

A Business Plan for the New Company “The Cupcake Factory”

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ABSTRAKT

Cílem této bakalářské práce bylo vytvoření podnikatelského záměru pro cukrárnu a prodejnu cukrovinek specializující se zejména na výrobu a prodej cupcakes, makronek a dále pak na doplňkový sortiment, čímž jsou dorty. Tato bakalářská práce je rozdělena do dvou částí. Jednou z nich je část teoretická, popisující podnik a podnikání v České republice v obecném pojetí a nahlíží také na teoretický výklad podnikatelského záměru. V části praktické je pak sestaven podnikatelský záměr pro společnost The Cupcake Factory. Tento plán se skládá ze základního popisu společnosti, marketingového plánu, finančního plánu, organizačního plánu a v neposlední řadě také analýzy možných riziků a jejich evaluace. Cílem práce je vytvořit reálný podnikatelský záměr pro cukrárnu na základě analýz.

Klíčová slova: cukrovinky, cupcake, podnik, podnikání, cukrářství

ABSTRACT

The aim of the bachelor's thesis was to create a business plan for a specialized confectioner's and a sweetshop baking and selling primarily cupcakes, macarons and also additional assortment, such as cakes. This bachelor's thesis is divided into two parts. One of these parts is the theoretical part, characterizing a business and entrepreneurship in the Czech Republic in a general point of view in addition with theoretical conception of a business plan. The practical part is made up of a specific business plan for the company The Cupcake Factory. This plan is composed of the basic description of the company, marketing plan, financial plan, operational plan and last but not least evaluation of the risks. The aim of this thesis was to create a real business plan for the confectioner's and the sweetshop on the base of accomplished analyses.

Keywords: sweets, cupcake, business, entrepreneurship, confectionery

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I hereby declare that the print version of my Bachelor's/Master's thesis and the electronic version of my thesis deposited in the IS/STAG system are identical.

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INTRODUCTION

The topic of this bachelor's thesis is a business plan for a new company. The theme was chosen because of the author's interest in gastronomy (mainly from abroad) and the author's discontentment with the offer of the foreign candy in the city of Zlín. The main focus of the company analyzed in this bachelor's thesis is the confectionery field offering the untraditional candy from abroad since in Zlín the offer of candy is traditional. From this reason, it was decided to introduce popular and untraditional candy to the confectionery field in Zlín. In addition, establishing a business could be more profitable than the regular employment. It means that a successful and motivated entrepreneur has more opportunities to make money and work freely, for his own profit. Also, the legal form of a natural person is simpler to establish in comparison with other legal forms in the Czech Republic.

This bachelor thesis consists of a theoretical and analytical part. The theoretical part is divided into two sections. The first section describes the business environment, the entrepreneur and the types of businesses in the Czech Republic. The second section of the theoretical part focuses on the theory of the business plan and the parts of the business plan. These parts of the business plan are the executive summary, description of a company, target market and the competition analysis, marketing plan, operational plan, finances and the risk evaluation and analysis.

The analytical part of this bachelor thesis consists of chapter on the market analysis with the help of the PEST analysis, chapter focusing on the competition analysis and the next following chapters of the business plan, which were already mentioned in the theoretical part but are applied on the specific business plan.

First of all, the analytical part starts with a short description of the company introducing the company logo followed by the analyses of the target market and the competition. What is more, the PEST analysis, in other words, a specific analysis which consists of political, economic, social and technological determinants provides a help with choosing the right market segment. Another subchapter is devoted to the potential competition and rivalry of the new company entries using the Porter's five forces analysis.

What follows is a marketing, financial and operational plan. The marketing plan focuses on the SWOT analysis, which is made from strengths and weaknesses (internal determinants) and opportunities and threats (external market determinants). Concerning the operational plan, it consists of the distribution channels, key personnel, materials, insurance or prediction of the future development. Financial plan analyses the predicted

company finances, including starting budget, costs, revenues, profit, the calculation of the predicted sold amount of sweets and the company's income statement.

At the end of the bachelor's thesis, there is a risk evaluation and the risk analysis of this company. This bachelor's thesis aims to create a realistic business plan with a focus on a confectionery company – a sweetshop on a base of accomplished analyses.

I. THEORY

1 BUSINESS

The whole chapter will describe the business environment in Czech Republic, the Czech entrepreneurship and its conditions and last but not least a division of enterprises actually set in the Czech Republic. The main aim of the businesses is to generate profit regardless to its legal form. (Kislingerová, Synek 2010, 3)

1.1 Entrepreneurship

Successful entrepreneurship is not solely about setting up the new business. It is more about identification, evaluation and grip of a certain opportunity. According to a definition of entrepreneurship in the New Czech Civil Code, it is a systematic procedure conducted by entrepreneur's own name, by entrepreneur's own responsibility in order to reach a profit. (Srpová, Řehoř 2010, 20)

Entrepreneurs in Czech Republic are labeled as Czech "OSVČ" which means "osoba samostatně výdělečně činná" defined in a law n. 155/1995 Sb. in Czech. According to the Business Register and Srpová and Řehoř, entrepreneur could be natural person or legal entity doing business on the base of trade license, license based on other regulations, or could run agricultural production. (Srpová, Řehoř 2010, 30)

What is more, entrepreneurship can be defined based on these aspects:

- Systematic activity in doing business. It is not just about one opportunity to do business and stop. It is more about a systematic procedure, which means that the successful entrepreneur will do business activities repeatedly, not occasionally.
- One's own name. It means that in a case of natural person, this person administrate legal actions by his personal name and surname, in contrast with a case of legal entity where administration of legal actions is done by the company's name.
- Own responsibility.
- Sake of profit. (Srpová, Řehoř 2010, 30)

