

Project of entry on Czech Market for Company Okin

Faculty of Management and Marketing

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Master thesis 2012	
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Tomas Bata University in Zlín
Faculty of Management and Economics
Department of Management and Marketing
Academic Year: 2011/2012

MASTER'S THESIS ASSIGNMENT

(PROJECT, ARTWORK, ARTISTIC PERFORMANCE)

Degree, First Name and Surname: Jerome ERNOTTE
Personal Code: M100718
Degree Programme: N 6208 Economics and Management
Degree Course: Management and Marketing

Thesis Topic: Project of Entry on Czech Market for Company ABC

Thesis Guidelines:

Introduction

I. Theoretical part

- **Prepare all the information and procedures about a market entry.**

II. Practical part

- **Analyse of external factors; market, competitors and consumers.**
- **Analyse of internal factors.**
- **Prepare the marketing mix for the company ABC.**
- **Prepare the implementation strategic plan (including time, risks and costs).**

Conclusion

Thesis Extent: **70 pages**
Appendices:
Form of Thesis Elaboration: **printed/electronic**

Bibliography:

BURK WOOD, Marian. Essential Guide to Marketing Planning. Ed. 2nd. Harlow: Pearson Education, 2010. 268 p. ISBN 978-0-273-72576-3.

ČESKÁ ASOCIACE FRANCHISINGU. Franchising v České republice. Praha: Daranus, 2008. 147 s. ISBN 978-80-254-2136-9.

KOTLER, Philip a KELLER, Kevin. Marketing Management. Ed. 13th. Upper Saddle River, NJ: Prentice-Hall, 2011. 816 p. ISBN 978-0-136-00998-6.

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Thesis Supervisor: **Ing. Michal Pilík, Ph.D.**
Date Assigned: **26 March 2012**
Thesis Due: **2 May 2012**

Zlín, 26 March 2012

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ABSTRAKT

Belgické společnosti Nico se daří v průmyslu potravinového občerstvení hlavně v oblasti Lutychu v Belgii. Společnost provozuje nejrozsáhlejší síť Nico snack přívěsů v regionu. Nicméně, poslední roky krize a změny v belgické demografii ohrožují sektor po mnoho let snížením počtu snacků francouzských hranolek na 1500 z více jak 9.000 před deseti lety. Společnost Nico také byla nucena uzavřít některé ze svých prodejních míst a čelí dnešním problémům nevyužití kapacity svých snack přívěsů. Společnost předpokládá posun na druhou úroveň a hledá velkou příležitost, jak rozšířit své aktivity v zahraničí. Cílem této práce je nabídnout projekt penetrace pro Českou republiku a zvláště pro experimentální projekt v regionu Zlín. Projekt České republiky je momentálně nazýván OKIN jako přesmyčka názvu Nico. Znamka se použije i pro prodejní místa, název "Barakafrit" se zde bude používat, aby odpovídal jeho belgické výslovnosti. Jméno Barakafrit je subjekt pro registrování ochranné známky společnosti v budoucnosti. Diplomová práce vám prvně představí některé teoretické koncepty o řízení, in-korporace a franchising. Druhá část pak vysvětlí prostředí podnikání na českém území. Konečná práce bude definovat projekt penetrace v České republice a identifikovat klíčové faktory a činnosti pro splnění úspěchu zvláště ve městě Zlín.

Klíčová slova: Vnější faktory, jejich proniknutí na trh a franchisingové sítě, právní rámec, průzkum trhu, povodi, zákaznické preference, marketingový mix, projekt pro zavádění, balanced scored card, rizika řízení, náklady plánování.

ABSTRACT

The Belgium Company Nico is succeeding in the snack food industry mainly in the region of Liège in Belgium. The company Nico operates the largest snack-trailer network in the region. However, The last years of crisis and the changes in the Belgian demography has threaded the sector for many years reducing the number of French Fries snack to 1,500 from more than 9,000 ten years ago.

The company Nico has also been forced to close some sales points and face today a problem of unused capacity of its snack-trailers. The company has projected to shift to a second level thinking and look now for great opportunity to spread its activities abroad.

The purpose of this thesis is to offer a project of entry for the Czech Republic and more particularly for an experimental project in the Region of Zlín. The Czech Project is momentarily called Okin as an anagram to Nico. A trademark shall also be used for the sales points, the name "Barakafrit" will be used here to correspond to its Belgian pronunciation. The name Barakafrit is subject to be registered trademark in the future.

The paper will introduce you first to some theoretical concepts about management, incorporation and franchising. The second part will then explain the environment of doing business in the Czech Republic. At last the thesis will define a project of penetration in the e Czech Republic and identify the key factors and activities to meet success in the city of Zlín particularly.

Keywords: External factors, Market penetration, Franchise network, Legal Background, Market research, catchment area, Customer preferences, Marketing mix, project implementation, balanced scored card, Risks control, Costs planning.

ACKNOWLEDGEMENTS

I would to thank my supervisor, Ing Michal Pilik, Ph.D. for his help in the enhancement of my thesis.

I would like to thank also the company Nico and the Belgian investors and supervising board for their support and for the access to their data's and catalogues used as critical source of information in my thesis.

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INTRODUCTION

The global economy has dramatically changed during the last century having impact on prices of raw materials, energy but also in the habits of the people in every region of the globe.

The European institutions have also dramatically changed our environment compared to 25 years ago. Many treaties and standards have shaped the manner of doing business today. Through its common market of 27 state members, the EU facilitates internationalization of the business but also the movement of capital, financial and intellectual. As a EU state member, the Czech Republic also meets the standards published by International Organization for Standardization (ISO). Moreover, the country is member of the NATO, OECD and the OSCE.

However, the Czech Republic does not bellow to the European monetary union. This involves the use of the local currency called the Czech Koruna and rating at czk 24,7 for € 1. Please note that a rate of EUR 1=CZK 25 was used for any currency translation in the following document.

It is an important step when a company decides to expand abroad, especially when it does the first time. It requires several researches to learn about the country situation, the legal frame and the market environment. The company might also consider some product adaptations to the local market and customers preferences. The following project is composed into several parts:

The theoretical part will focus on the market entry requirements as well as the legal frame. It will also go through the franchising concept as the goal of the company Okin is to spread its activities by introducing a franchise network in the Czech Republic within the next four years.

The analytical part focuses more on the market situation, the internal processes and the strategy the company shall develop to be successful in the Czech Republic.

We will learn more about the local environment, the competitive aspects and the customer preferences regarding snack foods. This part will further develop the threats and opportunities the company will face and how it can help the company to reach new goals.

Finally, the document will lay down the different processes together with their costs and will try to define the profitability line of the business.

Overall, the aim of this thesis is to provide the company Okin with the tools and guidelines for a potential launching in the Czech republic. The document provides the future executive board with different ideas of activities and concepts how to help the company to gain market shares and reach corporate targets.

I. THEORY

1 EXTERNAL ENVIRONMENT

The 21st century is very different than the others before. The actual environment is constantly mutating at the fastest pace ever. Our era presents strong characteristic that companies are obliged to adapt to their business. Among these changes, we can enumerate the importance of the communication, networks and their influence on our availability and reactivity. The changes taking place in our societies directly influence the shape of the economy and the way of conducting business. (Czinkota, 2005, pp. 4-5)

If the European market increases interactions between different cultures, it still does not mean that Europe fits in one large cultural cluster. Conducting an activity internationally can be very different than on its home market. The concept of the company Okin has a very strong cultural image associated to the Belgian identity. However the activity should be adapted to local tastes and preferences.

1.1 Macro Environment

The macro economy defines the environment in which any company is performing. It is important to identify the macro environment of the company and which issues it rises for the business. (Wetherly, 2008, p. 16)

In order to address these changes, the company should consider different matters; (1) socio-cultural, (2) economical, (3) demographical, (4) financial and (5) politico-legal. (Kotler & Keller, 2006, pp. 78-80)

Socio-cultural environment

The challenge here is to identify the behavioural pattern of our market and make sure the differences with the local attitude will not be a problem for the development for the company. The faculty to acculturation of the company is here the main key to success.

The main drivers of the local behaviour have to be indentified and then perfectly combined with the company strategy. If the analysis is right, a consequent strategy is more likely to find equilibrium where the company can reach maximum income.

Economical environment

When it comes to a market entry into a new country, it is determinant for the company to learn about the economical situation of the country and the impact on its sector of activity. (Czinkota & Ronkainen, 2001, p. 113)

In the Czech Republic, the Czech Bar Association¹ is a relevant source of information. The Foreign Direct Investment (FDI) indicator gives also a good image of the degree of attraction of a country. Further relevant economical indicators for a market entry are the purchasing power, savings, prices and credit availability. (Czinkota & Ronkainen, 2001, pp. 93-100)

At a European level, the rules concerning the EEA and the freedom of movement for products, services and capital has considerably facilitated procedures and competition within European companies. (Czinkota & Ronkainen, 2001, p. 121)

Financial environment

Commercial risks are extremely reduced due to the fact that customers have to pay at the delivery of the product.

Non-commercial risks are often related to political risks and depend on public policies that directly influence an industry. Relevant sources of information here are the different official bodies. Specialized magazines are also a good way to keep up to date.

Foreign exchange risks are connected to the fluctuation of the rate of the EUR/CZK. The company is exposed to currency rate fluctuation, as it has to pay the majority of its deliveries in Euro while receiving payments from customers in Koruna. In addition, the company will have to distribute dividend and refund its investors in Euro as well. (Czinkota & Ronkainen, 2001, pp. 134-143)

The company has to find a good balance between its liquidity and plan reserve of currencies when the timing is good for buying Euros. In our case we might seriously consider this option when the rate will fall under 24czk/eur.

¹ http://www.cak.cz/pages/index_nosound.html

Politico-legal

Policies and regulations establish the way of conducting business in a country. The company must make sure for every activity that there is no constraint but also if it exists any kind of incentives or special forms of requirement. Public incentive can bring huge opportunities for the company. Market leaders often do not miss such occasions and it becomes fast difficult to compete without the same advantage.

The political and legal environment must be carefully analysed to detect every form of opportunity and threat to determine how the company can address them. Regulations usually define the legal, ethical and moral boundaries of a company. (Czinkota & Ronkainen, 2001, p. 162)

From an international point of view, the company Okin will also have to deal with Belgian regulations in case of conflict with its suppliers. Surprisingly, thank to its Belgian partnership, the company Okin might be more able to deal with Belgian law than the Czech one. However it should not be the case as the company is firstly operating on the Czech market. In any case, it is very difficult to understand completely the legal system of a country. This task should be left to professionals. (Czinkota & Ronkainen, 2001, p. 184)

2 MARKET ENTRY

Penetrating a new market abroad requires new kind of involvement. It requires even more preparation when done for the first time. The Belgian supervising board must shift to another strategy that corresponds to international expansion. The company must adapt to its new market and build a range corresponding to local expectations. The company shall also analyse its competitors, suppliers, customers, and find retail places. All these commitment are time-consuming and costly. To achieve these goals, the company will have to focus on effectiveness and competitive strengths. For a better understanding, the international marketer should understand the motivations that led the company to expand its activities abroad. These motivations can either be (1) proactive or (2) reactive.

Proactive motivations relate mainly to the potential new revenue that the company is targeting. Without potential return on investments, no company might chose to develop its activities on any markets. However, if this requires an accurate planning, the company will always face a part of uncertainty due to some risks, operational mainly.

Another proactive motivations are the knowledge of the market provided by exclusive sources. The Czech Republic enjoy from a big attention from Entrepreneurs around the Europe. Through constant market monitoring, this kind of information can be turned into market advantages and give the company the opportunity to surprise its competitors.

Concerning the **reactive motivations**, we can underline the pressure on the sector in Belgium and the difficulties to expend further on the domestic market. This automatically turned the company to the exploration of new markets. (Czinkota, 2005, pp. 354-358)

The decline of the Belgium market falling from 8500 sales points to 1500 for the whole country constitute a strong reactive motivation from the Belgian supervising board. Due to this crisis in the sector, the company also have at its disposal unused vehicles still in very good state. The company is therefore able to carry out experimental sales points at lower costs. The Belgium situation also offers great business opportunities in term of purchase. As it is often the case when the demand is falling, sellers look for export markets and are more likely to grant discounts.

Regarding the managerial structure of the company, the right profile must be chosen to lead the executive board to success. The Czech executive board shall share the same vision and values than its mother company from Belgium. For such a responsibility, the executive director must also presents the right qualities and be able to handle with the different cultures at every level of the business, top management, operational leaders, workforces, suppliers, officials.

Finally, both parts should be ready for fast adaptations. In order to be responsive, the responsibility of both parts must be established and every potential issue must be determined together with its corresponding actions. Both companies must work together in order to achieve a common target. (Czinkota & Ronkainen, 2001, pp. 373-374)

In addition, different third parties might be involved during the different steps of the supply chain. Intermediaries such as trading companies and export management companies offer very effective operational activities. (Czinkota & Ronkainen, 2001, pp. 358-359)

2.1 Legal aspects

When doing business in the Czech Republic, two main codes are to be taken into consideration. The commercial Code² and the Trade Act³ govern forms of business entities, rights and obligations of persons carrying out business activities, commercial commitments and other relationships related to domestic as well as foreign trade activities.

(Czech Business Web Portal, 2012, Legal information)

² <http://portal.gov.cz/portal/obcan/>

³ http://www.businessinfo.cz/files/dokumenty/Trade_licensing_act.pdf

The following table list the official bodies and professionals providing support and information for a market entry in the Czech Republic:

Ministry of Justice:	http://portal.justice.cz/Justice2/Uvod/uvod.aspx
Ministry of Interior:	http://aplikace.mvcr.cz/sbirka-zakonu/
Notarial Chamber:	http://www.nkcr.cz/lang/EN/
Arbitration Court:	http://en.soud.cz/
Constitutional Court of the Czech Republic:	http://www.concourt.cz/clanek/urlMethodCall/sessionContext/
Customs Administration of the Czech Republic:	http://www.celnisprava.cz/en/Pages/default.aspx
Data Boxes (Act 300/2008 Coll):	http://www.businessinfo.cz/en/article/czech-republic-business-news/official-notices-in-digital-revolution/1001536/53778/
Zlín Region:	http://Zlinskykraj.eu/docDetail.aspx?nid=6621&docid=46409&doctype=ART&did=6621

Table 1: Official bodies in the Czech Republic

2.2 Legal procedures

The Czech Republic has established an electronic procedure making easily the route of establishing a new business. The system makes also clearer the different steps of the procedure. The service is provided through “points of single contact”⁴ (PSC) and is part of the Enterprise Europe Network. Another useful European project is “SOLVIT”⁵ which procure relevant legal support to companies. We will fast go through the most important and critical issues.

⁴ http://www.enterprise-europe-network.ec.europa.eu/countries/czechrepublic_en.htm

⁵ http://ec.europa.eu/solvit/site/about/index_en.htm

The first critical issue is to register a trade licence at a “Czech Point”⁶. The electronic version and its registration in the Trade Register should be delivered into five days. (Ministry of industry and trade of the Czech Republic, 2012)

Concerning the tax registration⁷, again, the easiest way is to fill the procedure on the website.

