

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Master's Thesis

Business Plan for a Small Company

Bc. Barbora Hronková

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DIPLOMA THESIS ASSIGNMENT

Bc. Barbora Hronková

Economics and Management

Thesis title

Business Plan for a Small Company

Objectives of thesis

The aim of the diploma thesis is the elaboration of a business plan for an establishment of a small café in Prague, Czech Republic. Ultimately, the goal is to determine if the café will profit and so it is economically convenient to open the business.

Methodology

This diploma thesis is divided into a theoretical part and a practical part. The theoretical part focuses on the general characteristics of a business plan, its requirements, and its structure.

In the practical part, the business plan itself is created with all requirements to determine whether the business is feasible.

To achieve the goals of this diploma thesis basic planning tools like SWOT and PEST analysis, marketing mix, and financial plan will be used and will be decided whether the café will be profitable so it can be established.

The proposed extent of the thesis

60 – 80 pages

Keywords

Business Plan, Café, Entrepreneurship, Company Establishment, Financial Plan, SWOT Analysis, PEST Analysis

Recommended information sources

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The Diploma Thesis Supervisor

Ing. Renata Aulová, Ph.D.

Supervising department

Department of Economics

Electronic approval: 16. 6. 2022

prof. Ing. Miroslav Svatoš, CSc.

Head of department

Electronic approval: 27. 10. 2022

doc. Ing. Tomáš Šubrt, Ph.D.

Dean

Prague on 31. 03. 2023

Declaration

I declare that I have worked on my master's thesis titled "Business Plan for a Small Café" by myself, and I have used only the sources mentioned at the end of the thesis. As the author of the master's thesis, I declare that the thesis does not break any copyrights.

In Prague on 31.3.2023



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Business Plan for a Small Company

Abstract

The diploma thesis aims to elaborate a business plan for a small café in Prague specializing in serving breakfast, quality coffee, desserts, sandwiches, and creative workshops. The thesis is divided into two parts – theoretical and practical. The theoretical part focuses first on the explanation of basic terms related to business, legal forms and types of business. Further, in the theoretical part are described the business plan's required components, including SWOT and PEST analyses, marketing mix, implementation and financial plan. In this part, the author drew on professional domestic and foreign literature. In the practical part, the author elaborated the business plan itself based on the literature review from the theoretical part. The business plan is elaborated using required analyses, marketing strategy, and financial plan. At the end of the practical part, the business plan is evaluated according to the calculations.

Keywords: Business Plan, Café, Entrepreneurship, Company Establishment, Financial Plan, SWOT Analysis, PEST Analysis

Podnikatelský plán pro malou společnost

Abstrakt

Cílem diplomové práce je vypracovat podnikatelský plán pro malou pražskou kavárnu specializující se na podávání snídaní, kvalitní kávy, zákusků, sendvičů a provozování kreativních workshopů. Práce je rozdělena na dvě části – teoretickou a praktickou. Teoretická část je zaměřena nejprve na vysvětlení základních pojmů souvisejících s podnikáním, právními formami a typy podnikání. Dále jsou v teoretické části popsány požadované součásti podnikatelského plánu, včetně SWOT a PEST analýzy, marketingového mixu, implementačního a finančního plánu. V této části autorka čerpala z odborné domácí i zahraniční literatury. V praktické části autorka zpracovala vlastní podnikatelský záměr na základě literární rešerše z teoretické části. Podnikatelský plán je zpracován pomocí požadovaných analýz, marketingové strategie a finančního plánu. V závěru praktické části je na základě výpočtů podnikatelský záměr vyhodnocen.

Klíčová slova: Podnikatelský plán, kavárna, podnikání, založení společnosti, finanční plán, SWOT analýza, PEST analýza

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1 Introduction

The topic of the diploma thesis is Business Plan for a Small Company. The author chose this topic due to thinking about starting her own company and opening a new café in Prague. The author often visits cafés in Prague and notices that no café in her residence would meet all her requirements. This café should be focused on selling quality coffee, serving breakfast and small cakes or sandwiches with coffee. The author is also a creative person and lacks a place where they organize creative workshops in her residence. Therefore, the author decided to combine a café with a place where people can attend such workshops. For this reason, the author decided to make a business plan on this topic.

A business plan is a critical tool for any entrepreneur looking to establish a new company, take advantage of a business opportunity, or verify the feasibility of a new venture. This document serves as a roadmap for the future of the company, outlining its goals, strategies, and financial projections. By carefully researching the market and competition, analysing the risks and opportunities, and developing a realistic implementation plan, entrepreneurs can increase their chances of success and secure funding from investors or financial institutions. In this thesis, the key components of a successful business plan are analysed and applied to a specific case study of a small café in Prague, Czech Republic.

The thesis aims to elaborate on the business plan of the café, including required analyses, marketing strategy, implementation, and financial plan. The business plan evaluates goals based on the Break-even point, Net Present Value, Payback Time, Return on Investment, and Return on Equity.

2 Objectives and Methodology

2.1 Objectives

The aim of the diploma thesis is the elaboration of a business plan for an establishment of a small café in Prague, Czech Republic. Ultimately, the goal is to determine if the café will profit and so it is economically convenient to open the business.

2.2 Methodology

The diploma thesis is divided into a theoretical and a practical part. The theoretical part focuses on the definitions that the author drew from specialist domestic and foreign literature. The basic terms related to the business are explained in the first part of the literature review. In the second part, the author deals with the essentials of a business plan and their explanation. The individual analyses needed to compile a business plan are described.

In the practical part, the business plan itself is created. In this part, the author used the knowledge gained in the literature review and used the required analyses. Due to varying opinions among professional literature writers regarding the necessary components of a business plan, the author of this diploma thesis made a subjective decision regarding the content of the plan she developed. The first analysis used in the practical part is SWOT analysis, where the author examines the business's strengths, weaknesses, opportunities, and threats. The second analysis is PEST analysis. This analysis investigates political, economic, social, and technological factors which could influence the business.

Further, this practical part focuses on determining the potential market, competition, and marketing strategy. The author used marketing mix 4P to concentrate on product, place, price and promotion for marketing strategy. An integral part of the business plan is the implementation project plan and the financial plan. Additionally, the entire practical part concludes with an evaluation of the business plan based on the Break-even point, Net Present Value, Payback Time, Return on Investment, and Return on Equity.

3 Literature Review

The first part of the literature review deals with defining basic terms and categories related to business. It defines the business, legal forms and types of business, and services. Finally, it deals with brainstorming and mind mapping, which are essential to prepare before starting a business plan.

The second part of the literature review deals with the business plan itself. It defines an integral part of the business plan, its structure, content, and requirements.

3.1 Business

The new Civil Code (Act No. 89/2012 Coll.) states in § 420 paragraph 1 that:

"Anyone who independently carries out gainful activity on their own account and responsibility in a trade or similar manner with the intention of doing so consistently in order to achieve profit is considered an entrepreneur with regard to this activity."
(Drážilová, 2019)

The most common definition in the economic field defines business as a consistent activity carried out in one's own name, independently, on one's own responsibility, and to achieve profit. Individual parts of the definition can be explained as follows. Consistency means that the activity is performed regularly and repeatedly. The purpose of independence depends on whether the entrepreneur is a natural person who acts personally or a legal entity who acts through a statutory body. The same applies to the definition of own name, as for natural person, this represents name and surname, but for legal entity name of the company. Personal responsibility means that both a natural person and a legal entity are responsible for all risks related to the results of their activity. The last part of the definition states that the activity of business must be carried out for the purpose of achieving profit. (Srpová a Řehoř, 2010)

3.1.1 Small Business

Directives of the European Union established three sizes of businesses, which include small, medium, and large enterprises. Since this diploma thesis focuses on compiling a business plan for a small company, it is the small business defined here.

According to the directives of the European Union as a small business or small entrepreneur is considered everyone who employs less than 50 employees and assets, or turnover of the company does not exceed 10 mil. EUR. (Staňková, 2007)

3.1.2 Legal basis of business

In the Czech Republic, three norms form the general framework of the legal form of business Act No. 89/2012 Coll., Civil Code, Act No. 455/1991 Coll., Trade Act, and Act No. 90/2012 Coll., on business corporations. In these three forms can be found definitions, relations, and terms. But there is also a Czech legal code to which is needed to pay extra attention because of norms, standards, ordinances, and regulations which are imposed according to the field of business. It can be challenging to navigate this wealth of information, especially for new entrepreneurs, but the basis is almost the same for every entrepreneur. (Drážilová, 2019)

Knowing someone who has been through the same experience and is willing to share their knowledge is a considerable advantage, which could help beginners, and it is one of the options for managing it. The second option is to use specialized website portals, but it is necessary to verify the credibility and reliability of the source and the timeliness. The Chamber of Commerce of the Czech Republic launched the Legal Electronic System project, which helps entrepreneurs manage their legal obligations. *"The Chamber of Commerce is also trying to enforce the state's obligation to prepare an annexe to each approved standard with an overview of the duties of entrepreneurs and the sanctions that may be imposed for non-compliance."* (Drážilová, 2019)

3.1.3 Legal forms of business

"The legal form of business is a kind of envelope for the business, which is supposed to facilitate its operation and possibly protect the entrepreneur by separating his private property from property intended for business." (Drážilová, 2019)

Before starting a business activity, choosing the proper legal form of business is necessary. This choice is essential but not irreversible, as the form can be later changed to a different one. Changing a legal form costs money and time, therefore, it is better to choose the right one from the beginning. In the Czech Republic, the Commercial Code allows the

entrepreneurship of natural persons and the entrepreneurship of legal entities. (Srpová a Řehoř, 2010)

Several criteria are needed to consider when deciding which form of business to choose. The first one is the number of companions. After the decision is made and it is agreed to do business with another person, the choice of this person is one of the most critical choices in business. It is essential to realize that despite a perfect relationship, there will be disagreements due to differing opinions. (Drážilová, 2019)

The second criterion is the type of activity of the business. Sometimes it is advantageous to select a form common in the particular market because customers are used to a specific form in some fields. In some areas, they are used to cooperating with companies because they consider it more trustworthy, but customers prefer sole traders in other fields. And therefore, it is recommended to do research and adapt. (Drážilová, 2019)

Another question which should be thought out is regarding risks and liability. It should be noted that different legal forms of business guarantee a different way. In some forms, entrepreneurs are liable for obligations with all their assets, even private ones, in others, on the contrary, the liability of partners is limited by the amount of their property share in the company. (ipodnikatel.cz, 2012)

The two last criteria relate to development and financing. If future growth and expansion are expected, the form should be adapted accordingly. If investors are needed due to insufficient funds, it is better to establish a trading company because then it is easier to agree on the share for the investment. (Drážilová, 2019)

The main difference between natural persons and legal entities is that natural persons act in their names on their own behalf, but legal entities have statutory authorities who act on their behalf. The statutory authorities can be represented by one person or a group of people whose creation, composition, powers and responsibilities are determined by the Civil Code or the Law on Business Corporations or the founding agreement of a specific company. (Drážilová, 2019)

Drážilová (2019) explained business firm as *“the name under which the company is registered in the commercial register, and which must appear on all official documents. The law stipulates an abbreviation or designation for each type of business company, which the business company must contain.”*

3.1.4 Types of legal forms

Several types of legal forms could be used for the purpose of café. The author chose the following ones.

Natural persons

For a natural person to run a business, obtaining a trade license or other authorization to run business activity is necessary. An example of natural person is a self-employed farmer, self-employed artist, forensic expert, etc. There are two groups of trades, which are divided according to the requirements for professional competence. (Srpová a Řehoř, 2010)

The first group is notifiable trade established and operated based on the notification. This type of trade is certified by an extract from the trade office. Notifiable trade is further separated into a craft, qualified, and unqualified. To acquire a craft trade license, it is necessary to have a Certificate of Apprenticeship, or diploma, or six years of experience in the field. Examples of the craft trade are butchery, masonry, catering, repairs, revisions and tests of electrical equipment. For qualified trade, the condition is proof of professional competence established by the Annex to the Trade Act. Examples are massage services, building construction, or driving school. The entrepreneur does not need any professional qualification for unqualified trade to obtain it. Examples are wholesale and retail trade, intermediation of trade and services, and accommodation services. (Srpová a Řehoř, 2010)

The second group is licensed trade, for which a license to do business in the specific field granted by the state is needed. Above all, this permit is required in an area with a high risk of harm to health. This type of business includes, for example, the production of alcohol and alcoholic beverages, travel agencies, or activities related to weapons and ammunition. (Drážilová, 2019)

Public commercial company

In this type of legal form, at least two people are needed for the establishment. In this company, each partner is liable for the business with all of their assets, regardless of the size of their shares in the company. Therefore, choosing a partner is extremely important in this form since the wrong choice can lead to the loss of personal property. The profit is divided according to the contract and share in the company among all partners and then taxed. No share capital is required to establish a company. (Srpková a Řehoř, 2010)

Joint-stock company

A joint-stock company can be founded by one legal entity or several founders who must conclude a founding agreement. The company guarantees its obligations with all its assets, but the shareholder is not responsible for these obligations. The minimum value of the share capital is set at 20,000,000 CZK with a public offer of shares, or without a public offer of shares, the amount is set at 2,000,000 CZK. The highest body of the company is the general meeting and thus decides on the most critical issues. The statutory body is the board of directors. (Hyršlová, 2008)

Limited liability company

Limited liability company is one of the best known and most used legal form of capital business, where, according to the law, the minimum amount of the share capital is set at 1 CZK. The number of partners is not limited in any way, a company can be founded by only one person. The company consists of a statutory body, which are company executives who take care of the day-to-day operations, and a general meeting, where all partners are members and decide by voting on important issues, such as the distribution of profits or the election of an executive. The strength of votes then depends on the share in the company. Even though the minimum share capital is set at 1 CZK, the establishment of the company costs several thousand CZK. (Drážilová, 2019)

Limited partnership

The limited partnership went into decline after the discovery of the limited liability company. The limited partners guarantee the company's obligations up to the amount of the unpaid deposit entered in the commercial register, and the general partners guarantee their entire assets. The statutory body of the company is the general partners. (Srpková a Řehoř, 2010)

3.2 Definition of services

“A service is any activity or benefit that one party can offer to another, it is essentially intangible and does not entail ownership.” (Kotler, 2007) Services include the four following characteristics, which describes them - intangibility, inseparability, changeability, and transience. (Kotler, 2007)

The most important characteristic of services is intangibility. Intangibility means that evaluating it using the senses is impossible because services cannot be touched, tasted, or listened to. Therefore, the customer cannot even view it before buying. Consequently, it is essential to sufficiently demonstrate the quality of the services to potential customers and try to translate them into tangible form.

(Vašítková, 2008)

By changeability is expressed, that the quality of services might change, because it is dependent on when, who, where, and how are the services provided. That is the reason why the quality of services is hard to manage. If an example of restaurant is used, one day the customers might be satisfied with the services, but the other day they might be dissatisfied. This difference might be caused by different employees providing the same service. The employees not only must know how to provide the services, but also need to be motivated to work the best of their ability. (Kotler, 2007)

Another mentioned characteristic is inseparability. By this characteristic is meant that services cannot be separated from their provider or machine, as can with physical goods be. In other words, the provider providing the service is part of the service. Therefore, the service provider and the customer must meet at a particular time in a specific place for the service to be realised. However, for some services, the customer may not always be present. (Vašítková, 2008)

The fourth characteristic is transience, which means that it is impossible to store services to provide or use them later. This might be a problem when demand fluctuates, an issue arises for service companies. Companies can balance demand with supply, for example, by using different prices at different times, which shifts part of the demand from the peak to another. (Kotler, 2007)

3.3 Brainstorming

Below are two methods of activities explained, which should be done at the very beginning of the business, even before starting the business plan. These methods could help to sort out thoughts on what exactly the company will focus on.

