

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Bachelor Thesis**

**Business plan of a new restaurant in Prague**

**Sazanovskiy Yury**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## BACHELOR THESIS ASSIGNMENT

Yury Sazanovskiy

Business Administration

### Thesis title

Business plan for a new restaurant in Prague

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### Objectives of thesis

The Bachelor Thesis specializes in the business planning, establishing and development of a new restaurant located in Prague entering the market of the Czech Republic.

Theoretical objectives of the Thesis are to define relevant information that provide clear understanding of the business planning, market and marketing researches, financial issues.

Practical objectives are to apply all the information gathered for the development of the restaurant project, stabilizing and increasing profits of the restaurant, evaluation of risks.

### Methodology

The bachelor thesis under consideration is subdivided into theoretical and practical parts.

Theoretical part is based on literature research after business planning that provides definitions of relevant terms, describes the structure of the business plan, defines strategies and tactics are necessary for implementation.

Methodology of the practical part deals with identifying factors with micro-environment of the company through SWOT analysis and LEAN CANVAS method.

Investments will be evaluated by dynamic methods, namely calculation of Internal rate of return and Net present value.

**The proposed extent of the thesis**

40 – 50 pages

**Keywords**

Entrepreneur, business plan, development of a restaurant, lean canvas, marketing planning, financial plan

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**Recommended information sources**

Hughes, D. (2015). Three Musketeers and your business plan. [S.l.]: Friesenpress.  
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Maurya, A. (2016). Running lean. Beijing: O'Reilly.  
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Pinson, L. (2007). Anatomy of a business plan. Warriewood, N.S.W.: Woodslane Press.

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### **Declaration**

I declare that I have worked on my bachelor thesis titled "Business plan for a new restaurant 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 12.03.2018

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## **Acknowledgement**

I would like to thank Ing. Pavel Kotyza, Ph.D. for his help in writing bachelor thesis, for his support, valuable advices, comments and corrections. Therefore, I would like to thank workers of the restaurant Polevkarna for providing valuable information that is applied in the thesis.

# Podnikatelský plán nové restaurace v Praze

## Shrnutí:

Bakalářská práce se zabývá budováním a rozvojem nové restaurace rychlého občerstvení v Praze.

Teoretická část poskytuje silné teoretické východisko a pokrývá všechny potřebné aspekty podnikatelského plánu. Získané vědomosti jsou založeny na výzkumu literatury z různých on-line a papírových zdrojů.

Praktická část pojednává o vizi a poslání dané společnosti s ekonomickými faktory a praktické výpočty, které dokládají, že tento projekt je možné uskutečnit a je výdělečný. Praktický rámec je založen na ověření právních otázek gastronomického podnikání v České republice, diagramu „lean canvas“ a detailního finančního plánu s prognózami příjmů na 5 let životního cyklu projektu, analýzu, výpočet celkových nákladů a počátečního rozpočtu, zlomový bod na měsíční a denní bázi, vyhodnocování investice pomocí přístupů NPV a IRR. V důsledku toho je předpověď příjmů za první rok provozu činit 2 446 246 Kč se zlomovým bodem 46 jednotek za den a 1 398 jednotek za měsíc. Průměrná prodejní cena za jednu jednotku (polévka, toast, nápoj) je 175 Kč. Množství produktu za jeden den během prvního roku je průměrně 113 jednotek. NVP vykázala 79 235 439 Kč, zatímco IRR činí 181,34%, což znamená, že projekt by měl být přijat.

**Klíčová slova:** podnik, podnikové plánování, restaurace, rozvoj restaurace, lean canvas, marketingový plán, finanční plán, počáteční rozpočet, „Bowls and Spoons“.

# Business plan of a new restaurant in Prague

## Summary:

The bachelor thesis under consideration deals with establishing and developing of a new restaurant of fast food located in Prague.

Theoretical part gives strong theoretical background and covers all necessary aspects of business planning. The knowledges obtained are based on literature research from various online and paper sources.

Practical part gives an understanding about vision and mission of the future company identifying economic factors and providing practical calculation to prove the project is workable and profitable. The practical framework is based on verifying legal issues of gastronomical business in the Czech Republic, lean canvas diagram, SWOT analysis and detailed financial plan with revenue projections for 5 years of project lifecycle, analysing and calculation of total costs and start-up budget, break-even points on monthly and daily basis, evaluation of investment using NPV and IRR approaches. As the result, the income prediction for the first year of operating will be 2 446 246 CZK with break-even point of 46 units per day and 1 398 units per one month. The average selling price for one unit (soup, toast, drink) is 175 CZK. The amount of product per one day during the first year is 113 units as an average. The NPV showed 79 235 439 CZK while IRR is 181,34% that means that the project should be accepted.

**Keywords:** business, business planning, restaurant, development of a restaurant, lean canvas, marketing plan, financial plan, start-up budget, “Bowls and Spoons”.

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# 1 Introduction

The aim of the bachelor thesis is to create a business plan of a new restaurant in Prague called “Bowl and Spoons”. The author came up with the idea when he left the motherland and arrived in Prague. From time to time mother was visiting him and cooking various soups. Eating a soup during lunchtime is a family tradition. The whole lunch is in one bowl. Hereby, the author was encouraged to create something new and introduce a different vision on the main course during lunch. Moreover, the gastronomic business is the sphere that always will be current and popular because food is a natural need and hunger is a natural feeling. The thesis is subdivided into two parts: theoretical, and practical frameworks. The theoretical part is an overview of various sources about business and business planning in general and serves as a guide in that sphere while the practical part is implementation of obtained knowledge and creation of a realistic business plan.

The first chapters of the theoretical part define what business is. It analyzes the conditions one needs to succeed in business and what business objectives are. Then it goes into the designation of business planning. The following paragraphs find criteria which each business plan should get to be suitable. Also, the chapter gives a description of the purpose of a business plan and its definition. The following point is the exposition of the lean canvas, that is a one-page diagram of a business plan. The last part of the thesis is a structured business plan that includes a description based on literature research of how one should write a business plan and what parts of the relevant field should be involved in the creation of the document. It covers the introduction; executive summary; company analysis; market analysis; strategic marketing and tactical marketing planning; financial plan; investment evaluation techniques; appendices. Each of the points provides a reader with all necessary and valuable information and data for business planning.

The practical part under consideration is the application of the theoretical part into a real case – establishing of a new restaurant in Prague. The business plan does not follow the structured business plan because of the limited extent of the work. Thus, the first half of the practical part is grounded on the lean canvas diagram. There are 9 sections of the lean canvas to be assigned in the practical framework: problem; customer segments; unique value proposition; solution; unfair advantage; revenue stream; cost structure; key metrics; channels. Moreover, the author verifies legal issues under Czech law that should be fulfilled for running a gastronomic business in the country. The last section of the first half is a SWOT analysis based on a conducted interview and the author's self-researches. The second part is a detailed financial plan that includes details about initial investments, start-up budget, total costs, cost

of production, break-even analysis, revenue projections, expenditures on equipment, evaluation of an investment using net present value, internal rate of return and other relevant information.

## 2 Objectives and methodology

### 2.1 Objectives

The Bachelor Thesis specializes in the business planning, establishing and development of a new restaurant located in Prague entering the market of the Czech Republic.

Theoretical objectives of the thesis are to define relevant information that provide clear understanding of the business planning, market and marketing researches, financial issues.

Practical objectives are to apply all the information gathered for the development of the restaurant project, stabilizing and increasing profits of the restaurant, analyzing legal aspects, evaluation of investments using IRR and NVP methods.

### 2.2 Methodology

The bachelor thesis under consideration is subdivided into theoretical and practical parts.

Theoretical part is based on literature research after business planning that provides definitions of relevant terms, describes the structure of the business plan, defines strategies and tactics are necessary for implementation.

Methodology of the practical part deals with identifying factors within micro-environment of the company through SWOT analysis and lean canvas diagram. The author conducted an interview with workers of Polevkarna restaurant. They provided necessary data about conformation of the gastronomical business that the author widely uses in the thesis. Also, the author carried out lots of self-researches analyzing restaurant sphere in the preferred location (Karlín, Prague 8). They are: estimation of average bill during lunchtime, observation of occupation of the gastronomical places within different timeframes, learning various offerings of restaurants concerning meals variation. The last point is observation of infrastructure of the area, for example, number of restaurant spaces, new residents, new and existing business centers. Moreover, author uses method of average prices for estimation of costs, budget, etc. obtaining information from various online sources, for instance, macro.cz; kosik.cz. Investments will be evaluated by dynamic methods, namely calculation of internal rate of return and net present value.

## 3 Theoretical part.

### 3.1 Introduction to business

The chapter under consideration deals with basic concepts of business. The first point to be described is how term business can be defined. Afterwards, a reader will be able to find information about special criteria which should be met to succeed in any business. And finally, what the types business objectives are and how to define them properly.

#### 3.1.1 Definition of a business

*“Business is always interfering with pleasure – but it makes other pleasures possible.”*-William Feather, publisher and author.

The word business knows 7.5 billion people, and most of them have at least a basic conception about business (Roberts and Lyons, 2016). A worldwide pursuit as old as mankind is unavoidable in contemporary life. As consumer or vendor, each person occupies own niche in business system, nonetheless primitive or advanced.

Production, buying, selling, trading and many other terms is implied by the word business. Thus, business can be defined as *“the organized effort of individuals to produce and sell, for a profit, the goods and services that satisfy society's needs”* (Pride, Hughes, and Kapoor, 2009). Then, in other words, a business can be represented as an organization which aspires to make a profit through individuals working toward mutual objectives. The business objectives will differ according to the type of business and the business strategy being used. Despite the chosen strategy, each business must provide a product or service to satisfy preferences of society.

On the other hand, business can be described in terms of law. In this way business is determined through legal entities. The law of Czech Republic has its own statement of business that is pointed in the Commercial code no. 513/1991. Hereby, business can be defined as systematic activity which is independently fulfilled with the purpose of making a profit by an entrepreneur in his own name, and at his own liability (Wipo.int, 2018).

#### 3.1.2 Conditions to succeed in a business

Despite being unique and specialized, there are three criteria that should be met to make any business successful (Pride, Hughes and Kapoor, 2009).

Firstly, it is organization. An organized business must combine four kinds of resources: material, human, financial and informational (Pride, Hughes and Kapoor, 2009):

- Human resources are employees providing their labor to the business in return for salaries.
- Financial resources include the money for keeping the business loosely operating, purchasing materials and paying wages.
- Material resources are the raw materials that are needed in a process of manufacturing. For instance, a restaurant needs ingredients to provide clients with dishes.
- Informational resources inform the managers how effectively and rationally other resources are used and combined in the business.

Secondly, satisfaction is needed. The final aim of any business must be to satisfy needs of its customers (Pride, Hughes and Kapoor, 2009). As a rule, people do not buy products just to possess; they purchase goods and services to satisfy their needs. It should be taken under consideration that when a company loses noesis of its customers' needs, it is likely to find the going rough (Pride, Hughes and Kapoor, 2009). Thus, every business must consider, what is needed for society, to succeed.

Furthermore, the final criterion is profit-seeking. Every organization seeks for a profit through receiving money from its customers for products and services provided. Also, a company must cover various expenses for business operations. Therefore, if the companies' sales revenues are higher than expenses, it is making a profit. Thus, "*profit is the reward business owners receive for producing goods and services that consumers want.*" (Pride, Hughes and Kapoor, 2009).

Additionally, other success factors are timing, location and cost control (George, 2018). Timing refers to having control over business timing taking under consideration consumer trends. Location means to move the business to key points with higher number of people passing by. Finally, cost control deals with keeping all overheads under control including advertising and manufacturing.

### 3.1.3 Business objectives

Before the determination of business objectives, a person should think about goals of his/her business. What is the outcome and what gaps will this product/service fill?

Author R. Hughes (2015) in his book "*Three Musketeers and your business plan*" accentuates two types of objectives that should meet mission and vision of the business:

- **Short-term objectives**, for example, to secure capital by (date), to maintain inventory of completed units, to achieve net income of over \$100,000 in the first year of operation.

- **Long-term objectives** that include growth of the company (subsidiaries), increasing of personnel, researching and development, future marketing goals when the brand has been already set up. Also, the strategy of exit to be studied in long-term.

Additionally, in 1981 Doran introduced a special technique for setting the objectives – acronym “SMART” which was mentioned by Hughes (2015). Thus, each objective should be:

- **Specific:** Point out by how much and by when, if the objective is to make sales higher.
- **Measurable:** There should be units of measure for objective, for instance, a certain percentage, by certain time, certain number.
- **Attainable:** Objectives must be reachable. Do not seek to objectives that cannot be reached. As the result, it leads to discouragement.
- **Realistic:** Try not to be unrealistic with the objectives, for example, to be the number one football player in the world by the age of fifteen.
- **Time sensitive:** “*An objective without a timeframe is merely a hope.*” (Hughes, 2015).

## 3.2 Business planning

The chapter under consideration gives clear understanding of what business plan is from two points of view from different authors, describes two various purposes of business planning. And finally, it defines what the requirements for a business plan are.

### 3.2.1 Definition of a business plan

A business plan is a document that includes all the main aspects of a company's commercial activities: its production, commercial and social problems. Business planning determines firms' operating issues, shows how its managers are going to achieve their goals and objectives. A proficient and carefully-written business plan will discover “*a pathway to profit for any new or existing business*” (Pinson, 2007).

Furthermore, a business plan is a business concept that helps to achieve business goals. It enables to make crucial decisions that focus the activities and maximize resources, understand financial aspects of business, gather industry and marketing information, avoid obstacles business is likely to encounter (Abrams and Vallone, 2008).

### 3.2.2 Purpose of a business plan

Each business plan is a framework of establishment and perspective of further development of a startup. A well-written business plan will ensure benefits from preparation to every business. Pinson (2007) argues that there are two main reasons of writing a business plan.

Firstly, the reason is being a guide for a specific sphere of business. The most important aspect of business planning is to create a guide that an entrepreneur will adhere during the lifetime the business. It will provide with the instruments for analyzing of your business and help to make the company more profitable. Moreover, the business plan will provide detailed information of past and current operations as well as its future vision for the next several years.

The second is Financing documentation. A business plan is essential if a person is aspiring external financing. If to seek to capital, the business plan details how the desired investment or loan will further the companies' goals and increase its profits (Pinson, 2007). Every investor wants to know how an investment can help in achieving desired result – return on investment. Every lender also wants to receive the guaranties of paying out the loan on timely basis. Thus, it is necessary *“to specify how the money will be used and back up figures with solid information.”* (Pinson, 2007). Seeking a capital-debt from banker, it is important to prove that the loan will be paid out with interest. Hereafter, the business plan is going to loan officer who will prepare all documentation and present it to committee of loans for further approval. Investors are becoming partners and expect to know that they will benefit from money invested in the project. To increase chances of success with lenders/investors, Pinson (2007) advices to accentuate on considering the following points:

- Credit history
- Collateral security
- Demand for service or product (Pinson, 2007)
- Management team with experience
- Establishing a proprietary position – copyrights, patent, trademark
- Realistic expectations for the future
- Quality of business plan (Westwood, n.d.)

However, not only banks provide capital. There are also financing from friends and family (FFF source), angel investors, crowd funding, venture capital funds.