1.2 Business environment in the Czech Republic

In general, each particular enterprise is surrounded by a specific kind of business environment. By business environment is meant a set of specific elements that have a direct impact on particular business. According to Alexy and Sivák, the business environment is separated into two parts:

- General business environment – consists of cultural, administrative, economic, natural and political factors, in other words, all elements influencing business.
- Specific business environment – consists of factors which influence concrete business, in a particular time and particular place. (Alexy, Sivák 2005)

1.2.1 Current business conditions

Based on the Trade Licensing Act, there exist certain conditions which need to be held when establishing a business:

- “Age of eighteen.
- Legal capacity.
- Impeccability.
- Evidence that the person who provides or provided business does not have any evidenced delinquent tax from this business on their account.
- Evidence that natural person which does or did business in the area of the Czech Republic does not have any arrears on social security insurance and public employment policy contribution.
- Evidence that natural person which does or did business in the area of the Czech Republic does not have any arrears of insurance on public health insurance.”
(Businesscenter.cz 2018)

1.2.2 Czech legal regulation

- The Trade Licensing Act
Trade Licensing Act 455/1991 Coll. regulates the conditions for the operation of the trade in the Czech Republic. The entrepreneurs who decide to do business according to this act, had chosen their legal form as the natural persons. This act determines the General and Special conditions for operation of the trade, explains the potential obstacles in doing a business of a legal form of a natural person and describes the conditions that the entrepreneurs must obtain. (businessinfo.cz 2018)
- The New Czech Civil Code 89/2012 Coll. modifies the conditions of the entrepreneurship and the entrepreneur. (Podnikatel.cz 2018)

- The Corporations Act

The Corporations Act 90/2012 Coll. modifies the entrepreneurship in terms of the Commercial corporations such as the limited partnership, the limited liability company, the joint stock company, the European societies and the cooperatives.

2 ENTREPRENEUR

The New Czech Civil Code defines the entrepreneur as a person who is signed up in the Business Register. Further, the entrepreneur is considered as someone who is acting independently, on his own account a gainful activity with the intention of doing so consistently for profit. (Podnikatel.cz 2018)

2.1 Enterprise

Definition of enterprise can differ. The most general definition of the enterprise is a subject which is able to transform inputs (factors of production) into outputs (products, services). (Srpková, Řehoř 2010, 35)

According to the currently valid legislation in the Czech Republic, “enterprise” can be defined as a state organization or legal entity by which a state has ability to administrate its property rights. (Podnikatel.cz 2017)

The enterprises have the opportunity to operate with own kind of business activities, but under the circumstances of responsibility and acting by own name. Particular enterprise is operating through business activities in order to fulfill strategic, economic, corporate, protective or other state interests. (Podnikatel.cz 2017)

2.1.1 Division according to size

Division of enterprises according to size means that the specific type of enterprise is determined by the number of employees and the amount of annual turnover.

- Micro enterprises have 10 or less employees and annual turnover to 2 mil Euros.
- Small enterprises have 50 or less employees with annual turnover to 10 mil Euros.
- Medium enterprises have 250 or less employees with annual turnover to 50 mil Euros.
- Large enterprises have annual turnover bigger than 500 mil Euros. (Podnikatel.cz 2017)

2.1.2 Division according to type of production

In the Czech Republic, businesses can be defined based on what sector do they belong to. Basically, there exist 3 sectors:

- Primary sector consists of enterprises producing goods including mining sector - extraction of raw materials, coal, ironstone etc. Enterprises securing agriculture;

this kind of enterprises is typical for guaranteeing agricultural production, milk, eggs, grain etc.

- Secondary sector devotes its production to manufacturing.
- Tertiary sector of enterprises is characterized by its function of providing services.

2.1.3 Division according to the legal norm

- **Natural person**

This legal form of business is characterized by only one founding person, responsible for all the risks along with a difficult access to capital and inconvenient unlimited liability for debt. On the other hand, there is an advantage of smaller capital and state regulation is minimal.

The most usual kind of natural person is a sole trader. (Kislingerová, Synek 2010, 76) This type of activity needs to be done independently, under entrepreneur's own name with unlimited liability and for the purpose of making a profit (Kislingerová, Synek 2010, 76). For that a Sole trader can do a business, he/she has to fulfill the basic conditions, which consist of the age (at least 18), legal capacity and impeccability. (Kislingerová, Synek 2010, 73-74)

- **Partnership**

In a case of Partnership, there exist two types – General and Limited Partnership.

General partnership, in Czech “Veřejná obchodní společnost,” is listed in the Business Register and the company can be seen as a legal person. As for leading the General Partnership, all partners lead the company, invest in business and take risks together.

In contrast with the General Partnership, the Limited Partnership, in Czech “Komanditní společnost,” is set also by at least two people, but these two founders are defined as a complementary and commander. The responsibility is divided between complementary, who is in a case of total loss responsible by all the property and commander, who is responsible for the loss only up to the amount of his input.