The first method, which should be done at the very beginning of the business, even before starting the business plan, is brainstorming.

Brainstorming is a helpful activity that can help with the beginning of business and serve as a stepping stone. Under brainstorming can be imagined searching for ideas associated precisely with new business. The goal of brainstorming is to come up with as many ideas as possible in a given time. The best way to do this activity is in a group, but it is not strictly provided, individuals can manage it. When sharing ideas in the group, other people in the group might get inspired and come up with more developed and better ideas. Another reason why this activity is predominantly group activity is that every group member has different experiences, opinions, and pieces of knowledge. The best way to perform this activity is in a circle so everyone sees each other, and use some board where they can immediately write down the ideas, and every person can see them. There should be someone as a facilitator, who will explain the reasons for brainstorming and will support the participants in sharing their bold ideas. The facilitator should also be careful the participants do not leave the topic. Everyone should strictly respect the rules of brainstorming, which consists of listening to the ideas of other members, avoiding criticism and condemnation, and supporting bold ideas. (Svobodová, 2017)

3.4 Mind mapping

Another activity which could help to get new ideas and opportunities is called mind mapping. Unlike brainstorming, a mind map is a pictorial representation. *"It is the process by which the human brain thinks and comes up with ideas."* (Buzan, 2014) This visual tool supports all brain functions, like creativity, memory, and learning. In the centre of the mind map is an image that is the main subject. Branches or arrows of topics that are directly related to the main idea further branch out from this image, these branches further branch out. Each branch is described or illustrated with a keyword. (Buzan, 2014)

3.5 Business plan

“Business plan is a written document that describes all the essential external and internal circumstances related to the business plan. It is the formation of a summary of business goals, the reason for their reality and attainability, and a summary of the single steps leading to the achievement of these goals.” (Srpová, 2011)

Before the decision of creating a company comes, there should be a business plan created. It might look like adding unnecessary work and worries, which takes extra time, but it is important to start with business plan before rushing into business without deeper thinking. Before starting the business, it is necessary make sure the ideas are realistic and viable. There are many justifiable reasons why to prepare the plan, for example finding out the amount of necessary funds needed, finding a business partner, improving the concept, specify goals, or can draw an attention to possible pitfalls in the future. (Srpová, 2011)

One of the main reasons to create a business plan is to find investors and get money to realization of the project. Majority of investors insists on a written plan before considering investing into the business. Before investing their money, they want to make sure everything is considered, in particular critical issues the business might face. Investors also want to see the business owner properly understands the business and that the project has a high chance to be successful. (McKeever, 2018)

Business plan is not only beneficial for investors, but also for the owner of the business itself. By creating the business plan, the owner can plan ahead what steps are needed to make in individual areas for example how strong is to competition, how to reach out customers, how many employees are needed, and so on. By the business plan the owner will clarify where the business is now, where can it be and how can it get there. (Srpová, 2011)

Another reason to write a business plan is to decide whether the project should be implemented or the idea should be given up. The business plan shows whether the business will be successful and should proceed or the business will not work, so it should be avoided. This decision is crucial because if the analysis shows the project will not work, money can still be saved. (McKeever, 2018)

A business plan can be created before it is decided to start with the business, but also when it is required to expand the business and arrange for more significant change. The main goal of the business plan is to verify the feasibility of the project. Sometimes it is possible to work only with assumptions and predictions, but it is crucial to verify what is verifiable and compare it to future estimates to think realistically and not based on dreams alone. (Svobodová, 2017)

The content of a business plan might change a little bit according to needs, so it is not strictly given. One of the reasons is that every investor might have different requirements. For example, bank could need more documents and information, but some investors would prefer to see the plan worked out in the form of a presentation. (Srpová, 2011)

Usually the business plan consists of:

1. title page
2. content
3. introduction, purpose, and position of the document
4. summary
5. description of the business opportunity
6. goals of the company and owners
7. potential markets
8. competition analysis
9. marketing and business strategy
10. implementation project plan
11. financial plan
12. the main prerequisites for the success of the business, the risks of the business
13. attachments (Srpová, 2011)

3.5.1 Title page

The title page serves as the first impression, which is often very important. The title page should include the company's name, authors' names, contact information, and a logo if the company already has one. This part of the business plan should not look visually excellent and professional. (Drážilová, 2019)

Srpová also suggested to state these two sentences “*The information contained in this document is confidential and subject to trade secrets. No part of this document may be reproduced, copied or in any way reproduced or stored in printed or electronic form without the written consent of the author.*” (2011)

3.5.2 Content

To not forget to add content to the business plan is very important, it is often forgotten but it is a very important part of the plan. One of the reasons is to quickly find the chapter the reader of the plan wants to read. If the content is forgotten, it can cause harder search and reading. The content should not be longer than one to one and half page and should contain maximum of three levels of headings in order to keep it clear. (Srpová, 2011)

3.5.3 Introduction, purpose, and position of the document

The introduction should be listed at the beginning of the document. It serves primarily for understanding between the author and the reader regarding the purpose of the plan and thus there was no possible misunderstanding. If the business plan is intended for potential investors, it is recommended to state it in the introduction. By the position of the document is meant the version of the document. For example, two chapters are not finally processed, and it is still needed to work on the,. In that case should be stated it is for example version 1.1 with two unfinished chapters, which will be completed as soon as possible. This will specify whether it is a final version or a work-in-progress version that will be supplemented. (Srpová, 2011)

3.5.4 Summary

An integral part of the business plan is the summary, which is located at the beginning of the plan and contains the main points of the business plan. The summary serves to familiarize the reader with the idea for the first time, so it should be clear and fit on one A4 page. The key points that should be mentioned in this chapter are characteristics of the products and services and mainly the competitor advantage. These are the factors that make a company

successful in a competitive market. Further, the summary should include a description of the target market and required financial resources with an estimate of their return. This chapter must therefore be processed only after the entire plan has been processed. (Svobodová, 2017)

3.5.5 Description of the business opportunity

In this chapter the company needs to specify the business opportunity. In this part of the business plan, it is time to present a niche in the market that the company wants to fill with the business. The reason for this chapter is to convince the reader that the company is the right one to run this business, and that the best time to start is now. After reading this chapter the reader should know how the product or service will help targeted customers compared to the competition and the previous service or product they used. The main three points this chapter should include are description of the product or service, the benefit of the product or service to the customer, and competitive advantage. (Srpová, 2011).

Competitive advantage refers to the ability of a firm or individual to produce or provide specific goods or services more efficiently or more cheaply than others. Having some advantage over the competition allows the firm to succeed in the market. The most common competitive advantage examples are low price, quality, or individual approach. (Svobodová, 2017)

Having a competitive advantage is a crucial thing for the business, *“especially today, when there is fierce competition, it is not enough for a newcomer to the market to be as good as other companies.”* (Srpová, 2011).

The last important point that should be mentioned in the business opportunity description is the product's benefit to the customer. It is necessary to state why the customers should buy the services, so it is necessary to know which markets to focus on and who will be the potential customers. (Srpová, 2011).

3.5.6 Goals of the company and owners

This chapter should persuade the readers that the company can successfully implement the created business plan. According to majority of investors, failure or success depends mainly on management of the company. Of course, a huge impact also has the quality of the services provided, the market, or some technology, but the greatest impact on the business has precisely the top management. This is the reason why in this chapter investors want to read about the company management and check if the management and employees are able to implement the business plan what was presented to them.

This chapter should include the set goals of the company and of the management and the owners. It is also recommended to show the company's structure and state the name of the main advisors. (Srpová, 2011).

The established targets can serve as compasses and control points. If the goals are set right, it can help guide the company in which direction to go. On the other hand, if the goals are wrongly set, they can harm because they are confusing and demotivating. The best-known method used to formulate goals is the so-called SMART method. This shortcut comprises the first letters of specific, measurable, achievable, realistic, and timed words.

1. Specific – the goal should be clear and understandable.
2. Measurable – to find out if the goal was achieved, the result of the effort should be measurable
3. Achievable - an achievable goal should be set
4. Realistic – the goal should be accurate and relevant
5. Timed - achieving the goal should be time-bound (Drašílová, 2019)

Another part that should be written here are the goals of the management and the owners. As mentioned earlier, investors stand the idea that if the company will be successful or not depends on the management. So, this part of this chapter is mainly devoted to investors, who pay extra attention to it. Srpová mentioned that it is often said that *“good leadership with an average product is better than average leadership with a first-rate product.”* (2021)

3.5.7 Potential markets

The business can only succeed when a market is interested in buying and using the services. That is why it is necessary to research protentional markets. This information is crucial for the company and investors, who must see if there is a chance to succeed in these markets. By stating the market, the company wants to operate in, the company will find potential customers, who have considerable benefits from the service, have easy access to the services and are willing to pay for it. According to this, the company can adapt the services to the requirements of their customers and thus increase sales. The company cannot succeed without satisfying its customers. (Srpová, 2011)

Indeed, it is impossible to adapt to every single customer. The market can be separated into segments, which can be divided, for example, according to regions. This should be considered while setting prices, making some advertisements, modifying the services, etc. Thanks to the segments, which customers are the most exciting and suitable for the company can be decided. Further, the company should not focus on all segments but on one to three to maximize the profit. When choosing the right segment, it is important to know the size of the segment, growth, strength of competition, needs of customers, access of customers to services and competitive advantage. (Srpová, 2011)

Customer analysis can be built on customer characteristics. Each customer segment should be described and characterized. These characteristics may include the place of residence, age, hobbies, education, or income. (Svobodová, 2017)

3.5.8 Competition analysis

Competition analysis is another crucial part of the business plan. Some start-up companies think they do not have any competition, but this seldom happens because there is competition almost every time. The possible competitors have to be mentioned and analysed. After the competitors are listed, it is crucial to research their strengths and weaknesses, which should be found from the customers' point of view. So, while making this analysis, it is possible to ask customers' opinions on the competitors as a part of the analysis. According to this, the competitive advantage can be stated. (Srpová, 2011).

For the competition analysis is crucial to set some indicators according to which the competitors will be found. Similar products or services, price, location, and customer opinion are the most common indicators. Based on these indicators, potential competitors can be specified. (Svobodová, 2017)

The same attention should be paid to the competitors as to the customers. The competitive advantage can be obtained by the company offering customers a higher value through a lower price or a higher benefit. To achieve a competitive advantage, the company must constantly compare with competitors and compare their products, prices, promotion, and others. (Kotler, 2007)

3.5.9 Marketing and business strategy

Both marketing and business strategy has a crucial impact on the company's success, and this is the reason why it must be a part of the business plan. In this chapter the focus is on determining the market position of the product and on marketing mix. By determining the market position of the product is meant to state the position where the product takes place between the competition. *"Our goal is to achieve a specific perception of the product in the minds of customers and to differentiate ourselves from the competition on the given market."* (Srpková, 2011).

Marketing is a discipline that permeates all parts of the business plan and is the creative part of the business plan, based on the analyses carried out. In the middle of marketing is the need of the customer. This need has to be researched and then satisfied to gain profit. (Svobodová, 2017)

"The basic components of the marketing mix are product, price, place, and promotion. All these components are interdependent, while determining their optimal combination must be based on the characteristics of the market and the strategy of the project." (Fotr a Souček, 2005)

This marketing mix can be expanded to 7P, where are added tools politics, public opinion, and people. Another type of marketing mix is a so called 4C consisting of customer, cost, convenience, and communication. (Srpková, 2011)

4P Marketing mix

Product

The most important part of the 4P marketing mix is the product because it is offered to the customers, and that is precisely what satisfies them, so it is at the centre of marketing. In this section, it is necessary to figure out which products to offer or, on the contrary, stop offering because the customers lost interest in them, and it is required to change it to new products. The second thing to consider in this section is in what volume the products will be produced. Another point deals with the product's launch time, how to proceed with innovations, or when the innovations are needed. The last point considered here is the product's attributes and their changes, which means design, packaging, brand and so on. The product can be tangible and intangible, thus, under product can also be imagined services. (Srpková, 2011)

Price

Another part of the marketing mix is price, which should be paid extra attention to because the company's prosperity depends precisely on the stability and level of the price. Price is *"the amount of money demanded for a product or service, or the amount of value that customers desire for the benefits of owning or using the product or service"* (Kotler, 2007). Setting the product's price is associated with building a hierarchy among consumers and determining the position between the competitors. While choosing the price, it is necessary to consider the company's costs, demand, competitors, goals, and so on. (Srpková, 2011)

As Kotler said, *"the price that the firm demands will be set between a level that is too low to make a profit and a level that is so high that there will be no demand for the product"* (2007). The main factors a company needs to consider when setting the price are production costs, the price of the competition, and the customer's perception of value. Companies can decide which procedure to use to set the price - a cost-oriented approach, pricing according to the buyer, or pricing according to the competition. (Kotler, 2007)

The cost-oriented approach belongs method called pricing with a markup. To calculate the price, a standard markup is added to production costs. The problem with this method is that it ignores the prices of competition and demand. This pricing method can only work if the expected sales are reached. Pricing with markup is calculated as follows:

$$\textit{unit costs} = \frac{\textit{variable costs} + \textit{fixed costs}}{\textit{expected sales in pieces}}$$

$$\textit{price with markup} = \frac{\textit{unit costs}}{(1 - \textit{required return on sales})}$$

To the pricing procedure according to the buyer belongs method called value-oriented pricing. This method is based on the value perceived by a customer. The price is set to suit the value perceived by the customer, so it has to be started with the customer analysis, which is needed to determine the customer's need and what values the customer assigns to competing offers. Still, this value might be challenging to find. (Kotler, 2007)

The last approach is pricing according to the competition. In this approach is a method called common price. Companies using this method do not set the price according to cost and demand but according to the competition's prices. Some companies might increase or decrease prices compared to their competition but keep the difference constant. "*Smaller companies follow the market leader, change prices according to it and do not follow their own costs and demand.*" (Kotler, 2007)

Promotion

The third part of the 4P marketing mix is promotion. The promotion serves to raise awareness of consumers and potential customers and products. It consists of all activities which convince potential customers to buy the products, like communicating the product's characteristics, advantages, and reasons why they should buy it. This helps to increase sales and build the name and loyalty of the given brand. The promotion includes advertising, personal selling, sales promotion, public relations, and direct marketing. (Išoraitė, 2016)

Place

The last part of the marketing mix is place, by can be imagined every activity that makes the products available to the customers. The structure of these activities should be described in this chapter. Companies usually use some distribution system or are part of some supply chain, which requires creating relationships with distributors and suppliers. This chapter of

the business plan specifies the suppliers that will be cooperated with and if the company will cooperate with retail or wholesale. (Kotler, 2007).

Advertising means any impersonal product presentation paid for and can be done through different media. The opposite is personal selling, used in personal communication with potential buyers to build relationships and sell the products. (Kotler, 2007).

Srpová (2011) considers this option to be one of the best, as it is possible to see the other person's reaction and can adapt to it, but at the same time, she emphasizes that this is the most financially demanding form of marketing communication.

Sales promotion is the third tool Kotler (2021) explained as short incentives, which should motivate the use of the product. Examples of sales promotions include discount coupons, samples, or loyalty programs. Public relations focus on building a good image and strong ties with all interest groups by making press releases, product publicity, or charitable donations. The last type of promotion is called direct marketing. Direct marketing is usually used via emails, phones, or posts to connect directly with selected target consumers and to preserve and develop mutual relationships. Through this communication, an immediate response should be elicited. (Kotler, 2007).