### 3.2.3 Requirements from a business plan

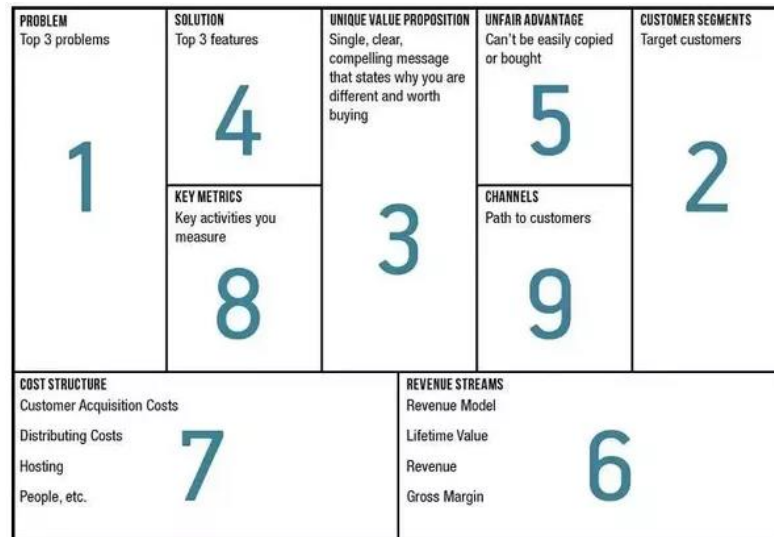
In a business plan a person must show that his/her objectives in attaining the future goals and both material and mental resources are according to the chosen business strategy to apply on the product. Edward Blackwell in his work “How to prepare a business plan” says that “*To you, your business is of supreme importance; to the bank or fund manager is but one of many that are received.*”. A person must win the approval of investor/lender and interest him/her by following several points.

Firstly, the point is to be clear. The person who reads a business plan is busy, always has other problems to solve. Thus, person is judging by the way of expression of the ideas. The clarity can be reached by using simple language, trying to avoid getting too many ideas into one sentence, logically constructed text, not using adjectives constantly, tabulating data when it is appropriate (Blackwell, n.d.). Secondly, to be laconic. Use only essential information without deep descriptions to avoid boredom of your audience. Thirdly, to be logical and truthful. It is easier to make more positive impact if sentences and ideas are in a logical sequence and they are not overstate the case. Finally, figures are welcome. Investors/lenders will appreciate quantified data (Blackwell, n.d.).

### 3.3 Lean canvas

Writing a business plan is a very time-consuming process. The creating of a good one can take several weeks or even month. Lately, it has become popular and actual to use an easy understandable, one-page diagram of a business model called *Lean Canvas*. Ash Maurya (2016), the author of the book *Running lean- Iterate from Plan A to a Plan That Works*, has introduced *the Lean canvas*. Using the diagram all the main parts of the business plan can be presented within few minutes for an overview. Here is the format of lean canvas:

Figure 1: Lean canvas



Source: Maurya, 2016

According to Maurya (2016) the lean canvas is separated into 9 numbered sections based on the order in which parts should be filled in. Those are: (1) problem; (2) customer segments; (3) unique value proposition; (4) solution; (5) unfair advantage; (6) revenue stream; (7) cost structure; (8) key metrics; (9) channels.

1. Problem

- a. This segment is focused on top three problems of the customers.
- b. Put existing alternatives in this section – main alternatives that potential customers use nowadays to solve the problems (Maurya, 2016).

2. Customer segments

- a. Here target customers should be listed. It is important to feel the difference between users (persons who use product/service) and customers (persons who pay for service/product). For instance, in blogging web, the users are readers while the customers are authors.
- b. Also, in the section *early adopters* (customers who first tried innovative ideas, processes, goods and services (BusinessDictionary.com, 2017)) should be pointed out. The objective is to define an early adopter, not mainstream customer (Maurya, 2016). In addition, give to the potential customers the characteristics.

3. Unique Value Proposition

- a. The abbreviation is UVP and it is the reasons why customers will prefer your product/service to another alternative.
  - b. In this section a person should take under consideration that it is one of the most important and hardest boxes. The best way to write it is to try the biggest guess and then do a research based of customers' opinion of how they see UVP of the product/service. Moreover, observing other good UVPs can be very useful for the further success (Mauraya, 2016).
4. Solution - here name the features or capabilities that can solve the problems from section 1.
5. Unfair advantage
  - a. The unfair advantage is what differ your product/service from alternatives and “make this difference matter” (Maurya, 2016). It should be an advantage that cannot be easily copied, for example, insider information, talent of founder, experience, willing, exclusive partnerships.
  - b. It is the most sophisticated section because the most founders note things that are not really competitive advantage. Before filling in, make a research, read some information about the issue. Be logical and truthful in expectations, goals and objectives to name the unfair advantages correctly.
6. Revenue stream - in section 6 should be indicated all the ways how the business will generate a revenue and underline streams that will be used in very beginning. That screams must cover section 7 (Cost structure) and make additional profit.
7. Cost structure - the box must consider all business costs relating to launching, maintaining the business from creating a web to hiring employees and goods production.
8. Key metrics - key metrics are key performance indicators (KPI). These indicators tell whether the business is successful or not. Track customers' engagement, excitement and the products' usage.
9. Channels
  - a. Section 9 tells that it is so called “*path to customers*” (Maurya, 2016). it deals with customers' interaction. Inform them about innovations and development of the product/service through ads, platforms of social media, events.
  - b. It consists of two parts:
    - Advertising of the product to consumers
    - How to deliver that product to consumers

Nevertheless, lean canvas as was mentioned before is short diagram of the project. Thus, it cannot give all information required for business planning, only key points. Therefore, the next chapter of the thesis is about structured business plan.

### 3.4 Structured business plan

As for the business plan structure it does not have one universal framework. It depends on several factors such as purpose of the work, what product will be presented. For example, McKeever (2007) presents the framework and describe it beginning with the paragraph about title page. Then are chapters about plan summary, problem statement, business description, business accomplishments, sales revenue, profit and loss forecast, capital spending plan, cash flow forecast. At the same time Hughes (2015) argues that the structure of a business plan should consist of: corporate information, table of contents, executive summary, the business, product/service, business objectives, the market, marketing plan, financial plan, risk analysis, appendices. Thus, there are lots of templates that could be used.

Notwithstanding, the preferred framework of the business plan is structure that is presented by Pinson (2007) as it is more specified and suitable for the thesis. It includes: Introduction; Executive summary; Company analysis; Market analysis; Strategic Marketing and Tactical Marketing Planning; Financial plan; Investment evaluation techniques; Appendices.

#### 3.4.1 Introduction

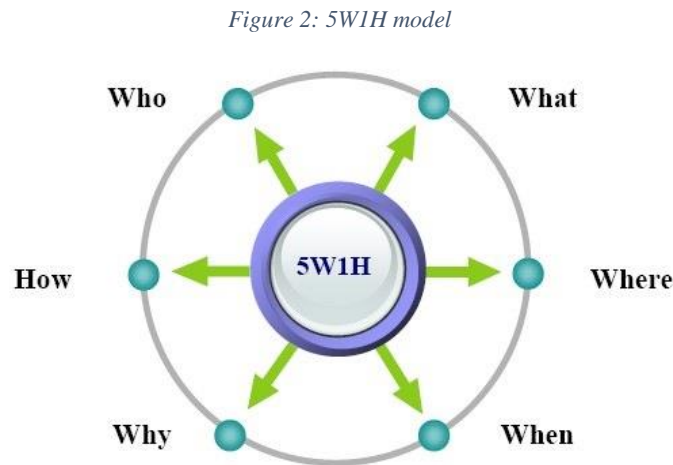
The introduction gives to a reader the idea of what to expect in the document. Also, it can provide information about target readers of the business plan, for example, *“the aim of the document to give an overview of a project to potential partners or investors* (Pinson, 2007).

#### 3.4.2 Executive summary

The executive summary considered to be an abstract to the business plan. The aim is to grab the readers' attention (Magloff, 2017), make him/her excited to continue habituation with the project. It summarizes all the conclusions made in different paragraphs within the business plan. It includes information about what the company does, data about product/service, target market, existing alternatives of the product on market and other relevant information which persuades the reader that the business plan will work. Moreover, if the project oriented on seeking funds, it justifies the financial practicability and specifies the purpose of the funding for investor or lender.

Although the abstract appears close to beginning of the work, the most effective positioning is after the rest of the business plan. Thus, it gives full availability to financial information and important data. Besides, all the concepts will be well-developed.

Furthermore, here is appropriate to use so called *Five Wc* or sometimes *5W1H model*. This is how it looks like:



A person should answer these questions and it will determinate feasibility, viability, and sustainability of the project (Hoyle, 2003).

### 3.4.3 Company analysis

The first major section of a business plan covers organizational and analytical details in a business. It begins with company's description and an overview of products/services. Secondly, it deals with administrative and organizational plan - how the business is put together in order to operate in an efficient and cost-effective way (Pinson, 2007). The remainders of the chapter are SWOT and PESTLE analysis.

The description of the company is another essential element of any business plan. It provides a reader more details about the company.

The section gives information about history of the company, its philosophy, mission statement (purpose of the company), vision statement (future vision of the company), values, and corporate structure (Accion, 2017).

Description of products and services is the part of a business plan where the main idea of success is cloaked. That is why, as mentioned by Abhinandan K. Jain (2001), *“the product or service should be defined as clearly as possible to allow any person to identify and understand what is being provided”*.

The author stresses that an overview of products/services should be done very informatively, with all details included. The description must show to a reader what problems can the idea of the product solve, does the product fits the competitive environment and consumers’ needs. What is the purchasing price? Finally, will it make for potential investors profit and with what the product/service will attract and win the appreciation of customers.

In addition, Linda Pinson (2007) advices to take under consideration in a business plan such aspects as what equipment will be used, supplies are essential for the service/product, and to analyze costs of these. Moreover, the description must be more specific if a person that provides the product/service is manufacturer, distributor or retailer. For example, a manufacturer should point out more information about raw materials, identify stages of development, timeframe of development.

The administrative section will present how business is put together administratively. It will help a founder to setup business it to function in an effective manner (Pinson, 2007).

Pinson (2007) accentuates three areas that should be considered within administrative plan:

### *1. Location*

- According to the study “Redefining Small Business Success” by the U.S. Small Business Administration, 66 percent of new businesses survive two years or more, 50 percent survive at least four years, and just 40 percent survive six years or more. (Smallbusiness.chron.com, 2017). Thus, location is one of the reasons of these failures. Choosing a location is very important in many spheres of business, however it has significant importance for restaurants. There are several aspects that should be considered when choosing a location (Staff, 2017):

- Foot traffic and accessibility:

Accessibility defines how easy or complicated for consumers, employees, and suppliers to reach the destination of where the company is. It consists of analysis of channels of transport and parking facilities.

Foot traffic shows how many potential customers are passing by the area.

➤ Competition:

The presence of competitors is also very important factor. The high number of customers is good for the company in case the opponent allows you to catch the overflow of consumers. However, it also can be an issue because of the brand's strength of the competitor.

➤ Infrastructure:

The location must provide the business with a fully access to the water, gas, electricity and other relevant facilities.

➤ Price:

It is important to consider rental and running costs expenses. Very high prices for renting and utilities can affect the profitability of the business.

➤ Legislation:

The entrepreneur should learn rights and obligation to avoid likely problems.

## 2. *Legal structure*

- In the section a person should describe the chosen legal structure and explain advantages of the choice for the business. Legal structures in the Czech Republic are (Wipo.int, 2018):

➤ Sole proprietor: owner of a company one person. The owner in charge of decision-making, liabilities, financing. The income tax for sole proprietorship is 15%. Being sole proprietor, a person takes 100 percent of risk. Advantages of the legal form are: complete control over all aspects of business, decision-making, the owner keeps all the income, lower income tax. While disadvantages are: responsibility for debts, limited resources, limited size.

➤ Partnership: the legal structure is an unincorporated enterprise that operates the same way as sole proprietor but consists of two or more owners, who share risks. All the owners in charge of decision-making, each partner is liable for the debts, financing is partner's contribution or bank borrowings. The advantages are: easy to start, lower costs for start-up, financial resources are greater than of sole owner, sharing risks. The disadvantages are: limited liability, potential disagreements between partners, hard to find suitable partners.

➤ Limited liability company: limited liability company is a legal entity which has separate personality from its owners. It has same rights as individuals. Advantages are:

gathers the best aspects of a partnership and a company, the owners have limited liability, simple to create and register, separates personal assets and life from business assets. Disadvantages are: harder to raise the capital, potential disagreements between members (owners).

- Others: corporation, public company, private company, co-operative, franchise, holding company.

### 3. *Management and Personnel*

- Pinson (2007) says that management and personnel needs will be determined by the capabilities of business owners, by the amount of time they will be able to commit to the business, and by the demand of the marketplace. When the business become larger and sales are getting higher, management and personnel needs will also change. Project the goals of the company for growth and plan for the changes that will be necessary for management and personnel.

A manager being a decision maker should be able to answer the questions: “*What are the key areas of management in my business?*” and “*What outside help will I require?*” (Pinson, 2007).

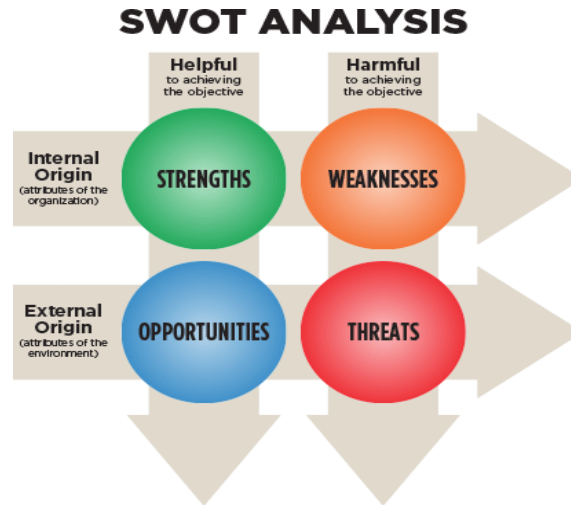
As for the personnel, there are questions such as:

- How many employees will be needed for the company to make it operate?
- At what stage in the business will they be hired?
- What qualifications/experience will they need to have?
- What hours will they work?
- What salaries and benefits will they be paid? (Pinson, 2007).

To identify appropriate, realistic and achievable objectives, a business must have a clear understanding of the environment within it is functioning and its own internal resources. SWOT analysis estimates the external environment within which the business operates, in terms of the opportunities it offers and the threats it poses. It also analyses the internal resources of the business in terms of its strengths and weaknesses. It is known as SWOT analysis, where SWOT stands for Strengths, Weaknesses, Opportunities, Threats (Harris, 2001).



Figure 3: SWOT



Source: E-education.psu.edu, 2017

According to Pahl and Richter (2007):

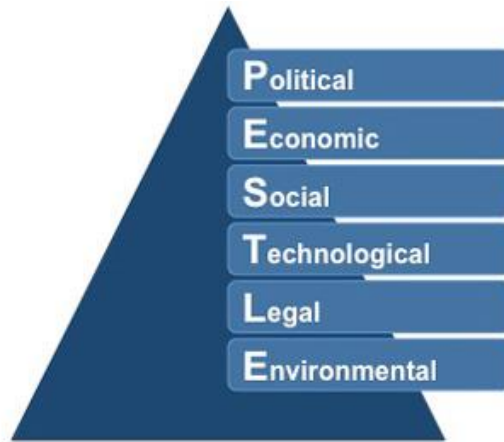
- Strengths are occasions that make possible the company to perform well-capabilities that need to be leveraged.
- Weaknesses are characteristics that prevent the company from performing well and need to be addressed.
- Opportunities are forces, events, trends, and ideas that the company can capitalize on.
- Threats are possible forces and events outside of the control that the company needs to plan for or decide how to diminish.