Partnership must be founded by at least two people, or more with a profit sharing between these two. Responsibility is held by both of these two founders, in other words, they are responsible for all the risks. (Kislingerová, Synek 2010, 74-75)

Capital enterprise

According to the Corporations Act, Capital enterprises can be divided into two types:

- **Limited Liability Company (Ltd)**

Register capital requires 1 CZK, what increased the availability of this type of the legal form. In addition, the statistics shows that the Limited Liability Company is the most popular among the other corporate businesses. Register capital consist of contributions paid by shareholders. This type of company is usually set by one people up to fifty companions. Limited Liability Company can be founded by natural person or legal person. Despite the fact that shareholders invest into this type of company, they are not responsible for the company's obligations, instead the company is. (Synek and Kislingerová 2010, 78)

- **Joint – Stock company**

In Czech, “Akciová společnost,” is considered as a kind of business where the registered capital is divided into a number of shares which have certain nominal value and are owned by shareholders. (Synek and Kislingerová 2010, 75-76)

Join – Stock Company should be established by at least “1 natural or 1 legal person” up to the unlimited number of shareholders (founders). (BusinessInfo.cz 2014) The basic founding document is the Articles of Association.

The minimum registered capital should be at least 2 000 000 CZK according to the Corporations Act and simultaneously the lowest possible amount of contribution.

Concerning the structure of Joint – Stock Companies, the internal functions are determined by the following two systems:

- Monistic system – made by General meeting, Statutory Manager and Administrative Board (BusinessInfo.cz 2014)
- Dualistic system – made by General meeting, Board of Directors and Supervisory Board (BusinessInfo.cz 2014)

Other forms of business entities

Apart from Capital enterprises and Sole proprietorships in Czech Republic, there exist also other business entities. These are according to Srpová and Řehoř (2010, 81) Cooperatives which are enlisted organizations not founded on a purpose of generating profit. Instead of gaining profit, these organizations try to satisfy economic and social needs of its members. Cooperative should be established by at least 5 members or 2 legal persons. The members

of Cooperative are responsible for all liabilities. The Cooperative consists of managing positions like the membership meeting, the board of directions, the control committee and the chairman of the Cooperative.

- **Public corporation**

Public corporations could be owned by state or could be owned by a private owner, or by state together with a private owner. These public corporations secure providing of different services, for example, transportation, electricity, infrastructure management, post office services or television and radio channels to public. These specific services are provided by non-profit making organizations - Budget organization, Civic association, Funding organization and Foundation. However, according to the new wording of the New Czech Civil Code, the public corporations can also generate a profit. (Synek and Kislingerová 2010, 78-79)

3 BUSINESS PLAN

There are lots of different definitions of a business plan. For example, according to Koráb, Peterka and Režňáková, business plan is like “a written material made by an entrepreneur, describing all the inner and outer factors dealing with a company establishment.” (2007, 11)

Business plan can be understood as a picture of a specific future company. In this concept of a successful business plan, there should be a description of future company’s goals and answers to what the company plans to do and how will they do it. According to Mckeever a business plan “is a written statement that describes and analyzes your business and gives detailed projections about its future.” (2012, 6)

Specific business plan can be seen as a powerful tool, which can serve for planning management strategies in company. Business plan shows the way how entrepreneurs get from certain point to another in a future. Last but not least, business plan could also reevaluate the company’s set goals. (Entrepreneur.com 2016)

3.1 Form of business plan

Business plans usually do not have their form strictly determined. On the other hand, successful business plan should follow some specific steps, as according to Fotr:

- *“Business plan should be lucid and should be approximately 10 to 20 pages long – this range should be optional in case of establishing new companies.*
- *Business plan should be simple and understandable. It means that a proper business plan should contain clear contents to facilitate the understanding of small investors who would possibly read it.*
- *Business plan should be advantages of products or advantages for customers.*
- *Business plan should be orientated on future.*
- *Business plan should be realistic and trustworthy.*
- *Business plan should not be so optimistic in terms of the market potential.*
- *Business plan should have a formal adaptation and it should be appropriate.*
- *Business plan should show potential customers the comparative advantages.”*

(Fotr 1999, 208-209)

4 STRUCTURE OF A BUSINESS PLAN

As already mentioned above, a business plan does not have its fixed. It differs according to the specific business of the way the structure looks like. In this case, there exists kind of subjectivity in creating the structure of a business plan on the other hand, according to Koráb and Režňáková, a proper business should contain these logically following chapters:

- *“Title page*
- *Executive summary*
- *The company description (with the description of the product or service)*
- *Market analysis*
- *Plan of production (not always present)*
- *Marketing plan*
- *Operational plan*
- *Financial plan*
- *Risk evaluation”* (Koráb, Režňáková, and Peterka 2007, 36-38)

4.1 Title page

The business plan should start with the title page which should contain the most important company information including the name of the company, name of the business plan, name of the founder, date of founding and the company logo. (Srpová 2011, 15)

4.2 Executive summary

As Rhonda Abrams (2014, 54) writes, the most crucial part of the whole business plan is an executive summary. Information in executive summary should be “clear and concise” (Abrams 2014, 54) as well as persuading the readers to go through the rest of the plan.

On the other hand, because it is a summary, it should be written at the end of the business plan processing to summarize all the important points of the business plan. The executive summary shows results of all the planning in a particular business plan. What is more, it is important to have the executive summary well prepared, because sometimes it is one part that may be convincing for investors or bankers who would like to put investment into the specific business strategy. (Abrams 2014, 54)

In addition, the executive summary functions as a final document where all the business founder’s thoughts and proposals are summed up. (Abrams 2014, 54)

According to Finch, the ideal length of the executive summary should be 1 A4 page long format. Finch also urges on the importance of executive summary in selling the founder's business idea. According to his point of view, the ideal executive summary should contain information about the company, information about the company's management, the specific founder's proposals and lastly what the business wants from its readers. (Finch 2010, 23-24)

4.3 General company description

This chapter of the business plan offers the reader more detailed information about the specific company. Specifically, Finch (2010, 28) says that description of the company should be formed by questions of what is the principle of particular business, what and where does it do, by whom it was established plus the way how it was established and for what purpose.