3.5.10 Implementation project plan

The implementation project plan deals with a timetable, which should be set to finish particular steps on time, including all activities and supply arrangements. Firstly, it is necessary to make a list of all the required steps and set the dates for the steps to complete. With the implementation project plan could help the Gantt diagram used for project planning with detailed sequences of activities. (Srpová, 2011)

3.5.11 Financial plan

The financial plan focuses on the economic part of the business plan and can show if the project is feasible numerically. This tool will help estimate future expenses and revenues, and thus it is an indispensable part of the plan as it is needed to determine if the company

has sufficient funds or needs investors. *“The financial plan should reflect all activities in the field of marketing, HR and the external environment, and at the same time, it should be based on the market situation.”* (Drážilová, 2019)

Thanks to the financial plan, expenses and revenues could be planned as mentioned before, as well as cash flow, profit and loss, planned balance sheet, founding budget, etc. *“We must realize that in the case of a start-up company, we need funds to establish the company, funds to acquire fixed assets, funds to acquire current assets, and funds to start a business, i.e., to finance operating costs until we receive the first sales.”* (Srpková, 2011) It is necessary to realize that even before the decision to start a business is made, paying for electricity, rent, water, heat, employees, and many other things is necessary. (Srpková, 2011)

Costs

It is necessary to realize it is required to pay almost everyone for everything. From suppliers for their products or services, employees for work, owners of premises for rent, advertisement providers, energy and water suppliers to state taxes and many more. The price of some costs is fixed, and some costs may be limited or reduced, but the main character of costs is that money is funnelled outward from the business. The only way to get money back is from customers who buy products. (Drážilová, 2019)

It is an essential part of the business plan to make a cost analysis to identify future costs. The amount is often difficult to observe, especially at the very beginning of the business, thus, it is necessary to estimate it. When working with costs, it is always better to overestimate them than underestimate and round them up. Not only is it hard to calculate the price of specific costs, but sometimes it is difficult to list the costs and almost impossible to list them all. But it is essential to try to uncover as many of them as possible to get an accurate picture of the overall costs in the business plan. Costs can be divided into two main groups: fixed and variable. (Drážilová, 2019)

Fixed Costs

Costs that always have the same amount and their amount is not affected by the number of products produced or sold or customers served are called fixed costs. Therefore, these costs do not change and are fixed. These costs are associated with the need to ensure the company's

operation. The company must pay these costs even when not producing products or services. The fixed costs change only in case of some rapid change in production. Examples of fixed costs are rent, energy, purchase of machines, or wages. (Ondřej Maršík, 2021)

Fixed costs can be further divided into one-time costs and regular costs. As the name implies, one-time costs are paid one-time predominantly at the beginning of the business as an investment. The investment is made with the assumption that the money from it will return over time. An example might be the purchase of a machine. (Drážilová, 2019)

Regular fixed costs are paid on a regular basis, in most cases monthly, but they can also be quarterly or annually. These costs are usually associated with the operation of the business, and to pay them every month, it is necessary to earn them every month, so they should be budgeted for individual sales. Some months might be stronger in terms of sales and thus can be used for financing regular fixed costs in weaker months, but the company should try to balance it from a long-term point of view. Another definition of fixed costs is *"the more we produce, the lower the share of fixed costs per product."* (Drážilová, 2019)

Variable Costs

The opposite of fixed costs is variable costs, which change with the amount of production. Examples of variable costs are raw materials, task wages, or packaging. These costs vary directly according to the activity of production and the amount of product produced. Therefore, the more produced, the higher variable costs occur. (CAFIN, 2019)

For variable costs, they can determine the minimum price of the product, as it is necessary to earn from each sale at least the price of variable costs issued for one product. (Drážilová, 2019)

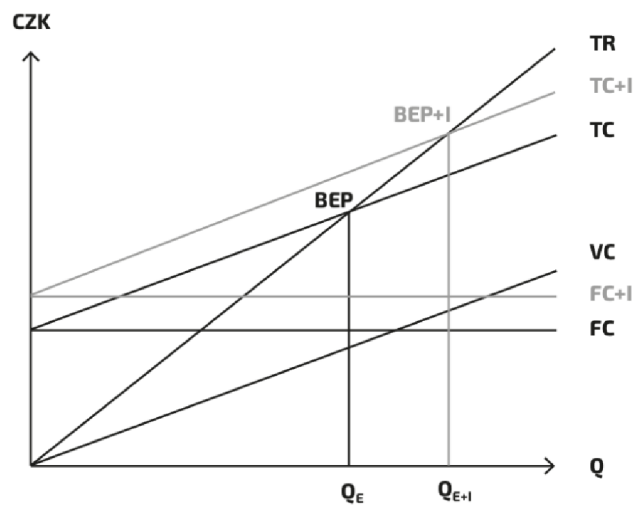
Break-Even point

Analysis of the break-even point is a tool used to determine the business's profitability. To calculate the break-even point and the profitability, it is necessary to know the variable and fixed costs, which were explained in previous paragraphs, and the price of the product. Variable costs need to be stated for a unit of production, and fixed costs calculated in total for the analyzed period, which can be a year or a month. The break-even point appears when

not only variable costs are covered and total cost by the amount of production, but a profit will also begin to be generated.

To the calculation is possible also to add investment costs and calculate the return on investment. First, it is necessary to divide the amount of the investment by the number of years in which it is required to get the invested money back. This calculation calculates the investment costs per year, which are then added to the fixed costs. If it wanted to calculate the break-even point for a period of one month, it is necessary to further budget investment costs for months. The result shows how many products are needed to sell as a minimum to ensure the required return on investment. If the investment costs are not considered, the calculation result will show only the turning point of operational activity. The investment will be covered if the expected profit is exceeded. (Drážilová, 2019)

Graph 1 - Break-even point



Source: (Drážilová, 2019)

The graph above shows a construction of the break-even point where axis x represents production quantity, and y represents money. Fixed costs (FC) are constant because they do not change with the amount of production. By multiplying the quantity of production (Q) and the variable costs of one product, the value of the variable costs is obtained (VC). Total costs (TC) are the sum of fixed and variable costs. This graph also shows a variation with investment costs (+I). The value of total revenues (TR) is obtained by multiplying the

quantity of production (Q) and the unit price (P). The break-even point (BEP) lies at the intersection of total costs (TC) and total revenues (TR).

The break-even point can be calculated as follows:

$$P \times QE = FC + (VC \times QE)$$

$$QE = \frac{FC}{(P - VC)}$$

Source: (Drážilová, 2019)

The author of the book *Základy úspěšného podnikání*, Alena Drážilová, stated the following questions, which the company should be able to answer thanks to the break-even point analysis:

"Under current market conditions, is it possible to achieve at least coverage of total costs?"

"Is the company's capacity sufficient to reach the break-even point?"

"Do the market conditions make it possible to sell at least the amount corresponding to the break-even point?" (2019)

The answer to all of these questions should be "yes" because if the answer is "no" to any of these questions, the business will not be profitable and functional, and it is necessary to adjust the business plan. Invested money would return more slowly than planned or be required to subsidize the operation from other sources. Both scenarios are unfavorable in the long run, as the company would need to react by reducing costs or increasing prices. (Drážilová, 2019)

Founding budget

Before the company starts, it is necessary to determine how much financial resources will be needed. To find out this kind of information, it is essential to calculate expenses for the first period of the business. There are three types of expenses belonging to the founding budget: formation expenses, investment expenses and operating expenses. As the name implies, to the formation, expenses belong everything concerning the formation, like expenses for business licenses, notary fees, etc. For a better idea, this can include a trade

license, bank fees for the account for depositing the share capital, drafting of a partnership agreement, a proposal for initial entry in the commercial register and others. To the investment expenses should be put, for example, rent of the real estate, purchase of machinery, or purchase of a car to, which is necessary to calculate also associated fixed expenses like parking card, insurance, and so on. The last type of expenses belonging to the founding budget is operating expenses, which are necessary to pay for the first business period. To this group belong, for example, wages, material, energy consumption and heating. (Svobodová, 2017)

Cash Flow

To secure the company's solvency, it is crucial to monitor the Cash Flow, which consists of income and expenses. It is necessary to be careful in which period the amount is entered because, at the moment of consumption, payment may not occur immediately since it is a purchase of material on an invoice. For a small company, using the direct cash flow method is advisable, as the technique allows to monitor of cash flow in a short time horizon. (Srpková a Řehoř, 2010)

Ideally, the Cash Flow should show positive values. Negative values mean the company is not able to pay wages and other costs, and an additional source of coverage must be provided. (Svobodová, 2017).

Table 1 - Cash Flow

Initial cash balance
+ Revenues for a certain period
- Expenses for a certain period
= Final cash balance = Cash Flow

Source: (Srpková a Řehoř, 2010)

Profit and Loss – Income statement

The income statement is a written document summarizing revenues and expenses for a period of time and showing the profit or loss, so it is an essential basis for evaluating the company's profitability. This statement is usually assembled at the end of the year but can also be created in shorter periods and is a mandatory part of the financial statements.

As Růčková (2021) said is done to find an answer to the question of "how the individual items of the profit and loss statement influence or rather influenced the economic result." When comparing profit and loss statements from different periods, it is possible to see positive or negative trends and behave according to the results. (Kotler, 2007)

Table 2 - Example of Income Statement

	Period 1	Period 2
Total sales		
Cost of goods sold		
Labour costs		
Overheads		
Depreciation		
Total costs		
Profit/Loss (tax basis)		
Tax (19%)		
Profit/Loss after tax		

Source: (Svobodová, 2017), own modification

Profit or Loss is calculated as following:

$$\text{Profit} = \text{Revenues (income)} - \text{Expenses}$$

If sales > costs, the difference is called profit

If sales < costs, the difference is called loss

If the total amount of revenues is higher than the total amount of expenses, than the company gains profit. On the other hand, if the total amount of expenses exceeds the total amount of revenue, the company shows loss.

As revenues are considered the money received from the sale of goods, products, materials, services, or assets. On the other side are expenses, which are decrease in equity resulting from entity activity. It can be also described as use of assets to sell goods or services, for example material consumed, purchased services, or merchandise sold. (Stárová, 2017)

Balance sheet

The balance sheet is an accounting document consisting of long-term tangible and intangible assets (assets) on one side and sources of their financing (liabilities) on the other. The balance sheet is assembled on the last day of the year. It focuses on three main parts, which are the property situation of the company, funding sources, and the company's financial position. The first part focuses, for example, on how assets are valued and depreciated, and the part with funding sources concentrates on if the property was acquired from its own or external sources. In the company's financial situation, information about profit earned, how the profit was divided, or whether the company can meet its liabilities can be seen. (Růčková, 2021)

In the balance sheet, it must always be true that the sides of assets and liabilities are equal. The balance sheet has a uniform structure, but it may differ according to the accounting standards of different countries or the organization for which the report is prepared. (Drážilová, 2019)

As mentioned before, on one side of the balance sheet are assets, which represent the property situation of the company. Assets are divided according to liquidity into long-term and short-term assets. Long-term assets are those used for more than one year, consumed gradually in the form of depreciation, and transferred their value to costs. Not every long-term asset is depreciated, it depends on the value. Long-term assets can be further divided into intangible assets, where belongs, for example, software, licenses, or patents. Another group are tangible assets, to which are placed, for example, machinery, car, or computers. Into this group also belong buildings and artworks, which are not depreciated, because they appreciate over time. The last group of long-term assets are financial assets like shares and bonds, which also are not depreciated. (Růčková, 2021)

The second group of assets are short-term assets, to which belong assets which will convert into financial resources faster than in one year. These assets rotate, and the company implements its activities on a daily basis based on them. This group consists of supplies, receivables, and financial property. To supplies belongs material, work in progress, semi-finished products, products, merchandise, and animals. Part of the receivables is customer receivable for an unpaid invoice, tax office receivables, or employee receivables. The

financial property consists of money, both cash and bank account, stamps, securities, or meal tickets. (Drážilová, 2019)

As mentioned before, on the other side of assets are liabilities. The liability side shows sources of financial resources like equity and liabilities. On the side of liabilities can be seen equity, which is the *“monetary expression of the sum of funds that were provided to the accounting entity for disposal (own capital) and monetary expression of the sum of funds provided to the accounting entity by third parties (foreign capital).”* (Máče, 2013)

Financing

In this part of the plan, the company should know its money situation, how much is needed and how much it has at its disposal. It should be already clear what is required to buy, what is necessary to pay, how many people will be employed and how much money will be spent on their wages. Now it is essential to compare this amount of money needed to start the business with the amount available. There are two categories from which money can be used, which are internal and external. (Drážilová, 2019)

Internal funding source

Into the internal funding source belong predominantly own savings, or own ongoing resources, where earnings from other businesses are invested. The most significant advantage of internal sourcing versus external is the company's responsibility only to itself. Therefore, the decisions related to the business and the use of money are solely on the company. To this type of founding also belong funds from family, friends and relatives, which are used extensively. Even in this case, a contract should be signed if it is a loan. (Drážilová, 2019)

External funding source

The second possibility of financing is the use of external funding sources. The difference between internal and external sources is the relationship with the fund providers. Unlike internal sources, in the case of external sources, there is no personal relationship between the company and the fund provider. The association is defined only by the contract and predetermined conditions. There are several possibilities where to ask for external funding,

which often differ in interest rate, and it is up to us to find the most suitable and most advantageous offer. (Drážilová, 2019)

The first option is to secure a loan from a **bank**. The bank provides loans based on an application that has a prescribed form. It requires a lot of preparation in the form of a well-developed business plan with strong motivation and the conviction that the project will succeed. The bank checks to assess the creditworthiness of the applicant, but also the possibilities of securing the loan provided. Real estate or movable objects can be used as collateral. (Srpová a Řehoř, 2010)

The second variant of external funding source is **leasing**, which companies often use to purchase long-term assets. Leasing is a form of a lease; therefore, the subject of the lease is not the company's property. The leasing company buys the assets and rents them to the company. Then the company must pay the lessor instalments determined based on the purchase price of the leased equipment, the lease length and the leasing company's remuneration for the service provided. (Srpová a Řehoř, 2010)

Another variant is **crowdfunding**, which has been gaining popularity in recent years. Using crowdfunding, a small amount of money is collected from many investors. For this type of funding, crowdfunding servers are used on which the project is presented, therefore, the company needs to present the idea in the best possible way to draw the attention of the investors. Crowdfunding can also help with market research, as it shows if the concept is attractive to people and if they are willing to pay for it. But with this, risk can also occur because people might steal the idea, so companies should be careful about how much and what information they share. This external source is fast, flexible, and very modern. (Drážilová, 2019)

On crowdfunding servers should be promoted the idea as imaginatively as possible to draw attention, and with that could, a promo video help. There are several crowdfunding models, including the donation, reward, equity, and debt-based models. The best-known model is the reward-based model, where donors are rewarded for contributing financially. Usually, the rewards are paid out when the campaign is over and can be in the form of service or material form. An example of a prize in a café might be free coffee or snack. (Svobodová, 2017)

Business angels are individual investors who are interested in financing perspective companies with their own financial resources. These investors also bring professional knowledge, field knowledge or strategic partners. Therefore, they try to find a company in a field where they can use their knowledge. The goal of business angels is the financial evaluation of the investment and later selling this share. (Srpová a Řehoř, 2010)

Czech national bank registers institutionalized investors called **venture capital funds**. Their job is to collect investments from individual investors and then search for opportunities where to invest the collected money. These investors, as business angels, provide investments in exchange for a share in the company, so they control its operations. (Drážilová, 2019)

Part of external funding sources can also be **business partners**. This funding is based on agreements and building long-term business relationships by extending the due date of the invoice by suppliers or receiving payment before the actual from customers. (Drážilová, 2019)

3.5.12 The main prerequisites for the success of the business, the risks of the business

In this chapter, the business plan's strengths, opportunities, weaknesses and threats should be presented, which are analysed by SWOT analysis. Additionally, factors influencing the business should be listed in the form of a PEST analysis. Furthermore, the possible risks should be shared using risk analysis.