Conducting a SWOT analysis will enable a business to focus on the areas that present the greatest opportunities and those aspects it is the strongest. Herewith, the business will recognize its weaknesses to diminish them and develop strategies to get over any threats that present themselves. *“When conducting a SWOT analysis, it is necessary to be realistic about the strength and weaknesses of any business;”* - writes Pinson (2007).

Nowadays each organization need to identify external factors within their macro-environment that can have an influence on their operations. Many of the factors is impossible to take under control but it is essential to have clear understanding of them.

Lately, a trendy way for identifying external factors is PESTLE analysis that is acronym to Political, Economic, Socio-cultural, Technological, Legal, and Environmental factors.

Figure 4:PESTLE



Source: [www.free-management-ebooks.com](http://www.free-management-ebooks.com)

- 1. Political factors.** The sector represents the political trends in a country (monetary policy, pressure of the government, etc.) that can have an impact on the company that chooses to set up itself there. This can result in changes in government priorities, trade regulation or taxation. Moreover, according to FME team (2017), it can include:
  - Employment laws
  - Consumer protection laws
  - Environmental regulations
  - Health and safety requirements
- 2. Economic factors.** The point deals with the evaluation of country's GDP, its tax rates and the increasing of the inhabitants' purchasing power. That observation with all factors considered will be a very helpful tool in managerial decision-making process. Furthermore, the economic success of a business involves consumer's trends analysis and the observation of key figures relevant to the sector (50MINUTES.com. et al., 2017).
- 3. Socio-cultural factors.** Knowing the characteristics of a population such as age distribution order to understand its buying behavior is necessary to conquer a market. Also, history – roots and traditions – as well as religious and socio-cultural influences (fashion, media, etc.) allow the business to make the analysis more elaborated hereunder promoting the development of the business (50MINUTES.com. et al., 2017).

**4. Technological factors.** Changing in technology is becoming more rapid. Very often that changes that influence the market come from unpredictable sources. For the analysis is essential to consider (Partridge, 1999):

- Government spending of research
- Adoption of modern technology
- New products and developments
- Obsolescence of existing technology

**5. Legal factors.** These factors are represented by current and impending legislation that may affect the industry in areas of employment, competition, health and safety, etc. The changes in co-operating countries should be considered as well.

**6. Environmental factors.** the sector should include information about infrastructure, cyclical weather, disposal of materials, energy availability and cost, and the ecological consequences of production processes (FME team, 2017).

#### 3.4.4 Market analysis

The section of market analysis of the business plan contains information about target markets and competitors with market research tools for analyzing the competition.

When introducing a new product or service, it is necessary to find out whether there is a demand for a product/service. If it exists, then how large the demand is and whether there is a potential of growth of the market.

According to Pinson (2007) company's target should be defined in terms of demographics, psychographics, and finally special characteristic of niche markets.

- Demographics is represented by the statistical data of population, including average age, income and education
- Psychographics uses demographics to investigate the attitudes and tastes of a segment (a group of potential customers with similar needs and interests) of population. Psychographics examines lifestyles: where people spend their vacations, where they shop, how they spend their disposable income, and more.
- Niche markets are a small segment of the population that shares common characteristics, interests, spending habits, etc. Successful niche marketing focuses on a small segment of a total market.

Entering any market, it is required to analyze competition. However, competition is not always bad sign but a positive sign as well. There are several advantages of having competition, according to the Robehmed (2017). Firstly, it is innovation. Every competition leads to innovation. Being the only player in a field is difficult because it can be complicated to improve. Secondly, as several companies offer a similar product, it is indispensable to straggle for a customer improving services. Thirdly, it is education. Competitors can teach a new-established company different aspect of the business they are running. Their practice will provide a valuable insight of the market and help to show what works or not.

There are many tools for analyzing a competition. The following part will be focused on well-known micro-environment analysis called, Porter's 5 Forces analysis and VRIO analysis.

Porter's 5 Forces according to Competition (2017):

1. **The threat of new entrance**: This section is related to entrée barriers or in other words how easy or complicated for a new-established company to join the market in the industry. Thus, if the threat of new competitors is higher, the attractiveness of the industry is decreases as new-appeared firms cut down profit of predecessors hereunder depleting the market.
2. **The intensity of competitive rivalry**: This force is about direct competition among companies within a market which is mostly defined by the number of existing firms in the industry and what each can undertake. It should be taken into consideration that sometimes players are aggressive and unfair in the competition. Also, intensity can be determined by such factors as:
  - How rapidly the industry is growing
  - Degree of output differences among competitors
  - Concentration among the leading players
  - High exit barriers
3. **The threat of substitute products and services**: The section studies how easily consumers can switch from business's service or product to competitors' one. It observes the number of competitors there are on the market, how their quality and prices collate to the sphere being examined, how much of profit opponents are making which would define if they can reduce the costs of their products more. Factors that are important in the force are:
  - The relative price advantage of the substitutes
  - Switching costs of the customer for moving to the substitute
  - Propensity of customers to substitute (Kar, 2011).

4. **The bargaining power of customers**: The force is determined by how customers can affect quality and pricing. Power of customer can be high if there are not many of them. In that case a business has strong dependency from customers. Buying power is decreasing if consumer purchases not in substantial amounts and a product of the seller varies from any of its opponents.
5. **The bargaining power of suppliers**: The force addressed to the power of influence that supplier has on the company for controlling its prices. Suppliers can also set up higher prices on unique raw materials to have stronger impact on the industry. If the number of suppliers is decreasing, they have less power. Business are in better conditions when there are plenty of competitors.

Another tool for analyzing competition is VRIO analysis. While Porter's 5 Forces method observe the whole company, VRIO method based on evaluation if the resource is Valuable, Rare, Imitable, and whether the Organization is taking advantage of the resource (Friend and Zehle, 2009).

- Valuable. The resource has a value if it can be used to raise market share, to achieve a cost advantage or charge a unique price.
- Rare. If the opponents possess the same kind of resource, there is no specific advantage in that resource.
- Imitable. It must be expensive or difficult for competitors to copy or purchase the resource. To secure the resource, it is possible to apply to copyrights or patents.
- Organization. If the resource is valuable, rare, and prevented from copying, a business must be able to exploit it, otherwise it is of little use (Friend and Zehle, 2009).

A strategy is a plan that helps to achieve willing goal. Thus, strategic marketing is the way of selling a product to reach a goal. This achievement can be increasing revenues, sales, or create a new strong brand. It is good to know that goals should not be ordinary but conceptual, for example, not just increasing the revenue but by certain percentage within any timeframe.

A strategy can be divided into 3 sections: Segmentation, Targeting and Positioning (Free Management Books, 2017).

1. **Segmentation**: Trying to operate with the whole market is almost impossible. It is much better strategy earlier discussed in section 1.3.2.6.1 to divide market on certain segments. When beginning the process of dividing a market, it is becoming obvious that there are lots of options

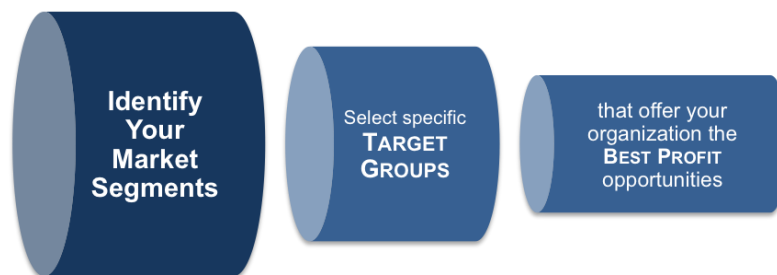
for segmentation. For instance, it is quite easy to break up the market on geographical basis. As an example, warm clothes are likely to sell in cold and wet climate zones.

Another, probably the most common, way how to divide the market into demographic segments. Demography is represented by age, gender, etc. For example, people of middle age will never buy the same clothes as teenagers will.

2. **Targeting:** As soon as the market is divided into segments, the next step is to focus on segments that admittedly will be the most profitable for the business. Nobody will succeed in operating with all the segments emphasized, so targeting plays a very important role in the process.

In addition, it is useful to mention that with the help of technologies such as online marketer founders can learn about customers' needs and preferences. using the tools can save plenty of time for further researches.

Figure 5: Targeting



Source: [www.free-management-ebooks.com](http://www.free-management-ebooks.com)

3. **Positioning:** The last step of the process, implementation of marketing strategies to access chosen marketing segment. It is crucial to know not only marketing channels that were used but how to present the product or service for selling. The idea of a unique selling proposition is very essential at this point. What emphasize the product from the rest of the market?

For defining value proposition of a product within competitive framework is needed:

- Points-of-difference (POD's) – there are attributes and benefits the product gives to customers as long as they cannot find with another one.
- Points-of-parity (POP's) – features and attributes that may be shared with other brands.
- Category membership – compares the product to other typical products and tells consumers the product benefits through the description of good.

While a marketing strategy is more about planning, marketing tactic is about how to implement the strategy, how it will be done practically. Thus, to put goals into action tactics is needed, most of the time described as marketing mix.” *It is a set of marketing tools that a firm uses to accomplish its objectives in the target market by aligning the company’s offering with the competitive environment as well as with the consumer needs and behavior.*” (Balram, 2007).

Very often marketing mix is represented by 4 Ps model which consist of product, price, place, and promotion. Below is how Balram (2007) describes the model by following:

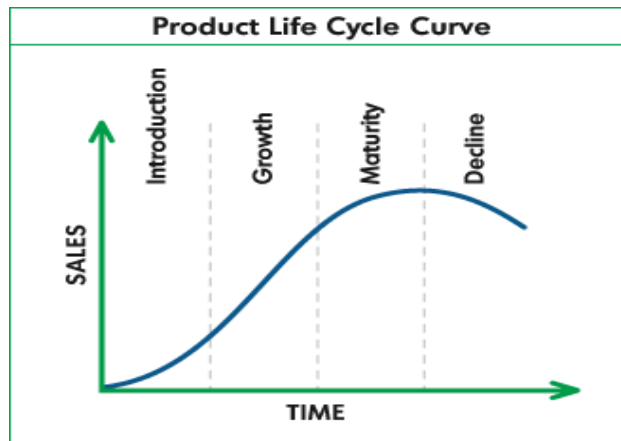
1) **Product** “*refers to anything that is capable of or can be offered to satisfy a need or want.*”

The definition of product consists of both intangible services and tangible goods. It is understood as a decision of the number of variants, sizes, packaging, color, logo and the brand name.

Every product has its own scenario known as product life cycle which is divided four stages (Pride, Hughes and Kapoor, 2009):

- Introduction – the challenge is to make potential customers aware of product/service existence, uses, benefits and features and to develop a market for the product/service.
- Growth – the aim is to build brand locality among customers and to increase market share.
- Maturity – at maturity the high rate of increasing in sales slows down. New stronger competitors are likely to appear. The objective is to protect position on the market, while maximizing profit.
- Decline – at the stage sales declines, the interest to the product/service diminishes and the product life cycle goes down.

Graph 1: Product life cycle



Source: <http://www.mrgoodacre.com>

To sum up, the product life cycle shows the period within which a product is developed, delivered to the market and occasionally moved out from the market. The principle of product life cycle is used in marketing to define when it is important to advertise, decrease prices, find new segments.

- 2) **Price** refers to amount customer has to pay for purchasing a product/service. Price depend on plenty of factors that should be considered: production cost, segment targeted, ability of the market to pay, supply and demand of competing products, pricing objective of the firm, etc.

Definition of pricing objectives is the first step in pricing. There are several goals below:

- To maximize profit
- To increase sales
- To increase market share
- To achieve company growth
- To maintain price leadership
- To match competitor's prices
- To get competitive advantage
- To build store traffic
- To encourage the exit of marginal firms from the industry

Pricing is not only setting of the retail price but, moreover, decisions on dealer and retailer margins that need to be provided to the channel partners. There exist several types of pricing strategies,



each tied in with an overall business plan. Thus, when setting the pricing strategy there are several ways how to do it (Richards, 2017):

- Premium pricing strategy is setting the higher price than the competitors. This type of pricing can be appropriate when establishing, for example, a unique product/service that has an advantage over the competitors.
- A penetration pricing strategy is based on establishing the price as low as possible to enter the market the most rapid way and to capture a large market share. The idea is that low prices will encourage people to purchase a new product/service.
- Price skimming strategy is based on setting the price on a competitive product/service as high as possible to attract the top customers who can still acquire product/service. Within a period, a company slightly skims the price down to attract further customers.
- Psychological pricing is well-known and common strategy that is used by marketers. For example, \$20.99 psychologically less for the consumers than \$21. It is a small difference that can make a big distinction.

3) **Place** refers to the point of sale. The point deals with making a product/service available to the customers. Balram (2007) says that the mantra of a successful business is location, location and location. In any industry catching the eye of a customer and to facilitate for him/her purchasing a product or service the main idea of a good distribution or place strategy. Distribution means providing the spread of a product/service throughout the market in a unique way so that many customers can buy it.

The process of carrying the product/service from the manufacturer to the point of sale is defined as distribution channel. In other words, it is a path from place of production to final user. There are two types of distribution channels (SearchITChannel, 2017):

- With the direct channels a company sells its product or service directly to the customer. The vendor must maintain his/her selling skills for close dealing with a customer to sell the product/service. Moreover, the vendor can influence on a decision of a customer via promotional tools such as telemarketing, direct mail, online selling.
- Indirect channels refer to the transferring all the selling activities to organizations or individuals known as intermediaries. As an example of intermediaries are distributors, wholesalers, value-added resellers, consultants.

- 4) **Promotion** refers to all activities undertaken to make the product/service known to and preferred among the user and trade. It can include advertising, word of mouth, press reports, incentives, direct marketing, contests and prizes.

To persuade and influence a customer to choose a product/service over all other promotional mix is used. The model consists of five elements (Cleverism, 2017):

- Advertising is a paid form of non-personal communication, using mass media (radio, TV, newspapers), to influence the audience.
- Public relations element is an increasing of positive feedbacks of the product/service in mass media such as talk shows, newspapers, magazines.
- Personal selling refers to the personal contact (also via phone or e-mail) that creates a personal relationship between the customer and product/service.
- Direct marketing that was mentioned above in the point (3) of marketing mix refers to the targeting potential customer through direct e-mails, telemarketing, text messages.
- Sales Promotions is short term activities. The aim is to increase the sales using such methods as seasonal discounts, contests, special coupons, etc.

#### 3.4.5 Financial plan

Although the plans and strategies above contain a lot of data and information, they are not so significant without being confirmed by the figures. The financial plan is the last and very important analytical part of every business plan. The financial section allows to realize how profitable the business will be, explains what expenses and revenues the business will have, determine what investments are necessary to run the project. Even though the financial plan is oriented on satisfying potential lenders or investors for additional funding, the main purpose of the section is to be a guide and support for the founder. *“It is extremely important to keep the financial plan updated frequently.”* – says Pinson (2007).

Additionally, it should be mentioned and understood that the financial plan is not accounting but a prediction. Thus, it must be realistic, and it is better to exaggerate all the figures by 30 percent to cover unexpected costs. Moreover, being a prediction, it is recommended to observe 3 case scenarios: the base case (most likely to happen), the best and the worst cases of advancement.

The financial plan includes the following points (Pinson, 2007): start-up budget, cash flow, income projections, break-even analysis.

Start-up budget is a budget that covers needs of a business before it can begin to distribute its product or service. In other words, start-up consists of all the expenses incurred in starting a business. A business needs building and equipment to be purchased. Most start-ups require very large expenditures of capital to operate and begin. Monetary resources for start-up cost can be gained from various sources and it is initial to point on the source. According to Ristau (2011) below are some items that should be included in start-up budget: occupancy, licenses, Equipment, raw materials and suppliers, inventory, advertising, personnel, salaries, taxes.