Company Description is composed according to Abrams (2014, 68) of important information such as legal status, ownership information, the company location, management, description of products or services which the company offers, company mission, objectives and a company history – milestones achieved by a company to date.

As Abrams stated, the most difficult part of the description of the company might be a "Mission Statement" (Abrams 2014, 68) which basically analyzes the company's "objectives, goals and principles of the particular company." (Abrams 2014, 68) This "Mission Statement" enables reader of the business plan to have a better image of the particular business and a better insight into the company's future intentions. (Abrams 2014, 68)

As for the product specification, it is important to know how to make the products unique and different from the competitors. According to Brian Finch, it is not necessary to explain all the technicalities about the products but rather a brief explanation of why are these products more convenient to customers than the competitor ones. (Finch 2010, 28)

4.4 Target market and competition analysis

When writing a business plan, it is essential to choose different customer's segments, on which the particular company will focus. These customer segments represent "distinct meaningful components of the market" with a set of certain characteristics according which the business is able to identify the target market. (Abrams 2014, 105)

Abrams defines criteria that are important for defining the target market:

- *“Definable*
- *Meaningful*
- *Sizable*
- *Reachable”* (Abrams 2014, 105)

By definable she means a “specific characteristics” identifying what the customers have in common. Meaningful criterion is closely related to the previous definable criterion while it should relate “to the decision to purchase.” (Abrams 2014, 105)

Sizable relates to the right size of the target market to support the specific business.

The fourth criterion is reachable and it means that the prices of products should be affordable for the potential customers. (Abrams 2014, 105)

A useful way to divide market and different customer segments is with the help of demographic, geographic and psychographic segmentation.

The demographic segmentation needs the public information like age, gender, sex, education, income level, marital status and so on. Geographic segmentation focuses on state, region or city. The psychographic segmentation is orientated on the information as the public lifestyle, social class, activities or interests. (Thebalancesmb.com 2018)

According to Abrams, the most important thing is to focus on understanding the customer, especially the customer’s needs and desires. The key to a successful business is being able to meet these specific needs of the customers. (Abrams 2014, 104-105)

After identifying the target market, it is necessary to focus on the competition analysis. Competition represents a risk that the business should allow for. Competition analysis then maps the competitive businesses offering the same or similar products and it also evaluates their strategies and their strengths and weaknesses. (Entrepreneur.com)

If the company is analyzing the competition, the useful tool for that can be certainly the Porter’s five forces analysis. This analysis focuses on:

Threat of new entrants

These are the companies which are not competitive yet on the other hand there is a possibility of entering the market and becoming the competitors. If they enter the market, they could influence the price along with the quantity of the products offered.

Rivalry among existing competition

It means that in a situation on the market with a weak competition, the companies can raise the prices of their products while still having customers. Reversely, when the market situation is sustained by a strong competitive situation, the companies can lower the prices of their products for attiring the customers – because the competition seems to be really high. These are the existing competitive companies which have the opportunity to influence the market price as well as the amount of the products offered on the market place.

Bargaining power of buyers

This section refers to the force of buyers. The company prices can be increased in a case that the force of the buyers is going to be weak. Otherwise, companies are not allowed to increase the prices of their products on the market, when the force of buyers seems to be strong.

Bargaining power of suppliers

This fourth section of the Porter's analysis deals with the force of suppliers. If they have a strong force, they can easily increase the prices of materials, or ingredients. Reversely, if the position of the suppliers is weak, it is much easier for the purchaser to set up the price he is willing to pay.

Threat of substitutes

The last section of the Porter's five forces analysis is about the threat of substitutes on the market place. Actually, it means the lower prices of the substitutes – the products with the similar characteristics but with the different price.

4.5 SWOT analysis

SWOT analysis is considered as one of the most useful tools for the business strategic development. It analyses the strengths, weaknesses, opportunities and threats of the certain business. Basically, it helps the business to growth by defining its internal strong and weak parts and the external market opportunities and threats. (mindtools.com)

4.6 Marketing plan

Marketing plan is a part of business plan which describes the way by which a business is going to reach the customers. (Abrams 2014, 104)

Moreover, marketing plan serves as a certain “road map” which provides the owner with successful direction toward reaching the objectives of the particular business.

The purpose of the marketing plan is to define the company’s strengths, opportunities, weaknesses and threats at the market. The key of the marketing plan is in defining the company customers and provides a guide of how to sustain and inform the market with the company products to keep the customers content. (thebalancesmb.com)

Abrams is describing that the marketing strategy must be designed carefully to attract the potential investors. What is more, to make the marketing plan functional, it must contain their description of how the company makes customers aware of the products, the message which the company is trying to sell to customers plus the specific methods used to deliver this message and the way how the company secure actual sales. (Abrams 2014, 158)

The following marketing mix of “the Four Ps” elements is considered as highly effective marketing tool in achieving the business objectives:

- **Product** – a product description which is going to be offered to the customers
- **Price**– the specific pricing strategy and the price of the company product
- **Place**– distribution channels which will deliver the product
- **Promotion** – the way of how the product or service is going to be promoted