The next step is the registration in the Commercial Register that must be achieved within the next 90 days of the registration in the Trade Register. The fee is 5000czk and the following documents will be required:

- *documents, not older than three months, showing the valid incorporation of the founder and the power of its representatives to act on its behalf; incorporation documentation, i.e. founder's deed or memorandum of association;*
- *specimen signatures of directors (members of the company's statutory body);*
- *evidence that the company's registered capital was paid up in the minimum required amount (usually shown by a bank statement);*
- *a statement of credibility signed by each member of the statutory and supervisory body and the consent with the entry into the Commercial Register*
- *extracts from the criminal registry for each proposed representative and supervisory board member (extract from the Czech Criminal Register and, if the representative is a foreigner of an EU country, an extract from the Criminal Register from country of his/her origin or from the Criminal Register of an EU*
- *country of his/her last stay and, if he/she is not a citizen of an EU country, an extract from the Criminal Registers of the country of his/her origin; all of these documents/extracts must not be older than three months);*

⁶ <http://www.czechpoint.cz/web/?q=node/62>

⁷ http://adisepo.mfer.cz/adistc/adis/idpr_pub/dpr/uvod.faces

- *extract from the Trade License Register or other authorization relating to its business activity;*
- *evidence of title (ownership right or the consent of the owner) to the premises where the registered office of the company will be situated;*
- *powers of attorney for any person (obligatory for foreigners without a delivery address in the CR) to be registered in the Commercial Register in relation to the incorporation of the company (e.g. executive officers).*

(Czech Ministry of Justice, 2011)

3 FRANCHISING

It exists many different possibilities to organise the relations between the stakeholders of a company. The most common structures are directly integrated or take the shape of economical partnerships. The franchising remains unpopular but has been developing very fast the past 20 years.

The franchising today refers to a much modern way of doing business than before. Its success over the past years has attracted more and more entrepreneurs to develop their business following this model. It allows the entrepreneur to develop its activities and repeat his previous success by duplicating it many times in different geographical locations. The Franchise system allows the transfer of financial and intellectual capital more easily and efficiently but also at a lower risk.

However, if the success of the Franchisor depends on the success of its franchisees, it cannot be considered until the company itself will have gained enough recognition.

It exists three kinds a Franchise contracts:

- Franchise of service
- Franchise of production
- Franchise of distribution

The franchise we are interested in corresponds to the first one. The franchise of service is characterized by the image and the know-how offered to its franchisee. We distinguished two main kinds of talents, (1) the expression (written, verbal, body) and (2) the decision making at a long-term level (new products development, vision, etc) and at a short-term level (operational activities, suppliers, etc).

In any cases, the company must provide a global comprehension of its activities and goal pursued. For its sales activities, the company must provide adequate training to its personnel. Nevertheless, some qualities are difficult to teach and might already be parts of the potential candidates. Anyway, the company will have to make sure to standardize its image and business behaviour, of its employees as well. If a client is satisfied from one sale point but not from another, it is the entire franchise network that will suffer from this mistake. (Leloup, 2004, pp. 26-27)

3.1 Legal environment

Regarding the legal environment, the company should keep up to date with the different official sources of information.

Concerning the franchise, official institutions are the World Franchising Council (WFC), the European Franchising Federation (EFF) and the Czech Franchise Association (CAF). These institutions provide legal support but also commercial advises and some consultancy services both for franchisors and franchisees. There are the institutions of reference in the sector, most relevant information can be found on their websites. (Leloup, 2004, p.22)

Concerning the Czech Republic, there is neither additional national legislation nor any kind of national registration for Franchise agreements. Therefore the company takes into account the Czech Commercial Code, the Czech Civil Code, the provisions of the Czech Act on the Protection of Economic Competition and the Trademarks Act.

3.2 The contract

The most important part in the franchising system is the contract, in other words, the agreement that must allow both the franchisor and the franchisee to be successful in their activities. This agreement shall comply with the National law, European community law⁸ and Code of Ethics⁹ and any other national extensions.

The contract is often divided into three parts. The first part deals with the specific signs, names and characteristics of the concepts. The second part concerns the training program and the transfer of knowledge as well as the sharing of competitive advantages. It also includes the sharing of information about the corporation, its strategy and positioning. The last part defines the right of use of property and the period of holdings. It analyses the duplicity character of the business model. (Leloup, 2004, pp. 37-38)

⁸ http://www.eff-franchise.com/IMG/article_PDF/article_a23.pdf

⁹ http://www.eff-franchise.com/IMG/article_PDF/article_a13.pdf

The company develops its activities based upon a written contract between two independent parties (moral or physic) called the franchisor and the franchisee. This contract gives the right to the franchisee to use the knowledge and the concept of its franchisor in aim to reach common goals and make profit. However, such agreements are not consider as commercial contracts, franchise networks are more a way of managing business rather than a form of doing business. In case of legal vacuum, the private law is often used to solve problems between franchisees and franchisors.

Every franchisee is free to choose the form of its business, under physical or moral person. During their respective activities, the commercial law is the only one applicable, like any other companies. The guiding principles of a franchise network can be sum up as the following:

The franchisor is the initiator of a franchise network, composed of itself and its individual Franchisees, of which the Franchisor is the long-term guardian.

The obligations of the franchisor: The Franchisor shall

- *Have operated a business concept with success, for a reasonable time and in at least one pilot unit before starting its franchise network,*
- *Be the owner, or have legal rights to the use, of its network's trade name; trade mark or other distinguishing identification,*
- *Provide the Individual Franchisee with initial training and continuing commercial and/or technical assistance during the entire life of the agreement.*

The obligations of the individual Franchisee: The Individual Franchisee shall

- *Devote its best to the growth of the franchise business and to the maintenance of the common identity and reputation of the franchise network,*
- *Supply the Franchisor with verifiable operating data to facilitate the determination of performance and the financial statements necessary for effective management guidance, and allow the Franchisor, and/or its agents, to have access to the individual Franchisee's premises and records at the Franchisor's request and at reasonable times,*
- *Not disclose to third party the know-how provided by the Franchisor, neither during nor after termination of the agreement.*

The ongoing obligations of both parties:

- *Parties shall exercise fairness in their dealings with each other. The Franchisor shall give written notice to its Individual Franchisees of any contractual breach and, where appropriate, grant reasonable time to remedy default,*
- *Parties should resolve complaints, grievances and disputes with good faith and goodwill through fair and reasonable direct communication and negotiation.*

(EFF, 2011)

Indeed, the contract must have sense and offer potential return for the franchisee. In the franchise agreement, it relates to the “business package” through which the franchisor provides to his franchisees the tools that ensure him the same chance of success that the franchisor has met before. In the case this business package is not enough important, the franchising agreement can be judged invalid by a court or tribunal. The standards of the contracts must meet the European Regulation EC 330-2010 (previously 2790-1999).

4 INTERNAL FACTORS

Given the realities of the target market, the company must design its strategy in accordance to its resources. Through a strong marketing and strategic plan, the company must address the different customers characteristics and find a way to balance them for better profitability. (Czinkota & Ronkainen, 2001, pp. 471-472)

As result, the company must have a clear image of the concept it wants to offer to its customers. The goal of the right positioning is to maximize the potential benefit by acquiring a distinctive place in the customer preferences. (Kotler & Keller, 2006, pp. 280-310)

4.1 Build competitive advantages:

Competitive advantages are a fundamental issue for any company from any industry in aim to gain market shares. The ability to transfer such advantages from a mother company to a sister company is also essential for the success. Every company should afterward adapt its core competencies to the local environment. (Czinkota & Ronkainen, 2001, pp.257-62)

Such abilities should be effective in practise and be measurable. A modern method to insure the way to success is to make use of Balanced Scored Cards and connect every activity to its value for the customer and to its return for the company.

Following Michael Porter's theory on competitive advantages, we can lead by the costs or by differentiation. The supply chain management represents for the company Okin the best opportunities to lead by the costs. The right choice of suppliers will be determinant for the company success.

Regarding the differentiation, it represents most of the company strategy since it tends to introduce a new concept including unknown products.

Still following Porter's theory, there are different kinds of assets that can be developed;

Technical: Receipts, know-how, trailers and its layout and capacity, storage of goods, etc.

Organizational: Training, efficient, responsive, use of business and managerial tools, procedural systems

Cultural: Franchisor's trade names, and/or trademarks. Developing a new product identity with typical Belgium snacks and still doing it by respecting local tastes and habits.

Relational: Availability, welcoming, openness... We would like the consumer to feel exactly like if he would have been in Belgium. The seller are usually very open and speak with clients eating on the bar, as it is a cooking front of the client, there is a strong relationship with the seller. The image of the company is very important here.

(Czinkota, 2005, pp.338-389)

4.2 Segmentation

The company must develop programs that fit this marketplace. The segmentation must identify the target group and determine where to address the segmentation effort. (Kerin & Peterson, 2007, p65) The company Okin has selected the city of Zlín as first experimental market.

For an effective segmentation, international marketers analyse five criteria's:

- (1) Size, purchasing power and other measurable segment characteristics
- (2) Develop large homogeneous cluster for which a specific tailored marketing program must correspond
- (3) Make sure every cluster is accessible and really represent an opportunity
- (4) Clusters must be differentiable to allow significant adaptation of the marketing mix strategy
- (5) Organized the marketing mix around the different identified segments

4.3 The international strategy

Opportunities are given by external conditions that shall be exploited by the company to achieve its marketing goals. It is more likely by challenging the opportunities of the market that the company will achieve profit. (Czinkota & Ronkainen, 2001, p. 465)

The franchisee always tries to ensure the survival of his entity and influence the general strategy of the company. It is also his duty to warn and advise the franchisor about the threats and opportunities rising on the market.

The franchisor remains mostly responsible for the corporate strategy. In most cases, the franchisor keeps exclusive contacts with third parties and insures the cohesion of the strategy for its entire network. (Leloup, 2004, p. 22)

4.4 Knowledge base

For better performances, an information system might be developed to indentify the threats and opportunities coming from the market and also to monitor the internal processes of the company. This system must be in constant development with regular accurate reports and appropriate actions. An efficient information system is a vital tool for the strategic planning of a company. The information might be varied, up to date, accurate and accessible to managers.

In order to address its efforts efficiently, companies carry out marketing researches to identify the market patterns. This information is provided directly by the market and help managers in their decision-making.

The company must also be prepared to face problems and have a contingency plan to address promptly the rising issues. (Czinkota, 2005, pp. 330-334)

There are also reports and market researches available on the Internet from different relevant institutions but it is too expensive at this stage of the project.

4.5 Supply chain

Europe is considered as a developed region; nevertheless, its logistic network is often struggling at many points. The quality of an efficient logistic is a key factor for success to keep profitable margins and be able to fight market shares. (Czinkota & Ronkainen, 2001, p. 583)

4.6 Promotion and Communication

The promotion of the company is articulated around different marketing communication tasks. The communication strategy should focuses on opportunities, objectives and the effort required for each task. The strategy is articulated around different concepts, (1) the target audience, (2) the objectives of the campaign, (3) the media strategy, (4) the promotional message, (5) the approach of the concept, (6) the effectiveness and returns. (Czinkota & Ronkainen, 2001, pp. 365-366)

The customers of the company Okin could be anyone walking in the street and deciding to have a snack lunch. It is very difficult to establish the **audience target** together with its preferences or to compare it following experience from abroad. The company has first to analyse the local population and the facilities around. In a second time, the reputation will bring different audience to the sales points and the communication strategy should be adapted.

The **media strategy** can also presents some local characteristics. Zlín is a small place and some advertising channels are very typical from the area. Concerning the regulations, most countries have their Code of advertising practise from the chamber of commerce. (Czinkota & Ronkainen, 2001, p. 620)

The **promotional message** requires some creative abilities. Professional marketers adapt their message regarding the audience they want to target. The message must correspond to your audience in term of culture (language), lifestyles, and behaviours. (Czinkota & Ronkainen, 2001, pp. 621-631)

The **campaign approach** is related to the type of services that the company wish to externalise and how to lead the promotion in term of decision-making and responsibilities. (Czinkota & Ronkainen, 2001, pp. 632-636)

The **effectiveness** and the financial part of any project always revert an import aspect for the stakeholders. Regarding advertising campaigns, such activity can drive to a lot of costs, sampling, couponing, demonstrations, direct mail and others. Every activity must have measurable variables in term of effectiveness, awareness, sales and profitability. (Czinkota & Ronkainen, 2001, pp. 636-639)

The vision of the company is to offer to the public the opportunity to discover new brands but also a new concept with new kind of food. There are many literatures that underline the importance of the image and brands. It is a key factor for the success of a company. It is capital in the frame of a franchise network. To sum up, here below are the main concepts around the image of brand:

Concepts	Definition	Response type	Authors
Brand loyalty	A consistent and repetitive purchasing behaviour of a brand driven by consumers' commitment to this brand.	A psychological and behavioural outcome.	Jacoby (1971) Dick and Basu (1994)
Brand Commitment	A consumer's desire to maintain a long-term relationship with a given brand (loyalty intention).	A psychological state that come from cognitive and effective sources.	Robertson (1976) Morgan and Hunt (1994)
Perceived risk (in brand context)	A perceived uncertainty and unpleasant consequences associated with a brand buying.	A cognitive process: an assessment of brand choice and purchasing consequences.	Bauer (1960) Cunningham (1967) Derbaix (1983)
Brand sensitivity	The importance of brand name in consumer choice process	A cognitive process: an evaluation of brand name information.	Kapferer and Laurent (1992) Kapferer (2004)
Perceived differences between brands	Consumers' perception of functional or/and symbolical differences between brands in a given product category.	An evaluative process: a comparison of brand attributes	Anderson (1974) Muncy (1996) (Van Trijp et al, 1996)
Brand trust	Consumer's assumption that the brand acts in a way that meets their expectations.	Cognitive (brand performance) and affective (brand honesty) expectations.	Gurviez (1998) Gurviez and Korchia (2002)
Brand attachment	A sustainable affective link between the	A long-lasting affective reaction.	Lacoeuilhe (2000) Cristau (2001, 2006)

	consumer and his brand.		
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Table 2: Concepts around the image of brand (Leloup, 2004)

The use of brands and trademarks usually represent a critical issue for the franchisee agreement. The company Okin has thought about many different trademark to promote its sales point. The name of BARAKAFRIT is most likely to be chosen if the Institute of Intellectual Property¹⁰ gives its authorization (see annexes 1).

4.7 Price Policy

Price is the only element of the marketing mix that generates profit. But if prices can be easily adapted, they must be considered with a special attention as a very powerful tool. The prices displayed in sales points directly give an image of the company to customers but also to the competition that might react accordingly. (Czinkota & Ronkainen, 2001, p. 332)

In our analysis, we found crucial to analyse the pricing policy of our closer competitors. This price is also very representative of the market demand. Nevertheless, different component of the price should be taken into consideration such as the costs, the marketing activities, the impact of our pricing policy, etc. the company also plan to make use of several brands to attract customers, this also involve a certain premium price. On the other hand, if the company set a price too low, it might send a strong signal to the competition that might later respond more aggressively. (Kotler & Keller, 2006, pp. 431-445)

Cost-plus pricing – export pricing

Most of the product of the range will be imported from Belgium and represent extra costs of transport, insurance, communications, etc. The costs due to the foreign exchange should also be reflected in the price. (Czinkota, 2005, p. 485)

¹⁰ <http://www.upv.cz/en.html>

Foreign market pricing

The pricing policy in the Czech republic must correspond to the expectation of the supervising board in term of (1) the objectives set up by the investors, (2) the expenses, (3) the market condition and customer behaviour, (4) the structure of the market and (5) the environmental compulsion. (Czinkota, 2005, pp. 486-487)

II. ANALYSIS

5 ANALYSE OF THE CZECH REPUBLIC

The Czech Republic took the shape of a representative democracy after its peaceful separation with the Slovakia in 1993.

The country today shares its borders with Austria, Germany, Poland and Slovakia and has a total country area of 78,866 sq. kilometres split into two main regions, the Bohemian region in the West and the Moravian region in the East. The population in 2011 was estimated to 10.5 millions inhabitants, 73% of them living in urban areas. The national official language is Czech. The capital city of Prague has a population of 1.21 million people.