*“Cash flow statement show what a business plan means in terms of a currency.”* – says Pinson (2007). The cash flow statement is similar with budget. It is used for internal planning and estimates how much money will flow into and out of a business within a period, usually coming tax year. Also, cash flow determines received cash and spent cash, for example, paying bills.

According to Pinson (2007) initial steps for planning cash flow statement are:

- Revenue projection (product and service)
- Inventory purchases
- Variable (selling) expense budget (with marketing budget) – these are the costs of all expenses that will relate directly to your product or service.
- Fixed (administrative) expense budget – include all expected costs of office overhead. If certain bills must be paid ahead, include total cash outlay even if covered period extends into the next year. (Pinson, 2007).

Income projection (usually three years income projection) is projected profit and loss statement. The purpose is to measure company's future expenses and income. Pinson (2007) says that it includes only projected income and deductible expenses. Calculations below will give a possible gross margin and net profit:

$$\underline{\text{Gross margin} = \text{sales revenue} - \text{cost of sales}}$$

$$\underline{\text{Net profit} = \text{gross profit margin} - \text{expenses} - \text{interest tax}}$$

According to Pinson (2007) break-even analysis is represented by a point at which a company's costs exactly match the sales volume and at which the business has not got a profit as well as a loss. The break-even point can be found by mathematical calculations or by creating graph. It can be expressed in:

1. Total revenue
2. Total units of production

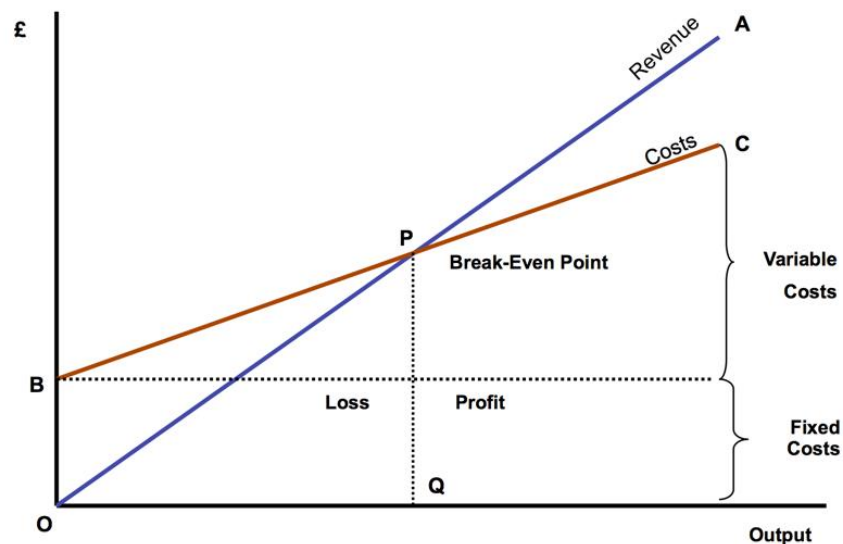
To apply a break-even analysis, a person will need the following three projections:

1. Fixed costs = Administrative Overhead + Interest
2. Variable costs = Cost of Goods + Selling Expenses
3. Total sales volume – projected sales for the same period

Mathematically break-even point can be estimated as  $\text{Fixed Cost} + [(\text{Variable cost}/\text{Estimated Revenue}) * \text{Sales}]$  or  $\text{break-even point} = \text{Total fixed costs} / (\text{selling price per unit} - \text{variable costs per unit})$ .

While Graphically break-even point can be presented as:

*Graph 2: Break-even point*



*Source: tutor2u, 2017*

Pinson (2007) determines the projections:

- Fixed costs for period: Those costs that usually remain constant and must be met regardless of sales volume.

- Variable costs are costs which associated with the production and selling of company's product or services.
- Total sales volume - this figure represents the total projected revenue.

### 3.4.6 Investment evaluation techniques

Investment is often interfering with investments funds and the goal is a financial income or some other positive effect which leads to expansion of the competitiveness, market position or to the future return. An investment appraisal is applied for evaluating whether and how rapidly an invested funds return. For the financial accessing there are several techniques which, according to ManagementMania.com, (2018), are into two groups: statistical methods and dynamic methods. Statistical methods such as average annual return and average percentage return are based on monitoring of cash benefits or measuring initial expenditures without taking into consideration a risk factor. For those techniques time has limited extent. However, dynamic methods are oriented on discounting basis of input data and consider a risk and time factor.

Further information will describe two types of dynamic evaluation methods: Net present value and Internal rate of return.

Net Present Value produces a result of an investment in today's monetary terms. The rule of using NPV is that the projects with the net present value is greater than 0 should be accepted, while negative NPV should be rejected (Geddes, 2002).

The first basis of NPV is present value of future cash flows at time "n". The formula is following:

$$PV = \frac{CF_n}{(1+r)^n}, \text{ where } CF_n = \text{cash flow in period } 1, 2, \dots \text{ to period } n; r = \text{discount rate.}$$

Similarly, the NPV of a project, considers the PV of future cash flows as well as initial investment. Net present value is the present value of cash flow of the project, net of the investment expenditure. it is derived by discounting the cash flows by discount rate of return "r" (Geddes, 2002).

$$NPV = CF_0 + \frac{CF_1}{(1+r)^1} + \frac{CF_2}{(1+r)^2} + \frac{CF_3}{(1+r)^3} + \dots + \frac{CF_n}{(1+r)^n}$$

$$\text{Thus, } NPV = \sum \frac{CF_n}{(1+r)^n}$$

Where,

$CF_0$ =initial cash flow or investment

$CF_n$ =cash flow in period 1,2, ... to period n

r=discount rate

Internal rate of return or IRR uses the same approach of discounted cash flow analysis as NPV. While NPV outcome is in monetary terms, in IRR model the outcome is represented as percentage rate of return. Thus, IRR is the discount rate that makes the NPV of a project equal to zero. The rule of IRR is to accept the project if internal rate of return “r” is greater than appropriate discount rate. (Geddes, 2002). The formula is following:

$0 = \sum_{t=0}^n \frac{CF_t}{(1+IRR)^t}$ , where  $CF_t$ =cash flow for each year; IRR=internal rate of return; n=project lifetime.

### 3.4.7 Appendices

As the fact that business plan should be laconic and clear overview of the idea all the details are included in the appendices section for examination. The section consists of detailed information regarding accounting, market research, etc.

## 4 Practical part

The practical part under consideration deals with analysis of concept of a new restaurant in Prague. The chapter includes description of the company, legal issues, legal structure and model of business plan using lean canvas, SWOT analysis and financial plan. Since practical part of the thesis has limited extent, not all the analysis from theoretical framework will be conducted. Instead of structured business plan the author presents practical part based on diagram “Lean canvas” and detailed financial plan.

### 4.1 Company “Bowls and Spoons”

“Bowls and Spoons” is the concept of a new restaurant of fast and healthy food that will be located in Prague in district Karlin. The specialization of the restaurant is soups. Right now, mostly soup is starting dish and only few places offer big portions. Thus, “Bowls and Spoons” will bring innovative idea in the culture of lunchtime and present soup as the main course that will be able to substitute typical restaurants’ daily offers. In contrast with others, the meal will be an extensive portion of soup based on 100% natural broth with fresh vegetables, unusual spices for stressing taste and

substantial piece of meat for competitive price. Also, there are several options for vegetarians. Each soup menu includes bowl of soup, toast (ham and cheese, avocado) and soft or hot drink. The pleasant and cozy atmosphere of the place will create feeling of lunchtime at home. The restaurant can offer 30 seats available every 30 minutes that gives total capacity of 480 people per day. Working hours are every day from 10 am to 18 am.

#### 4.1.1 Legal factors

Before opening a restaurant business, a lot of very important regulation points should be taken under consideration. For example, before opening gastronomical business act № 455/1991 Coll. on Trades claims that a person must prove the competency for opening restaurant business by (Podnikatel.cz, 2018):

- Secondary education with a certificate in the relevant field of education
- Properly completion of secondary education with an exam in relevant field of education or with subjects of training in the relevant field
- Proper completion of higher professional education in the relevant field
- Proper completion of higher education in the relevant field of study programs and study fields
- Recognition of professional qualifications issued by the Recognition Body
- Obtaining all professional qualifications as laid down for the corresponding full professional qualifications in the National System

Nevertheless, there some exceptions, if a person does not have relevant education, stated in paragraph 22 in act № 455/1991 Coll. on Trades (Podnikatel.cz, 2018):

- Proper completion of secondary education with certificate in a related field of education and proof of one-year practice in the field
- Proper completion of secondary education with an exam in a related field of education and proof of one-year practice in the field
- Proper completion of higher professional education in a related field of education and proof of one-year practice in the field
- Proper completion of higher education in the relevant related fields of study programs and study fields

- Proper termination of retraining for the relevant work activity, issued by a facility accredited according to special legal regulations, or by an institution accredited by the Ministry of Education, Youth and Sports, or by a ministry within whose sphere the branch in which the trade is operated and a proof of one-year practice in the field
- To carry out six years of experience in the field

However, there are also other issues to be considered stated in Regulations №852/2004 of the European Parliament and of the Council on the hygiene of foodstuffs, for example (Fsai.ie, 2018):

- Decree No. 137/2004 Coll. on the hygiene requirements for catering services and the principles of operational and personal hygiene during serious epidemiological activities
- Act No. 258/2000 Coll. on Public Health Protection

A person willing to operate restaurant business in the Czech Republic should consider many other very important documents having various regulations. Opening a gastronomical is not in one month, a person must to visit several authorities.

#### 4.1.2 Legal structure and funds for the project

Facing the fact that the author-owner does not have neither proper education nor certificates and practice in the field of gastronomy, the legal structure of the company will be limited liability. The partner will be a dedicated person with appropriate education and practice. The author will have unlimited liability in the company and own it as chairman while the general partner will share in profit and equity. Shares are 70% chairman's and 30% of the general partner. Another issue to be discussed in the section is funding of the project. The author verifies the FFF source or financing from family and friend because it is the safest and the most effective way of finding resources needed for the start-up.

## 4.2 Lean Canvas

### 4.2.1 Problem

The first problem to be faced, is sameness of food served by other restaurants, restaurants of fast food and cafes around the area of Karlin especially during lunchtime. Generally, restaurants, for example, Globus offers lunch menu for totally 197 CZK. It includes portion of artificial and extremely salty soup for 35 CZK, some main course (chicken/beef/turkey/risotto/spaghetti with a sidedish) for 123 CZK and a dessert for 39 CZK. Drinks are not included, so it is possible to assume that one menu will cost a person up to 230 CZK or even more. Some restaurants, for example,



Italian restaurant “Karlin” or “Pizzeria Manna” can serve pizza. The total number of places around with typical food is 8. Other group is restaurants of fast food such as Bageterie Boulevard, Burrito Loco. First one is specialized in serving baguettes and the second in Mexican food. As for Bageterie, it is in Karlin for quite a long time (more than 8 years). The main course is baguette with grilled potato and drink (almost every time people prefer ice tea). Also, there are some soups. A person can change grilled potato to soup or salad. The price is 154 CZK as an average. However, eating that each day is not a thing your stomach will appreciate. Burrito loco is another option with doubtful health benefits for those who want something to eat. The average price for meal is 150 CZK plus a drink for 40 CZK that in total gives 190 CZK. Moreover, there are several cafes around which offers usually coffee and cakes. They are not considered as competitors as they work in another segment. Hereby, as a result, the first problem is very paradoxical: although there are a lot of places serving food, the choice of meals is poor enough.

The second problem to be faced is related to previous one. Nowadays people live in the progressive world that develops quite rapidly. Innovative technologies are invented almost every day, new places are opened. Although Prague is very old city, it is not an exception. People live here for many years and tried everything around. As the progress going forward, human going forward as well. There is a need to change habits and try something new. Thus, the second problem is “people want to try something new every time”.

The last point to be discussed, it is growing population of Karlin. There are a lot of business centers and apartments. Nevertheless, new buildings are being constructed, for example, new office center “Butterfly” which has space of 22990 square meters (butterfly-karlin.cz, 2018):

*Screenshot 1: New office center*



*Source: butterfly-karlin.cz, 2018*

Another example is new living residence “Karolina Plaza” which will be opened during March-April 2018:

*Screenshot 2: a new residence*



*Source: Ms-invest.cz, 2018*

The objects are already for sale and rent on different online sources (sreality.cz, 2018). It leads to the increase in population of the district. Even right now it is difficult during lunchtime to find a place in a restaurant but afterwards it will be impossible. Forasmuch, the third reason is potential overcrowding of local places or increase of residents in the area.

#### 4.2.2 Customer segment

To identify which segments are potential clients, firstly, it is essential to subdivide Czech customers into groups or segments. According to the article about segmentation of Czech consumers (Tomek, Stříteský and Tahal, 2013) the market of the country consists of seven groups of consumers:

1. Rational – is the largest group of consumers of the Czech market (27,3%). The main characteristic is that people understand the money to be very important but not the most crucial thing in the life. That kind of people carefully plans their expenditures but sometimes can afford spending money for fun. They do not buy things to show off wealth. The rational group of consumers are relatively balanced by gender: 30% of responders are males and 24,7% are females. The segments of the group are middle aged with quite high income.
2. Timid – the group represents 23,5% of Czech market. Their relationship to money is quite negative – they think money makes human's relations worse. They reject loans, feel regret money spent on fees, try to buy cheaper things, want to save money for a rainy day. The segment is represented by females more than by males, age subdivision is equal. Income is on lower level. Completed education is typical for the group.
3. Scrooge – the representatives (22,3% of the market) of the segment are focused on saving money carefully planning their future expenditures. The type tries to spend money only on their needs. They do not enjoy money as well as they do not buy good for pleasure. The group is equally represented by gender and age with upper and lower income.
4. Spender – is the opposite group to the previous one. Spending money for the things that they cannot afford is very typical. Representatives fond of shopping and showing off their wealth. The subdivision is 15% of males and 11% of females. The age rarely overcome 25 years old with all educational levels and middle or high income. The share on Czech market is 12,8%.
5. Saint – the segment consists of people with various socio-demographic characteristics and does not have one defined profile. People from the group stand out that it is unfair to have more money than a person needs. They believe money to be a thing for sharing with people who really need this. The share is 11,2%.

6. Money is evil – the relationship to money is totally negative. People do not wish more money than they really need and in general do not care about money at all, do not like shopping and buying goods for themselves. That point of view is more popular among males rather than females. People are young and old aged with lower incomes and education. The share is 10,8%.
7. Worshipper – money is everything – the distinctive feature of the group is love of money. The segment wishes to have a plenty of money and always dream about a great wealth. They think money to be happiness. The representatives are young people with (up to 24 years old) with elementary level of education with various incomes. The share is 10,2% of the market

After conducting segmentation of the market, it is necessary to find target customers. The company will target on three market segments of the Czech market: rational, spenders and worshippers. Each segment has relatively high or middle income. Thus, representatives can afford buying goods the price of which is higher than the average. Spenders and worshippers are young people who are opened for something new. The benefit is that young people are frequent users of Internet and social networks where part of marketing campaign will be focused as the result attracting more clients. The rational segment is characterized by the thing that they plan their expenditures but also enjoy spending money for pleasure. As the group is mostly middle aged they have families with children. Being appropriate for children as well, the product will attract the whole families. Moreover, there are a lot of offices of international companies with workers from America and Great Britain around preferred area (Karlín, Prague 8). Their income is above the average and they can afford spending more during lunchtime. Thus, that people can be also defined as target customers for the business. As Karlín considered to be quite expensive area with higher prices on real estate the citizens who live in the area are target customers as well. One more fact that should be pointed that new living and business centers are being built in Karlín. The operating companies have already started to offer real estate for sell and for rent. (sreality.cz, 2018). The business will be attractive for new workers during lunchtime while it will be attractive for owners of apartments who just want to have a meal around the area as well.