4.7 OPERATIONAL PLAN

A set of the company's operations, what the owner has done and what still has to be done to keep the company operational. The operations are classified to these sections: The Stage of Development Section and The Production Process Section. (thebalancesmb.com 2017)

These two sections have these following operations:

The Stage of Development Section

- *“Management and organization*
- *Production workflow*
- *Quality control*
- *The supply chains”* (thebalancesmb.com 2017)

The Production Process Section

- *“Materials and stock*
- *Inventory*
- *Assets*
- *Equipment*
- *Distribution channels*
- *Bookkeeping*
- *The company insurance”* (thebalancesmb.com 2017)

4.8 Financial analysis

The financial section represents an overview of the company future finances. It serves as a guide for the entrepreneurs to have insights into their businesses. Moreover, the financial analysis is convenient especially when the business needs funding, or a help from the investors. In addition, this financial projection should be realistic and it uses to comprise these following sections:

Sales forecast

It is essential to start with a set up of a spreadsheet projecting the company's sales over a certain period of time. Brian Finch (2010, 89-107) uses to mention in his book these four important elements that the company's financial data should include:

Cash forecast

Cash forecast predicts the company's income and the company's expenses. Brian Finch writes that this cash forecast is considered as a crucial key element in creating the company financial analysis because these data are more important than the information about the company's profit. The reason of that importance lies in a potential situation of the company collapse, in case the company runs out of cash to pay their bills. That is why this cash forecast is so important. (Finch 2010, 93-94)

Profit and loss account – The Income Statement

According to Finch (2010, 90-92) the profit and loss account is rectilinear, simple and its basis lies in evaluating the sums of the company's incomes plus it deducts the costs of this company to reach the company's net profit. The company's income statement, in other words, "The Profit and Loss Statement" is taken as an outline of the revenues and expenses of the particular business. To simplify it, the purpose of the income statement statistics shows if the business is profitable or not. (articles.bplans.com)

The simplified balance sheet

The balance sheet (in the business plan, it is usually simplified), deals with the company's assets and liabilities. The sources of finances on one side must be in balance with the second side of the company assets. The balance sheet shows that the company's assets should be covered by the company's financial sources – the liabilities, what is more, it is based on an essence of the double-entry bookkeeping. (Finch 2010, 100)

4.9 Risk evaluation

It is really important to pay attention on creating the risk analysis and risk evaluation.

Even the greatest business plan of all can fail, if the potential risks are not properly evaluated. What is more, creating a risk analysis in a particular business plan can increase the entrepreneur's subconsciousness about the possibility of threats of new entrants or new substitutes on the market.

Concerning risks, according to Abrams (148-149), the particular business plan should contain these following kinds of risks:

- *“Market risk*
- *Competitive risk*
- *Technology risk*
- *Product risk*
- *Execution risk*
- *Capitalization risk*
- *Global risk”* (Abrams 2014, 148-149)

5 THE SUMMARY OF THE THEORETICAL PART

The theoretical part of this bachelor's thesis focuses on the definition of the entrepreneurship in the Czech Republic, it defines the business environment in the Czech Republic and the basic types of the Czech enterprises plus its division. The division of the Czech enterprises is according to size, according to type of production and according to a legal form. These types of the legal forms of the Czech enterprises are in a form of a Natural person or in a form of a Partnership. In a case of the Partnership, this legal form is divided to other subcategories such as the Capital enterprise, General and Limited Partnership. The capital enterprises are further divided into the Limited Liability Company and the Joint-Stock Company. Apart from these legal forms, there exist other legal forms such as Cooperatives or Public corporations.

The second section of the theoretical part defines the theory of the business plan – its specific parts, the proper form of the business plan and its purpose. The specific parts of the business plan are executive summary, description of the company, target market, competition analysis, marketing plan, operational plan and risk analysis.

II. ANALYSIS

6 THE BUSINESS PLAN FOR THE NEW COMPANY THE CUPCAKE FACTORY

6.1 Title page



Figure 1: Logo (own creation)

A business plan for a New Company Cupcake Factory

Name of the company:	Cupcake Factory
Slogan:	Made with love.
Legal form:	Natural person
Location of the company:	Náměstí Práce 2523, Zlín 760 01
Date:	1 September 2018
Founded by:	Karolína Samková
Telephone number:	+420 604 536 863
Email:	Samkova.k@seznam.cz
Founder's address:	U Haldy 144A, Ostrava-Jih 730 00
Description of the company:	The main purpose of this company is to make people happy everyday and offer them something different and unknown. This company is planned to sell cupcakes of different flavors, macarons or cakes which can be easily ordered by customers.
Financing:	Financed from the founder's savings 1 000 000 CZK.

6.2 Executive summary

Company description

Cupcake Factory is planned to be a special kind of a modern sweetshop and a confectioner's focusing on exposing and selling cupcakes of different flavors along with macarons and cakes of different flavors and sizes. The main market opportunity of this company lies in offering people sweets, considered as trendy and modern, mainly inspired by affiliates of sweetshop in Ostrava and Olomouc, specifically, the stores of "Sladké Království by Trisha."

The idea for opening sweetshop of this kind came from a founder's head, as she is from Ostrava originally, where there is "Sladké Království by Trisha" but living in Zlín, she misses a good quality and modern sweetshop, orientating on these kinds of bakery.

Location

Since the department house is still in reconstruction, the first two floors are planned to be open at the end of August. So the date of opening the business to public will be planned by the end of September 2018.