Thanks to its central location in Europe and a low-cost structure, the Czech Republic has always been among the most stable economies in Eastern Europe. The Czech Republic is ranked 64th (+6) out 183 economies. (The International Finance Corporation, Economy Rankings. 2012)

Topic Ranking	DB 2012 Rank	DB 2011 Rank
Starting a Business	138	130
Dealing with construction Permits	68	65
Getting Electricity	148	149
Registering Property	34	48
Getting Credit	48	45
Protecting Investors	97	93
Paying Taxes	119	129
Trading Across Borders	70	69
Enforcing Contracts	78	79
Resolving Insolvency	33	32

Table 3: Ease of doing business in the Czech Republic

(International Finance Corporation, Ease of Doing Business Ranking in CZ, 2011-12)

The Czech republic has well-developed infrastructure, attractive legal frame, skilled workforce, and a low-cost structure. All together, the country attracts high flow of FDI.

The Czech GDP is strongly connected to FDI and to its exports. The FDI by sector is a pertinent indicator of country attractiveness:

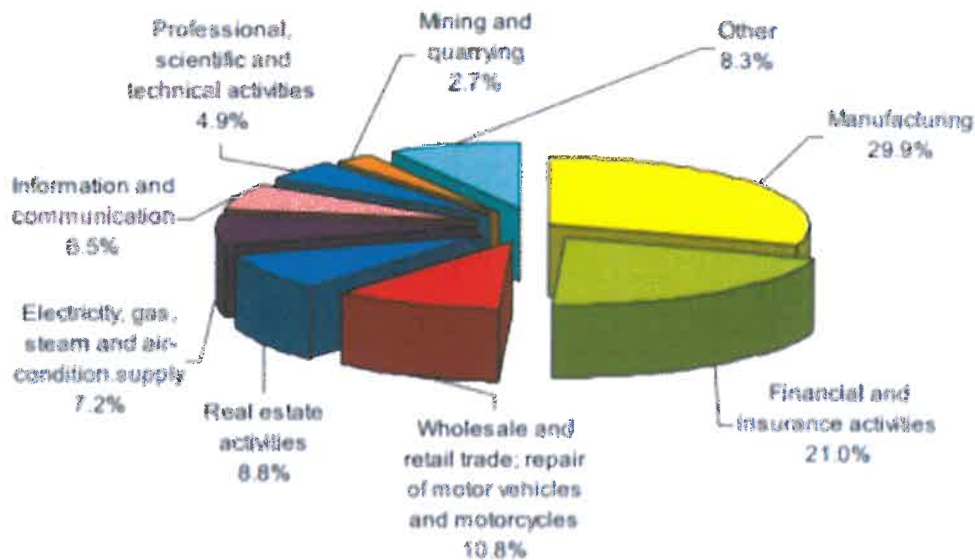


Figure 1: Foreign Direct Investment in the Czech Republic as of December 2010 – by sector

The PEST analysis will bring a better understanding of the country and the region of Zlín.

5.1 PEST analysis

Political

The Czech republic is bicameral parliamentary democracy. The actual president is Vaclav Klaus and his prime minister is Peter Necas. The supreme body of executive power is the Chamber of Deputies (Poslanecka Snemovna). Municipalities and Regions also have self-governance power.

The Czech Republic has a strong resistance to European Policies. For example, it is the case for the EU Common Agricultural Policy (CAP) and its subsidies. The Czech republic focuses on national and regional policies that make the country generally more stable and autonom. This actual behaviour can actually be attributed to the history of the country that recovered from a long period of communist organisation, collectivism and more than 40 years of socialism policies. The consequences today is a little domestic capital and a high proportion of foreign capital as well as much lower value of assets per hectare than the EU-15 average. (Czech Deputy Agriculture Minister Juraj Chmiel, 2011)

Economical

The economical aspect of the country economic is the most important concern regarding our sector of activity.

The Czech economy remained relatively strong during the crisis in 2008. The reason is mainly due to a similar crisis that happened in the late 90s and already forced the Czech government to reinforce its banking sector. Today the country has a household debt of 48.9% of the national GDP. As a consequence, the country economy is not much influenced by the money supply from the US national bank, the Czech Koruna remain stable.

The country has a GDP 273.1 billion growing at a real rate of 2% in 2011 and an inflation rate of 3.8% in March 2012.

Before the crisis, during the years 2002-2007, the Czech Republic had a GDP growth rate average of 5%, 6.8% in 2006. During the crisis we can underline that the country has never been in recession with a GDP rate of 2.5% in 2008 and 4.1% in 2009.

Regarding the future, forecasts are not bright for the European Union. In the Czech republic, analysts predict a growth of average of 3% for the period 2012-2016. However, the country does better than the EU projecting for 2012 is around a growth rate of 0.2% for the EU27 for next years. In term of comparison, Belgium's prediction for this year is a growth rate between 0 and 0.3%. The main economical indicators have been gathered here below with a projection for the next 2-3 years.

	2011	2012 estimate	2013 estimate	2014 estimate	2015 estimate
GDP growth (%)	1.7	0.2	1.3	2.2	2.8
Inflation (%)	1.9	2.7	1.6	2.1	
Wage Bill	2.3	2.7	2.9	4.7	
Unemployment rate (LFS)	6.7	6.88	6.48	6.48	
Household expenditure (growth %)	1.8	3.3	2.3	1.8	2
Household expenditure	- 0.2	- 0.2	0.1	1	1.4

(growth % to GDP)					
Exports of good and services (growth %)	0.3	2.3	1.1	0.4	0.2
Import of good and services (growth %)	2.7	2.9	1.5	0.7	0.4
Trade Surplus (growth %)	-2.3	-0.6	-0.4	-0.2	-0.2
Loan interest rate (to non financial corporation) (%)	3.93	4	4.2	/	
Exchange rate CZK/EUR	24.59	25	24.9	24.7	24.6

Table 4: Key economical indicators for the Czech Republic (Czech National Bank,2012)

The GDP (PPP) for the past period put in evidence the healthy situation of the Czech Republic before crisis for the period 1986-2010. The situation shall come back to this tendency as soon as the international environment will be stabilized. The other figure shows the evolution of the consumer prices during the period 2004-2012 and its projection for 2013.

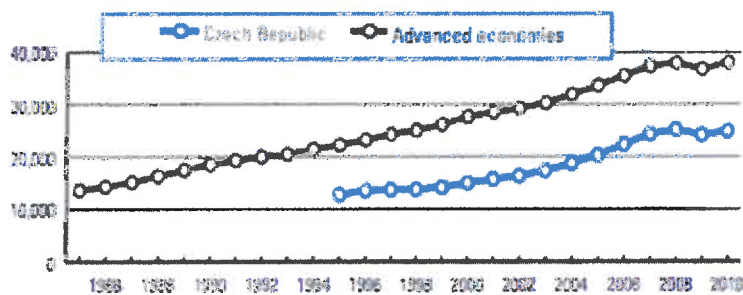


Table5: GDP (PPP) per capita 1985-2010

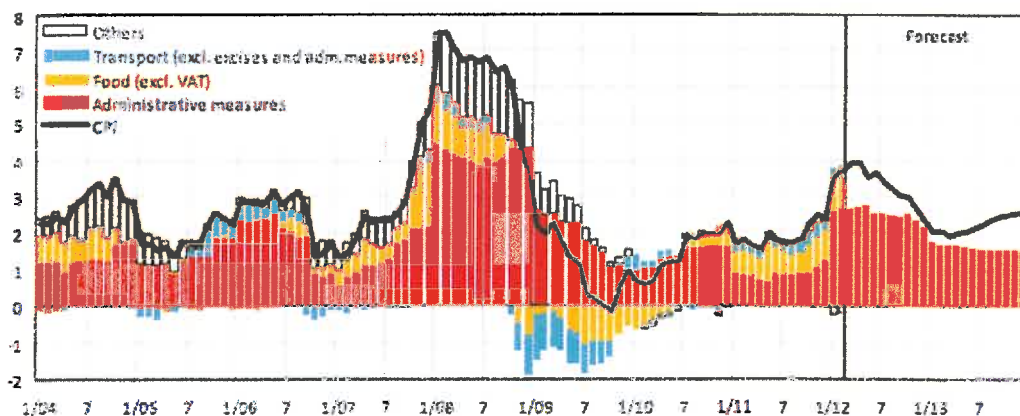
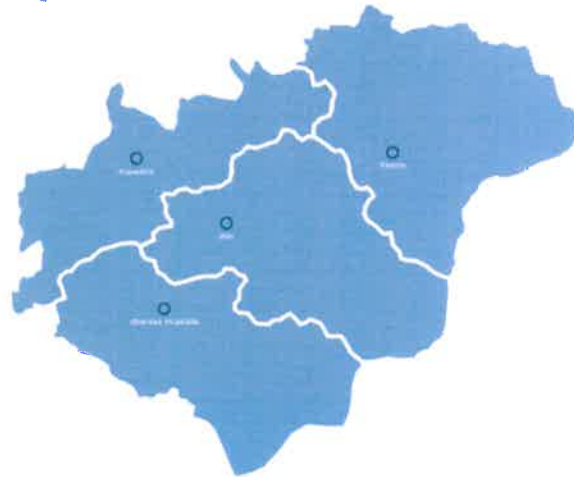


Table6: Evolution of consumer prices in the Czech Republic (Czech Ministry of Finance, 2012)

In April 2012, the notation of rating agencies was stable at a good level, AA- from Standard and Poor's and –A1 from Moody's and Fitch.

The region of Zlín is divided into four districts; Kromeriz, Vsetin, Uherske Hradiste and Zlín. The city of Zlín has around 80,000 inhabitants and has many specific patterns compared to the rest of the region. (Zlín region, 2011)



Figures 2 & 3: The region of Zlín

The economical situation in the region of Zlín is presented as follow:

GDP BY REGIONS				
Region	TOTAL		Per capita	
	min. CZK	min. EUR	Total CZK	Total EUR
Zlín	187 186	6 703	283 366	10 306
Average GDP for Czech regions	252 161	10 110	341 989	13 711
Share in GDP of the Czech Republic	5%			

FOREIGN DIRECT INVESTMENT		
Region	FDI (CZK)	FDI (EUR)
min.	17 940 192	673 937
Zlín	36 842 575	1 384 019
max.	1 049 062 899	39 408 824
Average	145 150 799	5 452 697

AVERAGE GROSS MONTHLY WAGES - 5 YEAR TREND										
Year	2004		2005		2006		2007		2008	
	CZK	EUR	CZK	EUR	CZK	EUR	CZK	EUR	CZK	EUR
Zlín	15 638	400	16 436	561	17 394	613	18 780	6 16	20 404	918
Average for Czech Republic	12 030	305	12 639	430	13 311	512	14 592	481	16 512	644

Tables 5, 6 & 7: Basic economic data of the Region of Zlín (Czech Statistical Office, 2011)

Social/Demographical

The Czech republic has a total population of 10.5 millions inhabitants that increases at a rate of around 8% every year. The demographical landscape of the country is fully described here below:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
							Forecast	Forecast	Outlook	Outlook
Population (January 1)	10 251	10 287	10 382	10 463	10 507	10 533	10 504	10 537	10 569	10 600
growth in %	0.3	0.4	0.9	0.8	0.4	0.2	-0.3	0.3	0.3	0.3
Age structure (January 1):										
(0-14)	1 361	1 430	1 477	1 480	1 494	1 518	1 533	1 557	1 521	1 604
growth in %	-1.7	-1.5	-0.2	0.2	1.0	1.6	0.9	1.6	1.5	1.5
(15-64)	7 293	7 325	7 391	7 431	7 414	7 379	7 281	7 222	7 168	7 120
growth in %	0.5	0.4	0.9	0.5	-0.2	-0.5	-1.3	-0.8	-0.7	-0.7
(65 and more)	1 456	1 482	1 513	1 556	1 599	1 636	1 690	1 758	1 820	1 876
growth in %	1.5	1.8	2.1	2.9	2.7	2.3	3.3	4.0	3.3	3.1
Old-age pensioners (January 1)¹⁾	1 985	2 024	2 062	2 102	2 147	2 260	2 340	2 394	2 426	2 457
growth in %	1.0	2.0	1.9	2.0	2.1	.	3.5	2.3	1.3	1.3
Old-age dependency ratios (January 1, in %):										
Demographic: ²⁾	20.0	20.2	20.5	20.9	21.6	22.2	23.2	24.3	25.4	26.3
Under current legislation: ³⁾	35.9	35.8	35.9	36.1	36.6	37.1	37.4	37.8	38.2	38.7
Effective: ⁴⁾	41.3	41.6	41.5	41.3	43.0	45.9	47.6	48.9	49.4	49.2
Fertility rate	1.328	1.438	1.497	1.492	1.493	1.42	1.52	1.53	1.54	1.55
Population increase	36	34	86	39	26	-29	33	32	31	29
Natural increase	1	10	15	11	10	2	8	7	6	4
Live births	106	115	120	128	117	109	116	113	122	120
Deaths	104	105	105	107	107	107	106	106	106	106
Net migration	35	24	72	28	16	17	25	25	25	25
Immigration	68	104	78	40	31	23
Emigration	33	21	6	12	15	6
Census difference	x	x	x	x	x	-47	x	x	x	x

¹⁾ In 2010 disability pensions of pensioners over 64 were transferred into old-age pensions.

²⁾ Demographic dependency: ratio of people in senior ages (65 and more) to people in productive age (15-64).

³⁾ Dependency under current legislation: ratio of people above the official retirement age to the people over 19 below the official retirement age.

⁴⁾ Effective dependency: ratio of old-age pensioners to working people.

Table 8: Forecast assumption of the demography in the Czech Republic (Czech Ministry of finance, 2011)

The baby boom also plays an important role as our customers are usually young, the company can plan a positive evolution of the demand for the next decades.

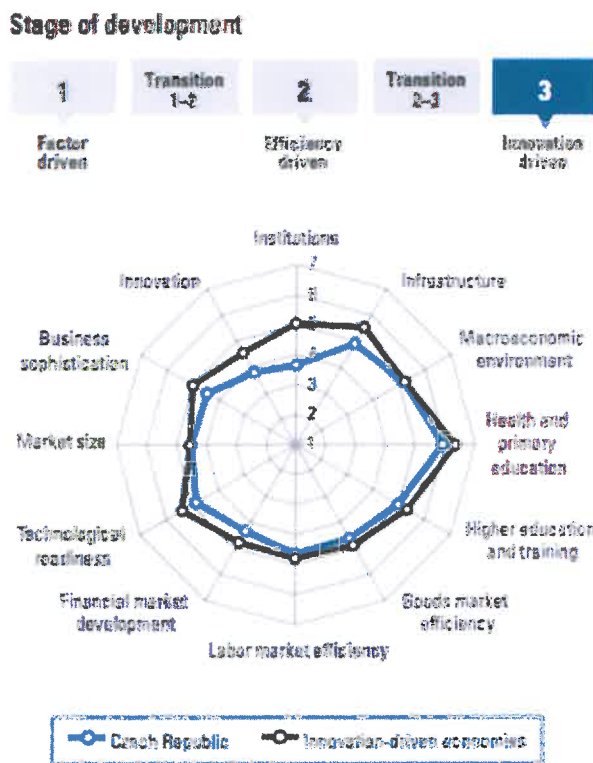
The population in the region of Zlín represents around 5.7% of the national population, 2% for the district of Zlín. The region of Zlín counts around 8% of unemployment. The projection done by the municipality of Zlín is presented as follow:

Year	2010	2020	2030	2040	2050
Total	591,357	569,653	542,660	508,890,	472,717
0-14 years	81,722	78,485	68,195	61,043	58,181
15-64 years	416,508	373,799	344,556	303,980	256,949
65 and more	93,127	117,369	129,909	143,867	157,587

Table 9: Projection of the population in the region of Zlín (The city of Zlín, 2004)

Technological

Following the World Economy Forum, the Czech republic is a very developed country. The Czech republic is currently ranking at the 38th place of the most developed economy, in the category “stage 3: Innovation-driven”.