#### 4.2.3 Unique Value Proposition

The unique value proposition is how person pose the business. What is unique feature? To answer the question the author describes positioning in terms of points-of-difference, points-of-parity and category membership:

- Points-of-difference – after conducting self-research author determined that almost all places around the preferred area offer typical cuisine with typical dishes as everywhere especially during lunchtime (portion of artificial broth; chicken/pork with a sidedish or spaghetti/risotto; for drink a lemonade is offered). Soup is always going before the main course and portion is quite small. And it is just a liquid with a few pieces of meat and vegetables (if ones take into account non-vegetarian soups). Or another option is fast food with doubtful health benefits. Thus, the main difference from other companies that “Bowls and Spoons” presents the soup as main course. A substantial portion, 100% natural broth, fresh vegetables and commanding piece of meat in each portion full of nutrition. Also, there are several variants for vegetarians.
- Points-of-parity – the company has many features that other restaurant or fast food commonly use. Moreover, there are several places around the area where big bowls of soup are offered for customers. They are Vietnamese restaurants such as banh-mi-ba located by the metro station Křižíkova in Karlín.
- Category membership – Bahn-mi-ba that is competitor of “Bowls and Spoons” offers only two kinds of soup (with beef and with chicken; only on vegetable insipid broth for 149 CZK). Moreover, it is more oriented on Vietnamese noodles and baguettes. “Bowls and Spoons” offers more varieties of soups with more meat, vegetables and nutrition for almost the same price. All food is in a one plate. Moreover, there is no choice for vegetarians in contrast with “Bowls and Spoons”. Another competitor that is in the same price segment is “UGO Salaterie”. The UGO offers quite good menu of salads, fresh juices and several soups. The average price for one check is up to 175-200 CZK. However, the place is not a direct competitor of the company because it’s specialization is salads and fresh juices.

#### 4.2.4 Solution

The solution of top three problems mentioned in section 4.4.1 “Problem” is new restaurant “Bowls and Spoons:

- First problem is sameness of food and unhealthy food  
“Bowls and Spoons” offers a new vision on simple soup – soup as a main course. One bowl of soup will substitute usual lunch menu that consists of 3 general meals. Furthermore, it will substitute unhealth fast food as 100% natural soup has very positive influence on one stomach in contrast with fast food.

- Second problem is peoples' willing for new products  
The restaurant will provide customers with a new vision of starter meal and conceptional atmosphere.
- Third problem is increase in residents and potential overcrowding of restaurant spaces  
The "Bowls and Spoons" will wait their client in pleasant and cozy place with capacity of thirty seats available. After self-research author claims the average time spent in the restaurant during lunchtime is 25-30 minutes. Due to working hours of the place will be from 10 am till 18 pm without days-off the total capacity is 480 people per one day who can be serviced.

#### 4.2.5 Unfair advantage

The main unfair advantage is unique receipts of soups. That receipts have been invented by author and authors' family. Moreover, it is essential to tell about cooking skill that does a real advantage. For the client in the beginning will be offered five various soups based on three different broths. The broths are: chicken, meat and vegetable. The receipts are:

- Chicken broth (4 liters of water): celery root; Carrot; a clove of garlic; spring onions. white lower part and 4 cm of green; onion; parsley root; parsley cluster; 5 peas of black pepper; 5 peas of sweet pepper; 1.5 kg chicken bones/wings. Four liters of water in result gives 3-3,5 liters of broth.
- Vegetable broth (3 liters of water): carrot; celery; leek; tomato; onion; garden staff (parsley, koriandr etc.); cinnamon; 1 teaspoon sweet pepper in peas; 0.5 teaspoon black pepper in peas; bay leaf. Three liters of water is 2-2,5 liters of broth.
- Meat broth (4 liters of water): carrot; celery root; onion; thyme branch; bay leaf; teaspoon of black pepper in peas; teaspoon of sweet pepper in peas; 2 kg of meat (bones, shoulder). As a result, 3-3.5 liters of broth is out of 4 liters of water.

Receipts of soups are following:

Table 1: Receipts of soups

Asia soup	Sour apple soup	Meat and Vegetables soup	Pumpkin creame soup	Courgette cream soup
Broccoli	Sour apples	Sweet Paprika	Pumpkin	Courgette
Sweet paprica	Parsley	Potato	Onion	Leek
Red onion	Celery	Tomato	Garlic	Garlic
Koriandr (cluster)	Mint	Carrot	Ginger	Coconat milk
Lemon	Allspice	Onion	Coconat milk	
Fish sauce	Dried apples	Juniper		
Kurkuma	Chiken meat	Beef		
Rice noodle				
Chiken meat				

Source: Author

Asia soup is light but at the same moment very nourishing. It is based on chicken broth as well as sour apple soup with dried apples. Meat and Vegetables soup is based on meat broth and contains a lot of nutrition. And the last two soups, Pumpkin cream soup and Courgetti cream soup, are suitable for vegetarians. Together with soup soft/ hot drinks are offered and toasts with ham & cheese/ avocado (optional).

#### 4.2.6 Revenue stream

One menu will include: soup, toast and soft/hot drink for the competitive cost 175 CZK (average check). One portion of soup is approximately 350 ml. and consist of broth, fresh vegetables and 125-150 g. of meat in case of non-vegetarian soups. Vegetarian menu is soup; toast with avocado and soft/hot drink. More informative calculations a reader can obtain from Financial plan of the thesis from the chapter “Revenue projection” below.

#### 4.2.7 Cost structure

Soups have relatively low cost of production. The variable cost of one soup is in average 50 CZK. Also, for implementation of the idea the author will need startup budget in amount of 3018670 CZK. The break-even analysis showed that a business should sell at least 46 menus per day or 1398 per one month to have neither profit nor loss. More information a reader can find in the financial plan of the thesis in the chapters “Break-even analysis”, “Cost of production”, “Total expenses” and other relevant chapters.



#### 4.2.8 Key metrics

The paragraph under consideration deals with Key Performance Indicators or KPI of the restaurant “Bowls and Spoons”. After conducted interview with workers of Polevkarna based in Karlin the author of the thesis has defined main aspects of KPI. They are controlling kitchen labor, costs of food and the bestselling products. The author will record performance of staff on the kitchen and write down time of each process to optimize the productivity. Controlling of food includes decreasing wasting of food: comparing food sold with food bought to find optimal amount for production of goods. The last point is to find out worst selling products to remove them and most popular to increase the supply.

#### 4.2.9 Channels

Channels are so called path to customer. Thus, the author will conduct a marketing campaign through website, social networks, billboards, beneficial location and various discount systems and loyalty cards for frequent clients:

- Website will contain all the relevant information about the company, all meals available, daily offerings. Client will have possibility to follow and take part in the life of “Bowls and Spoons” using feedback system. The web will be on two languages: Czech and English. Moreover, after several months of successful work delivery will be opened so that customers will be able to order food online.
- Social networks will contain information about daily offers and coupons with discount via services Instagram, VKontakte and Facebook.
- The company will rent a billboard in a passable place and put there bright advertising to attract people.
- Beneficial location by the tram station and metro station will guarantee that potential customers will pay attention on the new place.
- Various discount systems and loyalty cards will to catch and hold customers making them frequent clients.



#### 4.2.10 Lean canvas diagram

*Lean canvas*

Problem 1	Solution 4	UPV 3	Unfair advantage 5	Customer segment 2
1. Sameness of food 2. People's will for new products 3. Increase of residents in the are and potential overcrowding of places serving food .	1. Soup as a main course	1. Big portion with fresh vegetables 2. Various soups 3. The whole lunch in pne bowl	1. Unique receipts	1. Rational 2. Spenders 3. Worshippers 4. Workers from the area 5. Residents
	2. Capacity 480 clients per day		2. Cooking skill	
	Key Metrics 8		Channels 9	
	1. Kitchen labor control 2. Control of food 3. Worst selling and bestselling products		1. Website 2. Social networks 3. Billboards 4. Beneficial location 5. Discount systems and loyalty cards	
Cost Structure 7		Revenue stream 6		
1. Variable cost per unit is 50 CZK 2. Startup budget is 3018670 CZK 3. Break-even per day is 46 and 1398 per month		1. Average bill is 175 CZK		

*Source: Author*

### 4.3 SWOT analysis

Table 2: SWOT analysis

Strengths	Weaknesses
<ol style="list-style-type: none"> <li>1. New product</li> <li>2. Whole lunch in a one plate</li> <li>3. Healthy and fast</li> <li>4. Nutrition</li> <li>5. Low cost of production</li> <li>6. Easy to cook</li> <li>7. Home atmosphere</li> </ol>	<ol style="list-style-type: none"> <li>1. Expensive equipment</li> <li>2. A lot of ingredients (spices)</li> <li>3. Price above the average</li> <li>4. Soup is lunch dish, not for breakfast or supper</li> <li>5. Lots of legal issues</li> </ol>
Opportunities	Threats
<ol style="list-style-type: none"> <li>1. Delivey</li> <li>2. Substitution of typical lunch meals</li> <li>3. Breakfast and supper menu</li> <li>4. Perveyance in supermarkets</li> </ol>	<ol style="list-style-type: none"> <li>1. Price will not be accepted</li> <li>2. Probability of choosing cheaper product</li> <li>3. Flakey suppliers</li> <li>4. Preferred location will be occupied</li> </ol>

Source: Author

After conducting SWOT analysis the author specifies that the greatest Strength of the business is a new vision on soup as on the main course that can substitute typical lunch meals by one bowl. The greatest Opportunity is expansion: distribution of the product using delivery, supply supermarkets' stalls. While the most dangerous things are that price above the average will not be accepted by potential customers. Moreover, the preferred location will be fully occupied by competitors and other different companies, for example, after the self-research in the area the author found out that not every landlord wishes ones runs a gastronomical business in the tenement space.

### 4.4 Financial plan

To prove the restaurant will be workable and will generate profit financial plan is presented. It includes initial investments, sturt up bugdet, fixed and variable costs, revenue projections for pessimistic, optimistic and base scenarios, break-even analysis and other relevant information.

#### 4.4.1 Costs of production

For every tasty soup the main base is a good broth. The restaurant will provide customers with soups based on three kinds of broth: meat broth, chicken broth and vegetable broth. The price for vegetables required for cooking 10 liters of each broth is following:

Table 3: Cost for 10 liters of each broth

Vegetables	Chicken broth 3-3,5 liters (units)	10 liters of chicken broth	Meat broth 3-3,5 liters (units)	10 liters of meat broth	Vegetable broth 2-2,5 liters (units)	10 liters of vegetable broth	Total for 10 liters of each broth (units)	Average price per unit with VAT (Kc)	total price (Kc)
Celery root	0,5	1,5	0,5	1,5	0	0	3	4,78 Kč	14,34 Kč
Carrot	2	6	2	6	3	15	27	2,59 Kč	69,80 Kč
Onion	1	3	2	6	2	10	19	1,20 Kč	22,80 Kč
Parsley root	1	3	0	0	1	5	8	7,64 Kč	61,12 Kč
Parsley cluster	0,35	1	0,35	1	0	0	2	13,21 Kč	26,42 Kč
Celery	0	0	0	0	2	8	8	15,00 Kč	120,00 Kč
Leek	2	6	0	0	1	5	11	13,00 Kč	143,00 Kč
Tomato	0	0	0	0	2	8	8	7,24 Kč	57,92 Kč
Garden staff (parsley, Koriandr etc.)	0	0	0	0	1	5	5	9,44 Kč	47,20 Kč
Thyme branch	0	0	2	6	0	0	6	8,65 Kč	51,90 Kč

Source: Author

Nevertheless, for preparation of chicken and meat broths meat is needed. So, prices for meat framework for 10 liters of each broth are:

Table 4: costs on meat for broths

Meat	Chicken broth 3-3,5 liters (kg)	Chicken broth 10 liters(kg)	Meat broth 3-3,5 liters(kg)	Meat broth 10 liters(kg)	Vegetable broth 2-2,5 litres(kg)	Vegetable broth 10 liters(kg)	total	Price for 1 kg with VAT	Price for 10 liters of broth with VAT
Chicken (bones, wings etc)	1,5	4,5	0	0	0	0	4,5	30,50 Kč	137,25 Kč
Meat (bones, shoulder)	0	0	2	6	0	0	6	31,20 Kč	187,20 Kč

Source: Author

Thus, total price with VAT for vegetables is 614.5 CZK. And price for meat required is 324.45 CZK. The total cost for production of 10 liters of each broth is **938,95 CZK**.

After the broth is done it is necessary to go for the next step – preparation of soup. Customers will have possibility to try five kinds of soups. The first one is Asia soup based on chicken broth. The recipe and cost of production for 5 liters is (meat and spices are not included and are calculated separately):

Table 5: Asia soup cost

Asia soup	For cca 3-3,5 liters (units/ml)	for cca 5 liters	Price per unit with VAT	Total price including VAT
Broccoli	1,50	2,50	15,90 Kč	39,75 Kč
Sweet paprica	3,00	5,00	13,12 Kč	65,60 Kč
Red onion	2,25	3,75	3,76 Kč	14,10 Kč
Koriandr (cluster)	0,25	0,42	25,90 Kč	10,79 Kč
Lemon	1,80	3,00	9,73 Kč	29,19 Kč
Fish sauce (ml)	90,00	150,00		- Kč
Kurkuma (g)	3,00	5,00		- Kč
Rice noodle(kg)	0,60	1,00	80,00 Kč	80,00 Kč
Chicken meat (kg)	0,70	1,17		- Kč

Source: Author

Total cost of production of the soup is **239 ,43 CZK.**

The second soup is sour apple soup based on chicken broth as well as the previous one. The cost of production of 5 liters is (meat and spices are not included and are calculated separately):

Table 6: Sour apple soup costs

Sour apple soup	For cca 3-3,5 liters	For cca 5 liters	Price per unit including VAT	Total price including VAT
Sour apples (units)	3	5,0	7,59 Kč	37,95 Kč
Parsley (cluster)	1	1,7	13,21 Kč	22,02 Kč
Celery (Stem)	2,5	4,2	15,00 Kč	62,50 Kč
Mint (cluster)	0,9	1,5	25,83 Kč	38,75 Kč
Allspice (units)	4	6,7		- Kč
Dried apples (kg)	0,01	0,02	206,23 Kč	3,44 Kč
Chicken meat (kg)	0,7	1,2		- Kč

Source: Author

Cost of production of the soup is **164 ,65 CZK.**

The third and the fourth soups are based on vegetable broth. The recipes and costs for 5 liters of each meal are following:

Table 7: Pumpkin creame soup costs

Pumpkin creame soup	For cca 2-2,5 liters	For cca 5 liters	Price per unit including VAT	Total price including VAT
Pumpkin (kg)	2	3	35,9	107,7
Onion (pieces)	2	4	1,2	4,8
Garlic (pieces)	0,3	0,6	4,76	2,856
Ginger (kg)	0,05	0,1	79,9	7,99
Coconat milk (litres)	0,25	0,5	100,19	50,095

Source: Author

Total cost of production of pumpkin cream soup is sum of column Total Price including VAT that as a result gives **173 ,411 CZK** for 5 liters of the soup.

