountant	1			10,000	120,000
Total				204,800.00	2,457,600

- Depreciation

The depreciation was calculated by using straight line method. Therefore, the rate will be same each year at about **36.343 CZK**

- Break-even point

The break-even point formula is calculated by dividing the total fixed costs of production by the selling price minus the variable cost per unit. The monthly break-even calculation equal

to 7566. Thus, company need to sell at least 7566 items per month to make neither profit nor loss.

Table 17: Break-even calculation

Total Fixed Cost	556,162 CZK
Average variable cost per unit	37.33 CZK
Average selling price per unit	110.83 CZK
BEP	7566.83

4.9.3. Income Statement

- Estimated revenue for next three years

The estimated monthly sales over the next three years are shown in table below. It was evaluated by analysis of location and seasonal factors. Following this scheme, we expect a total revenue from sell 10.950.333 CZK of first 6 months of the launching year, which mean more than 500 cups will be sold per day.

Table 18: Next three years revenue

Sale forecast	2021		2022		2023		2024	
	Number of orders	Revenue	Number of orders	Revenue	Number of orders	Revenue	Number of orders	Revenue
January			13,000	1,440,833	14,000	1,551,667	14,200	1,573,833
February			13,000	1,440,833	14,500	1,607,083	15,000	1,662,500
March			13,500	1,496,250	15,000	1,662,500	15,000	1,662,500
April			13,500	1,496,250	15,500	1,717,917	15,500	1,717,917
May			14,500	1,607,083	15,500	1,717,917	16,000	1,773,333
June	13,500	1,496,250	16,000	1,773,333	17,500	1,939,583	17,500	1,939,583
July	15,000	1,662,500	17,500	1,939,583	18,000	1,995,000	18,100	2,006,083
August	14,500	1,607,083	15,000	1,662,500	16,000	1,773,333	17,000	1,884,167
September	14,000	1,551,667	14,500	1,607,083	15,500	1,717,917	16,000	1,773,333
October	13,000	1,440,833	15,000	1,662,500	15,000	1,662,500	15,500	1,717,917
November	14,000	1,551,667	15,000	1,662,500	15,000	1,662,500	15,000	1,662,500
December	14,800	1,640,333	16,500	1,828,750	17,000	1,884,167	16,500	1,828,750
Total	98,800	10,950,333	177,000	19,617,500	188,500	20,892,083	191,300	21,202,417

Note: Author's calculation in Excel

- Income statement

Table 19: Estimated income statement for next three years

Income Statement	1st year	2nd year	3rd year
Revenue from sales	18,431,583	20,393,333	21,025,083
Cost of good sold	6,208,533	6,869,333	7,082,133
gross profit	12,223,050	13,524,000	13,942,950
operating expense	6,793,943	7,116,343	7,121,343
Rent and Utilities	4,200,000	4,200,000	4,200,000
Depreciation	36,343	36,343	36,343
Marketing	80,000	30,000	30,000
Wages	2,457,600	2,820,000	2,820,000
Other expenses (seasonal decoration)	20,000	30,000	35,000
Non-operating expense	2,764,738	3,059,000	3,153,763
VAT 15 %	2,764,738	3,059,000	3,153,763
Income before taxes	2,664,370	3,348,657	3,667,845
Income tax 19%	506,230	636,245	696,890
Net income	2,158,139	2,712,412	2,970,954
Cash Flow	(502,829)	2,209,583	5,180,538

The table above contains calculations to determine net profit and cash flow within 3 years period. The net income of first year will be 2.158.139 CZK, 2.712.412 CZK for second year and 2.970.954 CZK for third years.

Annual cash flow has showed that the investment will be returned in 1 year and 2 months.

4.10. Risk Analysis

The main risks of this business plan are identified as follows:

- High rental fee: Choosing an advantageous business premises is important but in case the expected revenue could not be generated and the shortage in capital expenditure exists, company will not be able to maintain the activity of store. Beside, the high rent demanded in Czech Republic can lead to difficulty in extending the contract date.

- Rise of competition: As a new brand in the market, there will be a lot of struggle regarding brand identity. Franchise brands have larger amount of fund together with higher market share, that will limit our company expansion. Therefore, it is essential to have well-prepared marketing plan and stable quality.
- Lack of practical experience and knowledge compensation: Since the author is currently a student, it can be a challenge to estimate the revenue and evaluate the market precisely. The market trend is changing day by day, no one can be sure that they are updated all new things.
- The industrialize in food and beverage market: Due to the various options for customer in supermarket and retailed stores, coffee shop and tea shop can be lack of demand.

5. CONCLUSION

The aim of the thesis is to write a realistic and clear business plan for the new bubble tea brand in Prague. The literature review gathered all relevant information about business planning, and created strong theoretical background for the thesis while practical part is about efficiency of gained knowledges as well as examined the opportunities to succeed in the future.

SEN is described as a new bubble tea brand in the market that differentiates itself from rivals by unique products and customer-care services. The brand aimed to viral high quality of tea and coffee in Vietnam as well as to be profitable. The main idea came from the successful of bubble tea market and how can be differential not only because of different brand name.

After conducting SWOT analysis, the author specifies that main strengths-opportunities of company are unique recipe and quality of products. People behind counter represent the business that why the author create recruitment system to have selective employees and reward system to encourage employee sufficiency. Besides, weakness-threats are new brand in the market, as well as high competition between franchise brands.

PEST method illustrated that Czech Republic is one of the most stable and prosperous markets in Central Europe. Many programs, legal requirements are introduced to support startups.

The financial part gives clear understanding of setting up budget. The initial investment is estimated in amount of 2.660.968 CZK including registration of the company, equipments expenses, services expenses, raw material and rental fees. Fixed costs are calculated with higher wages for employees since the inflation rate and gross wage in Czech Republic is increasing. As the result, the net income prediction for the launching year will be 2.158.139 CZK with the break-even point of 7566 units per month and 252 units per day. Calculation of annual cash flow shows negative cash flow 502.829 CZK for the first year and positive 2.209.583 CZK for second year, thus pay back period is after 1 year and 2 months.

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