SWOT analysis

SWOT is a so-called 4-box strategy analysis and development tool. The abbreviation stands for:

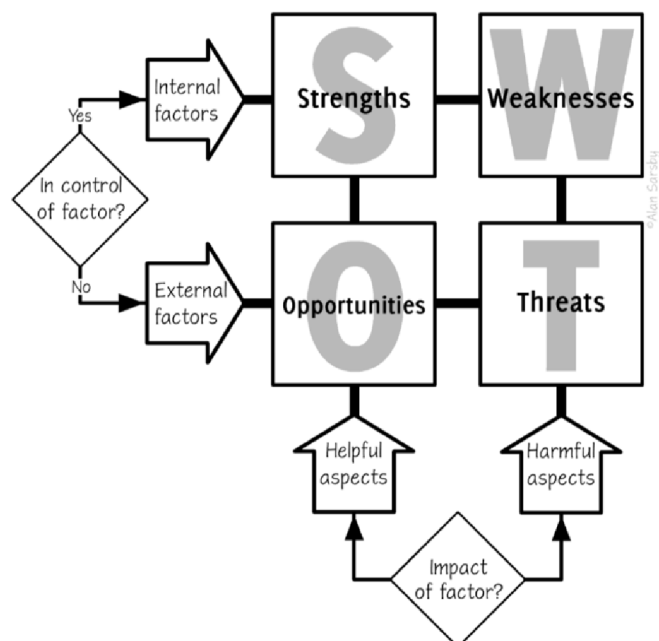
- Strengths
- Weaknesses
- Opportunities
- Threats

SWOT analysis is a simple tool focused on factors influencing the company's strategic position. This analysis enables the company's internal resources and capabilities to face environmental changes. (Srpová a Řehoř, 2010)

As it is with every analysis, also SWOT has several advantages but also disadvantages. As an advantage could be said that SWOT is easily understandable because there is no mathematics used, only a simple diagram is used. This also leads to the fact that SWOT is easy to interact with the stakeholders. Another advantage of this tool might be its applicability as it can be applied at different levels of a company, in different divisions, individuals, or teams. (Sarsby, 2016).

As mentioned before, SWOT also has some disadvantages. One might be using poor data quality, such as rumours or pleasantry and data based on personality types, personal convictions, or preferences. Another disadvantage could be the wrong allocation of factors to deficient areas of the analysis, which could be easily done by ignoring the fundamental principles. (Sarsby, 2016).

Picture 1 - SWOT analysis



source: (Sarsby, 2016)

As shown in the Picture above, the rows of the SWOT analysis are divided into internal and external factors. The internal factors are Strengths and Weaknesses, and in the second category are allocated Opportunities and Threats. (Srpová a Řehoř, 2010)

The columns can divide the factors into helpful aspects and harmful aspects. Helpful aspects help with success, as the name suggests. As helpful factors are considered Strengths and Opportunities. On the other side are harmful aspects which, on the contrary, hinder success. As harmful factors are considered Weaknesses and Threats. (Sarsby, 2016).

Strengths

As mentioned before, Strengths are a part of internal and helpful factors. This group might include every strength from finances through management to product quality. Examples might be management, qualified employees, service quality, prestige, and product quality. The more strengths, the better. (Srprová, 2011) “*Strengths are factors that support an Opportunity to overcome a Threat.*” (Sarsby, 2016).

Weaknesses

Weaknesses belong to internal but harmful factors. “*Weaknesses are factors that result in being unable to take advantage of an Opportunity, or are vulnerable to Threats.*” (Sarsby, 2016). The goal of the weaknesses is to show the reader everything has been thought through, and there is nothing here to catch the company by surprise. Weaknesses include lack of experience, not skilled employees, or lack of reputation. (Srprová, 2011)

Opportunities

Opportunities are part of external factors and helpful aspects. Important to say is that there is no control over opportunities, and they can be both tangible and intangible. Examples might be emerging trends, the need for new products, technological innovation, lack of competitors, low-interest rates, or investment opportunities. (Sarsby, 2016)

Threats

Threats are allocated to external but harmful factors. Similarly to Opportunities, there is no possible control over threats, which can be tangible or intangible. A threat could be natural disasters, diseases, theft, technology risks, product failures, property loss, strong competitors, or government regulation changes. (Sarsby, 2016).

Risk analysis

Before starting the business, it should be found out what risks may occur and how to prevent or eliminate them. This information is essential for potential investors, which is why it is necessary to show them the capability of dealing with those risks. The risk analysis can be done as a list of possible risks separated into sections like internal, external and issues with partners or divided according to similarities. The weight of every risk is added, which can be expressed in numbers one to five when one is the lowest risk, and five is the highest risk. In the same way, can also be added probabilities that the risk will occur. Every risk should be assigned a solution to avoid or prevent them. To prevent the listed risk, the situation should be monitored, which can lead to these risks like monitoring of legislative changes, monitoring of employees, and so on. One of the tools to prevent risks is insurance. (Svobodová, 2017)

PEST analysis

PEST is a tool used to understand strategic risks, which is widely used. The acronym stands for political, economic, social, and technological sources of change. *“It identifies the changes and the effects of the external macro environment on a firm’s competitive position.”* (Sammut-Bonnici, 2014)

The external environment cannot be controlled by the company but requires analysis to adapt the company’s strategy to changing business environments. Companies are sensitive to various exogenous factors, which may have a crucial impact on the company and its competitive position. And so, it is essential to track and understand the external factors and figure out how to evolve and adapt to them. More prominent companies usually use strategists responsible for monitoring external factors. There are several variations of PEST analysis, which include, for example, PESTLE, where legal and ecological influences are added. (Sammut-Bonnici, 2014)

Political factors

In political factors, political stability or instability is included. Other political factors include changes in government, changes in constitutions, and monetary and fiscal policy. All these mentioned factors can affect the company’s success or failure. (Perera, 2017)

As Sammut-Bonnici said, an example of political factors intervention could be banning tobacco advertising in the European Union, which had a massive impact on the Formula One Industry, which then had to adapt and start to focus on Dubai or Abu Dhabi (2014).

Economic factors

Another important group of factors are economic factors, which can have a crucial impact on the company's well-being and determine success or failure. *"Economic factors have the most obvious impact on the profitability and overall attractiveness of a market or industry."* (Sammut-Bonnici, 2014) The most known indicator for specific sectors or the national economy is the Gross Domestic Product (GDP) per capita.

Social factors

The business environment is connected to the culture, and traditional values of the country it operates, therefore, it is necessary to stick to these values to achieve better performance. These values are connected to social factors and include, for example, ethical values, behaviour, religion, or lifestyle. By monitoring these trends regularly, higher profits can be reported. (Perera, 2017)

Technological factors

Technology is developing rapidly through innovations, and it is up to entrepreneurs to adapt to this rapid pace, push the boundaries, and find benefits for their entrepreneurship. These technological innovations can lead to the creation of new industries and the extinction of others. Companies should be continuously updated on technological innovation and development in their industry, which can bring competitive advantages such as cheaper production, higher product quality, better customer service, or higher business intelligence. To the group of technological factors belong, for example, new distribution channels, new machinery, new software or innovations in orders and payments. (Sammut-Bonnici, 2014)

3.5.13 Attachments

The scope of the attachments varies according to the specific business plan. Attached should be documents with less essential information, which are in more detail and can better illustrate the data processed inside the plan. If there is too much of the attached document,

the rest can be listed and noted that the rest is available. Curriculum vitae, pictures, contracts, or additional calculations are usually available for viewing in the attachments. (Srповá, 2011)

3.5.14 Evaluation of the success of the business plan

After finishing the business plan, it is necessary to evaluate it to find out if it is possible to realize the project if it makes sense. In this section, it is required to find out if the plan is effective when the invested funds return and what is the rentability of the project. To calculate the success of the project, several tools can be used. While using these tools, it is necessary to show the values used and the calculation procedure. At least two tools should be used and, based on them, decided whether the project is effective and if it is wise to embark on it. (Svobodová, 2017)

Payback time

One of the tools that could be used is Payback Time. This will show how long it will take to return the invested funds. Two types of this method can be used – static and dynamic method. The static method is easier but less precise than the dynamic one.

$$\textit{Static payback period method} = \frac{\textit{investment}}{\textit{annual income or annual cash flow}}$$

$$\textit{Dynamic method of payback period} = \frac{\textit{investment}}{\textit{discounted cash flow}}$$

The result should be compared to the expected lifetime of the project. The result should be higher than the expected lifetime of the project. (Svobodová, 2017)

Net present value

Another tool used to determine the value of the investment is called Net Present Value. This calculation is more complicated, as it is based on cash flows and considers the capitalization of money in an alternative project. The result should be positive, and the higher, the better because it says how much money the investment will bring. If the result is negative, the investment will not return because the project loses money.

$$NPV = \sum_0^t \frac{CF_t}{(1+r)^t}$$

t = lifetime, r = discount rate and CF = cash flow generated in a given year.

source: (Drážilová, 2019)

Profitability

The last tool which could be used to evaluate the business plan is profitability. This tool can express how profitable the project is in percentage.

- **return on investment ROI**

$$ROI = \frac{EBIT}{investment}$$

EBIT = earnings before interest and taxes

- **return on equity ROE**

$$ROE = \frac{net\ profit}{equity}$$

After the calculations are done, it has to be specified if there is an interest in this investment or not because the final decision is subjective. For someone, 8% of the internal rate of return is enough, but for someone, it is not a sufficient investment benefit. The final decision is the most important one because it might save a lot of money and time. If the project proves ineffective, the business idea can be forgotten, or a different business model can be tried. (Svobodová, 2017)

4 Practical Part

In the practical part is created the business plan of a small company, more precisely small café called Crown Café in Prague, Czech Republic.

4.1 Business plan

4.1.1 Title page

Business Plan



Picture 2 - Logo of the company, source: own creation

Name of the company	Crown Café
Residence	Bruselská 2xx/x, 120 00 Prague
Business premises	Bruselská 2xx/x, 120 00 Prague
Owner	Bc. Barbora Hronková
Phone number	776 048 xxx
E-mail	crown@gmail.com
IČ	not assigned
DIČ	not assigned

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4.1.2 Introduction, purpose, and position of the document

The business plan serves for an establishment of a café in Prague, Czech Republic. The plan is created primarily for the diploma thesis and the author's needs; however, it can be used later for potential investors. The business plan is focused on the business activity of the café, protentional markets, competition analysis, marketing, and financial evaluation, which shows the project's feasibility. It is necessary to mention that the owner of the café and the business plan's author is the same person.

4.1.3 Description of the business opportunity

Establishing a small café in the centre of Prague has been the author's and her sister's dream for a long time. A more precise goal was to create a cosy café offering breakfasts and a pleasant place where people would like to spend time and like to return there.

In their place of residence in the vicinity of náměstí Míru and I.P. Pavlova could not find a café that would meet their requirements regarding design, atmosphere, or menu. When they found a café that at least mostly met their needs, the café was full. Therefore, they see an excellent opportunity to establish the café in this area.

Both women are creative people and love to learn new things and the DIY concept – do it yourself. To create something using the idea of DIY is needed material, space, and subsequent cleaning. Therefore, they would like to offer a space for workshops of this type, so people do not have to worry about not having the material needed and cleaning afterwards. A cosy place where you can do seminars of this type is also missing in this area.

Another thing that the author and her sister are missing and in which they see great potential nowadays is the specified amount of calories for the meals served in cafés. In today's healthy lifestyle era, this information can help customers overcome the fear of eating in a café, which stems from being unable to write down calories in their charts because they don't know how many. Furthermore, customers can use this information to decide which food to prefer.

A business opportunity might also be visible in their family and the range of occupations their family is engaged in. The parents own a business with real estate management, who also helped them find a suitable place and provided information. Their sister owns a

company dealing with the economic sphere and accounting, and finally, their aunt is a trained cook and thus has experience in gastronomy.

4.1.4 Goals of the company and owners

The company's goal is to provide a comfortable space with a friendly atmosphere where customers will enjoy their coffee and breakfasts and want to return. The customers will have a chance to choose from several types of breakfasts with at least one healthy option, and the listed calories for each meal can also make their choice easier. A variety of small desserts will also be offered with the coffee. Another goal is to provide customers with spaces that will be used for workshops of various types.

The goal of the owner is related to rentability, which was set by the owner to 10%, and which should be achieved within six months of opening the café. The second goal set by the owner is the return on investment for up to 3 years because the owner would provide another investment three years after the opening of the business. Another goal is gradually to expand the offer to include additional breakfasts, drinks, desserts, and workshops. One of the future goals could be to grow the business with another branch, which is not covered in the business plan for now.

4.1.5 Potential markets

The most crucial customer segment are people who live near náměstí Míru and I.P.Pavlova and are between the age of 20 to 35 years old. The company will try to target this clientele the most because this customer segment can create a solid clientele that will visit the café more often and recommend it further.

The second segment is customers of the same age who do not live nearby but still live in Prague. These customers are willing to travel a bit more to try new café. This group of customers will come back occasionally and recommend the place to others to try.

Another segment consists of customers paying attention to a healthy lifestyle, which would prefer a café with healthy breakfast variations and listed calories.

To the last segment belong customers who attend workshops and are interested in self-education, development and learning new things. This group consists of people between the age of 22 to 40 years.

4.1.6 Competition analysis

Competition in the field of café is really high nowadays. In this business plan, the author focused on three businesses located in the area close to I.P. Pavlova and considered the most significant competitors. The competitors are Zrno Zrnko, Waf-Waf, and Lights coffee. The author used an observation method to evaluate competition analysis and visited all three competitors by herself to have the best possible image of how it works inside. The author's second method was the competitor customer feedback analysis while personally asking customers for their opinion.

Zrno Zrnko is a bakery combined with a café located on the corner of Bělehradská and Rumunská streets. The bakery has more branches in Prague, but this one is the nearest one, and thus the focus is precisely on the one on Rumunská street. They offer several sweet and salty pastries and various hot and cold drinks. From what I have observed when sitting there, they have a broader clientele from 20 to 50, as they are also a bakery and sell bread. This branch of Zrno Zrnko is more conceived to take away than for table orders. They do not offer breakfasts, only some sandwiches, buns, and cakes, so they are not considered the leading competitors. The competition applies only to coffee and pastries. Crown Café's advantage compared to Zrno Zrnko is serving breakfasts. This bakery has a very high price for coffee in the range from 55 CZK to 90 CZK (80 CZK for a small cappuccino), which may discourage some customers. A few customers mentioned that this price of coffee put them off, and they do not buy coffee here anymore, so the owner wants to focus on the lower price of coffee at Crown Café.

Waf-Waf is a franchise focused on waffles and pancakes in several variants, including salty ones. One of the branches is located on Bělehradská street, on which the competition analysis is focused. Their clientele includes younger people from around 16 to 30, and their main focus is on the experience they offer their customers as they provide forms where customers

choose the ingredients they want on the waffle or pancake. Thanks to the paper, the customers can create their own waffles or pancake according to their preferences. Waf-Waf also offers milkshakes and several hot and cold beverages. They do not pay much attention to coffee, as it is not their main product, so high-quality coffee is the first competitive advantage. The second one is the variety of breakfast Crown Café offers.