Product description

The company Cupcake Factory is planned to be a specialized confectioner's together with a sweetshop where people could choose right from a variety of sweets exposed in freezers. This variety of sweets will include primarily original or gluten-free cupcakes of at least 40 flavors, macarons – sweets, considered very trendy nowadays, basically a French candy, known for its fragility and special taste like the Czech meringue.

Apart from cupcakes and colorful macarons, it is also planned to sell cakes but these cakes will not be exposed. These cakes will be only available for orders.

Objectives of the company

The company's vision is selling people a joy, something that will make people feel happier. Everyone sometimes feel miserable, everyone sometimes wants to experiment or only have a sweet tooth, and that could give the reason to establish a company like that. The purpose of our company consists in making people smile with every bite of our products. Cupcake Factory wants to make the customers happy and by achieving that, the company hopes to ensure regular visits of customers. In addition, the company plans to sell to customers untraditional sweets and candy, as Zlín consists mostly of the young people (students), to satisfy their needs. But everyone could choose its own product as the company will not be focused just on one customer segment.

Financial Plan

The owner herself will assure a registered capital from her personal savings of 1 000 000 CZK which will finance the start-up costs plus fixed and variable costs for the first two months of the business beginnings. Detailed information can be found in chapter 12.

Promotion

The great investment will be put into promotion – mainly to leaflets, which will get people know about this company, then it will be appropriate to create an e-shop with daily offers, and the customer's basket, where customers have an opportunity to order cupcakes, macarons or cakes for specific occasions. To gain more competitive advantage on the market in Zlín, there is a need to focus on something brand new in terms of a sweetshop promotion in Zlín. In this case, it is necessary to invest into a stand offering leaflets to people, to attract the attention of the potential customers and to create a likeable image of this company. This particular stand will be situated in Golden Apple in Zlín because of the massive circulation of people.

Another ways of promotion should be traditional – social media, for example Instagram, Facebook pages or advertisements in public transport. All of these ways of promotion will be invested to catch the public attention and obtain the customer's trust in the business beginnings.

7 GENERAL COMPANY DESCRIPTION

The company name is composed of two words – “Cupcake” (refers to the company’s main product, and it is on purpose to let people know about what is the company doing) and “Factory” (a hyperbole, because it is not a huge factory but a small confectioner’s and a sweetshop in Zlín with an image of a huge factory).

7.1 Objectives of the company

The company objectives are following:

- To satisfy customers by selling products - sweets
- To generate profit and increase the market value of the company
- To make people happy by selling the company’s products
- To build a loyalty from customers
- To strengthen the relationships between the company and their customers
- To find a competitive advantage over its competitors on the market in Zlín

7.2 Legal form

The owner decided to do business as a natural person because, in comparison with other legal forms, the conditions of the natural person are simpler to accomplish. This legal form is determined by the Trade Licensing Act 455/1991 Coll. in Czech Republic. According to the Trade Licensing Act, the most suitable trades for operation of this kind of business are these:

- Bakery, confectionery (Crafts Trade, sector A in the Trade Licensing Act)

Nevertheless, according to the Trade Licensing Act 455/1991 Coll. a person (the founder of the company) who wants to do business in Crafts Trade has to have a professional competence in terms of the recognition of professional qualifications issued by the Recognition Authority under the Act on the Recognition of Professional Qualifications. (Živnosti.eu)

7.3 Location

Considering the location, the residence of the company confectioner’s and the sweetshop will be located in Zlín, which is the largest town in the Zlín region. The population in Zlín is approximately 191 543 of people (Population statistics of the Zlín region in 2018). (czso.cz 2018)

Reasons for which this location was chosen are following:

- The founder of the company lives in Zlín and transfers the idea of this kind of a sweetshop from the Ostrava city.
- It is considered as an advantageous market in terms of Zlín which consists mostly from the young group of people.
- As it was mentioned above, Zlín is considered as the student's city, although this city is quite traditional and conservative.

7.4 Opening hours

Regarding the opening hours see the table below:

<i>Opening hours</i>	
Monday - Friday	10:00 – 18:00
Saturday	Closed
Sunday	Closed

Figure 2: Opening hours (own creation)

7.5 Management and personnel

As for the management, the company Cupcake Factory will consist of 2 people. The founder will be the key personnel who will provide a capital and who will be as well a supplier of materials needed for baking and confectionary. The founder decided that the management team will consist of only 1 sale assistant. More detailed information will be included in chapter 11.

8 DESCRIPTION OF THE PRODUCT

The company The Cupcake Factory is intended to be a small confectioner's and a sweetshop, so the variety of products will be smaller but more specific, and what is more, the daily offer will consist of macarons – goodies from France, which are quite popular nowadays. Despite the fact, that the range of products will not be so large, people will have opportunity to taste untraditional desserts from abroad.

The secret of this company lies in the freshness of the produced products, so all the candies offered will come directly from the oven in the retail store of the refurbished department store. For the production of all the sweets will be used, instead of chemical substitutes, quality and verified domestic ingredients. The daily offer is planned to be changed every week.

8.1 Main products

- *Cupcakes*

The traditional cupcake is considered as the American dessert and it will be the most important and the most offered product of all the products. Customers can imagine a traditional cupcake simply, as a small cake. Cupcakes are sweeter than, for example, muffins. These mini cakes are really soft and the traditional home made cupcakes are formed by butter and eggs. Unlike muffins, cupcakes have a frosting on the top and, in a case of this company they will have approximately 40 different flavors (including common flavors like chocolate or vanilla). (thekitchn.com 2010)

These 40 flavors are the following:

- Red Velvet, Banana, Mango, Cherry, Orange, Currant, Strawberry, Raspberry, Blueberry, Lemon, Coconut, Coffee, White chocolate, Pistachio, Tiramisu, Nuttela, Salty caramel, Poppy, Peanut butter, Lavender, Carrot, Chocolate with Chilli, Tropical Fruit, Caramel, Straciatella, Almond.
- Chocolate bars flavours: Bounty, Snickers, Czech "Mila", Czech "Kaštany", Czech "Margot", Czech "Tatranka", Raffaello, Oreo, Ferrero Rocher, Lotus, Toffifee, Mars.