The country is traditionally the strongest of the Eastern block and counts several characteristics such as excellent education, high efficiency, good quality of products, strong labour and financial market, and strong commitment in advanced technology.

Figure 4: Stage of development of the Czech Republic (IFC, The global competitiveness report, 2012)

The country is highly industrialized. As the chart below shows, machinery and transportation equipment account for more than 50% of the total export of the country. The economy of the Czech Republic is composed from 2.9% of agriculture, 38.7% industry and 58.7% of services.

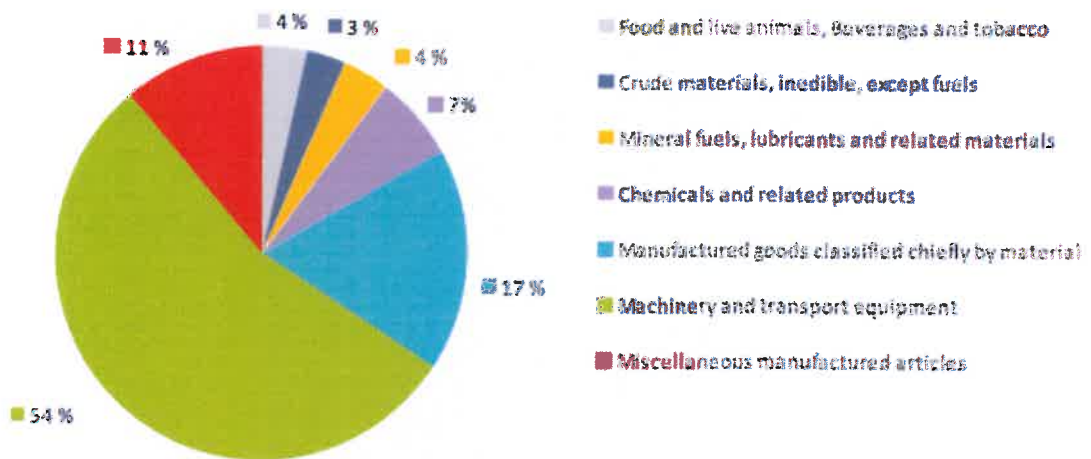


Figure 5: Commodity structure of Czech export (IFC, The global competitiveness report 2012)

6 THE FOOD SERVICE IN THE CZECH REPUBLIC

The Euromonitor has the best reports when it comes to market analysis. The price for the report on *Snack Bars in the Czech Republic* costs 900\$ but it is possible to track some pieces of information over the Internet.

The savoury snack bar industry generated €346,36 millions total revenue in the Czech republic in 2010. The compound annual growth rate (CAGR) for the period 2006-2010 is 6,9%.

The snack bar industry sector registered a decrease in both volume and value sales during the years 2009 and 2010 due to the economic downturn. The sector has renewed with growth in 2011 with 1% growth in sales of snack bars and a CAGR of 1% as well. Following the analyst at Euromonitor, the consumption of frozen bakery and snacks is “underdeveloped”. The sector is expected a growth around 28% by 2016.

For this reason we can expect the volume growth of snack bars to be slightly higher than the volume growth met to nowadays.

Regarding the French fries, they represented 50,3% of the total market value in 2010, generating total revenue of €174.36 millions. But the professionals still forecast the market to accelerate its development with CAGR of 8,4% for the period 2010-2015 (Euromonitor, 2012). Potatoes chips snack bars represents about two third of new entries on the Czech market. The sector is still considered as niche in the food industry.

In Europe, Slovakia, Bulgaria, Romania, Poland, and Czech Republic are said to contain the highest potential of growth concerning frozen products consumption. These potential markets all share common characteristics, raising living standards, developed retail channel, high rate of working female and therefore less time for cooking at home.

Countries	Frozen Pastry Products	Frozen potatoes	Ice Cream	Frozen convenience Meet	Frozen Ready Meet	Frozen Pizza	Total
Germany	1,948.2	636.8	3,548.2	2,028	3,365.1	1,169.1	12,695.4
United Kingdom	895.5	990	1,717	2,199.9	916.2	535.7	7,254.3
France	683.8	957.1	1,506	1,166.3	978,6	278.2	5,570
Italy	123.9	344.6	3,117.2	419,6	881,9	199.9	5,087.1

Spain	287.9	163.4	1,045.6	475.2	1537.2	123.1	3,632.8
Netherlands	77	252.1	622.4	961.6	557.5	197.4	2,668
Belgium/Luxembourg	342.4	300.9	399.2	350.7	292.3	81.8	1,767.3
Czech Republic	31.5	41.1	406.8	29.8	22	43.5	574.7

Table 17: The frozen food market in Europe in 2010.

In the Czech republic, potatoes are very popular and consumed in many different ways. Still many Czech people do not know the real taste of quality French fries. It comes with an association of the quality of the ingredients together with the right processes including the know-how in the way of cooking them.

Traditionally, French fries are consumed as a side dish meaning they are always part of a menu. The offer of the company Okin is declined into different menus where French fries are the central ingredients.

6.1 The habits

Concerning our sector of activity, the habits have dramatically shifted into more prepared or half-prepared lunches. People eat more often on the go and the demand is growing very fast for food economically priced, largely available and convenient to eat. The society also tends to eat more lunches and take little time to cook meals home. In this optic, prepared lunches and take-out food should also be considered as competitors.

Fast food restaurants are blooming everywhere in Europe, innovating new concepts and adapting to new tastes and preferences at the same time. The last trends in the sector are to offer more healthy food, pasta bars becomes very popular. In the Czech Republic, pizza is the typecast of express meals.

7 COMPANY ANALYSIS

This master's thesis deal with a small project, the company Okin requires a minimum financial commitment of 316,280 Czech koruna to be able to launch its activities and first snack-trailer. The Belgium investors will contribute until the third or fourth trailers, mostly through equipment and technical investments. The deal here is to utilize the unused capacity of the Belgian mother company. On the other hand, the Belgian supervising board does not wish to have an artificial effect of profitability and want to make sure the Czech company can stand on its own feet. All these investments are part of the short-term debt of the company developed later in the financial section.

7.1 Description of the business

The company Okin is a fast food service on trailer specialized in potatoes chips and fries snack food. The company reaches profitability by meeting the needs of people on the go and offering good quality tasty food at economical prices.

The menu is divided into several parts, the meats, the sauces, the drinks and the breads and sandwiches. Our meal are almost exclusively served with French fries, 3 different kinds of portions exists. The whole menu is to carry out.

The quality of the service and the availability of the employees are very important for the image of the company. The goal of the company is to satisfy every customer with the vision that the client is always right.

Traditionally, the company does not target area with less than 30,000 inhabitants. On the other hand, the company is looking for a lot of traffic with locations near schools, universities, train/bus station, sport centers, discotheques, etc.

The average customer is a boy between 17 and 30 years old. However, the company relies on customer volume without any particular customer target.

The business is structured to operate in very small place so it can stand in a snack-trailer. The day is divided into three parts, (1) the preparation, (2) the selling period, (3) and the cleaning.

8 COMPETITION ANALYSIS

Concerning the “retail hand-held snacks”, the market is usually separated into different categories namely; (1) filled bread, (2) pastry-wrapped, (3) unwrapped, (4) pizza snacks, (5) snack kits and (6) others.

The city of Zlín is a priori an attractive market, however, the company Okin will have to face a very strong competition. The official website of the city of Zlín¹¹ records a huge number of restaurants and snack bars. Among the most popular named in our market research;

Filled bread	McDonalds, KFC, Gyros Grill
Pastry-wrapped	/
Unwrapped	Asijska bistra
Pizza snacks	Pizza Burger, Bowling pizza
Snack kits	Panda
Restaurants	Devitka, Chelsea Pub
Others	Coffe&Co

Table 10: List of the main competitors mentioned in the market research

The main competition is from restaurants with late open hours and fast food chains such as McDonalds and KFC.

Many of these names have a strong leadership. Lots of study cases and best practises can be found and should be learned from these firms.

The competition analysis will focuses on opening hours, price policies, location, networks, popularity and some key figures when available.

¹¹ <http://www.Zlin.eu/en/page/20388.restaurants/>

Filled bread restaurants include a very large part of the competition.

– *McDonalds* has a very strong popularity. The company operates in 119 with more than 64 millions visitors every day. The company meets a huge success thanks to the standardization of its concept.

In Zlín, McDonalds enjoy from a premium location on the main square (namesti miru) and just front of the most frequented road crossing of the centre. The restaurant has a very high visibility from the road and enjoy from a very good image and reputation. It is the main competitor of the company Okin, the shop sign was mentioned by 52% of our respondents.

McDonald attracts a large number of customer tanks to a very aggressive marketing campaign. Among the most popular marketing activity of McDonald's, promotion coupons that widely distributed on a quarter basis.

Concerning the price for a portion of French fries in Mc Donald's it is 35czk for 130g (1,6€), 24czk for 65g and 5czk for sauces.

The case of McDonald in the Czech Republic shows us the importance of the adaptation to the culture. The McBůček was inspired by a favourite Czech meal and produced solely for the Czech market. It demonstrates that the success is not only a question of standardization and originality.

On the other hand, the Pizza Hut study case was not so successful as it became fast too expensive to import too many ingredients for just couple of restaurants. The choice of local partners is therefore a key success. (Euromonitor International, 2012, country report - snack bars in the Czech Republic)

– *KFC* is the second prominent chain of fast food restaurant in Zlín, located just on the other side of the square where McDonalds is. In addition, KFC is located inside the most popular shopping centre of Zlín, specifically the "Golden Apple shopping centre". The restaurant's name was mentioned by 38% of our respondents.

– *Gyros Grill* is opened since 1993 just next the new discotheque Flip and on the way to go to the train and bus station. The snack has built a strong reputation thanks to very late opening hours. Currently it is the only open place in Zlín where you can find

food easily after midnight. The offer of Gyros Grill is comprise between 35czk and 60czk (1,5 and 2,40€). Furthermore, the snack bar offer small hot-dog (hrolik) for a short 15czk (0.60). Compared to the company Okin, it would be the equivalent of a small portion of French fries without sauce.

Late opening hours represent a real opportunity of growth in Zlín. It is also a very good strategy to develop relationship with customers and reinforce the image of the company.

Unwrapped snacks:

Asijska bistra is a Vietnamese fast food restaurant, one among many of its kind. Vietnamese restaurants represent a considerable competition. However, this kind of food is often considered as poor quality but people still enjoy it because it varies from the rest of the competition and furthermore it is really cheap. Concerning *Asijska bistra*, the restaurant closed because of a burnout in the kitchen on February 14th. (Zlín.cz, 2012)

Pizza Snacks:

Pizza is the favourite snack food of Czech people, there are just available “everywhere”, in bowling bars, pubs, snack bars, discotheques, and of course also in pizzerias and restaurants. Prices vary from 75czk (3€) for a basic one up to 180czk (7€) for more elaborated ones.

Snack Kit:

– *Panda* is a restaurant located on the fourth floor of the Golden Apple. The restaurant does not enjoy from a great reputation. The restaurant’s customers are mostly visitors of the shopping centre and the client of the cinema located on the same floor. Following me, people might try it once by curiosity and never come back again.

Restaurants are not especially competing in the snack food industry, but they still offer lunch formulas. In the Czech Republic what is usually called “objet” represents a special offer made during the working days. You can find a lot of good deals around 80czk (3.20€) for a potage and a main course. Among them, the name *Devitka* and *Chelsea* was mostly mentioned in our market research.

Other:

– *Coffee&Co* is on a totally different concept. The place intends to give a relaxing place in the shopping center Golden Apple. The offer includes a wide range of coffee, tea

and cookies but also sandwiches. However, Coffe&Co does not have kitchen facilities and offers only cold snacks.

I believe that the customers in the Czech republic need to experience something new concepts. There are not a big variety of fast foods on the Czech market. Compared to western countries, more multi-cultural, customers can find a lot of different kinds of food, specialities from Italy, France, Greece, Morocco, Spain, Tuque, England, Etc. For instance, while pasta bars are flourishing in many other countries, it is still very unpopular in the Czech Republic. In Zlín, only restaurants and bowling pizza offer pastry lunches.

9 CUSTOMERS

The best way to make a customer analysis especially for a new product is to conduct market researches. The questionnaire is presented in the second annexes of this document and was answered 156 times. The survey covered 7 questions only but address the different matters of the investors.

	Male	Female	Under 14	14-25	25-65	Over 65	TOTAL
Nbr. of respondents	60	96	2	96	58	0	156

Table 11: Sample for the market research

The goal here was not to conduct a deep research but to identify the main elements influencing the Czech customers in their choices. Different areas were covered:

9.1 Product/Pricing

Czech people are generally careful with their expenditures. Lunch formulas at czk85 meet a huge success. In our research, 25% of respondents spend a maximum of 50czk for a French fries snack, 48% until CZK100 and 19% left are willing to pay czk150 for a menu. The company Okin has a wide range of products that can be combined in many different ways to build menu offers. To help the company Okin in its choices, the products usually consumed with French fries have been identified. The following graph shows the products with their respective level of popularity.

Product association	Number of answers
Sauces	150
Meats	144
Hamburger	84
Beer	57
Juice	48

Water	27
Salad	15
Soda	9
Ice cream	3

Table 12: Product popularity

This result first surprised by the popularity of the beer that is more than 6 times more popular than sodas. Another adaptation the company had not planned yet is the popularity of juices that is almost not present in Belgium French fries snack restaurants.

9.2 Consumer behaviour

Respondents were also asked which factors influence them the most in their purchase decision when it comes to potatoes chips. The presence of menus in the offer to help the customer in its choices is major. Surprisingly the reputation only comes next with 20% less than the menus (46% against 26%). The last key criteria's for success appear to be a good promotion, the popularity and an attractive range of products.

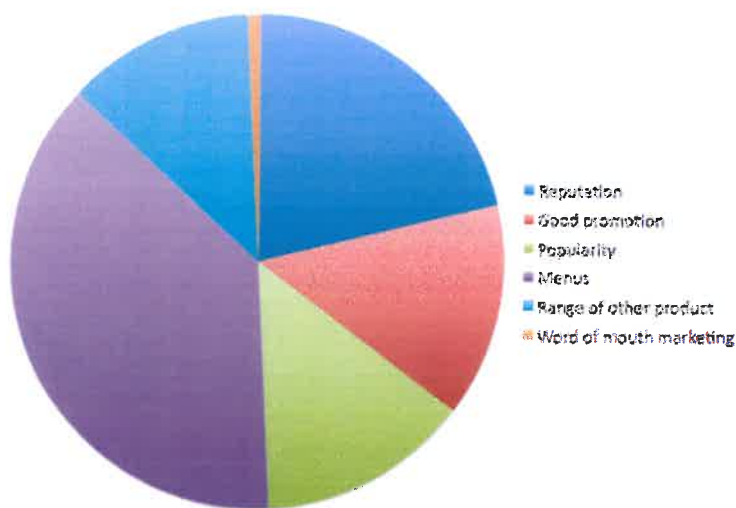


Figure 6: Factors influencing purchasing decision

As the goal of the survey was really to identify the customer behaviour, the questions were mainly about preferences. Another questions focused especially on different concepts of the marketing mix. In accordance to the other questions, the following answers might help the future executive to design a strategy.