Lights coffee is located slightly further on Legerova street, but its concept is the closest to the idea of Crown Café. Lights coffee is a café offering breakfasts, small desserts, and beverages emphasising coffee. As for the space, this café puts a lot of emphasis on design and its garden, which is part of it, is a significant advantage. An experience the author personally had at Lights coffee that should be mentioned here is that she was served a brown avocado, which not only spoiled the impression visually but also did not seem fresh. Another experience was the lack of adaptation to a gluten-free diet when the author was only offered yoghurt when asked if they had anything gluten-free. Their current menu consists of several varieties of slices of bread with avocado, egg spread or cheddar, pancakes and banana bread. This creates a competitive advantage for Crown Café compared to Lights coffee, as Crown Café insists on fresh foods and options for diets such as gluten-free and lactose-free. The prices of coffee range from 50 CZK to 70 CZK (cappuccino 65 CZK), and breakfast prices in the current menu start at 115 CZK and end at 165 CZK.

Table 3 - Opening hours of competitors

Opening hours	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Zrno Zrnko	7:30-19:00	7:30-19:00	7:30-19:00	7:30-19:00	7:30-19:00	8:00-18:00	9:00-18:00
Waf-Waf	8:00-21:00	8:00-21:00	8:00-21:00	8:00-21:00	8:00-21:00	8:00-21:00	8:00-21:00
Lights coffee	closed	closed	8:30-15:00	8:30-15:00	8:30-15:00	9:00-15:00	9:00-15:00

source: Google.com

Table 4 - Rush hours of competitors

Rush hours	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Zrno Zrnko	9:00-11:00	10:00-11:00	9:00-11:00	9:00-11:00	8:00-12:00	9:00-12:00	9:00-10:00
Waf-Waf	15:00-18:00	11:00-13:00	9:00-12:00	15:00-17:00	9:00-10:00	15:00-16:00	9:00-13:00
Lights coffee	closed	closed	9:00-10:00	9:00-12:00	9:00-12:00	10:00-13:00	10:00-13:00

source: Google.com

From the author's experience while observing all listed businesses was a friendly atmosphere. Of all the mentioned competitors, Lights coffee is considered the most significant because this café is similar to the Crown Café due to its concept. Having a similar idea this close might also be advantageous because when Lights coffee is closed or full, customers will try to find something similar nearby. According to the two tables above, it can be easily observed that Lights coffee is closed on Monday and Tuesday, which gives Crown Café a great opportunity precisely these days. The prices of Lights coffee are also more affordable than in Zrno Zrnko, and Crown Café's prices are also based on these prices.

The table with rush hours contains data from the Google.com internet search engine and was used for information on which hours the competitors are the busiest, which can help the café create opening hours, possibly strengthening the service.

The author also researched the internet to see if these competitors published their Income Statements. Lights coffee did not publish its Income Statement for 2021, so the author could not check it. On the other hand, CZK. Waf Waf uploaded their Income Statement for 2019, showing their sales were over 19 million CZK for two branches. Therefore, the income for the branch on Bělehradská can be estimated to be around 8 million CZK. The Income Statement for 2021 was not published. Zrno Zrnko published only a Balance Sheet for 2021 showing -938 thousand CZK in the first year, but the number includes all its branches without Rumunská because this branch was opened later. This information was taken into account when creating the income statement.

4.1.7 Marketing and business strategy

Marketing and business strategy were assembled for the business to operate correctly. The goal of marketing and business strategy is to fulfil the goals, including rentability, within six months since the opening. Marketing will use promotion primarily through chosen social networks to achieve the mentioned goals. For marketing strategy, a method called 4P is used.

Product

The café focuses mainly on the quality, taste, and appearance of offered products. The menu will change over time, but care will be taken to ensure that the menu always includes a meal

for customers following a gluten- and dairy-free diet. The café will offer several dishes, from both savoury and sweet cuisine. An example of savoury cuisine is avocado toast, scrambled eggs, and eggs benedict, where exchanging pastries with gluten for gluten-free ones will be possible. For sweet cuisine, the café will offer, for example, gluten-free pancakes and yoghurt with fruit and granola, which will also be available in a lactose-free version. The menu will also state that customers with special diets can request an alternative the chef will try to devise for them.

As for coffee, the café will offer a selection of coffee from suppliers and prepare coffee drinks such as Espresso, Ristretto, Cappuccino, Flat white, Café Latte, and more. It will also be possible to buy filtered coffee here. The café will also offer a decaffeinated version of coffee as well as alternative milk such as oat, soy, or almond versions.

Each meal will specify how many calories it contains, which may make it easier for some customers to choose. New products will be released mainly seasonally, when the café will offer products reflecting the season, such as breakfasts or drinks containing pumpkin in autumn or gingerbread flavours in winter.

As for the workshops, Crown Café will offer workshops of several types, primarily creative workshops dealing with the production of various decorations. Furthermore, the owner would like to provide space for the external renting of a workshop room for various interesting lectures.

Price

Due to the beginning of the business, the owner chose a common price method to determine the price and therefore determined the price primarily according to the prices of the competition and the market. To see if the prices are realistic, the author did a price calculation of three products from 2 main groups – breakfast, coffee, and dessert. From the breakfast menu, the author chose scrambled eggs from the coffee menu, cappuccino and cake based on her grandam's recipe for the calculation of dessert.

The amount of raw materials used for one portion of scrambled eggs was calculated by the author based on the norms set and written by Mr Runštuk (2009). Raw material prices were

provided to the author by food manufacturers and distributors. In the calculation of scrambled eggs, the author also considers a 10% error against the standards and waste with unconsumed purchases. The author compared the resulting food cost of 49.74 CZK with the estimated selling price of 110 CZK, and she came up with a food cost of 45.22%, from which it follows that the margin for scrambled eggs is 54.78% to 100%.

Table 5 - Price calculation of scrambled eggs

Scrambled eggs	number of units per 10 servings	number of units per 1 serving	price per unit (CZK)	unit	price per 1 serving
eggs	30,00	3,00	4,80	pcs	14,40 CZK
salt	0,02	0,00	27,00	kg	0,04 CZK
bread			70,43	pcs	7,04 CZK
butter			45,00	kg	0,18 CZK
bacon	0,40	0,04	65,00	kg	2,60 CZK
chive	0,03	0,00	40,00	g	4,00 CZK
others - salad, decorating					10,00 CZK
total recipe					38,26 CZK
error rate against the norm	10,00%				3,83 CZK
waste and unconsumed purchases	20,00%				7,65 CZK
total price food cost					49,74 CZK
sales price estimate					110,00 CZK
percentage food cost					45,22%

source: own calculation based on norms and prices provided (Runštuk,2009)

The author knows the quantity of coffee beans and whole milk needed for one serving of cappuccino from a barista course the author attended last year. The price of coffee beans was obtained from a quality coffee roaster, and food distributors provided the cost of whole milk. In this price calculation, the author also included the possible error against the norm in the amount of 10%. The total food cost per coffee is 11,08 CZK, and the owner set the average price of coffee to 55 CZK. After comparing these two prices, the author found out the food costs of 20,14% and therefore, the margin is 79,68%.

Table 6 - Price calculation of cappuccino

	number of units per 1 serving	price per unit	unit	price per 1 serving
Coffee				
coffee beans	0,01	1100,00	kg	7,70 CZK
whole milk	0,10	23,70	l	2,37 CZK
total recipe				10,07 CZK
error rate against the norm	10,00%			1,01 CZK
total price food cost				11,08 CZK
sales price estimate				55,00 CZK
percentage food cost				20,14%

source: own calculation based on norms and prices provided

The last figure with price calculation shows the ingredients for dessert based on the recipe of the author's grandma. From this dessert, the chef will cut 24 small pieces. With all the ingredients, errors, and waste, the food cost of one piece of one small dessert is 3.35 in CZK and 5.59 in percentages. If the owner assumes the average price per one dessert to be 60 CZK, the margin of this particular dessert would be 94.41%.

Table 7 - Price calculation of dessert

	number of units per 10 servings	number of units per 1 serving	price per unit (CZK)	unit	price per 1 serving
Dessert from grandma					
eggs	6,00	0,25	4,80	pcs	1,20 CZK
sugar	0,25	0,01	28,80	kg	0,30 CZK
milk	0,20	0,01	18,70	l	0,16 CZK
flour	0,30	0,01	19,50	kg	0,24 CZK
baking powder	0,20	0,01	1,80	pcs	0,02 CZK
optionally the rest of the fruit, raisins, cocoa				pcs	1,00 CZK
total recipe					2,91 CZK
error rate against the norm	5,00%				0,15 CZK
waste and unconsumed purchases	10,00%				0,29 CZK
total price food cost					3,35 CZK
sales price estimate					60,00 CZK
percentage food cost					5,59%

source: own calculation based on prices provided

After researching prices in the area and price calculation, the author set the following average prices without VAT:

- breakfast – 160 CZK
- takeaway coffee – 60 CZK

- coffee in the café – 55 CZK
- desserts – 60 CZK
- sandwiches – 90 CZK
- workshops – 500 CZK/person

The price for rent of a workshop room was set to 5,000 CZK with an increase in the following months.

Place

Crown Café will be located on Bruselská street near I.P. Pavlova. While searching for the non-residential premises, the owner considered the accessibility of the place by public transport, the number of people passing by, the size and layout of the premises, and the price for rent and services. The non-residential premises on Bruselská best met the owner's requirements. These interior spaces measure 82 m² and have a front garden.

The café is located in a place that is easily accessible by walk, public transport or car. Near the café are a tram stop and a metro station.

Customers can decide whether they want to consume beverages and food in the café or takeaway. However, the cafe primarily targets indoor consumption, as 50 seats are available. Thirty seats will be offered inside the café, and another 20 seats will be available in the front yard, which is part of the rented premises.

Café Crown plans to cooperate with larger food suppliers such as Bidfood, with which the owner has a personal contact, but also occasionally buys sustainable food at the farmers' markets located near the café. The coffee will be changed regularly in the café, at the beginning, the café would like to cooperate with roasters such as Dos Mundos and Doubleshot, which the owner has tasted, and over time roasters will be added or changed according to customer preferences and feedback.

Promotion

Promotion and customer communication will be done through advertising and sales promotion. For advertising, Café Crown will primarily use social networks for promotion,

especially Instagram, Facebook, and TikTok. Through Instagram and Facebook, customers will be informed about opening hours, the current menu, special offers, events, and workshops. On TikTok will be videos promoting the café, showing the interior, employees, process of coffee making, and other types of videos with which potential and regular customers can be approached.

Café will also have its own website, which will state all necessary information for customers and will serve primarily for informational purposes. In the future, a reservation system will be added to the website, until then, customers will be able to reserve their seats via phone number published on both website and Instagram. As sales promotion will be used so-called loyalty cards, where customers will collect coffee stamps and get one free for every tenth coffee.

4.1.8 Implementation project plan

The implementation project plan shows a schedule of activities because planning and good organization are essential to open a business successfully. The table below shows the planned schedule of activities that will lead to the opening of the business. The implementation project plan in the form of a Gantt chart is attached in the attachments of the business plan.

Table 8 - Implementation project plan

Activity	Duration	Start	End
1st phase - company formation	6 days	03.05.2023	12.05.2023
Notary - criminal record, establishment of the company	1 day	03.05.2023	04.05.2023
Trade Licensing Office - request + issue of the Trade Certificate	5 days	04.05.2023	12.05.2023
2nd phase - reconstruction and implementation	40 days	12.05.2023	20.07.2023
Signing the rental agreement	1 day	12.05.2023	15.05.2023
Project documentation processing of premises	8 days	15.05.2023	27.05.2023
Trade Licensing Office - registration of the business premises	0,5 day	15.05.2023	16.05.2023
Creation of social networks	1 day	15.05.2023	16.05.2023
Reconstruction of premises - painting, furnishing, small repairs, ...	31 days	27.05.2023	20.07.2023
Creation of websites	14 days	15.05.2023	07.06.2023
3rd phase - recruitments	31 days	27.05.2023	20.07.2023
Recruitments - employees + Concluding contracts	16 days	27.05.2023	23.06.2023
Interviews with suppliers + Concluding contracts	16 days	27.05.2023	23.06.2023
Employees training	10 days	04.07.2023	20.07.2023
4th phase - finalizing	30 days	20.07.2023	11.09.2023
Paid advertising on social networks	30 days	20.07.2023	11.09.2023
Storage of raw materials and preparation of premises	3 days	20.07.2023	26.07.2023
Official opening of trial run	24 days	31.07.2023	08.09.2023

source: own creation

As the name suggests, the first phase deals with the company's formation and starts on 3.5. 2023 and is defined as six days due to the duration of the necessary paperwork, which may take longer from the trade licensing office. The second phase focusing on reconstruction and implementation, cannot start earlier than the first phase is done. The most extended period is designated for reconstruction, which cannot begin before the rental agreement is signed and the project documentation is finished. The owner will do social sites, websites, and the reconstruction with the help of her family, which is why also weekends are included. The third phase will start at the same time as reconstruction because the recruitment and interviews may occur during the renovation in different premises. This ensures that the suppliers and employees will be selected at the end of the renovation. The third phase also includes employee training, which is ten days due to the reserve and adapting to the free time

of most employees. The last stage is focused on finalizing the premises, two months of paid advertisement and the official opening of a trial run, which starts on 31.7.2023.

4.1.9 Financial plan

In the financial part of this business plan, simplified calculations were used to determine the approximate amount of costs and sales, which were then used in the compilation of the profit and loss statement, balance sheet, cash flow and break-even point.

Café Crown will voluntarily become a VAT payer in order to take advantage of the differential VAT rates for buying and selling goods and services. By doing so, the café owner can purchase food at a lower rate of 15% and services and investments at a higher rate of 21% while selling food and drinks on-site at a reduced rate of 10% and takeaway food and drinks at a slightly higher rate of 15%. This decision can result in significant cost savings for the café and ultimately increase profitability. Therefore, all the prices used in the calculations are without VAT.

Founding Budget

As the first step, the author calculated the founding budget and listed the items that needed to be invested in before opening the café. In the table below, it is shown how much each item will cost.

In the table is shown the office equipment, where is included the computer with license and monitor, which according to the table will be needed only for the management employee, by which is meant the owner. Cook and support employees do not need a notebook or computer for now. Another part of the table shows other equipment, where items are listed required for the reconstruction and preparation of the spaces for its use. The owner of the café had the opportunity to rent the space after the previous restaurant. The owner of the non-residential premises wants to rent the restaurant with an equipped kitchen and a bar, and therefore the owner counts with only basic renovations of the premises, which include painting, replacing furniture, minor reconstruction of the bar, buying new dishes and accessories for beautifying and making the premises cosier. Furthermore, the equipment

consists of Wi-Fi + Hi-Fi, a projector, which will be needed for workshops, and a printer + cashier register for excellent service.

Additionally, the table shows which items are part of the operating investment and which items should be depreciated. A method of accounting straight-line depreciation was used, and the depreciation was calculated for three years as in the goals is set investment for three years. Also the author assumes that the equipment and painting will be necessary to restore after three years, therefore, the items for the depreciation were divided by 36 months.

Table 9 - Founding Budget

office equipment	PC/NB with basic license	additional license for extra SW	monitor	total investment	depreciation?	operating investment
employee cook	- CZK	- CZK	- CZK	- CZK	No	
managerial support employee	- CZK	- CZK	- CZK	- CZK	No	
management employee	35 000,00 CZK	5 000,00 CZK	5 000,00 CZK	45 000,00 CZK	No	45 000,00 CZK
other equipment				total investment	depreciation?	operating investment
furniture		150 000,00 CZK		150 000,00 CZK	Yes	
painting		35 000,00 CZK		35 000,00 CZK	Yes	
accessories		55 000,00 CZK		55 000,00 CZK	No	55 000,00 CZK
bar renovation		75 000,00 CZK		75 000,00 CZK	Yes	
dishes		40 000,00 CZK		40 000,00 CZK	Yes	
wifi + hifi		25 000,00 CZK		25 000,00 CZK	Yes	
projector		15 000,00 CZK		15 000,00 CZK	No	15 000,00 CZK
printer + cash register		25 000,00 CZK		25 000,00 CZK	No	25 000,00 CZK
in total				465 000,00 CZK	325 000,00 CZK	140 000,00 CZK
from that investment	SW - depreciation limit	60 000,00 CZK	36	months	9 000,00 CZK	depreciation per month
	HW - depreciation limit	80 000,00 CZK	36	months		

source: own calculation

The salaries needed for the first period of the business are calculated in the following table.