The frosting on the top of cupcakes is made from the “Mascarpone Frosting” or the “Buttercream Frosting.” “Mascarpone” is an Italian fresh cheese cream made of acidic substances like lemon juice or vinegar, citric acid or acetic acid, and this cream is also used for desserts like “Cheesecake” or Italian dessert “Tiramisu.” (thedailymeal.com 2014) “Buttercream Frosting” is an American fluffy cream, which is made by a hand mixer, usually from ingredients like butter, vanilla extract, milk and confectioner’s sugar. (allrecipes.com)

- **Macarons**

French macarons are “gluten-free butter-cream filled cookie sandwiches” (sweetdarlingpatisserie.com), typically with egg-shell crust on the top, filled with chocolate or another type of filling in the middle. These macarons have unique taste because they are crispy, smooth and really sugary.

Originally, these French macarons have their roots back in the times of the French Revolution, but in a form as people commonly know nowadays they came in the 19th century. Macarons were made popular by Maison Ladurée from the traditional French Patisserie Ladurée in Paris. (sweetdarlingpatisserie.com)

As cupcakes, also these macarons can have different variety of fillings. Variety of fillings in Cupcake Factory is following:

- Chocolate, Vanilla, Pistachio, Lemon, White chocolate and Coffee.

8.2 Supplementary products

As for the company’s supplementary products, the main offer of supplementary products is in a form of cakes. On the other hand, these products differ from the main products. Main products are planned to be baked and exposed inside the store (in the freezers), while this variety of cakes is just in a form of a list, in which customers can order the type and flavor of cake which they like; this product is not exposed for seeing, this product is directly sold to the customer who is ordering it.

9 MARKET ANALYSIS

Market analysis consists of the PEST analysis and the competitive analysis. The PEST analysis determines the external political, economic, social and technological factors which can have a direct impact on the company. By understanding and evaluating the external factors, strategists can find a way of how business models will have to evolve to adapt to their environment. (Sammut-Bonici and Galea 2017)

9.1 PEST ANALYSIS

Pest is an acronym for: political, economic, social and technological environment that surrounds a certain business. Pest analysis is a helpful tool which provides a help for understanding strategic risks. It is the area beyond the control of business, which business cannot influence and pest analysis functions as a tool for “identifying the effects of external environment on the firm’s competitive position.” (Vrontis and Pavlou 2008)

9.1.1 Political environment

Taxes

As the legal form of the founder is a natural person, there is a need to pay income taxes from profit with the rate of only 15%. The Natural person pays the social and health insurance all itself. The minimum amount of reserves for the social insurance is 2189 CZK per month (in the year 2018). The minimum amount of reserves for the health insurance is 2024 CZK per month (year 2018).

These sums (social and health insurance) are calculated from the average wage in the year 2018 which is a little bit higher than in the year 2017 – 29 979 CZK. (Finance.cz 2018)

In addition, when a legal form of the founder is a natural person, it is not necessary to pay the Corporate taxes according to Act n. 586/992 Coll. Instead, Natural person must pay the personal income tax to the relevant Tax Office after the single entry in a particular business is done. As the tax rate is 15%, it is less (4%) than the tax rate of the Corporate tax.

Legislation

When opening a confectioner’s and a sweetshop, there is an amount of legal norms and regulations that the founder of the company must deal with. The owner plans to open the confectioner’s and the sweetshop in the new reconstructed department store of former Prior

in Zlín. The biggest advantage lies for sure in newly reconstructed business premises build for a specific purpose of running confectioner's together with the candy store.

Anyway, to start a business like that could be for some entrepreneurs really complicated.

The reason of this consists in an amount of legal regulations and institutions (from 15 to 20 administrative institutions) that must be done before starting a business. Here are some steps that should be followed to start a successful activation of business:

- *“Obtaining the building permit at the Building Office*
- *Preparation of project documentation for the Building Office*
- *Obtaining the Opinion of the Department of Hygiene at the Department of Nutrition (Operation of Production and Sales)*
- *Obtaining the opinion of the Department of Labor Hygienic Station (the employee background)*
- *Obtaining the statement of the fire brigade to the project*
- *Obtaining the statement of the Department of the Environment*
- *Obtaining the consent of the National Institute for the Integration of Persons with Reduced Mobility and Orientation*
- *Obtaining the health card*
- *Obtaining the HACCP documents (Hazard Analysis and Critical Control Points for Food Production and Sale)*
- *Obtaining the Trades Licensing at the Trades Licensing Office (Craft Trade - Bakery, Confectionery)*
- *Obtaining of the professional competence (proof of education or practice)*
- *Obtaining the notification of the establishment at the Trade Licensing Office*
- *Personal income tax registration*
- *VAT registration*
- *Signing up for the road tax*
- *Authentication and EET registration*
- *Registration for the health insurance payment*
- *Registration for the social insurance payment” (Hovorka 2017)*