Table 8: Courgette cream soup costs

Courgette cream soup	For cca 2-2,5 liters	For cca 5 liters	Price per unit including VAT	Total price
Courgette	5	10	10,00 Kč	100,00 Kč
Leek	2	4	13,00 Kč	52,00 Kč
Garlic	0,3	0,6	4,76 Kč	2,86 Kč
Coconat milk	0,25	0,5	100,19 Kč	50,10 Kč

Source: Author

While for courgetti cream soup is **204 ,95 CZK**.

The last soup available is based on meat broth. The recipe and cost for 10 liters of the soup is (meat and spices are not included and are calculated separately):

Table 9: Meat and Vegetables soup costs

Meat and Vegetables soup	For cca 3-3,5 liters	For cca 10 liters	Price per piece including VAT	Total price including VAT
Sweet Paprika (piece)	2	6,00	11,12 Kč	66,72 Kč
Potato (unit)	4	12,00	3,26 Kč	39,12 Kč
Tomato (unit)	2	6,00	7,24 Kč	43,44 Kč
Carrot (unit)	1	3,00	2,59 Kč	7,77 Kč
Onion (unit)	1	3,00	1,20 Kč	3,60 Kč
Juniper (pieces of berries)	2	6,00		- Kč
Beef (kg)	0,7	2,10		- Kč

Source: Author

Cost is 160 ,65CZK.

Not only soups will be served but some snacks and drinks are as well. Together with a soup any customer will get toast with 4 options: ham, cheese, ham and cheese or toast itself and drink. Costs are the following:

Table 10: Additional costs

Other	Amount	Price including VAT	Total price including VAT
Toast (Package)	5	20,00 Kč	100,00 Kč
Cheese (kg)	1,5	102,00 Kč	153,00 Kč
Ham (kg)	1,5	101,32 Kč	151,98 Kč
Water (units)	15	15,99 Kč	239,85 Kč
Juice (units)	15	20,70 Kč	310,50 Kč
Cola etc (units)	15	20,50 Kč	307,50 Kč
Ice tea (units)	15	25,90 Kč	388,50 Kč
Milk (package)	5	24,00 Kč	120,00 Kč

Source: Author

The costs for additional products are 1 771 ,33 CZK per day.

Forasmuch cost for meat and spices are not above they need to be calculated separately. The cost of meat for soup that was mentioned above is:

Table 11: Costs of meat for soups

For soup		Total for chicken broth based soup		Total for meat broth based soup			Total	Price per 1 kg with VAT	Total price with VAT
Chicken meat (kg)	0,7	2,1	0	0	0	0	2,1	100 Kč	150 Kč
Beef (kg)	0	0	0,7	2,1	0	0	2,1	132 Kč	197 Kč

Source: Author

Cost is 347 ,25 CZK.

According to the author all cost above is on daily basis while spices are on monthly. Thus, additional costs for spices per month are:

Table 12: Cost of spices

Spices	Choken broth (peas/unit) (3-3,5 liters)	Meat broth(3-3,5 liters)	Vegeable broth (2-2,5 liters)(peas/unit)	Total for 10 liters of each broth	Price for 1kg. with VAT (Kc)
peas of black pepper	5	5	5	55	500,00 Kč
peas of sweet pepper	5	5	10	80	650,00 Kč
bay leaf	0	1	1	8	174,57 Kč
<b>Additional</b>					
cinnamon sticks					382,00 Kč
salt					45,00 Kč
Kurkuma					500,00 Kč
Allspice					600,00 Kč
Juniper					530,00 Kč
Soya souce (liter)					114,62 Kč
Fish sauce (liter)					201,25 Kč
Coconat milk (liter)					145,19 Kč
Coffee (kg)					1 000,00 Kč
Tea green (package)					900,00 Kč

Source: Author

Total sum is 5 742 ,63 CZK per month.

It is essential to point that all the prices are the prices that author has collected and calculated an average from Kosik.cz, tesco.cz, macro.cz sources that are available online. As the result, total cost

of production of 30 liters of soups, snacks and drinks 4 192 ,07 CZK per day and 125 762 CZK per month.

#### 4.4.2 Equipment, Dishware, Cutlery

It is obvious that without good and modern equipment it is very difficult to provide excellent service that will attract customers with tasty food and appropriate service. Moreover, modern and fancy dishware is needed clients want to come back again and again. Hereby, the list with prices of equipment include:

Table 13: Cost of equipment

Equipment	Amount	Price per unit including VAT	Total price including VAT
Cashdesk	1	10 000,00 Kč	10 000,00 Kč
Grill	1	60 000,00 Kč	60 000,00 Kč
Cooker	1	96 000,00 Kč	96 000,00 Kč
Fridge	2	31 000,00 Kč	62 000,00 Kč
Freezer	2	11 000,00 Kč	22 000,00 Kč
Washing machine	1	45 000,00 Kč	45 000,00 Kč
Oven	2	20 000,00 Kč	40 000,00 Kč
Cooker hood	1	25 000,00 Kč	25 000,00 Kč
Electric soup kettle	7	3 500,00 Kč	24 500,00 Kč
Sink for dishes with table	2	15 000,00 Kč	30 000,00 Kč
Toaster	2	2 000,00 Kč	4 000,00 Kč
Coffee machine	1	48 000,00 Kč	48 000,00 Kč
Microwave oven	1	3 000,00 Kč	3 000,00 Kč
Pot 10 liters	5	1 454,00 Kč	7 270,00 Kč
Pot 6,5 liters	5	975,00 Kč	4 875,00 Kč
Pot 3 liters	3	803,00 Kč	2 409,00 Kč
Frying pan 40 cm	5	1 521,00 Kč	7 605,00 Kč
Frying pan 24 cm	4	590,00 Kč	2 360,00 Kč
Sauce pan 2,7 liters	4	590,00 Kč	2 360,00 Kč
Colander	3	100,00 Kč	300,00 Kč
Baking sheet	3	955,00 Kč	2 865,00 Kč
Grater	3	100,00 Kč	300,00 Kč
Liquidiser	1	11 000,00 Kč	11 000,00 Kč
Working table	1	17 000,00 Kč	17 000,00 Kč
Cooling Showcase	1	55 000,00 Kč	55 000,00 Kč
Air conditioning	1	50 000,00 Kč	50 000,00 Kč
Heating	1	160 000,00 Kč	160 000,00 Kč

Source: Author

Initial investment in equipment of the restaurant will reach up to 792 844 CZK including VAT taxation. The total amount is sum of the column Total price including VAT. Also, the list of dishware and cutlery is:



Table 14: Cost of dishware

Dishware and etc.	Amount	Price per unit including VAT	Total price including VAT
Bowl	90	40,00 Kč	3 600,00 Kč
Plate	100	49,00 Kč	4 900,00 Kč
Cup	90	29,00 Kč	2 610,00 Kč
Glass	80	49,00 Kč	3 920,00 Kč
Teapot	20	130,00 Kč	2 600,00 Kč
Serving dish	90	79,00 Kč	7 110,00 Kč

Source: Author

Dishware in total, the sum of the column “Total price including VAT” is **24 740 CZK**.

Table 15: Cost of cutlery

Cutlery	Amount	Price per unit including VAT	Total price including VAT
Spoon	120	35,50 Kč	4 260,00 Kč
Teaspoon	100	13,00 Kč	1 300,00 Kč
Fork	80	35,50 Kč	2 840,00 Kč
Knife for meat	4	800,00 Kč	3 200,00 Kč
Knife for vegetables	4	500,00 Kč	2 000,00 Kč
Chopping board	4	150,00 Kč	600,00 Kč
Kitchen utensils	8	1 500,00 Kč	12 000,00 Kč

Source: Author

Cutlery is in total **26 200 CZK**. Nevertheless, author of the thesis advice to save reserves in amount of **50 000 CZK** for other expenditures. Gathering all figures above, the total initial investment in equipment, dishware and cutlery reach up to **89 3784 CZK**.

All the prices are average prices that were obtained from [ikea.com](http://ikea.com); [www.ocs-systems.cz](http://www.ocs-systems.cz); [www.gozgastro.cz](http://www.gozgastro.cz) sources.

#### 4.4.3 Furniture and materials

Tasty food and good service are not only reasons why client will have a desire to come back. Also, furniture and decoration inside the placement are very important which create a very peaceful and comfortable atmosphere of lunchtime at home. Thus, there is a need to invest money in furniture and materials for decoration inside. The list with necessary points are:

Table 16: Cost of furniture

Furniture	Units	Price per unit including VAT	Total price including VAT
Table	8	1 500,00 Kč	12 000,00 Kč
Wall table	4	800,00 Kč	3 200,00 Kč
Chair	12	1 000,00 Kč	12 000,00 Kč
Bar chair	2	2 000,00 Kč	4 000,00 Kč
Bar counter	1	80 000,00 Kč	80 000,00 Kč
Rack	10	2 000,00 Kč	20 000,00 Kč
Cupboard	2	10 000,00 Kč	20 000,00 Kč
Cabinet	2	20 000,00 Kč	40 000,00 Kč
Other		30 000,00 Kč	30 000,00 Kč
Materials			300 000,00 Kč

Source: Author

The total cost for following point is **521 200 CZK**. The prices are average prices from ikea.com source.

#### 4.4.4 Services

- Designer/architect – one-time service that author assume to be essential for organizing proper and stylish architectural environment inside the restaurant. Average price for one square meter of space is 2000 CZK. The author claims total square to be approximately 80 square meters that in result gives total cost of the service in amount of **160 000 CZK**.
- Preparation of inner space – other one-time services required. Average price is requested by special brigade is 3000 CZK for one square meter that in total gives **240 000 CZK** for the space.
- Lawyer – there is a need solve all the problems with license, documents, establishing a new firm. Average price is **42 000 CZK**.
- Real estate manager – it is very difficult to find and rent a place for running business in restaurant sphere. A real estate manager will help to find the best available location and make a deal with owner. The price is 100% commission from rent payment. Thus, it is **40 000 CZK**.
- Marketing expenses – creation of web-site is up to **20 000 CZK**.
- Creation of logos, menu, etc. – author assume cost to be **200 000 CZK**
- Accountant – the business will have a need to outsource accounting on monthly basis that is up to **10 000 CZK** per month.

Thus,

Table 17: Cost of services

Services one time	Price including VAT
Designer	160 000,00 Kč
Preparation of inner space	240 000,00 Kč
Lawyer	42 000,00 Kč
Real estate manager	40 000,00 Kč
Marketing expences	20 000,00 Kč
Logos, menu and etc.	200 000,00 Kč
Each month services	
Accountant	10 000,00 Kč

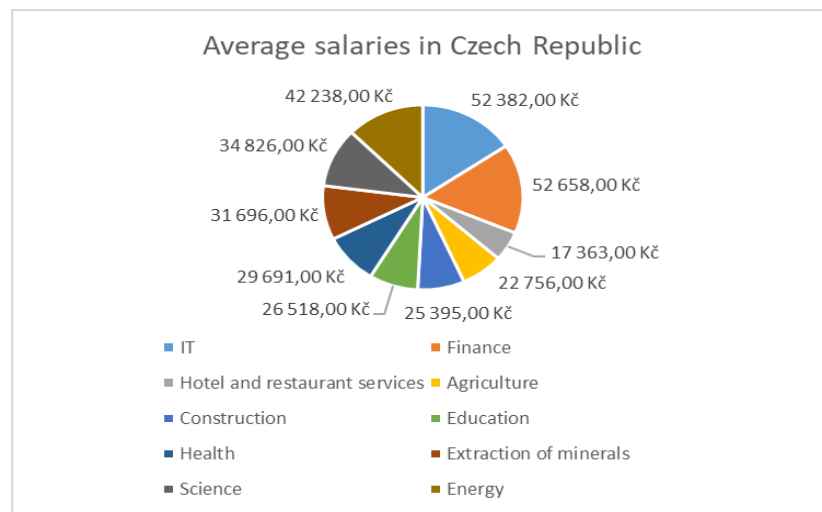
Source: Author

The total expenses on services **702 000 CZK**. Service on monthly basis are not included.

#### 4.4.5 Employees

The author suggests hiring three employees on full-time basis. Employees are manager, cleaner, cooker and cashier. The minimum salary in Czech Republic is 12200 CZK per month while average salary according to the segments is (Jobspin.cz, 2018):

Figure 6: Average income in Czech Republic



Source: Author

Using the calculator of salary expenses (Vyplata.cz, 2018) author assumes the following salaries:

Table 18: Expences on salaries

Position	Salary	Expences on salary after taxation
Cooker	25 000,00 Kč	33 500,00 Kč
Cleaner	15 000,00 Kč	20 100,00 Kč
Cashier	17 000,00 Kč	22 700,00 Kč

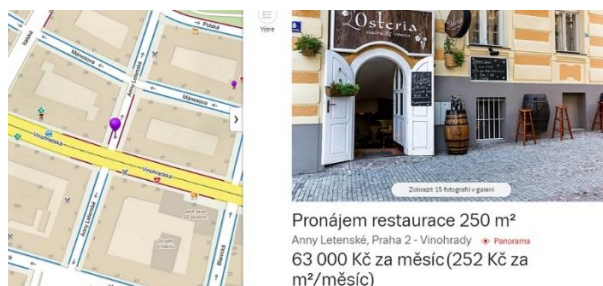
Source: Author

In total expences on salaries is **76 300 CZK** per month.

#### 4.4.6 Rent

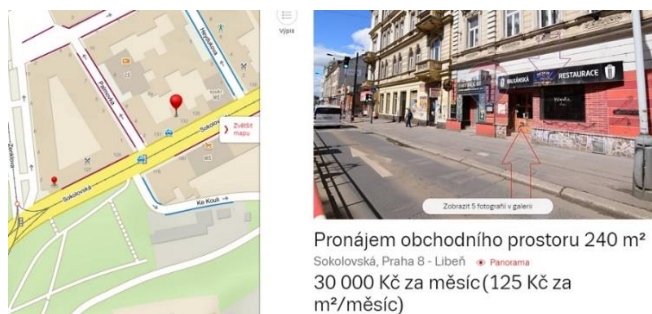
To evaluate the rental of the space the author compares several advertisements that can be suitable for running a new restaurant business from online source (sreality.cz, 2018):

Screenshot 3: Example of space



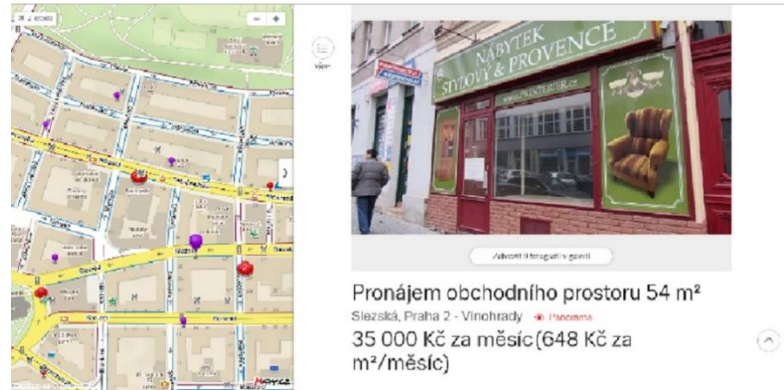
Source: sreality.cz, 2018

Screenshot 4: Example of space



Source: sreality.cz, 2018

Screenshot 5: Example of space



Source: srealty.cz, 2018

Screenshot 6: Example of space



Source: srealty.cz, 2018

Screenshot 7: Example of space

Price (Total)	20,000 CZK
Price comment	For a month
Commission inc.?	-
Utilities	-
Location	Praha (Praha 2), Vinohradská
Floor	-
Flat furnished	-
Balcony/Terrace	no/no
Parking	-
Cellar	-
Energy rating	G
Offer created	28.02.2018
Property ID	25246/1654

Additional photos: [Thumbnail 1] [Thumbnail 2] [Thumbnail 3] [Thumbnail 4] [Thumbnail 5]

Source: srealty.cz, 2018

All landlord accepts the possibility to establish restaurant business. Moreover, some of the spaces already meet specific requirements to run the business. All the places located not in preferred

location but closer to the city center. The required space is claimed is around 80 square meters.