Table 10 - Salaries

Constants	number in pieces	average gross salary	note
total number of employees	5	211 880 CZK	
of which manager (=owner)	1	50 052 CZK	management, temporarily working for support staff
of which fully productive (barista 2x, waiter 2x, cook 2x)	4	40 457 CZK	2x full-time, 4x part-time (=2x full-time) = average salary
social and health insurance	33,80%	71 620 CZK	from gross salary
meal vouchers + benefits	0%	- CZK	from gross salary
total personal expenses		283 500 CZK	
remuneration (gross salary)		- CZK	

source: own calculation

In the Crown Café will be employed seven employees, but only three will work full-time, and four will be employed part-time therefore, in the table above, it is stated five employees because four part-time employees are considered as two full-time employees. The fully productive staff in the table represents two baristas (1x full-time and 1x part-time), two

waiters (1x full-time and 1x part-time), and two cooks (2x part-time). The manager's salary was set to an average of 50,052 CZK, and the wages of the fully productive staff, including baristas, waiters, and cooks, were set to an average of 40,457 CZK. The total amount of monthly salaries is 211,880 CZK without levy for social and health insurance, and if 33.8% of 211,800 CZK, equal to 71,620 CZK, is added, the total personal costs are equal to 283 500 CZK per month.

As a next step, the author did a calculation of predicted sales. The café owner wants to keep the café open every day from 7:00 till 17:00 for the beginning, including weekends and holidays. These opening hours will later change according to customers, but for now, it is counting with these opening hours in the calculation.

Calculation – predicted sales

In the table below is shown the volume of predicted sales in pieces. The table is divided according to the services or products the Crown Café will offer. As mentioned before, the café will be open every day from 7:00 to 17:00. Breakfasts will be served from 7:00 to 15:00, however, throughout the whole opening hours, customers will be able to purchase a variety of desserts and sandwiches, which will be made fresh every day. Conducted workshops or external rental of premises is possible after the end of the café's opening hours. The author assumes in the table that each month has 4 weeks and 4 weekends.

The last column of the table indicates the probability that the author set at 75% for reasons of caution. The probability shows the degree of uncertainty of the given sales. Because of this precaution, the owner will not get a return as quickly, but it is better to be careful and include this probability.

The table is further divided according to the periods representing the individual months, of which there are 6 in total, since, as was determined in the café's goals, the owner wants to achieve profitability in 6 months. The volume of breakfasts, coffees, sandwiches, and desserts was determined based on information from two owners of two Prague cafés located in the centre and whose owners the author knows personally. The author then averaged this communicated volume and considered that the café is new and unknown. The author,

therefore, expects an increase in the volume in the following months due to marketing, personal contacts, and café's reputation, as shown in the table.

Breakfasts will be served every day from 7.00 to 15:00, and the average price of breakfasts was set to 160 CZK without VAT. The author expects that there will be more interest in breakfast on weekends and holidays than on weekdays from Monday to Friday, and therefore adjusted, the volume accordingly. In the first month, the volume of sold breakfasts on weekdays was estimated to be 4 breakfasts per day multiplied by 5 days and 4 weeks ($4*5*4 = 80$ pieces), resulting in 80 breakfasts on weekdays per month. On the weekdays and holidays, the volume is expected to be two times higher, and therefore it was multiplied by 2. The following periods are calculated the same way, only the volume was increased in the period 2 to 5 breakfasts/one weekday, in period 3 to 8 breakfasts/one weekday, and in period 4 to 10 breakfasts/one weekday. In the 5th month, the author estimated that volume according to the tables and assumed that 15 tables would be occupied through one working day, from which 3 people will order breakfast ($15*3*5*4 = 900$ pieces). The same calculation was used in the 6th month, only the number of tables was increased to 20.

The coffee volume was divided into two calculations, one for takeaway and the second for coffee consumed in the café. The average price of takeaway coffee was set to 60 CZK, and the average price of coffee consumed in the café was 55 CZK. The price of takeaway coffee is slightly higher because it also includes paper cups. In the first period, the author set the volume of takeaway coffees to 20 coffees per day and multiplied by 7 days a week and 4 weeks in a month ($20*7*4 = 560$ pieces), resulting in 560 coffees sold to take away per first month. Coffees consumed in the café were calculated the same way, only the volume was increased to 50 coffees per day in the first period. The following periods were calculated the same way for both types of coffee, only the volume was increased due to greater familiarity with the café and takeaway, and in-café sales were set at the same volume.

The price of desserts was set to 60 CZK on average because the owner wants to sell small desserts with coffee rather than an eighth of the cake, which is usually sold, and the price of sandwiches is, on average, 90 CZK, which, on the contrary, will be larger and fuller. As mentioned earlier, all volumes were discussed with two owners of cafés in Prague; therefore, even the volume of sandwiches and desserts per month was estimated according to it. In the

first month, the volume of desserts will be lower than the volume of sandwiches, as the selection of desserts will not be so high in the first month. In the following months, the selection will increase according to customers' preferences, and so will the volume of desserts. In the first period, the volume of desserts was set to 140 pieces per month. In the second and third periods, the volume increased to 350 pieces per month, and in the fifth period, the volume equals 560 pieces per month. The last two calculated months show predicted an increase in volume to 700 pieces sold per month. The sandwiches were again estimated according to the two other cafés, and in the first period, the average volume is equal to 350 pieces per month. The rest is of the same amount as the desserts.

For the first 6 months, it is planned to hold a workshop once a month, and the average price for the entrance is 500 CZK. The owner predicts the first 3 months the volume of 5 customers on average per month, which will later increase to 10 customers per month. The external rent of premises is shown in average CZK per month. In the first two periods, the owner does not expect any external rental of premises, as the café is new, and the premises are unknown after the renovations. In the following 2 months is expected one external rent each month of an average of 5,000 CZK. In months 5 and 6 the rent will be increased to an average of 8,000 CZK per month.

Table 11 - Predicted sales volume in pieces

type of service	average price	volume in period 1 in pieces (M1)	volume in period 2 in pieces (M2)	volume in period 3 in pieces (M3)	volume in period 4 in pieces (M4)	volume in period 5 in pieces (M5)	volume in period 6 in pieces (M6)	probability
breakfast 7-15								
Mo - Fri	160,00 CZK	80	100	160	200	900	1200	75%
weekend	160,00 CZK	160	200	320	400	1800	2400	75%
holiday	160,00 CZK	160	200	320	400	1800	2400	75%
coffee								
takeaway sales	60,00 CZK	560	1400	1400	2240	2800	2800	75%
coffee in a restaurant without food	55,00 CZK	1400	1400	1400	2240	2800	2800	75%
desserts and sandwiches during the day								
desserts	60,00 CZK	140	350	350	560	700	700	75%
sandwiches	90,00 CZK	350	350	350	560	700	700	75%
workshops								
entry fees to events	500,00 CZK	5	5	5	10	10	10	75%
external rental	depending on events	0	0	5000	5000	8000	8000	75%
in total		2855	4005	9305	11610	19510	21010	

source: own calculation

The table below shows the volume in every period of every product or service in CZK. The author multiplied the volume of every service/product by the selling price and by the 75% probability. In the last row of the table, the total sales for individual months are added up, and it is evident that the average volume of sales in CZK is increasing every month. In the first month, the volume equals 162,750 CZK, in the second 222,000 CZK, in the third 261,750 CZK, in the fourth 383,700 CZK, in the fifth 870,000 CZK, and in the last sixth month, the volume reaches 1,050,000 CZK.

The author determined the average food cost in the last column on the right. The market sets the margin at 50% for the sale of food, and the author also adheres to this in her calculations. The average food cost was set at 20% for coffee, meaning the margin is 80%, which is also set by the market. The food cost for desserts was set to 5% only, the rest is margin because the owner wants to bake the desserts by the cooks from the basic raw materials that remain and therefore also ensure a reduction of discarded raw materials. For sandwiches, the margin was set the same as for breakfasts. From all the food costs, the author did an average of 27,22%, which is considered in further calculations.

Table 12 - Calculation – predicted sales volume in CZK

type of service	average price	volume in period 1 (M1)	volume in period 2 (M2)	volume in period 3 (M3)	volume in period 4 (M4)	volume in period 5 (M5)	volume in period 2 (M6)	average food cost
breakfast 7-15								
Mo - Fri	160,00 CZK	9 600,00 CZK	12 000,00 CZK	19 200,00 CZK	24 000,00 CZK	108 000,00 CZK	144 000,00 CZK	50%
weekend	160,00 CZK	19 200,00 CZK	24 000,00 CZK	38 400,00 CZK	48 000,00 CZK	216 000,00 CZK	288 000,00 CZK	50%
holiday	160,00 CZK	19 200,00 CZK	24 000,00 CZK	38 400,00 CZK	48 000,00 CZK	216 000,00 CZK	288 000,00 CZK	50%
coffee								
takeaway sales	60,00 CZK	25 200,00 CZK	63 000,00 CZK	63 000,00 CZK	100 800,00 CZK	126 000,00 CZK	126 000,00 CZK	20%
coffee in a restaurant without food	55,00 CZK	57 750,00 CZK	57 750,00 CZK	57 750,00 CZK	92 400,00 CZK	115 500,00 CZK	115 500,00 CZK	20%
desserts and sandwiches during the day								
desserts	60,00 CZK	6 300,00 CZK	15 750,00 CZK	15 750,00 CZK	25 200,00 CZK	31 500,00 CZK	31 500,00 CZK	5%
sandwiches	90,00 CZK	23 625,00 CZK	23 625,00 CZK	23 625,00 CZK	37 800,00 CZK	47 250,00 CZK	47 250,00 CZK	50%
workshops								
entry fees to events	500,00 CZK	1 875,00 CZK	1 875,00 CZK	1 875,00 CZK	3 750,00 CZK	3 750,00 CZK	3 750,00 CZK	0%
external rental	depending on events	- CZK	- CZK	3 750,00 CZK	3 750,00 CZK	6 000,00 CZK	6 000,00 CZK	0%
in total		162 750,00 CZK	222 000,00 CZK	261 750,00 CZK	383 700,00 CZK	870 000,00 CZK	1 050 000,00 CZK	27,22%

source: own calculation

Income statement

The table below represents a simplified version of the Income Statement and includes all the calculations done in the previous steps. The table consists of sales calculated in the previous step and costs, which are further divided into variable (project) and fixed (overhead) costs.

The project costs are directly connected to the sales, as every month, the sales are multiplied by the average food cost of 27.22% ($162,750 * 27.22\% = 44,304$ CZK/1st month) calculated in the previous table. By this calculation, the project costs per month are determined.

The author included in the overhead costs travel costs, which are equal to 0, in the first 6 months, as the owner will not use a car and the groceries' delivery will be done by the suppliers. Representation costs can include the cost of personal refreshments, or for example, cinema tickets donated to employees and were set to 1,000 CZK per month. 800 CZK per month will the owner need to pay for telephone and data services. Another important part of fixed costs are costs related to external management services, to which can belong services in human resources, consultations, or legal services, which will cost an average of 5,000 CZK per month. Advertising and promotion costs are necessary, and they were deliberately allocated a higher amount. The amount of 10,000 CZK was calculated for 3 months, although the owner is currently counting on paid advertising for 2 months, a reserve was deliberately created here, and the owner will see if this amount is needed even in the 3rd month. The amount of 5,000 CZK was allocated for the remaining 3 months, which the author thinks will be enough. This money will be used for advertising on Instagram and Facebook. The owner will make the website herself, but there is also a reserve in case the website needs the intervention of an external worker.

Since the owner of the café will renovate and equip the non-residential premises with new furniture, the owner of these premises has agreed that the rent will be free for the first 6 months. Therefore, the table above only shows the price for services, which is equal to 3,000 CZK per month. Thanks to this generous offer, the owner of the café will save 25,000 CZK every month on the rent of the premises.

Small property costs are calculated, for example, for purchasing small kitchen appliances for the kitchen or the bar or for the additional purchase of small furniture. These costs are set at

5,000 CZK in the first two months. The owner will have to buy office supplies, including printer paper, pens, and markers, every month, and their average price was set at 500 CZK per month. Training costs were calculated because one of the employees will need a new course, for example, a continuing barista certificate. The owner owns a certificate for completing a barista course, but if this certificate needs to be extended by another one, these costs can be used for this purpose. To these costs, the author allocated 3,000 CZK to the first period.

The depreciation and non-investment property costs were calculated in the table with the founding budget. The total amount of overhead costs in the first month equals 177,300 CZK, in the second month 34,300 CZK, in the third month 29,300 CZK, and in the fourth, to the sixth month, the amount is the same, and it is equal to 27,300 CZK per month. Additionally, to the fixed costs belong personnel costs, which are calculated separately, and which consist of salaries calculated in table 10, and other costs, which are equal to zero.

In the second row of the table, the total costs, including project costs, overhead costs, personnel costs, and other costs, are calculated. Earnings Before Interest and Taxes (EBIT) is calculated every period by subtracting the costs from the sales. EBIT is negative in the first 4 months, meaning that the business is in a loss and is not profitable. In the first period, the EBIT is equal to – 342,354 CZK, in the second period to – 156,233 CZK, in the third period to – 122,304 CZK and in the fourth period to – 31,552 CZK. Between the fourth and the fifth month, the EBIT turns into a positive sign, and the loss becomes a profit. The profit of the fifth month is in the amount of 322,367 CZK, and in the sixth month, this profit increases significantly and is equal to 453,367 CZK.

In the last row of the table above is calculated the yearly corporate tax at the rate of 19%. The corporate tax is calculated from the EBIT of each month multiplied by 19%. In the first four months, the business shows a tax loss as EBIT is negative. In the fifth month, the corporate tax equals 61,250 CZK, and in the sixth month equals 81,140 CZK. The resulting tax will be a sum calculated for a year, and if there is a loss that is tax deductible, it will be deducted in the following year.