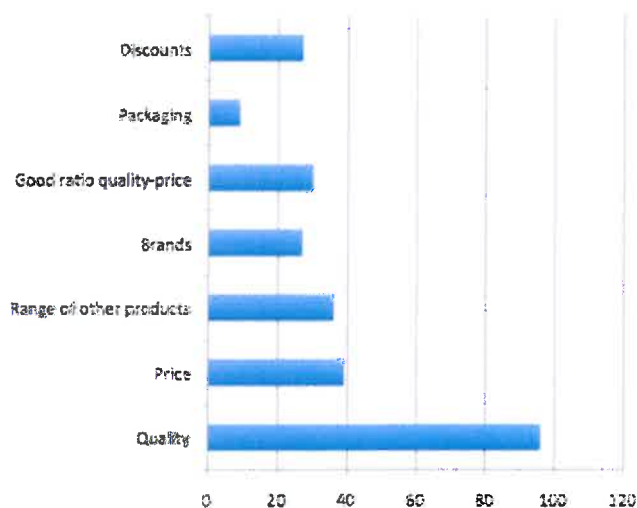


Figure 7: Concepts associated to potatoes chips

It is good to confirm that customers are still looking for quality when it comes to food-stuff. The price is far behind but still the second most important concern of the customers. On the other hand, the brands come almost last and do not really justify a premium price policy for the Czech Republic, some adaptation of the original concept might already be considered. Packaging is really the last matter of the customers and can give good opportunity to the company Okin to increase operational margins.

9.3 Quality

Regarding the quality, the survey asked what from the price or the quality is the most important. Of course, we could have expected the quality as first choice but we wanted to know in which proportion it is more important. Following respondents, the quality is 6.6 times more important than the price policy (86% against 13%).

9.4 Market Structure

At first, respondents were asked if they use to go spontaneously to the same snack restaurant. The question aimed to evaluate the customer behaviour regarding this kind of food. Only 3% answered that they are loyal to some specific shop signs against 44% that answered “no”. The last answers are separated into 40% of occasionally and 11% do not pay attention at all. This result shows the very high potential market share that the company Okin could obtain on the local market.

We can directly notice in our results the big number of repetitive answers concerning most popular places in Zlín. It shows the importance of the leaders in the city but also the lack of new concepts. We tried to evaluate the degree of openness to a new concept. The customers in Zlín have a relatively high willingness to experience a new snack concept.

High willingness	28%
Willing to	44%
Eventually	5%
Not sure	17%
Not willing to at all	3%

Table 13: Degree of openness for a new snack food restaurant in Zlín

This result combined to the previous one gives a strong leverage of potential attractiveness of such a new concept in Zlín. With a good location and an efficient marketing mix, the potential attraction of the project is significant.

10 SWOT ANALYSIS

Strengths

Differentiation: The potatoes chips snack bars are meeting a huge success in the Czech republic, however none of them is located in Zlín.

Know-how: Many entrepreneurs are attracted by the sector due to the high potential margins that potatoes chips offer. Nevertheless, only few of them are able to provide quality products and services.

Rental Costs: the trailers offer different advantages such as the mobility or reduced rental costs.

Prices: The offer of the company Okin is very competitive

Open Hours: The snack-trailers Barakafrit are usually open until 1 or 2 am. With the Gyros Grill, Barakafrit will be the second fast food restaurant open during night in Zlín.

Weaknesses

Name Recognition: The company Okin does not have the name recognition of any other competitors.

Delivery: The company Okin does not provide delivery service

Fat range: Customer look for products with less salt and oil content as well as cook in oven instead of being fried.

Opportunities

New Food Concept: French fries snack trailer is a new concept in the region

Location: The trailer can be easily relocated for a more profitable place

Growth: The sector has a great growth rate in the Czech Republic. The company Okin must fight for market shares.

Threats

New trends: The new trend for more healthy food

Government policies: Prosperity is taking place in most European countries. In the Czech Republic, the government would like to raise the VAT.

New entrant: Zlín is developing very fast both in infrastructures and innovations. The last years, many different commercial places have been created and some more are predicted for the near future. If on one side it attracts more customers and traffic, this also represents the risks to see new kind of competitors with also different attractive concepts.

The company Okin might consider the analysis above seriously when designing the strategic plan.

11 MARKET ENTRY MODE

The company Okin has chosen to enter the Czech Market directly through the incorporation of a local company. Furthermore, to develop its business quickly with minimum risks and investment, the company will spread its concepts under a franchise concept into 3 to 4 years.

This section will expose the main information and procedures both about the incorporation in the Czech Republic. Most of this section covers legal aspects.

The Belgian company has 100% ownership over its Czech sister company and will process to monthly control of performances through its supervising board.

“The company Okin will be capitalized in a rational but sufficient measure. The company Nico do not pretend to develop its activities in a foreign market less attractive than its home market. The company Nico is looking for new opportunities of growth to renew the cycle of its capital. For the executive board of the company Okin, it involves an efficient use of its financial resources in the development of its marketing program.

As mentioned earlier, the company Okin depend on its Belgian investors. Therefore the director of the Belgian company Nico will be the owner of the Czech company. Another director will be designed in the Czech Republic to lead the strategy locally.

In the Czech Republic the type “s.r.o.” is the most common, it corresponds to a Limited liability company. The Limited Liability Company in the Czech Republic has a minimum registered capital of 200 000CZK with at least 30% advanced payment before starting any procedures. (BusinessInfo, 2012, Obchodni spolecnosti – zalozeni a vznik)

The PERT time analysis will keep record of the advancement of the project and its costs.

11.1 Strategy in the Czech Republic

Concerning the corporate governance, a limited liability company is much simpler than a joint stock company. An executive officer will be appointed during the general meeting in Belgium. The supreme body of the company will serve as a supervising board and should be constituted from at least three members; it might be the Belgian investor, a Belgian director and the Czech Director.

The supervising board set the objectives of the company Okin for the next 3 years as follows:

- Build a consistent base for the development of a Franchise network
- Establish a new local image and use the real opportunities of differentiation
- Make every snack-trailer profitable
- Expand into a minimum of two restaurants per year

The company Okin plans to develop a franchising network within 3 years of activity. The first 6 months will be exclusively allocated to operational activities and making sure that all processes are running smoothly and efficiently. The next two years will more focus on development, experience, knowledge and know-how. The last 6 months should be sufficient to draw a franchising contract and prepare a competitive business package for a Franchise network.

The franchise contract allows others to repeat the success of a previous story (at the condition that it was successful!) based on the same model.

At this stage of the project, the company Okin has very little experience or brand recognition to bring to its future franchisees. The business package on which depends the franchising contract is therefore very light and uninteresting for potential investors.

The company must bear in mind that industrial and intellectual property rights, supported by continuing provision of commercial and technical assistance will be the successful maelstrom for the future term of the written franchise agreement. The company Okin has 3 years to prepare its business processes to this strategy.

This section of the document describes how internal factors will be taken into consideration in the strategy plan of the company Okin. The implementation of the key activities represents a critical issue for the purpose of this master's thesis. The different operational activities have been designed following the scheme of Balanced Score Cards. This modern management system enables the company and the supervising board to identify easily the value for the customer and the financial return of each operational activity.

The model used for the company is adapted to its size and is much simpler of BSC. The goal here is to identify the critical key activities and link them to their measurable factors.

The strategic map should remain the main management tool to lead the company to success over the next few years. This section of the document will establish a strategy for the company Okin. Critical activities will be identified and listed with their measurable indicators.

A complete information system must combine different attributes and sources of data. It is capital for the information system to be updated regularly, accurate, flexible, and available to everyone. The system developed for the company Okin focuses on different areas fully described in the annexes 3;

- Organizational assets
- Cultural assets
- Communication assets
- Technical assets
- Supply Chain Management

The Executive board of the Czech company will carry out the strategy locally. This board will be responsible to lead the company strategy and build the relationship with customers. This work also involves a lot of administrative matters such as transport documents, customs clearance, inspections certificates, tax declaration, accountancy books, Etc. However it will still require a huge availability, flexibility and sense of coordination from the Belgian mother company.

Furthermore, the company Okin has a lot to learn from its Belgium counterpart. If this business remains a priori simple, many Critical Success Factors (CFS) are required to perform properly a snack restaurant. The Critical Success Factors are indentified as following:

- | | |
|------------------------------------|--|
| - Site selection | - Efficient Marketing plan and advertising |
| - Snack trailer layout and display | - Quality of the supplies |
| - Good price policy | - Control of the supply chain |
| - Cleanness of the place | - Low overhead stock |
| - Comprehensive training | - Constant adaptation |
| - Quality control programs | - Research and development |

11.2 The strategy of the Franchisor

In the frame of the franchise contract, the company Okin will also have to determine either the franchisee or the franchisor has to support the charge for each activity. The final contract must provide a clear vision of the responsibilities, the financial equilibrium and the potential return left for the franchisee.

The future project is characterized as a Franchise of service. The system has also multiplicity features as it deals with many franchising contracts, similar to each other, allocated for different location and all contributing to success of the same mother company. (Leloup, 2004, p. 29)

In this system it is very important to make sure that the original system is duplicated properly. The standardization of the business behaviour contributes to develop the company image and reputation. It is also given as a condition for the franchisee to use the franchisor image and reputation in its entirety form...

The company Okin will deliver goods directly to its franchisee once per week and act as a buyer-reseller. It means the company is responsible for purchasing the first materials but also for the storage of them up to standards.

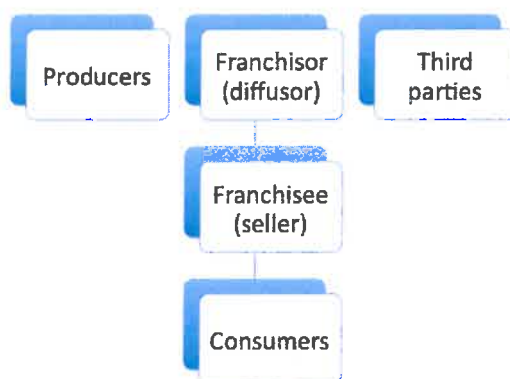


Figure 8: Structure of the general strategy

12 PROJECT FOR PENETRATION INTO THE CZECH REPUBLIC

The company Okin will be under the supervision of its Belgian mother company. The company Okin itself is structured into 3 main different functional areas, (1) the administration, (2) the marketing and (3) the operational activities (sales).

Different professional might also work together work the company Okin and bring their respective expertises.



Figure 9: Organizational structure of the company Okin

Lawyers: They help the company in its relation with the official bodies and the different legal procedures. The company Okin will require lawyer support for (1) the establishment of the company, (2) contractual relations with stakeholders or (3) legal proceeding.

Regarding the franchise system, they help to design the right agreement. The Franchise contract is a private agreement that does not belong to the commercial code (innominatni smlouva). In case the contract does not specify precise procedures, judges often refer to the civil code with very bad impact on the business.

Lawyers also help finding legal documentation such as previous judgement and judicial decisions that the company would not find even with precise references.

Accountancy and fiscal experts advise the company in the decision making of future commitments. They also assist the company in its financial path by helping designing the budget, making projections, publishing necessary statements and reports.

Insurance companies have adapted more and more formulas for smaller business. They also bring a clearer vision about the responsibilities and the risk of each part involved.

Banks and credit institutions These institutions analyse very deeply the business package offered to the franchisee and try to evaluate the real profitability of a particular trademark or concept.

Advertising company will be dealing with the company Okin at different level.

Owners of facilities Indeed, we wont be able to install such snack trailers without particular authorization from the owner of the field if on a private field or with the authorization of the city and local officials if located in a public area. Concerning this issue, the company must also bear in mind the rules on “Leasing Property in the CR” and its tax legislation. (Czech Business Web Portal, 2012, Leasing property in CR)

12.1 Labour

Concerning the workforce of the company Okin, a single person, probably the future executive director will be in charge of the project conception. Later, the company plans to train some students to take care of its sales activities.

The snack-trailers Barakafrit shall be open 12 hours (from 12 to 12) plus an hour for preparation and cleaning. Therefore, the company might also consider two shifts per day of 7 hours each.

The company will require a health insurance and a registration at the labour and social ministry at the local office. The labour taxes and contribution in the Czech Republic are evaluated to 38.4%. (IFC, 2012, paying taxes in the Czech Republic)

City	Address	Phone	Fax	E-mail
Kromeriz	Erbenovo nabrezi 4251/2c, 76701 Kromeriz 1	573 311 111	573 311 700	posta.up@km.mpsv.cz
Uherske Hradiste	Na Moravce 1215, 686 52 Uherske Hradiste 1	572 520 211	572 552 227	posta@uh.mpsv.cz
Vsetin	Pod Zamboskou 1024, 755 01 Vsetin 1	950 173 111	571 417 509	posta.up@vz.mpsv.cz
Zlín	Ciperova 5182, 760 01 Zlín 1	577 577 111	577 432 318	posta.up@zl.mpsv.cz

Table 14: District Labour Offices (Ministry of Labour and Social Affairs, 2012)

13 SEGMENTATION AND TARGETING

Regarding many research, the sector is enjoying strong growth in Europe due to the changes in people lifestyle mostly. The consumption behaviour has moved a step away from traditional mealtimes.

The company Okin is not attached to a specific group of customers. The company considers different segmentations such as:

- Young adults (until 25years old)
- Office/retail employees
- Baby boomers with families
- Adults over 45

There are several patterns that can be attributed to each group. These characteristics should be taken into consideration when designing marketing campaigns.

The young adults represent a large part of the populations in Zlín. Zlín is often described as a university city. The university Tomas Bata only counts around 13,000 students along with different colleges and high schools; the total student population is estimated over 16,000 students. This segment is the largest one in Zlín and retains a special consideration from the company Okin.

During my work on the catchment area, I noticed many young people walking in the centre with a snack food, soda or just an ice cream. The McDonalds packaging is high identifiable and constitute a very strong promotion. It shows the importance to attract the customer through smaller product, very easy to take away but that already have the advantage to familiarize the client with the trademark of the company.

The promotion will have to be especially concentrated on this segment. Special offer and discount could be distributed during student events. Coupons for free meal could be given to some lotteries as a sponsors or prizes for their events to develop a reputation and facilitate the word of mouth marketing.

The employees are also in large number in Zlín. However cafeterias and canteen are very popular, huge numbers of establishments have their own facilities. This segment should be considered with attention, smaller offices might be better targets.

The new homebuyers are considered more likely to take their family to dine-out. According to an American study, this category eats around 5 times per week out of his home. However, I am a bit more sceptic concerning the Czech situation. Czech families are usually very close and do not dine out so often, instead they prepare traditional meal at home.

The adults over 55 This category is not too interested in snack food. Furthermore, this segment often lives in villages and lives much more traditionally. In general they are considered to go for diner out around 2 times per week but it is not likely to be for a snack food.

14 DIFFERENTIATION AND POSITIONING

14.1 Differentiation

Differentiation constitute most of the strategy of the company Okin. The company will introduce a wide range of new product; some of them might be brand names. The use of brands is very important for franchise project of the company. However, in the strategy it is better advised to implement it slowly and step by step. At first because the use of brand names costs more expensive and

the company want to be sure to have enough margins for such products. Secondly because the introduction of new brands has better results when it is done step by step. Customers need to assimilate a first category before he is introduced again to another name. In addition, it will bring some periodical changes in menu.

Brands and names serve the consumer in his choices. It develops loyalty and can lead to strong sales leverage.

Furthermore, the company Okin wants to create its own trademark BARAKFRIT. Following J.N. Kepferer and G. Laurent, brands and their images serve different functions. All these powers combined can drive to very good relationship with customers. These functions should always be kept in mind when it comes to design the marketing strategy of the company.

Fame or notoriety is the basic concept of marketing and it is the major aspect of the image of brand.

Reputation is a concept coming from many different aspects (behaviour, language, cleanliness, quality, Etc.). It remains an important aspect of the promotion as it stands somewhere between the notoriety and the image of brand.

Perception is a psychological concept. All perceptions together represent an important part of the company image.



Figure 10: Process cycle of the image of brand

Attitude is also a psychological concept that influences the customers in the perception of the company. The right candidates must be chosen to conduct the sales activity of the company.

Value is a sociological concept. It mainly refers to the fact that a company image must be connected to the values of its brands.