Thus, author makes a statement that cost of rental will be around 40 000 CZK with utilities 10 000 CZK that is average price of objects presented to a reader.

Furthermore, the author conducted an interview with manager of Polevkarna that is in preferred area (Prague 8, Karlin) and received information that 80 square meters of commercial space would cost the amount is mentioned above.

#### 4.4.7 Total costs

In the chapter will be presented total costs of the project: fixed costs, variable costs, initial investments and depreciation of tangible assets. Firstly, the author presents total fixed costs:

Table 19: Fixed costs per month

Fixed costs per month including taxes	Costs per month including taxes
Rent	40 000,00 Kč
Salaries	76 300,00 Kč
Utilities	10 000,00 Kč
Insurance	10 000,00 Kč
Accountant per month	10 000,00 Kč
Advertising per month	25 000,00 Kč
Internet, Telephone etc.	1 500,00 Kč
Alarm	2 000,00 Kč
<b>Total per month</b>	<b>174 800,00 Kč</b>

Source: Author

The sum of variable costs per one month is 174 800 CZK. The table consists of rent and utilities expenses, business insurance, advertising expense, telephone and internet expense for communication, alarm for safety. It was already mentioned before that accounting will be outsource and the cost is up to 10000CZK per one month. Secondly, the following point is variable costs:

Table 20: Variable costs

Variable costs including taxes	Costs including VAT
Grocery, transportation and etc. per month	125 762,13 Kč

Source: Author

The total of variable costs per one month is up to **125 762 ,13 CZK**. It consists of grocery expenses that are based on the method of average price that was mentioned above in the chapter “Cost of production”. Also, it includes transportation costs, storage costs and other relevant points of variable costs. The third position is for initial investments:

Table 21: Initial investments

Initial investment	Costs including VAT
Furniture and materials	521 200,00 Kč
Equipment	893 784,00 Kč
Services one time	702 000,00 Kč
<b>Total</b>	<b>2 116 984,00 Kč</b>

Source: Author

The table gathers all expenditures on furniture and materials, equipment, dishware and cutlery, and initial one-time services to make the business operating. Total expenditure is the sum of column Costs including VAT that is **2 116 984 CZK**.

The last point is depreciation of tangible assets. Each tangible asset in the Czech Republic has its own group and depreciates in a specific way (Odpisy.estranky.cz, 2018). In the paragraph will be presented second group of depreciation for furniture and dishware/cutlery and the third group for equipment, for example, washing machine, oven, heater. The second group (furniture) depreciates:

Table 22: Depreciation of the second group (furniture)

Depreciation for furniture ( 2nd group)	Rate	11%	22,25%	22,25%	22,25%	22,25%
Price		221 200,00 Kč	221 200,00 Kč	221 200,00 Kč	221 200,00 Kč	221 200,00 Kč
Years		1	2	3	4	5
Depecciation		24 332,00 Kč	49 217,00 Kč	49 217,00 Kč	49 217,00 Kč	49 217,00 Kč
Accumulated depreciation		24 332,00 Kč	73 549,00 Kč	122 766,00 Kč	171 983,00 Kč	221 200,00 Kč
Residual price		196 868,00 Kč	147 651,00 Kč	98 434,00 Kč	49 217,00 Kč	0

Source: Author

For the second group depreciation is for 5 years. For the first year, asset depreciates by 11% and for the following fourth year for 22,25%. The following group is also the second one and deals with dishware and cutlery:

Table 23: Depreciation of the second group (dishware and cutlery)

Depreciation of dishware (2nd group)					
Price	81 284,00 Kč	81 284,00 Kč	81 284,00 Kč	81 284,00 Kč	81 284,00 Kč
Rate	11%	22,25%	22,25%	22,25%	22,25%
Year	1	2	3	4	5
Depreciation	8 941,24 Kč	18 085,69 Kč	18 085,69 Kč	18 085,69 Kč	18 085,69 Kč
Accumulated dep.	8 941,24 Kč	27 026,93 Kč	45 112,62 Kč	63 198,31 Kč	81 284,00 Kč
Residual price	72 342,76 Kč	54 257,07 Kč	36 171,38 Kč	18 085,69 Kč	0

Source: Author

The rule for the table the same as for the previous one. In the beginning depreciation rate is 11%. Afterwards for the following years is 22,25%.

The third group of assets (equipment) depreciates under the rule: the first-year rate is 5,5%, the following years is 10,5%. Thus, equipment during the first year will depreciate by 41 938 CZK and the rest of its lifetime by 80 063 CZK. The full table of depreciation of the equipment a reader can find in chapter “Appendices”. Hereby, the total depreciation expense for five years including all assets is:

Table 24: Total depreciation expense for 5 years

Year	1	2	3	4	5
Depreciation of equipment and dishware in total	50 878,74 Kč	98 148,19 Kč	98 148,19 Kč	98 148,19 Kč	98 148,19 Kč
Depreciation of furniture	24 332,00 Kč	49 217,00 Kč	49 217,00 Kč	49 217,00 Kč	49 217,00 Kč
Total	75 210,74 Kč	147 365,19 Kč	147 365,19 Kč	147 365,19 Kč	147 365,19 Kč

Source: Author

#### 4.4.8 Startup budget

Startup budget includes cost of initial investments such as equipment and some reserves to make the business run. As was mention before the cost of investment is 2 116 984 CZK.



Table 25: Revenue projection on monthly basis

Month	1	2	3	4	5	6
Revenue	525000	630000	630000	630000	656250	682500
Total Expenses	300 562,13 Kč	300 562,13 Kč	300 562,13 Kč	300 562,13 Kč	300 562,13 Kč	300 562,13 Kč
Profit	224 437,87 Kč	329 437,87 Kč	329 437,87 Kč	329 437,87 Kč	355 687,87 Kč	381 937,87 Kč

Source: Author

After the first year of operating the profit is 144937,87 CZK. Nevertheless, it is not enough to pay for the future expenditures in amount of 300562,13 CZK. Calculation shows a loss 155624,26 CZK. Hereby, the author suggests increasing startup budget by 901 686 ,39 CZK that is 3 times payment of total costs. The gathered startup budget is 3 018 670 ,39 CZK.

#### 4.4.9 Revenue projections

Revenue projections are predictions of revenue and income that are based on three scenarios: the worst, the base and the optimistic ones. The base scenario is:

Table 26: Revenue and income forecast; base scenario

Startup budget	Units	90	135	180	230	270	315
0	Years	1		2		3	
	6 month period	1 half	2 half	1 half	2 half	1 half	2 half
0	Revenue	2 835 000,00 Kč	4 252 500,00 Kč	5 670 000,00 Kč	7 245 000,00 Kč	8 505 000,00 Kč	9 922 500,00 Kč
0	Fixed costs (5% inflation)	1 060 800,00 Kč	1 060 800,00 Kč	1 113 840,00 Kč	1 113 840,00 Kč	1 169 532,00 Kč	1 169 532,00 Kč
0	Variable costs	748 253,16 Kč	1 122 379,74 Kč	1 496 506,32 Kč	1 870 632,90 Kč	2 244 759,48 Kč	2 618 886,06 Kč
0	Total costs	1 809 053,16 Kč	2 183 179,74 Kč	2 610 346,32 Kč	2 984 472,90 Kč	3 414 291,48 Kč	3 788 418,06 Kč
0	Depreciation	75210,74		147 365,19 Kč		147 366,19 Kč	
0	Operating profit	1 025 946,84 Kč	2 069 320,26 Kč	3 059 653,68 Kč	4 260 527,10 Kč	5 090 708,52 Kč	6 134 081,94 Kč
	EBIT	3 020 056,36 Kč		7 172 815,59 Kč		11 077 424,27 Kč	
	Income tax 19%	573 810,71 Kč		1 362 834,96 Kč		2 104 710,61 Kč	
- 3 018 670,39 Kč	Operating profit after tax	2 446 245,65 Kč		5 809 980,63 Kč		8 972 713,66 Kč	
	Units	360	405	405	405		
	Years	4		5			
	6 month period	1 half	2 half	1 half	2 half		
	Revenue	11 340 000,00 Kč	12 757 500,00 Kč	12 757 500,00 Kč	12 757 500,00 Kč		
	Fixed costs (5% inflation)	1 228 008,60 Kč	1 228 008,60 Kč	1 289 409,03 Kč	1 289 409,03 Kč		
	Variable costs	2 993 012,64 Kč	3 367 139,22 Kč	3 367 139,22 Kč	3 367 139,22 Kč		
	Total costs	4 221 021,24 Kč	4 595 147,82 Kč	4 656 548,25 Kč	4 656 548,25 Kč		
	Depreciation	147 367,19 Kč		147 368,19 Kč			
	Operating profit	7 118 978,76 Kč	8 162 352,18 Kč	8 100 951,75 Kč	8 100 951,75 Kč		
	EBIT	15 133 963,75 Kč		16 054 535,31 Kč			
	Income tax 19%	2 875 453,11 Kč		3 050 361,71 Kč			
	Operating profit after tax	12 258 510,64 Kč		13 004 173,60 Kč			

Source: Author

The base scenario is grounded on the conducted interview by the author with workers of Polevkarna located in Karlin, Prague 8. The average number of clients they have is from 200 to 250 per day. The prediction is for 5 years. Thus, the author can assume that at the first period (first 6 month) the sales will be 90 units or 30 liters of soups per day. The selling price of one unit (soup, toast, drink) is 175 CZK. Afterwards, every next 6 month the volume of sales increases by 50% until it reaches the point of 405 units or 135 liters of soup per day as well. The fixed costs are taken into consideration with 5% inflation rate. Forasmuch, the business in the end of each period will make a stable and good profit in amount of **2 446 245 ,65 CZK** during the first year, **5 809 980 ,63 CZK** during the

second, 8 972 713 ,66 CZK per third year, 12 258 510 ,64 CZK in fourth year and 13 004 173 ,60 CZK in year number five. According to the calculations the payback of the project is in 2 years.

The worst scenario: the difference between the worst and base scenarios is in number of units sold and obviously profit gained. The prediction is for 5 years as well and the selling price remains 175 CZK. The sales also begin will 90 units and then shows increase only by 30 units in the second half of the year. In the following year (the second) the author predicts the expansion in sale only by 10 units (130 in the first half of the second year) and afterwards it will stagnate at the same level till third year. The third year will show 200 units sold in each period (6 month), the fourth is 230 units sold in each period, the fifth is 300 units sold in each period as well. Thus, generated profit will be: 2 063 520 ,65 CZK first year, 1 982 730 ,63 CZK second year, 4 252 438 ,66 CZK third year, 4 476 435 ,64 CZK fourth year and 7 646 023 ,60 CZK in year five. Although, the production is predicted to be lower, variable costs and fixed costs remain the same values. The payback period will increase by 1 year that is in total is 3 years. Moreover, the startup budget might be increased. Hereby, it will be initial investment plus 4,5 times of total costs per month. In total it is 3 469 513 ,59 CZK. The table with data will be presented for a reader in chapter “Appendices”.

The best scenario: the best scenario contains the same costs, the same selling price. The sales in the grounding period of the first year begin with 120 units sold as an average. The second period will show expand from 120 units to 150 per day as an average. Second year sales are 180 for the first half and 270 for the second half. The third year is 600 units per the hole year (300 for the first and 300 for the second half). Within fourth year expected sales are 350 units per each half and 450 units per each half from the fifth year of operating. Thus, the profit is:

- First year is 3 594 420 ,65 CZK
- Second year is 6 830 580 ,63 CZK
- Third year 9 355 438 ,66 CZK
- Fourth year 10 600 035 ,64 CZK
- Fifth year 14 297 923 ,60 CZK

The table with data can be find in the chapter “Appendices” of the bachelor thesis. The following calculations of break-even point and investment evaluation are grounded on the base scenario of the project.

#### 4.4.10 Break-Even analysis

Break-even point is the point where the company has neither profit nor loss. The author presents two break-even points based on daily and monthly basis.

On monthly basis:

*Table 27: Break-even point on monthly basis*

Total fixed costs	174 800,00 Kč
Var. cost per unit	49,88 Kč
Selling price	175,00 Kč
<b>BEV on monthly basis</b>	<b>1397,10</b>

*Source: Author*

Total fixed costs per one month are **174 800 CZK**. An average variable cost for cooking of one soup with toast is 49 ,88 CZK. Thus, the break-even point can be calculated. The result is that 1 397 ,5 units of production might be sold to reach the break-even point.

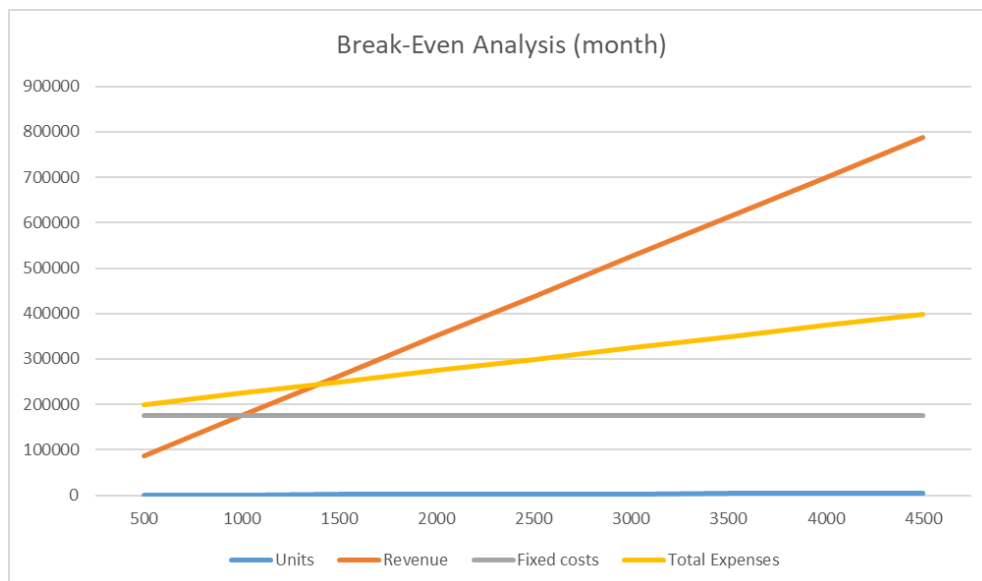
*Table 28: Data for break-even on monthly basis*

Units	Revenue	Fixed costs	Total Expenses	Profit
500	87 500,00 Kč	174 800,00 Kč	199 742,00 Kč	- 112 242,00 Kč
1000	175 000,00 Kč	174 800,00 Kč	224 684,00 Kč	- 49 684,00 Kč
1500	262 500,00 Kč	174 800,00 Kč	249 626,00 Kč	12 874,00 Kč
2000	350 000,00 Kč	174 800,00 Kč	274 568,00 Kč	75 432,00 Kč
2500	437 500,00 Kč	174 800,00 Kč	299 510,00 Kč	137 990,00 Kč
3000	525 000,00 Kč	174 800,00 Kč	324 452,00 Kč	200 548,00 Kč
3500	612 500,00 Kč	174 800,00 Kč	349 394,00 Kč	263 106,00 Kč
4000	700 000,00 Kč	174 800,00 Kč	374 336,00 Kč	325 664,00 Kč
4500	787 500,00 Kč	174 800,00 Kč	399 278,00 Kč	388 222,00 Kč

*Source: Author*

The table above contains data for construction of the graph below.