Table 13 - Income Statement in CZK

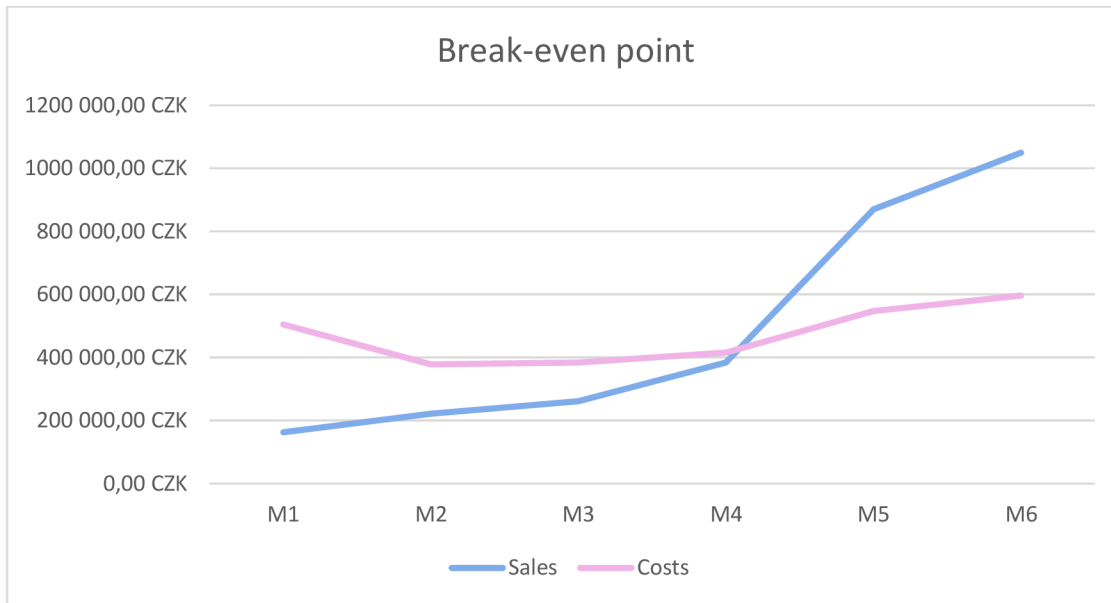
Profit and Loss - Income Statement	M1	M2	M3	M4	M5	M6
Sales	162 750	222 000	261 750	383 700	870 000	1 050 000
Costs	505 104	378 233	384 054	415 252	547 633	596 633
Project costs (VC)	44 304	60 433	71 254	104 452	236 833	285 833
Direct food cost	44 304	60 433	71 254	104 452	236 833	285 833
Overhead Costs (FC)	177 300	34 300	29 300	27 300	27 300	27 300
Travel expenses	0	0	0	0	0	0
Representation costs	1 000	1 000	1 000	1 000	1 000	1 000
Phones, data services, GPS, postage, etc.	800	800	800	800	800	800
External management services - HR, legal services, consulting, accounting	5 000	5 000	5 000	5 000	5 000	5 000
Advertising and promotion costs	10 000	10 000	10 000	8 000	8 000	8 000
Rent + utilities	3 000	3 000	3 000	3 000	3 000	3 000
Small property not depreciated	5 000	5 000	0	0	0	0
Office supplies, material for operation (printing, paper)	500	500	500	500	500	500
Training	3 000	0	0	0	0	0
Depreciation of DNM and DHM	9 000	9 000	9 000	9 000	9 000	9 000
Non-investment property	140 000	0	0	0	0	0
Personnel Costs (FC)	283 500	283 500	283 500	283 500	283 500	283 500
Labor costs = gross wages	210 000	210 000	210 000	210 000	210 000	210 000
SP and ZP costs = levies	73 500	73 500	73 500	73 500	73 500	73 500
Others (food stamps, etc.)	0	0	0	0	0	0
Other costs (FC)	0	0	0	0	0	0
Profitability = EBIT	-342 354	-156 233	-122 304	-31 552	322 367	453 367
tax 19%	-65 047	-29 684	-23 238	-5 995	61 250	86 140

source: own calculation

Break-even point

In the graph below is shown the break-even point (BEP). In the literature review, the author mentioned a method of calculation which cannot be applied to this business plan due to the sale of more than one product and the highly variable prices of the products according to the portfolio. For this reason, the author calculated the BEP graphically in Excel, and from the graph, it is noticeable that the BEP value is reached between the 4th and 5th months, more precisely when the turnover is 547,633.33 CZK. In this case, the quantity of sold products cannot be calculated.

Graph 2 - Break-even point



source: own processing

Cash Flow

In the table 15, the author calculated Cash Flow (CF) according to the knowledge gained in the literature review. One of the goals the owner set was the return on investment in 3 years, after which the author expects to invest in the project again therefore, the Cash Flow was calculated for three years.

In the table below, the author shows again the Income Statement calculated in the table 13, but this time the author added calculations for three years, which are needed for the Cash Flow calculation. The first six months are comparable in total to one period – year 1. This calculation assumes that the sales will be the same since the sixth month in the second year because the year is by the author still considered critical. In the third year, the author assumes growth in prices of sold products of 5%, increasing sales by 5%. Similarly, direct food costs also increased by 5%.

Further, in the third year, the author also considered inflation. The author estimated the inflation to increase by 3.5%. The inflation rate was considered for rent, utilities, and personal costs, including wages and social and health insurance contributions. A growth of 5% was already included in sales and food costs this year, so the author no longer has inflation here.

Additionally, the author assumes some overhead costs will be lower in the following years than in the first year. Representation costs are stated the same throughout the three years in the amount of 6,000 CZK because the author thinks spending more money on them is unnecessary. Costs of external management services, including accounting and legal services, are the same for the first six months (year 1) and 12 months in year 2 because the author assumes that in the first year the costs are connected to setting up the café, and in the second year only maintenance will be paid. In the third year, these costs were increased by 10,000 CZK due to the assumption of a higher volume of documents. The first year is the most expensive one in terms of the expenses per marketing necessary to promote the café. The advertisement in the second and third years will not be as crucial as in the first year so it will be cheaper.

The small, not depreciated property will be mainly bought in the first year, in the following years, the amount of 5,000 CZK is the same for 12 months as in the first year for only 6 months. The author accepts the highest need to purchase this property will be in the first 6 months of the business. For the training of employees, the author set a price of 3,000 CZK per year. The depreciation was already calculated in the Founding Budget for 3 years to be 9,000 CZK per month. Non-investment property is included only in the first year, as the cost is connected to the beginning of the business.

Table 14 - Income Statement in CZK for 3 years

Profit and Loss - Income Statement in CZK	M1	M2	M3	M4	M5	M6	Y1	Y2	Y3
Sales	162 750	222 000	261 750	383 700	870 000	1 050 000	2 950 200	5 900 400	6 195 420
Costs	505 104	378 233	384 054	415 252	547 633	596 633	2 826 910	5 550 820	5 771 961
Project costs (VC)	44 304	60 433	71 254	104 452	236 833	285 833	803 110	1 606 220	1 686 531
Direct food cost	44 304	60 433	71 254	104 452	236 833	285 833	803 110	1 606 220	1 686 531
Overhead Costs (FC)	177 300	34 300	29 300	27 300	27 300	27 300	322 800	542 600	564 360
Travel expenses	0	0	0	0	0	0	0	0	0
Representation costs	1 000	1 000	1 000	1 000	1 000	1 000	6 000	6 000	6 000
Phones, data services, GPS, postage, etc.	800	800	800	800	800	800	4 800	9 600	9 600
External management services - HR, legal services, consulting, accounting	5 000	5 000	5 000	5 000	5 000	5 000	30 000	30 000	40 000
Advertising and promotion costs	10 000	10 000	10 000	8 000	8 000	8 000	54 000	35 000	35 000
Rent + utilities	3 000	3 000	3 000	3 000	3 000	3 000	18 000	336 000	347 760
Small property not depreciated	5 000	5 000	0	0	0	0	10 000	10 000	10 000
Office supplies, material for operation (printing, paper)	500	500	500	500	500	500	3 000	5 000	5 000
Training	3 000	0	0	0	0	0	3 000	3 000	3 000
Depreciation of DNM and DHM	9 000	9 000	9 000	9 000	9 000	9 000	54 000	108 000	108 000
Non-investment property	140 000	0	0	0	0	0	140 000	0	0
Personnel Costs (FC)	283 500	283 500	283 500	283 500	283 500	283 500	1 701 000	3 402 000	3 521 070
Labor costs = gross wages	210 000	210 000	210 000	210 000	210 000	210 000	1 271 280	2 542 560	2 631 550
SP and ZP costs = levies	73 500	73 500	73 500	73 500	73 500	73 500	429 720	859 440	889 520
Others (food stamps, etc.)	0	0	0	0	0	0	0	0	0
Other costs (FC)	0	0	0	0	0	0	0	0	0
EBIT	-342 354	-156 233	-122 304	-31 552	322 367	453 367	123 290	349 580	423 459
EBITDA - without depreciation							177 290	457 580	531 459

source: own calculation

The following table of Cash Flow shows that the year 0 was considered the investment of 325,000 CZK, further calculated in the depreciation, and the rest of 140,000 CZK is already included in the expenses in total in the year 1. The author estimated Cash Flow by subtracting expenses from revenues and adding depreciation. In this way, the Cash Flow for years 1 to 3 was calculated. The results show that the Cash Flow is higher every year, as in year one is equal to 177,290 CZK in year 2 to 457,580 CZK and in the final year to 531,459 CZK. The Cash Flow indicates a positive value every year, which is a good sign. A positive result indicates that the café received more money than it spent and shows that it is generating enough cash to fund its operations while maintaining sufficient liquidity.

Further, in this table, the author also calculated the discounted Cash Flow, which will be later needed to calculate Net Present Value. For this calculation, the author needed to know the discount rate, which the owner set to 10%. The owner realizes that if she were to invest in the bank, the bank would charge the interest at 3%, therefore, the owner set 10% here, which is advantageous and interesting for the investment. The discounted Cash Flow in the first period was calculated as follows $177,290/(1+10\%)^1 = 161,172.73$ CZK. In the following years, the calculation changes only in the Cash Flow value and the period to which the parenthesis is exponentiated. Additionally, the total sum of the discounted Cash Flows (DCFC) for three years was calculated.

Table 15 - Cash Flow

Indicator	Unit	Year 0 = investment	Year 1	Year 2	Year 3	In total Year 1- Year 3
Revenues in total	CZK	- CZK	2 950 200,00 CZK	5 900 400,00 CZK	6 195 420,00 CZK	15 046 020,00 CZK
Expenses in total	CZK	- CZK	2 826 910,00 CZK	5 550 820,00 CZK	5 771 961,00 CZK	14 149 691,00 CZK
Investment and depreciation	CZK	- 325 000,00 CZK	54 000,00 CZK	108 000,00 CZK	108 000,00 CZK	
EBITDA	CZK	- 325 000,00 CZK	177 290,00 CZK	457 580,00 CZK	531 459,00 CZK	1 166 329,00 CZK
Cash Flow (CF) = EBITDA	CZK	- 325 000,00 CZK	177 290,00 CZK	457 580,00 CZK	531 459,00 CZK	1 166 329,00 CZK
Discounted Cash Flow (DCFC)	CZK	- 325 000,00 CZK	161 172,73 CZK	378 165,29 CZK	399 293,01 CZK	938 631,03 CZK
investment in CZK	325 000,00 CZK		incl. 140 000 CZK			
discount rate	10% annual					
FORMULA: DCFC=CF/((1+i)^n)						

source: own calculation

Financing

As far as financing is concerned, the owner decided to go with an internal funding source. Part of the money is saved by the owner, and the rest receives the owner from her parents. The total internal funding source the owner will have to start her business is 1 million CZK. According to previous calculations, this amount should easily cover the beginning of the

business for the owner and create a reserve for the next few months before the business starts to earn properly. If there are problems and unexpected payments, then the owner would consider another type of financing. The owner is a supporter of crowdfunding and the company HitHit, which deals precisely with crowdfunding, and therefore she might consider this form later, if necessary.

Balance Sheet

Table 16 - Opening Balance Sheet

Opening Balance Sheet			
Assets	Amount	Liabilities	Amount
Fixed assets	- CZK	Equity	1 000 000,00 CZK
Current assets		Foreign capital	- CZK
account/cash register	1 000 000,00 CZK		
in total	1 000 000,00 CZK	in total	1 000 000,00 CZK

source: own calculation

In the table above the author created a simplified version of the opening balance sheet before the investment. The initial 1,000,000 CZK was put into equity so the company would not be in debt right after starting the business.

4.1.10 The main prerequisites for the success of the business, the risks of the business

In this section of the business plan the author constructed SWOT analysis, Risk analysis and PEST analysis.

SWOT analysis

Since the café does not exist yet, the internal factors of weaknesses and strengths have been estimated according to the ideas and plans, and opportunities and threats are stated according to the current situation.

Strengths

As mentioned before, Crown Café does not exist yet, and thus some strengths can be only presumed and described according to the owner's wishes and concept. One of the biggest strengths of Crown Café is the passion and love the owner puts into it. A few of the strengths are connected to the whole concept of Crown Café, as the café focuses on fresh and tasty

products, shares a list of calories in the menu, and emphasises design and a comfortable place with a friendly atmosphere. Another part of strengths represents friendly and skilled employees providing the best service possible, which the owner will insist on when recruiting employees. The place where the Café will be located and the workshop the café will offer can also be listed as strengths. Crown Café is a family business founded by two sisters with a perfect relationship and the same goals and vision, which is also considered a significant strength.

Weaknesses

The same as to strengths applies to weaknesses, as the café does not exist yet, the listed possible weaknesses are just estimated. One potential weakness could be the owner's lack of experience with having her own business. Since this is a new business, the high costs associated with starting the café can also be classified as a weakness. Another weakness may be not owning the space in which the café is located. Additionally, the weakness of the starting café is the absence of long-term relationships with suppliers and customers.

Opportunities

Opportunities can be seen in a growing demand for cafés with the designed interior, breakfasts, and high-quality coffee. Gaining regular loyal customers, which would come back regularly, is a significant opportunity. Tourism in the Czech Republic and mainly in Prague is rising again after Covid-19, and the opportunity is seen in the tourist coming to Prague. Another opportunity would be space expansion or another branch in Prague or another city. The growing number of customers with specific needs, such as gluten-free, lactose-free and low-carb, to which the café can respond is another critical opportunity. Associated with this is also the opportunity in the growing interest in healthy and balanced food, which the café will provide. Another significant opportunity is reducing the fear of eating in cafés due to the lack of knowledge of the number of calories in the foods sold since the café has calories listed.

Threats

The biggest threat for the Café in the current situation would be a deepening deterioration of the economic crisis and associated high inflation. This is followed by another possible threat which would be the deterioration and extension of the war closer to the Czech Republic.

With these threats are also connected threats of insufficient interest from customers, instability of suppliers, or lack of employees. Nowadays, even Covid-19 can still pose a threat, which may lead to restrictions or the complete closure of the café. Competitors are one of the other possible threats, which may occur if Crown Café does not differentiate enough or if new competition appears in the area. The current economic situation is changing behaviour, and purchasing power of consumers is considered another threat because people nowadays save money and thus limit the purchase of goods and services which are not necessarily needed for living. Additionally, a possible threat would be the change in the VAT rates.

Risk analysis

In this section, the author did the risk analysis described in the literature review and stated the possible risk that might occur at the beginning or during the business. In the table below, the risks are listed together with significance scores from 1 to 5 points, where 1 point is the lowest and 5 is the highest significance, and also with a precaution on how to prevent it.

Table 17 - Risk analysis

Risks	Significance	Precautions
External Risks		
Natural disasters	2	insurance
Price increase - energy, raw materials	4	cash reserve
Customer decline	5	quality services, trends, better than the competition
Internal Risks		
Unexpected costs	2	cash reserve
Turnover of employees	3	higher wages, better motivation
Customer dissatisfaction	3	changing offer, pleasant service
Issues with partners		
Delivery of low-quality goods by the supplier	3	multiple suppliers, contractual relationships
Non-delivery of the goods by the supplier on the specified date	4	multiple suppliers, contractual relationships, ensuring the date
Termination of the rental agreement	5	paying on time, maintaining good relations

source: own processing

The author divided the risk analysis table into three main sections - external, internal risk and risk associated with partners. In part with external risks, the author mentioned natural disasters and customer decline. For the natural disasters, the significance was set to 2, because natural disasters are not that common in the Czech Republic, and the café is on a hill therefore, there is no possibility of flooding. However, since the café has a garden, which can be damaged by wind, for example, the author mentioned the risk and gave it a level of importance of 2. The price increase in energy and the raw material is also a significant risk, which the owner must prepare with a sufficient cash reserve. In this group, the author gave the highest significance to the decline in client interest, which is risky for the café. As precautions, the author stated high-quality services, following trends, and being better than the competitors.