Positioning concerns the marketing strategy. It represents all the salient and distinctive features of the company's image.

Brands are purely a marketing concept and are connected to the image of brand. This field deals with the customer loyalty and its attachment to brands.

All these aspects together form a brand capital that is very precious for the company. The importance of brands and the customer loyalty are measured through SEM models. It shows the sensitivity of the customers regarding their behaviour to brands.

14.2 Positioning

The positioning of the company Okin try to attract several profiles but all sharing the following characteristics:

- Enjoy to dine out and on the go
- Interested in Foreign food/concept
- Prefer not to shop in major chain signs of the sector
- Like to try new products
- Prefer to spend his money in quality products

At term, a strategy of concentration will also be implemented. It consists into increasing the number of Barakafrit in a relatively small area to reinforce the company presence and popularity. A second sales point does not automatically generate twice more profit but it should increase the profitability of the first one as well. It is the combination of both new sources of revenue that should be valuable for the new investment.

15 MARKETING STRATEGY

Marketing activities are expensive and must be conducted with efficiency. An evaluation both of the profitability and of the customer awareness should be made for each operation. The marketing mix of the company Okin will (1) propose a range of potential successful product, (2) evaluate different location in the centre of Zlín, (3) analyse the popular local advertising channels and (4) give the guideline of the price policy in the Czech Republic.

15.1 Marketing Mix

Our different researches should guide the company to better understand the market situation in Zlín. The marketing mix of the company should be built accordingly to the market tendencies and customer preferences.

The marketing mix is the core of the future company image. The marketing mix considerably influences the reputation and the revenue of the company.

An attractive product has a good awareness from customers. The price, the quality, the service, the presentation influence the reputation and the word-of-mouth marketing. JW Marriott said, *“Anyone can make money in the food business as long as you have a good product, reasonable price, and a clean place.”*

15.1.1 Product

The attraction of a products range resides in the ability of a company to adapt to the local preferences. The company shall select the right product combination to build an attractive and successful range.

The offer includes a wide range of products among which at least 10 kinds of meet, 10 kind of sauces, some hamburgers and hot-dogs. These products are available from snack grocery sellers mainly located in Western Europe.

The French fries contain the main secret and knowledge of the company and must therefore be considered with a special attention.

The quality of potatoes for perfectly golden and crispy fries is the right moisture content. Potatoes containing excess moisture would absorb too much oil and come out soggy. Depending on the moisture content, the frying temperature is adjusted. Only optimized conditions give good quality French fries.

Regarding the packaging, the company decided to save important costs and will come back to the “sources” by adopting the Belgian traditional way, a simple paper cone.



Figure 11: Main product of the company Okin

The traditional Belgian Package is a simple sheet of paper of 40cm², certified for the food industry and simply rolled into a cone to build the cotenant in a friendly way of use. For the company, it represents a packaging around 1.5 koruna per portion.

A cultural product

The paper cone plays an important role in the image of the company. Most of the people really believe that the French fries are from France. Nevertheless they are definitely Belgian and only some North regions of France actually have some traditional French fries snack-trailers.

This confusion actually occurred during the last global war when Americans soldiers arrived in Normandy in north of France and progressing towards Belgian lines, they have been eating a lot potatoes chips. Given the fact that the locals were speaking French, it was obvious for them to call it French fries.

To underline the important cultural aspect of these Belgian French fries, I would like to present the result of an opinion poll from the Internet. The survey tried to determine the national symbol of each EU member state. Regarding Belgium, there were 2,320 respondents but the most amazing was their answers. Following this survey the national symbols of Belgium by order of importance are, the French fries paper cone with 44,85%, the Atomium 35,41%, the Manneken Pis 10,95% and 8,78% for the pralines (Belgian chocolate).



Figure 12: Cultural product

Introducing abroad a product with a strong cultural identity requires further researches and a deeper analysis of the customer openness to the concept.

Czech people do not especially care about healthy food but they have a very strong national identity. Furthermore they share with Belgian people the same passion for great beer and good food. However, cultural issues might rise along with its solution. For instance, the paper cone represents mainly a Belgian symbol. On the other hand, Czech peo-

ple could find it too difficult to stand on a table. Therefore, some conventional carton containers might be available as well.

The image of brand

The use of brands represents an important part of the strategy of the company Okin. The range of products is composed from different manufacturers.

Regarding the meet, the company will work with Mora. The most popular Belgian items will first be experimented. The range should be constantly adapted to the customer preferences. The trend for fries chicken already becomes a rising issue.

Concerning the sauces, the company will work with the sauces William reputed for their unique tastes that perfectly fit with French fries potatoes.



Figures 13: Logo of brands

Another project is being evaluated concerning a potential partnership with different brands. The idea is to offer to Belgian company the opportunity to sponsor the concept and introduce or reinforce their image on international market.

In addition, the company will also offer hamburgers and hot-dog to its clients. In this vision, the company decided to strictly fit the taste of the market. It might also help the customer to have some recognition while making his purchase decision.

Drinks must have a special attention in the marketing mix. A market research mentioned that snack food is consumed 57% of the time with soft drinks but only bought together in 13% of the case. (PRLOG, 2012, Market study innovation in savory snack formats)

All leverages will be purchased locally at the exception of the beers that is part of the brand strategy and the image of the company. There will be one beer as well as one non-alcoholic one sold in can of 33ml or 500ml and from the brand Jupiler.

15.1.2 Place

Delimitation of the catchment area:

The traffic generated in the catchment area is determinant for the success of a snack restaurant. However, the opportunity to install such trailers is not given everywhere and need special authorization from local authorities. Anyway, the location must correspond to the company image and sales points should be close to their customers; students, young people and people on-the-go.

To evaluate the potential of different locations, we used maps on which we delimited isochronous areas. The analysis comprises two potential areas as well as the McDonalds in term of comparison. We considered isochronous areas of 50 meters and counted the number of walker as well as the number of cars and buses passing by. The figures shown in the table are an average based on three hours of observation. For each place, we analysed the traffic during one hour during one working day, one evening and one weekend day.



Figure 14: Catchment areas considered in Zlín

Note that the weather is also playing a big role regarding the foot traffic. Furthermore, the analysis has been conducted during two month but a deeper knowledge of the field is required to make accurate projection of eventual seasonal breakdowns. This analysis is critical to determine revenues and bottom line profitability.

	Nbr. of Girls	Nbr. of boys	Total people by walk	Nbr. of buses	Nbr. of cars
Mc Donalds:	586	364	950	39	706
Location2	637	510	1,147	/	/
Location3	768	612	1380	36	288

Table 15: Results of the catchment areas analysis

The analysis first surprise concerns the results of McDonalds. Indeed, in an area of 50 metres McDonalds does not counts too much traffic. However, it is a central location in the centre of the city and many more people are walking in a larger perimeter. Furthermore, the visibility of the restaurant from the street insures the highest impact. We must also take into consideration that McDonalds has a very high attraction and customers are sometimes coming from far to buy their food in the restaurant.

The location 2 has a higher traffic due to the proximity different faculties in area. It has an important phenomenon on the statistic as every hour a wave of hundreds students are crossing the location.

The third location actually works mainly during late hours, especially during weekends. If we take the example of Grill Gyros, the snack bars does not stop serving people between 11p and 3am.

The snack-trailer “Barakafrit”

The Hygiene of the snack-trailer is the first image the company give to its customers. In the case of the company Okin, the retail place is also the kitchen, it requires a big sense of cleanness from the employees.

As mentioned earlier, sales points are described as “Barakafrit” and take the form of snack-trailer. This makes the company able to choose the best location where to install its business unit but also to relocate it very easily for another more profitable place.

The trailer itself has to respond to some technical and safety standards (ISO). Finally, the trailers will be equipped and imported from Belgium or from France, as we did not find a competitive offer that met our requirements in the Czech Republic. Note that the Belgian



Figure 15: Picture of a snack-trailer

company Nico also has some unused trailers that could be used for the experimental period. The trailer at this stage will be fully equipped and ready to use. The last procedures will concern the decoration of the trailer and its conceptualization. The company Okin will also make change in menu and decor before customers get bored from the concept

The place of the product

The display of the range and the presentation of the offer cover many marketing subtleties systematically utilized by leaders of the sector. This is section is a good occasion to remind the main principles.

The company should keep focus on the left side of the menu or the trailer where the emotional resonance is located.

Supply chain

The supply chain involves any manipulation of goods until its final consumption by the customer. To have a better control of the processes, the supply chain management has been divided into two categories, (1) central logistic and (2) internal distribution.

The first category deals with the supply of basic goods until their storage into the company facilities. The standards of conformity for such goods are multiple and subject to many controls. The company must make sure to respect them but also that these rules are respected during the whole supply chain. Among these rules the respect of the temperatures is the most critical, the company Okin has to control frequently the quality of its products. (Europa, 2012, Product labelling and packaging / food safety)

Fresh French fries vacuum packed Meats, Hamburgers, Sausages, ... Poultry meat, snacks or fish	MAX 7°C
Cold sauces	At room temperature (except other mentions)
Meat and fresh poultry	MAX 4°C
Any foodstuff packed that need to be refrigerated	T° following indications
Hot sauces Meatball in sauces Onions	55°C
Oil to fry	MAX 180°C
Frozen food	MIN -18°C

Table 16: Legislation regarding temperature for good storage

The central logistics actually involves the centralisation of all orders in the warehouse of the company Okin. The company will place orders on a monthly basis regarding the sales forecast. A management just in time of the stock with the right timing of deliveries will keep the company competitive.

The internal distribution makes sure that every sales point keeps sufficient stock. It is actually very difficult to forecast the sales of an entity. However we must always make sure that they are never running out of stock without any useless forehead. To make it comfortable, stocks will be calculated on a weekly basis. Another system will keep record of the history of the sales and the deliveries. This will also allow the management to keep records on productivity based on empiric data. The company will better be able to forecast the amount of goods required for every order. This information is crucial for a good supervision of the treasury.

At this stage of the project, the internal logistic is almost inexistent and will be directly integrated with the general warehouse. However, it is important to think about the future and to start developing the managerial framework that will help the company to improve the service, the quality and to gather relevant statistics regarding operational activities.

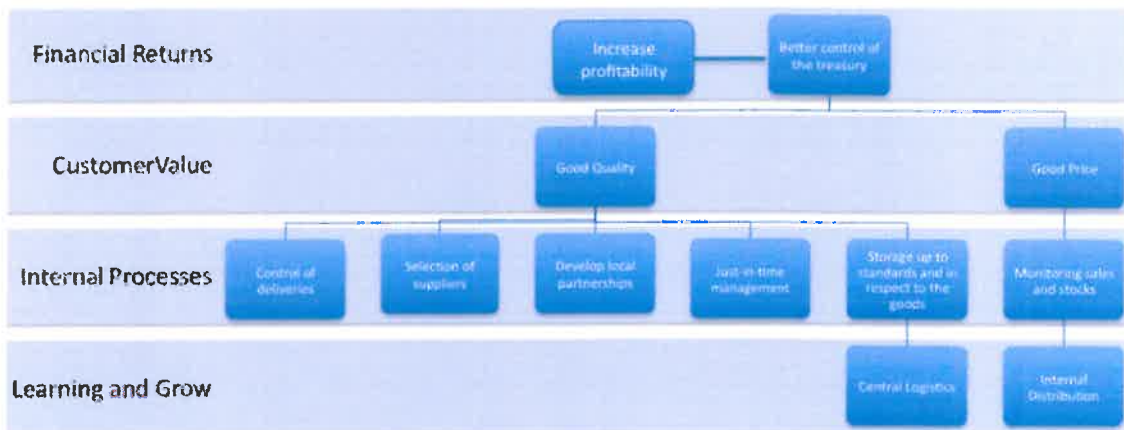


Figure 16: BSC Supply chain

Except for the French fries, the company Okin is strongly dependent on its suppliers. Although the company will make sure the supply chain processes run smoothly, it remains a risks that some products will be occasionally missing.

15.1.3 Promotion

Good reputation is vital for the success of the company Okin. Reputation can lead to a sudden brake down or drive sales to the success of the company. The reputation creates loyalty with customers and makes it happen again or not. Regarding a franchise network, it is essential to build a brand and acquire a strong image with a recognized know-how of quality.

The company Okin plans to invest 5% of its revenues before tax into marketing activities. A good promotion often means aggressive price promotion. To be efficient, advertising campaigns must reach a very large population. There are different channels that are particular to the city of Zlín and should be considered by the company Okin.

Promotion concept	Cost	Promotion concept	Cost
Fidelity card	7% extra percent	Quarter coupons	20% + impression
Menu formulas	15%	Discount websites	50%
News paper	600czk/month	Radio Zlín	?

Table 17: Marketing incentives

Fidelity cards are very wide spread in Belgium compared to the Czech Republic. The company Nico experience great success from this system, it develops great loyalty and good relationship with customers. In Zlín, few restaurants tend to build loyalty with their clients differently then through the reputation or the perception they develop. Fidelity cards give after all a small discounts only to your best customers and this is also good for the recognition toward the company.

The physical aspect is very simple, one face with the detail of the company and the other with 15 boxes representing each of them CZK100 of purchase. The boxes are stamped at every visit until the client presents a full stamped card that allow him a free menu for a value of czk150. This system is permanent and cumulative to other marketing incentives.

Menu formulas are really appreciated by the respondents of our market research.

Menus develop awareness from the customers. It is also an occasion to try new receipts. A classical menu is composed from one portion of French fries, one sauce, one meet and one drink. A psychological price below czk200 must be considered; usually it represents an advantage for customer from 10 to 15 percents.

Advertisements will be display in **newspapers** on a regular basis. In Zlín, the magazine "InZlín"¹² has a good coverage and a relevant audience. The magazine is published every month in more than 34,500 copies. The magazine can be found in most popular places for free.

Direct coupons marketing are a very good incentive for creating return business. Direct coupons are usually given with every order and tend to develop loyalty with the customer.

Some big firms such as McDonalds distributes coupons widely by post on a quarter basis but this is very expensive.

Such campaigns are the core of the business and are part of the company image. The quarterly coupons are repetitive actions that develop market awareness for our business.

¹² <http://www.Zlin.eu/page/20705.magazin-Zlin/>

Discount websites has shown very strong increase in term of success during the last years. This is even truer among the young population that is more familiarized with new technologies. There are quantity of such websites in the Czech republic (slevomat, kupmeto, slevici, aukro, ...). Some of them are stronger in some region. In the region of Zlín, Slevici generates the biggest traffic with about 10,000 per day on their website. Nonetheless Slevici also impose an exclusivity agreement with their website.

Usually they require big bargains to be able to promote their website. Concerning the food and snack, a discount less than 35% is not imaginable for them. Slevici transfers back to its clients the value of the total sold coupons minus the commission directly. The commission of Slevici is around 17% of the amount VAT included. However, the company must bear in mind that in this case the product is the coupon and the seller is Slevici. The company Okin in this schema only benefit from the back payment of Slevici and is not required paying taxes on this amount. Indeed, the company Slevici is dealing with this issue and pay the 20% tax on sales.

Still, this represents an expensive marketing and should only be considered during less profitable period to boost sales gross.

A personal website is also something compulsory if the company wish to attract youngest customers. Any business evolving in the 21st century shall consider digital marketing as a serious opportunity to reach customers. Moreover social media is a pretty cheap advertising instrument.

Radio

The local radio is named RadioZlín and has pretty high audience in Zlín. The radio the 8th most popular radio in region of Zlín.

The company should also consider some particular period when to concentrate its effort in marketing. In Zlín, they are several events that worth a special attention:

- The Zlín movie festival
- The Barum rally
- Majales
- Christmas time and its Christmas market

15.1.4 Price

The company Okin will use three main measures for its price policy, (1) the competition, (2) the cost and (3) the demand.