Graph 3: Break-even point



Source: Author

There are 4 lines on the graph: units (blue), revenue (orange), fixed costs per month (grey) and total expenses per month (yellow). The intersection of revenue line and total expenses line is break-even point on monthly basis.

On daily basis:

Table 29: Break-even point on daily basis

Total fixed	5 746,85 Kč
Var. cost per unit	49,88 Kč
Selling price	175,00 Kč
BEV on daily basis	45,93

Source: Author

Total fixed costs per one day are 5 746 ,85 CZK. An average variable costs per one unit are 49 ,88 CZK. Forasmuch, break-even point is 45 ,93 CZK on daily basis. That means that at least 46 units of production might be sold to reach break-even point.

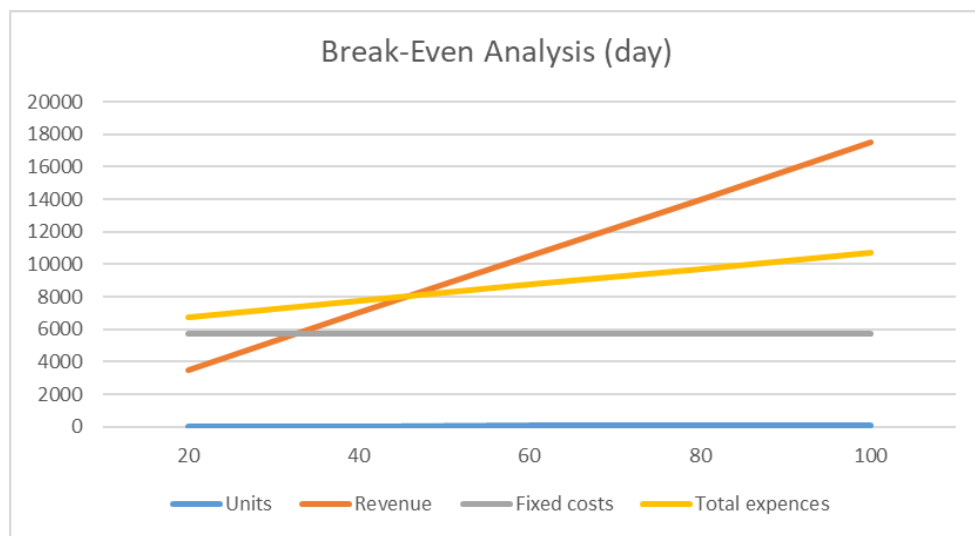
Table 30: Data for break-even on daily basis

Units	Revenue	Fixed costs	Total expenses	Profit
20	3 500,00 Kč	5 746,85 Kč	6 744,53 Kč	- 3 244,53 Kč
40	7 000,00 Kč	5 746,85 Kč	7 742,21 Kč	- 742,21 Kč
60	10 500,00 Kč	5 746,85 Kč	8 739,89 Kč	1 760,11 Kč
80	14 000,00 Kč	5 746,85 Kč	9 737,57 Kč	4 262,43 Kč
100	17 500,00 Kč	5 746,85 Kč	10 735,25 Kč	6 764,75 Kč

Source: Author

The content of the table is data from which break-even graph is constructed.

Graph 4: Break-even point



Source: Author

The graph consists of 4 lines: units (blue), revenue (orange), fixed costs (grey) and total expenses (yellow). The intersection of revenue line and total expenses line is break-even point on daily basis.

Thus, the company need to produce at least 58 units per day or 1 746 per month to make neither profit nor loss.

#### 4.4.11 Investment evaluation

Table 31: Cash flow

Year	0	1	2	3	4	5	Total
Cash	3 018 670 Kč						
Revenue		7 087 500 Kč	12 915 000 Kč	18 427 500 Kč	24 097 500 Kč	25 515 000 Kč	88 042 500 Kč
Total revenue		7 087 500 Kč	12 915 000 Kč	18 427 500 Kč	24 097 500 Kč	25 515 000 Kč	88 042 500 Kč
Capital expenditures	3 018 670 Kč						
Operational costs		3 992 233 Kč	5 594 819 Kč	7 202 710 Kč	8 816 169 Kč	9 313 097 Kč	34 919 027 Kč
Total costs	3 018 670 Kč	3 992 233 Kč	5 594 819 Kč	7 202 710 Kč	8 816 169 Kč	9 313 097 Kč	37 937 698 Kč
CF1	- Kč	3 095 267 Kč	7 320 181 Kč	11 224 790 Kč	15 281 331 Kč	16 201 904 Kč	50 104 802 Kč
External financing	- Kč	- Kč	- Kč	- Kč	- Kč	- Kč	
CF2		3 095 267 Kč	7 320 181 Kč	11 224 790 Kč	15 281 331 Kč	16 201 904 Kč	
Depreciation		75 211 Kč	147 365 Kč	147 365 Kč	147 365 Kč	147 365 Kč	
Gross profit		3 020 056 Kč	7 172 816 Kč	11 077 425 Kč	15 133 966 Kč	16 054 538 Kč	
Tax base		3 020 056 Kč	7 172 816 Kč	11 077 425 Kč	15 133 966 Kč	16 054 538 Kč	
Tax 19%		573 811 Kč	1 362 835 Kč	2 104 711 Kč	2 875 453 Kč	3 050 362 Kč	
Net profit		2 446 246 Kč	5 809 981 Kč	8 972 714 Kč	12 258 512 Kč	13 004 176 Kč	
CF3 accumulated		2 446 246 Kč	8 256 226 Kč	17 228 941 Kč	29 487 453 Kč	42 491 629 Kč	
CF4	- 3 018 670 Kč	2 329 758 Kč	7 488 641 Kč	14 883 007 Kč	24 259 401 Kč	33 293 303 Kč	

Source: Author

The table above contains calculations to determine cash flows within 5 years period using method Strobela. Cash flow 1 (CF1 in the table) monitors the structure of income and expenditure irrespective of sources of funding. CF2 regulates changes in financial flows of CF1 caused by external financing. CF3 includes financial flows related to taxation and depreciation. CF4 is recalculation of CF3 to fair value (discounted CF3; 5%):

- CF1 = revenue minus total costs
- CF2 = external capital (financing)
- CF3 = CF2 minus Tax 19%
- CF4 = discounted CF3
- Gross profit = Revenue minus total costs minus depreciation.

When cash flows are measured it is possible to evaluate an investment. Thus, NPV of the project is (discount rate is 5%):

$$NPV = CF_0 + \frac{CF_1}{(1+r)^1} + \frac{CF_2}{(1+r)^2} + \frac{CF_3}{(1+r)^3} + \dots + \frac{CF_n}{(1+r)^n}$$

NPV = 79 235 439 CZK. The value is greater than 0. The project might be accepted.

Moreover, using internal rate of return of IRR=181,34% that is much greater than discount rate 5%. Hereby, according to IRR the project should be accepted either.

## 5 Conclusion

The aim of the thesis was to create realistic and clear business plan for the concept of a new restaurant “Bowls and Spoons” in Prague. The goal of theoretical part was to gather all relevant information about business planning and find optimal and strong theoretical framework for the thesis while practical part is about implementation of obtained knowledges.

“Bowls and Spoons” is described as a company in gastronomical sphere which specializes in serving soups as the main meal. The main aim of the company is to introduce new vision of a lunch meal – the whole lunch in one bowl. The author identifies legal issues that must be fulfilled to run a restaurant business in the Czech Republic, describes legal structure of the project and sources of financing.

Using lean canvas diagram approach the author analyses and identifies various aspects of preferred business, namely problem; customer segments; unique value proposition; solution; unfair advantage; revenue stream; cost structure; key metrics; channels. The author determines the problems that the project could solve. Using literature research, the Czech market is subdivided into 7 sections and the author verifies the target clients. Also, lean canvas method describes what the unfair advantage, unique value proposition and key metrics for the restaurant are. Moreover, in the section “Channels” the pathway to the target customer is described.

After conducting SWOT analysis the author specifies that the greatest Strength of the business is a new vision on soup as on the main course that can substitute typical lunch meals by one bowl. The greatest Opportunity is expansion: distribution of the product using delivery, supply supermarkets’ stalls. While the most dangerous things are that price above the average will not be accepted by potential customers. Moreover, the preferred location will be fully occupied by competitors and other different companies, for example, after the self-research in the area the author found out that not every landlord wishes ones runs a gastronomical business in the tenement space.

The financial part gives clear understanding of figures. The start-up budget is estimated in amount of 3 018 670 CZK. Fixed costs are calculated with inflation of 5% per each year taken into consideration. As the result, the income prediction for the first year of operating will be 2 446 246 CZK with break-even point of 46 units per day and 1398 units per one month. The selling price in average is 175 CZK per unit (soup, toast and drink). The amount of product sold per one day during the first year is 113



units as an average. The investment is evaluated using NVP and IRR values. The NVP showed 79 235 439 CZK while IRR is 181 ,34% that means that the project should be accepted.

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## 8 Appendices

*Appendix 1: Revenue projection, best scenario*

Start-up budget	Units	120	150	180	270	300	300
0	Years	1		2		3	
	6 month period	1 half	2 half	1 half	2 half	1 half	2 half
- Kč	Revenue	3 780 000 Kč	4 725 000 Kč	5 670 000 Kč	8 505 000 Kč	9 450 000 Kč	9 450 000 Kč
- Kč	Fixed costs (5% inflation)	1 060 800 Kč	1 060 800 Kč	1 113 840 Kč	1 113 840 Kč	1 169 532 Kč	1 169 532 Kč
- Kč	Variable costs	748 253 Kč	1 122 380 Kč	1 496 506 Kč	1 870 633 Kč	2 244 759 Kč	2 618 886 Kč
- Kč	Total costs	1 809 053 Kč	2 183 180 Kč	2 610 346 Kč	2 984 473 Kč	3 414 291 Kč	3 788 418 Kč
- Kč	Depreciation	75 211 Kč		147 365 Kč		147 366 Kč	
- Kč	Operating profit	1 970 947 Kč	2 541 820 Kč	3 059 654 Kč	5 520 527 Kč	6 035 709 Kč	5 661 582 Kč
	EBIT	4 437 556 Kč		8 432 816 Kč		11 549 924 Kč	
	Income tax 19%	843 136 Kč		1 602 235 Kč		2 194 486 Kč	
- 3 018 670 Kč	Operating profit after tax	3 594 421 Kč		6 830 581 Kč		9 355 439 Kč	
	Units	350	350	430	430		
	Years	4		5			
	6 month period	1 half	2 half	1 half	2 half		
	Revenue	11 025 000 Kč	11 025 000 Kč	13 545 000 Kč	13 545 000 Kč		
	Fixed costs (5% inflation)	1 228 009 Kč	1 228 009 Kč	1 289 409 Kč	1 289 409 Kč		
	Variable costs	2 993 013 Kč	3 367 139 Kč	3 367 139 Kč	3 367 139 Kč		
	Total costs	4 221 021 Kč	4 595 148 Kč	4 656 548 Kč	4 656 548 Kč		
	Depreciation	147 367 Kč		147 368 Kč			
	Operating profit	6 803 979 Kč	6 429 852 Kč	8 888 452 Kč	8 888 452 Kč		
	EBIT	13 086 464 Kč		17 629 535 Kč			
	Income tax 19%	2 486 428 Kč		3 349 612 Kč			
	Operating profit after tax	10 600 036 Kč		14 279 924 Kč			

*Source: Author*

Appendix 2: Revenue projection, worst scenario

Startup budget	Units	90	120	130	130	200	200
- Kč	Years	1		2		3	
	6 month period	1 half	2 half	1 half	2 half	1 half	2 half
- Kč	Revenue	2 835 000 Kč	3 780 000 Kč	4 095 000 Kč	4 095 000 Kč	6 300 000 Kč	6 300 000 Kč
- Kč	Fixed costs (5% inflation)	1 060 800 Kč	1 060 800 Kč	1 113 840 Kč	1 113 840 Kč	1 169 532 Kč	1 169 532 Kč
- Kč	Variable costs	748 253 Kč	1 122 380 Kč	1 496 506 Kč	1 870 633 Kč	2 244 759 Kč	2 618 886 Kč
- Kč	Total costs	1 809 053 Kč	2 183 180 Kč	2 610 346 Kč	2 984 473 Kč	3 414 291 Kč	3 788 418 Kč
- Kč	Depreciation	75 211 Kč		147 365 Kč		147 366 Kč	
- Kč	Operating profit	1 025 947 Kč	1 596 820 Kč	1 484 654 Kč	1 110 527 Kč	2 885 709 Kč	2 511 582 Kč
	EBIT	2 547 556 Kč		2 447 816 Kč		5 249 924 Kč	
	Income tax 19%	484 036 Kč		465 085 Kč		997 486 Kč	
- 3 469 513 Kč	Operating profit after tax	2 063 521 Kč		1 982 731 Kč		4 252 439 Kč	
	Units	230	230	300	300		
	Years	4		5			
	6 month period	1 half	2 half	1 half	2 half		
	Revenue	7 245 000 Kč	7 245 000 Kč	9 450 000 Kč	9 450 000 Kč		
	Fixed costs (5% inflation)	1 228 009 Kč	1 228 009 Kč	1 289 409 Kč	1 289 409 Kč		
	Variable costs	2 993 013 Kč	3 367 139 Kč	3 367 139 Kč	3 367 139 Kč		
	Total costs	4 221 021 Kč	4 595 148 Kč	4 656 548 Kč	4 656 548 Kč		
	Depreciation	147 367 Kč		147 368 Kč			
	Operating profit	3 023 979 Kč	2 649 852 Kč	4 793 452 Kč	4 793 452 Kč		
	EBIT	5 526 464 Kč		9 439 535 Kč			
	Income tax 19%	1 050 028 Kč		1 793 512 Kč			
	Operating profit after tax	4 476 436 Kč		7 646 024 Kč			

Source: Author

Appendix 3: Depreciation of equipment (3<sup>rd</sup> group)

Depreciation of equipment (3rd group)	1 year	2 year	3 year	4 year	5 year
Rate	5,50%	10,50%	10,50%	10,50%	10,50%
Price	762 500 Kč	762 500 Kč	762 500 Kč	762 500 Kč	762 500 Kč
Year	1 Kč	2 Kč	3 Kč	4 Kč	5 Kč
Depreciation	41 938 Kč	80 063 Kč	80 063 Kč	80 063 Kč	80 063 Kč
Accumulated dep.	41 938 Kč	122 001 Kč	202 063 Kč	282 126 Kč	362 188 Kč
Residual price	720 562 Kč	640 500 Kč	560 437 Kč	480 375 Kč	400 312 Kč
	6 year	7 year	8 year	9 year	10 year
	10,50%	10,50%	10,50%	10,50%	10,50%
	762 500 Kč	762 500 Kč	762 500 Kč	762 500 Kč	762 500 Kč
	6 Kč	7 Kč	8 Kč	9 Kč	10 Kč
	80 063 Kč	80 063 Kč	80 063 Kč	80 063 Kč	80 063 Kč
	442 251 Kč	522 313 Kč	602 376 Kč	682 438 Kč	762 501 Kč
	320 250 Kč	240 187 Kč	160 125 Kč	80 062 Kč	0

Source: Author