In the second section, the author listed internal risks of unexpected costs, turnover of employees, and customer dissatisfaction. As the highest risks with a significance of 3, the author stated turnover of employees, which the owner can prevent by better motivation and higher wages, and customer dissatisfaction, which will be preceded by pleasant services and changing offer.

The last section is focused on risks related to partners. Here the author mentioned the delivery of low-quality goods by the supplier, which multiple suppliers and contractual relationships can prevent. Further related to suppliers is the second risk of non-delivery on the specified time, which can be similarly controlled by multiple suppliers, contracts, and ensuring the date. The most significant risk in this section is the termination of the rental agreement, which would mean the end of the café, therefore, it has a significance of 5. Precaution of this risk can be done by paying on time and maintaining good relations with the owner of the premises.

PEST analysis

PEST analysis states external factors in politics, economy, sociology and technology, which could affect the business's smooth running.

Political Factors

The first political factor influencing already the beginning of the business is the need for a business license to operate a restaurant, which is in a group of craft businesses. To gain this license, the applicant must meet the professional qualification requirements, which means education in the field or experience in the field for a period of 6 years. Since the owner does not fulfil this condition, a responsible representative will be appointed from among relatives, which is one of the possible ways to do business without professional competence in this field.

Another factor is legislation, which was classified as a political factor due to the form of the PEST and not the PESTLE analysis. This legislation is called Hazard analysis and critical control point (HACCP) focusing on preventing risks associated with threats to food safety. This system is mandatory by law for all sellers of food and dishes. HACCP consists of seven principles describing creating, implementing and maintaining the system. Since Crown Café will sell food, it is necessary to follow this system.

The third political factor states that listing all allergies contained in the food the café sells is necessary. The allergen on the menu must be sufficiently clearly marked with words or numbers that are assigned to the allergen. A list with an explanation of the numbers must be available for customers nearby. Crown Café will state numbers on the menu, and the list with the exact allergens will be available for customers at the bar.

The last political factor mentioned in the PEST analysis of Crown Café is the need to ensure employees' safety and health protection at work. The owner needs to familiarise employees with the workplace equipment and maintain the equipment in a safe condition. If an occupational accident occurs, it needs to be recorded in a pre-prepared docket.

Economic Factors

Factors belonging to this group can have an impact on the company in the short and long term. Current economic factors are still affected by the Covid-19 pandemic as well as the war in Ukraine.

The first economic factor is inflation, which occurs when the general price level of services and goods rises, and at the same time, the value of the currency decreases as a result. The inflation rate in January 2023 was, according to the Czech National Bank (CNB), equal to 17.6%. According to the prognosis of the CNB, the inflation rate should drop to 10.8% in 2023 and should fall to just 2.1% in the following year 2024. (Česká národní banka, 2023) The inflation rate must be monitored, as it is an essential factor of many other aspects because the increased rate of inflation not only affects the prices of goods and services in the business and with suppliers but also affects the behaviour and purchasing power of consumers. Ultimately, it is essential to note that the war situation in Ukraine is contributing to unstable inflation, which is why monitoring this value is even more important nowadays.

Another important economic factor is unemployment. According to the Czech Statistical Office, on February 28, 2023, the share of unemployed persons in Prague was 3.11%, and compared to last year, it rose by 0.46% from the previous value of 2.65%. The number of job seekers increased by 11.7% compared to February 2022, and the number of job vacancies decreased by 16.%. (Český statistický úřad, 2023)

The minimum wage is a crucial economic factor affecting the business. This year, with effect from January 1, 2023, the basic minimum wage rate increased by CZK 1,100 per month compared to the previous year to CZK 17,300. If it is needed to convert the minimum wage into hours, from the previous 96.4 CZK per hour, it increased by 7.4 CZK per hour to 103.8 CZK. This factor is essential for the owner, as she must base it on the evaluation of employees. (Ministerstvo práce a sociálních věcí, 2023)

Social Factors

The first, and at the same time one of the factors that have the most significant impact on the business, is the changing behaviour of purchasing power of consumers. With the current economic situation, which is still affected by the Covid-19 pandemic, the war in Ukraine, and with this connected high inflation rate and high prices, people are splurging on things that they do not necessarily need for living.

Tourism and its development are other influencing factors. After the Covid-19 pandemic, tourists are returning to the entire Czech Republic, primarily to Prague, and their number is

increasing again. Growing tourism is a positive benefit for the Café, and with this comes the need for employees with knowledge of the English language and English menu.

Technological Factors

Technological factors include technological innovations and development trends, which are good to monitor and adapt to maintain a position in the market. Technology in the field of gastronomy brings innovations, primarily in kitchen accessories and equipment. With investment in those new technologies, the company could save time, spend less money, or also make work easier. Examples could be convection ovens, hot air fryers, new coffee machines or smart refrigerators.

Technological factors also include innovation in social networks, websites, or applications. Social networks, as well as websites, are a great advantage and, at the same time, a necessary part of the company's marketing. Websites' optimization with mobile phones is increasingly in demand. Other trends and innovations, such as the new reservation system available on the website, are essential to follow.

4.1.11 Evaluation of the success of the business plan

At this final part of the business plan, the evaluation of the success of the plan is done. The author decided to evaluate the business plan using the Payback Time tool, Net Present Value, and Profitability.

Payback Time

The author used the Dynamic Payback Period Method explained in the literature review. The Payback Time is calculated as investment divided by annual Cash Flow. The author used the results from the table 15. From the Cash Flows for years 1 to 3, the author calculated the average of 388,766.33 CZK to get the annual Cash Flow. As an investment, the author used 325,000 CZK. The result the author multiplied by 12 to get the value in months.

Table 18 - Payback Time

Payback Time	10,03	Months
annual CF = average of Year 1 - 3	388 776,33 CZK	
Payback Time = Investment/annual CF	0,84	Year

source: own calculation

In the table above is shown the resulting Payback Time of 10,3 months. This value should be compared to the owner's goal connected to the rentability achieved within 6 months. The value of Payback Time is higher than 6 months, and therefore, the goal is not achieved. As the author also set a second goal of 3 years, the author would still accept this project based on this value.

Net present value

In the table below the author calculated the Net Present Value as described in the literature review. In the table with Cash Flow, the author calculated Discounted Cash Flow for each year. The Net Present Value (NPV) is equal to the sum of Discounted Cash Flows of years 1 to 3, and therefore the value of the Net Present Value is equal to 1,263,631.03 CZK. The NPV was compared to the investment in the amount of depreciable assets of 325,000 CZK. The NPV is higher than the investment.

Table 19 - Net Present Value

NPV	
NPV = sum of DCFC in Years 1 - 3	938 631,03 CZK
NPV>IN => ok	yes

source: own calculation

Profitability – ROI, ROE

The table below shows the values need to calculate the Return on Investment (ROI) and Return of Equity (ROE) as mentioned in the literature review.

Table 20 - ROI, ROE sources

Indicator	Unit	Year 0 = investment	Year 1	Year 2	Year 3	In total Year 1- Year 3
Revenues in total	CZK	- CZK	2 950 200,00 CZK	5 900 400,00 CZK	6 195 420,00 CZK	15 046 020,00 CZK
Expenses in total	CZK	- CZK	2 826 910,00 CZK	5 550 820,00 CZK	5 771 961,00 CZK	14 149 691,00 CZK
EBIT	CZK		123 290,00 CZK	349 580,00 CZK	423 459,00 CZK	896 329,00 CZK
TAX	19%		23 425,10 CZK	66 420,20 CZK	80 457,21 CZK	170 302,51 CZK
EAT (EBIT after Taxes)	CZK		99 864,90 CZK	283 159,80 CZK	343 001,79 CZK	726 026,49 CZK
equity balance at the end of the year (EAT + previous year's equity)		1 000 000,00 CZK	1 099 864,90 CZK	1 383 024,70 CZK	1 726 026,49 CZK	

source: own calculation

In the table above, the author calculated EBIT (Earnings Before Interest and Taxes) in total for the three months needed to calculate ROI. Further, the author estimated EAT (EBIT after taxes) by subtraction of 19% tax every year. The sum of EAT for three years will be later used to calculate ROE. Additionally, in the table above, the author computed the equity balance at the end of the year by adding up the previous year's equity to EAT.

First, the author calculated the Return on Investment (ROI) with the values of EBIT calculated and the value of investment calculated of 325,000 CZK, as the rest of the investment of 140,000 CZK is included in the EBIT of the first year. The ROI is calculated as the sum of EBIT divided by investment which is equal to 275.79%

Table 21 - Return on Investment

ROI	275,79%
sum of EBIT	896 329,00 CZK
investment	325 000,00 CZK

source: own calculation

Additionally, the author calculated the value of Return on Equity (ROE), which is equal to EBIT after taxes divided by the equity balance. The ROE was calculated for each year. In the first year, the ROE equals 9.99%, in the second year 25.47% and in the third year 24.8%. In the beginning, the author set a goal to achieve 10% rentability in six months, and this indicator shows that in six months, the café reaches 9.99%. The owner is satisfied with this value as the goal can be stated as completed.

5 Conclusion

The diploma thesis aimed to elaborate a business plan for establishing a small café in Prague, including SWOT and PEST analyses, marketing strategy, risk analysis, implementation and financial plan. This plan was established for a small café called Crown Café in Prague 2 on Bruselská street, focusing on serving breakfasts, high-quality coffee desserts, and sandwiches, along with the running of creative workshops.

In the theoretical part, the author drew on domestic and foreign literature and described basic terms related to business, its legal forms and types. Following in this part of the thesis, the author introduced and described in detail the required components of the business plan using literary sources.

In the practical part, the author elaborated the business plan itself based on the literature review done in the first part of the thesis. The author chose essential elements of the business plan that fit into the business type. The aim of the practical part was to elaborate the business plan using SWOT and PEST analyses, marketing strategy, competition analysis, risk analysis, implementation and financial plan. SWOT analysis aimed to evaluate the business's strengths, weaknesses, opportunities, and threats. The task of the PEST analysis was to evaluate the political, economic, social, and technological factors that may affect the café. In the financial part of the business plan, the author calculated the founding budget and costs related to the business, predicted sales, income statement, balance sheet, and cash flow.

The business plan was evaluated in the last section of the practical part. This evaluation was done by the author after the necessary calculations and compared to the two goals stated at the very beginning of the business plan. The first goal set by the author was 10% rentability achieved within six months of the business. The second goal was to return the investment for up to 3 years.

In the financial plan calculation, the author considered the predicted sales data obtained from the owners of two Prague cafés while also considering that the new café being analysed is a relatively unknown entity in the market. Even so, the author considered the probability of 75% in the calculations due to risk, sales, and income statements being favourable. In the

price calculation, the author also considered, as a precaution, the author considered the possibility of deviation from the norm and, therefore, slightly increased food costs, even though the owner expects to employ high-skilled employees.

A significant advantage for the owner is the fact that the premises are deducted from the rent for the first six months due to renovation by the café. Rent discount is an essential aspect, as the owner saves 25,000 CZK per month, and in total, 150,000 CZK reduces the costs in the first six months. This fact affects all other calculations; therefore, more favourable numbers were shown. Another crucial advantage of the owner is the possibility of internal financing in the amount of 1,000,000 CZK.

In the evaluation of the business plan, the author calculated the Payback Time equal to 10,3 months and therefore, the goal of rentability in 6 months set at the beginning cannot be achieved. The following indicators calculated in the evaluation showed the business plan is advantageous compared to the second goal of return on investment for up to 3 years.

The business plan is not applicable to other cafés, as it is only interesting in the case of a discount on rent and the use of own investments. Even though the author in the calculations included precautions, the results were positive, and the business plan is economically feasible. In conclusion, it is necessary to mention that thanks to the opportunity from the landlord of the premises not to charge the rent for the first 6 months and the possibility of the internal investment, the author recommends the project for realization. Without the rent discount, the return on investment would be longer, but not meaning the plan would not be feasible.

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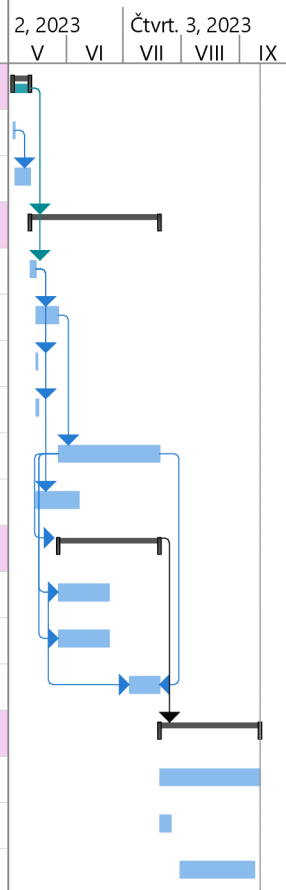
CF	= Cash Flow
CNB	= Czech National Bank
CZK	= Czech Crown
DCFC	= Discounted Cash Flow
DIY	= Do it Yourself
EAT	= Earnings after Taxes

EBIT	= Earnings before Taxes
FC	= Fixed costs
Fri	= Friday
HACCP	= Hazard analysis and critical control point
HR	= Human Resources
M (0-6)	= Month (0-6)
Mo	= Monday
Pcs	= pieces
R (0-3)	= Year (0-3)
ROI	= Return on Investment
ROE	= Return on Equity
VC	= Variable costs
Y (0-3)	= Year (0-3)

Appendix

1. Gantt Chart

ID	Režim úkolu	Název úkolu	Doba trvání	Zahájení	Dokončení	2, 2023		Čtvrť 3, 2023		
						V	VI	VII	VIII	IX
1		1st phase - company formation	6 dny	03.05. 23	12.05. 23					
2		Notary - criminal record, establishment of the company	1 den	03.05. 23	04.05. 23					
3		Trade Licensing Office - request + issue of the Trade Certificate	5 dny	04.05. 23	12.05. 23					
4		2nd phase - reconstruction and implementation	40 dny	12.05. 23	20.07. 23					
5		Signing the rental agreement	1 den	12.05. 23	15.05. 23					
6		Project documentation processing of premises	8 dny	15.05. 23	27.05. 23					
7		Trade Licensing Office - registration of the business premises	0,5 dny	15.05. 23	16.05. 23					
8		Creation of social networks	1 den	15.05. 23	16.05. 23					
9		Reconstruction of premises - painting, furnishing, small repairs, ...	31 dny	27.05. 23	20.07. 23					
10		Creation of websites	14 dny	15.05. 23	07.06. 23					
11		3rd phase - recruitments	31 dny	27.05. 23	20.07. 23					
12		Recruitments - employees + Concluding contracts	16 dny	27.05. 23	23.06. 23					
13		Interviews with suppliers + Concluding contracts	16 dny	27.05. 23	23.06. 23					
14		Employees training	10 dny	04.07. 23	20.07. 23					
15		4th phase - finalizing	30 dny	20.07. 23	11.09. 23					
16		Paid advertising on social networks	30 dny	20.07. 23	11.09. 23					
17		Storage of raw materials and preparation of premises	3 dny	20.07. 23	26.07. 23					
18		Official opening of trial run	24 dny	31.07. 23	08.09. 23					



Projekt: Crown_Cafe
Datum: 14.03. 23

Úkol		Ruční úkoly zahrnuté v souhrnném úkolu	
Rozdělení		Ruční souhrn	
Milník		Pouze zahájení	
Souhrnný		Pouze s datem dokončení	
Souhrn projektu		Vnější úkoly	
Neaktivní úkol		Vnější milník	
Neaktivní milník		Konečný termín	
Neaktivní souhrn		Průběh	
Ruční úkol		Průběh ručně zadaného úkolu	
Pouze s dobou trvání			