The competition is very important. The vision of the company is to offer quality product at reasonable prices. It is important to respect this vision to attract the largest market share as possible. In this optic, the company Okin will follow a strategy of follower by penetrating the market in harmony with the rest of the competition. In the opposite case, customers might turn back to the competition.

The cost criterion is vital for the company. Nevertheless, it is the overall cost and profitability of the company that need to be tracked. A idea is given to this direction in the financial analysis.

The last factor requires bigger adaptation from the company to **customer preferences**. The range and the prices must constantly be adapted and marketing campaigns must be conducted at the right time. Our customer survey revealed that 92% of them are willing to pay a price up to czk150, 73% up to czk100.

The prices policy will be adapted later regarding the different costs of importation and real profitability margins.

Psychological price for promotion and menus! It is typically the case for promotion when the coupon or the ad offer deals for a short 149 koruna. We can underline here again the strategy of McDonalds that distributes its coupons sheet through wide mailing on a quarter basis. The company Okin do not consider such campaign in a near future concentrating its power on the control of costs and other marketing campaign less expensive.

A closer look to the price of potatoes (chips)

The price of potatoes, and Belgian French fries' customers know it well, can vary a lot regarding on the offer and the demand for potatoes. The annual production of a country and the productivity of farmers depend a lot on weather conditions. The globalization and European policies influenced dramatically the price of raw material, food, potatoes included.

It can be sometimes more interesting to buy vacuum potatoes chips from abroad if the local production is not sufficient. Fortunately for us, the Czech Republic is a country that already loves the potatoes as it stands in a central place in their nutrition. Moreover, the changes in consumption habits (more often fast food, less bread, more chicken, ...) also put pressure on the potatoes total sales.

The second issue is either to cut the French fries internally to the company or to buy them already cut and vacuum packed. In the second solution we also deal with a problem of expiration date of the product while the first solution defends a more local policy and allows more flexibility in the stock management. The investment of the machinery is not so important; we are speaking about an industrial potato peeler (about 6000€) and a slicer to cut them into French fries (1000€). In its calculation, the company Okin shall also consider a big proportion of waste, first due to the peeler but also due to the cutter that make nice French fries only from the heart of the potatoes. The vacuum packed ones are generally more economical as they insure only good size French fries, the wastes are used for smashed potatoes products. Concerning the Czech Republic, the kilogram of potatoes can be found around czk4. The real price of the finished product is calculated as follow.

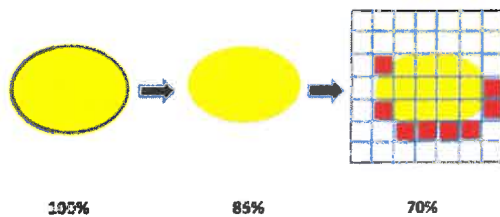


Figure 17: Transformation process of the potatoes into chips

$$4 * 1.3 + (150 \text{ (czk per hour)} / 40 \text{ (40kg. per hour)}) = 8.95 \text{ czk/kg}$$

In case the company Okin decide to transform food by itself, additional standards must be respected such as ISO 9001 and ISO 22000.

In both case, the control of the product must be constant until the delivery to the consumer. The quality of the product must not reflect the one of a fast food but the one of a quality product.

16 TIME ANALYSIS USING PERT METHOD

The time analysis that interests the company Okin is to know exactly the number of days require before the opening day of the first sales point. The project for a new snack-trailer opening is initially imagined in 6 months. The 3-4 first months are allocated to the decision making either to launch the project or not, if yes with which modifications. It is a period during which the company takes time to reconsider more deeply the given opportunity. During this time, the mother company also takes some contact in Belgium to have additional information or ask if any subsidies to the exportation are available. The central Belgium institution responsible for this issue is the Walloon Export Agency (AWEX).

The critical analysis starts from the time the investors take the decision to operate in the Czech Republic, meaning when they start the PSC process for the creation of the Czech company. All the incorporation procedures are listed in the annexes 4. The whole conceptualization of the project is represented in the annexes 5, the incorporation procedure stand for the third activity.

The goal of the time analysis is to identify the critical path of the different actions and when to proceed to them. Our input table for the PERT analysis is as follow:

A	Checking the feasibility of incorporation
B	Confirmation of the capital contribution
C	Registering for trade license
D	Obtain extract of criminal report (from Belgium)
E	Registration at the regional commercial court
F	PostSignum and Celni Sprava
G	Realization of the snack-trailer (design, equipment, etc)
H	Marketing campaign
I	Placing first orders for stock
J	Merchandising
K	Storage of goods / Organization of the warehouse
L	Installation / Reception of furniture
M	Last verifications before opening

N	Preopening
O	Opening

Table 18: List of activities for the time analysis

The time analysis is very important for the good coordination of the first orders, the opening date and its preparation. The incorporation procedures are critical and can compromise the whole coordination of the following activities until the delay of the opening date.

The incorporation time in the Czech republic officially takes 20 days for a total cost of czk26,280 nevertheless it requires different nuances from my experience.

The first correction concerns the extract of criminal report that in our case will be issued from Belgium and will also require additional recognition formalities of the document. I adjusted this step from 1 to 5 or 8 days with the post delivery and the weekend.

Also, the procedure to obtain the digital signature from the post office and to associate it with an importer identification number at the customs is a really tough job and can fast be delayed for a week if computer problems rise such as configuration. For this procedure, an additional cost of czk1,396 has been taken into consideration.

In the WinQSB, the activities are reevaluated with a most likely scenario as well as a pessimistic time. The table is displayed like this:

Activity Number	Activity Name	Immediate Predecessor (list number/name, separated by ',')	Optimistic time (a)	Most likely time (m)	Pessimistic time (b)
1	A		1	1	1
2	B	A	1	1	2
3	C	B	1	1	1
4	D	C	5	6	8
5	E	C	1	1	1
6	F	E	3	5	10
7	G	F	20	30	30
8	H	G	1	1	1
9	I	G	2	3	4
10	J	G	1	1	1
11	K	I	2	3	5
12	L	K	2	3	3
13	M	L	2	2	2
14	N	M	1	1	1
15	O	N	1	1	1

Figure 18: Input table for PERT analysis in WinQSB

The results of the PERT analysis are fully shown in the annexes 6. The analysis indicates us the shortest path to conduct the project promptly. Following the analysis the whole realization is feasible in 51 days. Only one critical path has been found since every activity depends on previous ones. However, the first activity includes a set of procedure that can all be done in one day without any dependence to each other.

In addition, the analysis is provided with a Gantt chart that allows the company to track the critical path of the project along a time line until the opening party. In our case, the Gantt chart is the most important tool since it will allow the company to control the timing of the project for each activity.

17 RISKS ANALYSIS

As risks, we can mention the threats from the market, mentioned earlier in the SWOT analysis.

The Czech republic is not too exposed to sovereign debt crisis; the country has a public debt of 41.2%. However, the global economy outlook is unfavourable, the country faced a deficit of 3.1% in 2011 and the government approved an austerity plan for an amount of 1.6p.p... The ratio of current account to GDP is estimated to be at -2.4% in 2012 and -2.3% in 2013.

The reforms represent the most critical issues since it requires a constant attention to new coming regulations. Among them we can already mention the act on Commercial Companies and Cooperatives (20 February 2012) and the Amendment of Investment Incentives Act (21 March 2012). (Ministry of finance Czech Republic, 2012, macroeconomic forecast)

Concerning the new trends and the new entrant, the best the company Okin can do is to make sure that is no mega project in its area. For instance, the Svít areal in Zlín is in great expansion nevertheless, the company Okin should try to find out what kind of shops and restaurants are planned to set up in the future.

In addition, we can highlight the strong competition in the sector and the high number of bankruptcy in the bar and restaurant industry.

Another important point is the location together with its foot traffic; it is critical for the success of the business to choose carefully a profitable location.

Finally, the IFC also provides a risk analysis of doing business in the Czech Republic. Note that the country is currently benefiting from many incentives from the European Institution to developed its logistics infrastructure.

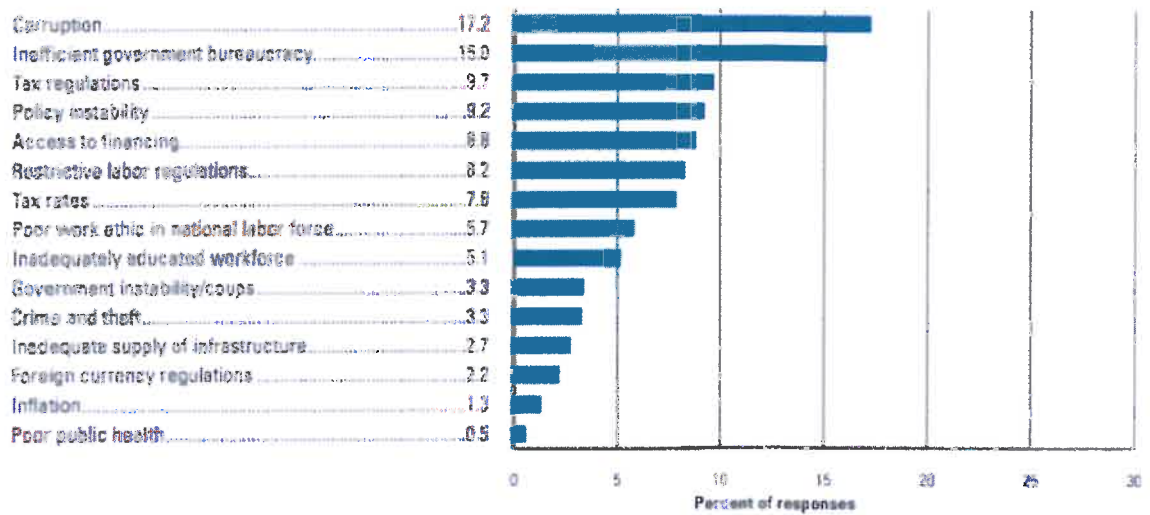


Figure 18: The most problematic factors for doing business in the Czech Republic (IFC, The global competitiveness report 2012)

Given the uncertain situation in Europe and the bad economical growth forecasted for the near future, the company Okin should plan a “no-event” scenario. Except from government policies that might be adapted after this crisis period, the situation is evolving with a huge uncertainty.

18 COSTS AND CONTROL

18.1 Financial objectives

Financial objectives are directly issued from the strategy of the Belgian company. A priori there is no reason why the Czech market should be less profitable.

- Achieve €40,000 in gross sales for the first year
- Reach a return on investment of at least 25% before taxes on new ventures
- Target a 10% increase in sales volume every year
- Break even within one year on new trailer opening

The company also plans a high rotation of the capital. This is less obvious but it is important to keep the capital working at a high level. The task here is more complicated because it requires an analysis of each project to evaluate properly the potential return of investment and take the best managerial decisions.

Several opportunities should be pursued to reach the objectives and to spread the risks. The strategy of the company is to concentrate its trademark on particular regions. This represents at term a much larger investment. Every opportunity for a new location must be evaluated precisely, the company image is depending on it, its success also.

18.2 Costs

It must worth doing it. For a franchisee it means that the cost of the franchise must bring him a return on investment higher than the average of the industry without which he might rather decide to launch his activity independently.

Regarding the total cost of the project, it is evaluated as follow together with the Belgian supervising board:

Description	Costs (czk)
Further research	25,000
Incorporation	31,280
Preparation of the project	30,000
Equipment	230,000
TOTAL:	316,280

Table 19: Costs prediction for the creation of the project

18.3 Control

The company Okin will have to measure different financial factors to control the performances of the strategy. A monthly report will be provided to the Belgian supervising board with the following key information;

1. Monthly sales volumes in comparison to monthly operating costs. This indicator must also be analysed on the long term to detect the seasonal tendencies.
2. Make constant prediction of the gross sales and net profit levels for each snack-trailer.
3. Monitor the expenditure of every operational activity to ensure that the money is spent reasonably (costs/profit)
4. Review menu and identify popular/unpopular items
5. Review the costs of goods and supply and adapt the pricing policy if necessary
6. Implement an aggressive plan, make recommendations to the supervising board
7. Evaluate the effectiveness of the marketing plan

The company Okin shall use different tools to monitor and predict its results. The first document is the income statement that can be used to detail future costs of operations.

In the example below, the profitability line of the company is evaluated to a minimum of czk 120,000 per month. This document should be adapted to the different requirements and processes of the company. A more detailed version of the income statement and its evaluation can be found in annexes 7.

	1 st month	2 nd month	3 rd month
Gross sales	120,000	121,080	122,160
(Costs of Sales)	96,602.5	91,683.1	90,331.8
Gross Profit	26,397.5	29,396.9	31,828.2
(Operating Expenses)	39,748.5	40,372.9	40,888.2
Operating Profit	(13,351)	(10,976)	(9,060)

Table 20: Summary of the Income (statement) prediction

Only few businesses are profitable from the first year of activity. The balance sheet here above shows that the profitability of the business will be difficult to reach. However, the figures here need some nuance.

The gross sale is evaluated on 4 clients per hour with an average of czk100 each during 26 opening days ($4 \cdot 12 \cdot 100 \cdot 26 = 124,800$ czk). We can already notice a first safety margin of 4,800 per month. In addition, the company shall be able to attract more than 4 clients per hour (czk400/hour). This plan must therefore be considered as a minimum requirement.

It is also the case for the linear amortisation of the equipment (3,833.3 czk). In the case the company Okin can benefit from old unused capacity of the Belgian company, the amortisation would be dramatically reduced too.

On the other hand, some costs are missing such as cleaning products or legal and accountancy costs. This explains the reason of the security margins used in the balanced sheet. The goal here is create clear recording and evaluation tools for the reporting to the supervising

board. It is also capital within the frame of the franchise project to have a clear readiness of the company capability.

The second financial issue concerns the planning of the cash flow. The executive board needs to ask exactly for the required resources to its Belgian supervising board.

The prevision of the cash flow is therefore very important even more at the beginning of the project. The conceptualization will require many different formalities, documentation and travels. The example used below represents the first 6 months of the conceptualization process together with its costs prediction. However, the real purpose of the treasury sheet will be to track and predict the cash flow of the operational activities of the company.

Investment required:	Month1	2	3	4	5	6
1. Further Researches	10,000	10,000	5,000			
2. Incorporation			6,280	25,000		
3. Project preparation				30,000		
4. Equipment			30,000	100,000	50,000	
5. Other charges			80,000			
6. Need of cash flow						100,000
7. Variation of cash flow						
8. Withdrawals from current accounts						
9. Credit refunds						
10. Long term credits						
11. Short term credits						
TOTAL OF NEEDS:	10,000	10,000	121,280	155,000	50,000	100,000

Disposable resources:						
1. Capital funds deposit				100,000		
2. Assets				201,000		
3. Transfer to current accounts						
4. Sales of assets						
5. Self-financing						
6. Other resources						
7. Variation of cash flow						
8. Long term credits						
9. Short term credits	10,000	10,000	126,000			
TOTAL RESSOURCES:	10,000	10,000	126,000	301,000	0	0
DIFFERENCE	0	0	4,720	146,000	(50,000)	(100,000)
CUMMULATED DIFFERENCES:		0	4,720	150,720	100,720	720

Table 21: Prediction of the treasury (sheet)

CONCLUSION

This document has introduced the investors to the market situation. From a management point of view, the critical factors for success and key operational activities have been identified together with their costs.

The project is very small and do not involved a big risk as the total investment is estimated to czk 316,280. Furthermore the project only requires about two months to be operational with the first sales point.

The profitability of the company is considered around czk124,000 gross sales per month. It represents in average one client every 15 minutes. Nevertheless, the profitable margin of the company is currently evaluated at 22% meaning that if the company Okin can attract 2 clients every 15 minutes, it already represents a profit of $124,000 * 22\% = 27,280$ czk.

Regarding the analysis of the catchment area, it represents an attraction rate of 0.62% only. The company has still big opportunity of development.

The company Okin should be able to reach the objectives required at the beginning of the document by the Belgium mother company.

To conclude, I think it is important to underline that decision shall not take too long as the region of Zlín is developing very fast and see every year a new set of concepts flourishing. The city of Zlín seems to currently expend to the West in Svit areal corresponding to the location number 3 of the catchment area analysis.

The last project in construction is a whole new shopping centre as well as a business area located just front of the bus and train stations. The project might be completed within the 2 next years. The infrastructures, roads and parking are currently being completed and already starts to raise the interest from the public.

Therefore it seems the right timing to surprise the audience by launching first snack-trailer in advance than the competition. It might also facilitate the awareness of the customer since the snack will enjoy from the entire visibility until the big opening of the areal.

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LIST OF ABBREVIATIONS

FDI	Foreign Direct Investment
EEA	European Economic Area
PSC	Point of Single Contact
SOLVIT	Effective Problem Solving in Europe
WFC	World Franchising Council
EFF	European Franchising Federation
CAF	Czech Franchise Association
IFC	International Finance Corporation
EU	European Union
CAP	Common Agricultural Policy
GDP (PPP)	Gross Domestic Product (Purchasing Power Parity)
CAGR	Compound Annual Growth Rate
CSF	Critical Success Factors
BSC	Balanced Scored Card
SEM	Structural Equation Model
VAT	Value Added Tax
AWEX	Agence Wallone à l'Exportation
ISO	International Standards Organization

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APPENDIX 1: CORRESPONDANCE WITH IPO

Our e-mail:

Dear Sir or Madam,

I am a foreigner student writing a thesis for the University Tomas Bata in Zlín.

In the frame of my studies and in the aim of graduation this year from the faculty of Management and Marketing, I am working on a project for a Snack Restaurant (French fries / hranolky). The project is serious and our investors start to be more demanding about the possible evolution of this project.

Regarding these requirement, we are now looking for a trade name for our sales points (different than the company name...). The investors like very much the name " BARAKAFRIT " which is very easy to pronounce for Czech people and sounds perfectly right internationally.

However, the name does already exist for an i-phone application from France. Could you please tell me if this would be a problem or if it is possible to use this name for our image?? If it possible, could you please send me more detailed information about the costs and procedures for registering a trade name in the Czech Republic?

Thank you for considering this e-mail seriously. I am looking forward to your answer.

Sincerely Yours.

Their answer:

Hello,

IPO CZ being the registration place for trademarks is not allowed to provide professional viewpoint to public as part of its information service activity in the area of registration capability and using of individual indications.

Professional advice in the area of industrial property is provided by patent attorneys or lawyers and such services are subject to a charge.

You can find contacts to the Chamber of patent attorneys and the Czech Bar Association on the following links:

Chamber of patent attorneys:

<http://www.patzastupci.cz/>

Czech Bar Association:

<http://www.advokatni-komora.cz>

The IPO CZ provides information about trademark registration on it website, including important information for filing trademark application.

This information including the trademark database can be found on this link: <http://www.upv.cz/en/ip-rights/trade-marks.html>

Kind regards,

Neumannová/Helpdesk

APPENDIX 2: QUESTIONNAIRE FOR MARKET RESEARCH

1. Prosím, zadejte své pohlaví.

- muž
- žena

2. Jaké věci máte na paměti při nákupu hranolek?

- kvalita
- cena
- širší nabídka produktu (maso, přílohy, nápoje ...)
- značka
- dobrá hodnota za peníze
- obal
- slevy, akce

Other

3. Co vás vyzve koupit hranolky?

- požadavek
- dobrá reklama
- popularita
- přítomnost hranolek v jídelníčku (menu s hranolky)
- některé atraktivní nabídky s produktem
- ústní marketing (word of mouth)

Other

4. Jaké jsou druhy výrobků, které si běžně objednáte s hranolkami?

- soda
- pivo
- voda
- šťáva
- omáčka
- maso
- hamburger
- salát
- zmrzlina
- bonbóny

Other

5. Přišli by jste na ochutnávku nové otevřené snack restaurace zaměřené na prodej hranolek?

- určitě
- možné
- nejsem si jist
- spíš ne
- opravdu ne

6. Co je pro vás důležitější?

- cena
- kvalita

7. Chodíte pravidelne do stejné snack restaurace?

- ano
- obcas
- ne
- je mi to jedno

8. What is your age?

Select your age 

9. Kolik obvykle utratíte za nákup snack jídla?

- 0-50 czk 50-100 100-150 150-200 200-250 250+
- Cena czk

10. Do kterých snack restaurací chodíte?

Done

APPENDIX 3: LIST OF KEY OPERATIONAL ACTIVITIES

Internal Processes	Activities	Term of revision	Instrument of control
Technical Assets	Receipts, creativity of new menus	Constant	Quality pool (annual) Number of new menu/formula's per year
Organizational Assets		Monthly	Reactivity (nbr of days to solve problems...)
Cultural Capital	Develop a Belgian image and a cultural know-how. Keep a Belgium decoration in the snack-trailer. (news-photo-celebrities) Surprise the customer. Follow the Belgium calendar and adapt the offer regarding events and celebrations.	Monthly Quarter	Nbr. of pictures and objects changed in the decoration Nbr. of limited edition menus launched per quarter
Relational Assets	Public Relation Marketing Promotion Develop partnerships with brands	Monthly Weekly Monthly Quarter	Nbr. of press articles Frequentation (nbr. of clients) Expenditure in ads Nbr. of developed projects
Supply chain			
Control of suppliers	Revision of the prices Control of the deliveries and their quality	Monthly Monthly	Optimizing ordering system/Profitability Nbr. of delivery failures
Develop local partnerships	Constant monitoring of the price and supply	Monthly	Proportion in address book

	of potatoes from the local market Find local events where to install the trailer for shorter period but with higher impact	Monthly	Nbr. of special events the company took part in
Just-in-time management	Control of the stock	Constant	Quantity of product after the use-by dates Turnover of the stock
Storage and control	Keep up to standards Record the use-by dates	Constant Weekly	Nbr. of defect products
Monitoring sales and stocks	Preparing the deliveries for the next week Making projections for the next two months Preparing orders for the next month	Weekly Monthly Monthly	Keep updates record of the stock Profitability and stock analysis Gross sale per product

APPENDIX 4: PROCEDURES OF THE INCORPORATION IN CZ

Procedure	Time to complete	Associated costs (czk)
<p>1. Check business name for uniqueness</p> <p>The uniqueness of the company name can be verified by accessing a database on the Ministry of Justice's Web site (www.justice.cz)</p>	1 day	No charge
<p>2. Obtain extracts of criminal record and real estate at Czechpoint Offices</p> <p>If the executive is a citizen of another EU Member State, an extract from the criminal register of that EU Member State (if the State does not keep a criminal register, the extract may be replaced by an affidavit signed by the executive in front of a notary).</p>	7 days	Cfr Belgium
<p>3. Notarize articles of association</p> <p>It depends on the amount of the company's registered capital and on the number of copies of the notarial record required by the company founders. The minimum fee is about CZK 4,000, and the maximum about CZK 113,000, including 20% VAT.</p>	1 day	20,280
<p>4. Obtain confirmation of the administrator of the capital contribution of the company along with the confirmation of the bank that the capital contribution is held in the company's special bank account for the registered capital.</p> <p>Until the company is registered, the registered capital is usually blocked in the special bank account. Opening a special bank account usually costs about CZK 5,000. However, some banks open special accounts for nothing on condition that the company will open current bank accounts in the bank after its incorporation.</p>	2 days	5,000
<p>5. Register with the Trade Licensing Office and obtain extract of the trade license</p>	5 days	1,000
<p>6. Register in the Business (Commercial) Registry of the Regional Commercial Court</p>	7 days	5,000 (court stamps)
<p>7. Register for taxes</p> <p>Deadlines for registering with the Tax Office:</p>	1 day	No charge

- Income tax and general registration: 30 days (any change must be announced within 15 days).

- Withholding tax and payroll tax registration: 15 days.

- For the VAT obligatory registration: on January 1, 2010 amendment No. 362/2009 to the Act on VAT took effect. From this date the company is obliged to submit its VAT registration form within 15 days following the end of month in which the conditions are met or in certain cases within 15 days following the date when the company automatically becomes a VAT payer.

8. Register for social security 1 day No charge

The company must register within 8 days as of the date when the first employee enters into work

9. Register with health insurance 1 day No charge

The same rules apply as for social security registration.

10. PosSignum and Celný Sprava 3 days 1,396

Get the digital signature and identification number from the customs agency.

TOTAL: 20 days- 26.280

1 month

(IFC, 2012, Starting a business in Czech Republic)

APPENDIX 5: ACTIVITIES OF THE CONCEPTUALIZATION PHASE

Scope	Stakeholders involved	Deadline before opening
Deeper market analysis and evaluation		D - 183
Operational choices <ul style="list-style-type: none"> - Suppliers, design, place... - Adaptation - Start PSC procedures 	Company Ministry of commerce	D - 121
Incorporation	Company	D - 91
Conception of the project Designer, installations...	Company in coordination with second parts	D - 61
Marketing campaign	Company Marketing company	D - 30
Placing orders for stock	Company and potential suppliers	D - 30
Merchandising	Suppliers	D - 15
Storage of goods <ul style="list-style-type: none"> - Verification - First tries - Labelling and prices 	Company	D - 7
Reception of the furniture - Implantation on the site	Company and supplier	D - 7
Verification before opening	Company	D - 5
Preparation for the opening <ul style="list-style-type: none"> - Pre-opening - Entertainment - Advertising - Public relation 	Company	D - 2
Opening		D
First feedback <ul style="list-style-type: none"> - First feedback - Evaluation of the effort produced... (return on advertising, press release,...) - - Turnover first week 	Company	D + 7

APPENDIX 6: TIME ANALYSIS – PERT METHOD

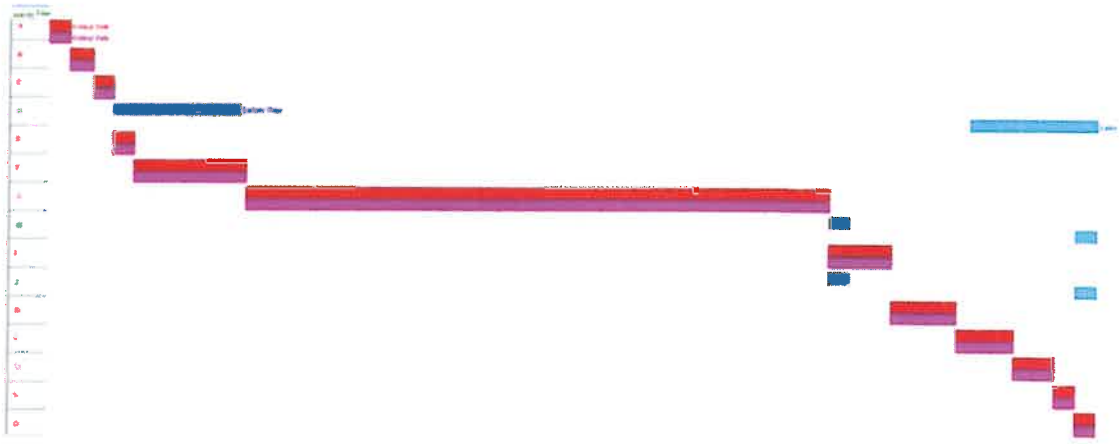
Solution of the PERT analysis in WinQSB program:

05-01-2012 19:59:42	Activity Name	On Critical Path	Activity Mean Time	Earliest Start	Earliest Finish	Latest Start	Latest Finish	Slack (LS-ES)	Activity Time Distribution	Standard Deviation
1	A	Yes	1	0	1	0	1	0	3-Time estimate	0
2	B	Yes	1.1667	1	2.1667	1	2.1667	0	3-Time estimate	0.1667
3	C	Yes	1	2.1667	3.1667	2.1667	3.1667	0	3-Time estimate	0
4	D	no	6.1667	3.1667	9.3333	44.8333	51	41.6667	3-Time estimate	0.5
5	E	Yes	1	3.1667	4.1667	3.1667	4.1667	0	3-Time estimate	0
6	F	Yes	5.5	4.1667	9.6667	4.1667	9.6667	0	3-Time estimate	1.1667
7	G	Yes	28.3333	9.6667	38	9.6667	38	0	3-Time estimate	1.6667
8	H	no	1	38	39	50	51	12	3-Time estimate	0
9	I	Yes	3	38	41	38	41	0	3-Time estimate	0.3333
10	J	no	1	38	39	50	51	12	3-Time estimate	0
11	K	Yes	3.1667	41	44.1667	41	44.1667	0	3-Time estimate	0.5
12	L	Yes	2.8333	44.1667	47	44.1667	47	0	3-Time estimate	0.1667
13	M	Yes	2	47	49	47	49	0	3-Time estimate	0
14	N	Yes	1	49	50	49	50	0	3-Time estimate	0
15	O	Yes	1	50	51	50	51	0	3-Time estimate	0
Project Completion Time				=	51	days				
Number of Critical Path(s)				=	1					

Critical Path:

05-01-2012	Critical Path 1
1	A
2	B
3	C
4	E
5	F
6	G
7	I
8	K
9	L
10	M
11	N
12	O
Completion Time	51
Std. Dev.	2.13

Gantt Chart:



APPENDIX 7: PREDICTION OF INCOME STATEMENT

Description	Month 1 €	% to sales	Month2 €	% to sales	Month3 €	% to sales	Month4 €	% to sales
Gross Sales	120,000	100	121,080	100.9	122,160	101.8	123,240	102.7
Cost of Sales								
Coupons and Discounts	6,000	5%	3,632.4	3%	1,832.4	1.5%	1,848.6	1.5%
Potatoes (chips)	1,200	1%	1,210.8	1%	1,222.1	1%	1,232.4	1%
Beverages	4,800	4%	4,843.2	4%	4,886.4	4%	4,929.6	4%
Food Products	42,000	35%	42,378	35%	42,756	35%	43,134	35%
Transport	4,000	3.3%	4,000	3.3%	4,000	3.3%	4,000	3.2%
Cleanup and Laundry								
Paper products, containers, Etc	1,800	1.5%	1,816.2	1.5%	1,832.4	1.5%	1,848.6	1.5%
Product monitoring	1,500	1.25%	1,500	1.24%	1,500	1.23%	1,500	1.2%
Payroll	21,900	18.25%	21,900	18.09%	21,900	17.93%	21,900	17.77%
Taxes-Payroll (47.5%)	10,402.5	8.67%	10,402.5	8.6%	10,402.5	8.51%	10,402.5	8.44%
NET SALES	26,397.5	22%	29,396.9	24%	31,828.2	26,05%	32,444.3	26,33%
Operating Expenses								
Rent	10,000	8.33%	10,000	8.26%	10,000	8.19%	10,000	8.11%

Licenses and Permits (150/day)	3,900	3.25%	3,900	3.22%	3,900	3.19%	3,900	3.16%
Advertising	6,000	5%	6,054	5%	6,108	5%	6,162	5%
Phone and Post	1,000	0.83%	1,000	0.83%	1,000	0.81%	1,000	0.81%
Legal and Accounting								
Bank Charges								
Insurance	10,000	8.33%	10,000	8.26%	10,000	8.19%	10,000	8.11%
Maintenance								
Amortization	3,833.3	3.19%	3,833.3	3.17%	3,833.3	4.71%	3,833.3	4.66%
Depreciation								
Sales Tax (19%)	5,015.5	4.18%	5,585.4	4.61%	6,047.3	4.95%	6,164.3	5%
OPERATIONAL PROFIT	(13,351)		(10,976)		(9,060)		(8,615)	