However, this field of business (bakery and confectionery) is connected with a lot of risks and it is a subject of state controls during a business operation. State Institutions that provide state controls over the business operation in Czech Republic are the following:

- *“State Hygienic Station*
 - *Czech Agriculture and Food Inspection Authority*
 - *Public Health Authority*
 - *Czech Trade Inspection*
 - *Trades Licensing Authority*
 - *Tax office*
 - *Czech Social Security Administration*
 - *State Labor Inspection Authority*
 - *Czech Environment Inspection*
 - *OHS checks*
 - *Fire protection controls*
 - *Waste Disposal Control*
 - *It is also possible to carry out inspections from the Office for Technical Standards, Police or the Czech Telecommunication Office”*
- (Hovorka 2017)

Legislation that must be observed in this field of business connected with the confectionery field of business is conducted by these Czech Acts and Regulations:

- *“European Union regulations eg. Regulation 852/2004 on food hygiene*
- *Act No. 258/200 Coll., On the Protection of Public Health*
- *Act No. 552/1991 Coll., The Czech National Council on State Control*
- *Act No. 110/1997 Coll., On Food and Tobacco Products*
- *Decree No. 246/2001 Coll., Laying down the conditions of fire safety and the performance of state fire surveillance (Fire Prevention Order)*
- *Act No. 246/2001 Coll., On fire prevention” (Hrušová 2010)*

9.1.2 Economic environment

Wages

Concerning wages in the Czech Republic, by the rate of minimal wage is nowadays taken into account 12 200 CZK. According to the Czech Statistical Office, the average rate of wage in the Zlín region is in the 4th quarter of the previous year 2017 a sum of 28,406 CZK. This average rate of wage is consistently under the national average rate of wage. (czso.cz)

It is clear that people who are given only this small amount of money would not be willing to pay our products (because of the prices). These customers will probably choose another option in a form of cheaper substitutes from supermarkets (like “Lidl” or “Penny” discount shops with a lower price than typical prices in markets). In all cases, the wage number has a direct influence on a decision making process of customer’s buying behavior.

Unemployment

In a case of Zlín city, the rate of unemployment in year 2018 is average. The number of people who are not employed in Zlín region is around 3, 09% according to Czech Statistical Office. This number is not as high as in Moravian-Silesian region (5, 36%) but also not low as in Prague (2, 15%). The unemployment rate could potentially influence the buying behavior of customers as well as the rate of wages. It could reduce the future revenues because people in Zlín are not economically satisfied. Customers could find competitive products, cheaper versions of the company’s products. (czso.cz)

9.1.3 Socio-cultural environment

Demographical development

The socio-cultural environment can influence the business as well. As the business is planned to be located in a lucrative locality, this company could have a great potential but depending on different social groups living in Zlín. In the Zlín region, from approximately 75 000 inhabitants in total, 11 000 of that sum are young students which is quite a lot. (mistopisy.cz) Zlín is considered as the student’s city, what could be a great market opportunity, because young people are willing to experience more. In contrast with retired people that are rather conservative, young groups of people incline to try new things.

What is more, another market opportunity could be also the fact that according to statistics from Zlín, a number of women is a little bit higher than a number of men. (mistopisy.cz)

Preferences

The preferences can play a crucial role in the business as well. It is certain that the preferences will influence the business pricing strategy. The business should fit the prices of the company's products to the public preferences, in other words, what people like the most should be more expensive to generate a profit and guarantee a quality. Nowadays, people seek for untraditional and foreign sweets, because nowadays people are more likely to experience and taste different things. The reason of this is the fact that people travel more than before and desire to try new things including gastronomy.

9.1.4 Technological environment

Price of technological devices

Technological environment deals with new technologies of making specific kinds of products that is why it is a significant factor in this business. On the other hand, this business has a small portfolio, for this reason, it will have only a small range of cupcakes and macarons. Therefore, there is no need of big investments into the amount of new technologies. So the fundamental technological device will be, of course, a hot-air oven for baking and freezers for preservation of the company's products. Only one technological device is new technology nowadays and it is a kitchen robot Bosch – a machine which can whip, grate, and slice ingredients for making creams or dough will be more expensive but a useful tool in the kitchen. In addition, the price of electricity could be higher, therefore it could reflect the prices of the company's products.

Distribution

The main advantage lies in a location of this business. As it is located in a reconstructed department store of former Prior, a density of population circulating here would be really high. Also, the access for supplying the materials is convenient. The position of the company lies in the city centre where the traffic availability is quite rich. A distance of all the company suppliers is approximately from 10 to 20 minutes of the company's position. Hence the company is close to its suppliers as well as close to a motorway network.

9.2 Competition analysis

For the purpose of the competition analysis of the company The Cupcake Factory, there is used the Porter (five forces) analysis to evaluate the nearest competition in the Zlín market. The Porter analysis summarizes the threat of new entrants, rivalry among existing companies, as well as the bargaining power of buyers, the bargaining power of suppliers and the threat of new substitutes.

9.2.1 The threat of new entrants

Because of the company's location in a department store Prior and in general at Náměstí Práce, there is a high probability of new competitive entrants. And, of course, as Prior is newly reconstructed, another sweetshops and confectioner's will be situated in the same department store.

9.2.2 Rivalry among existing companies

It is obvious that many confectioneries and sweetshops could be found in Zlín. Zlín is not as big, so the most of the competitors is located in the very center of the city, around the Cupcake Factory. Among the most competitive companies in the confectionery field are especially these confectioner's: Garibaldi, Zlíňanka, DINO, Delikana Eiscafe, Panorama, and U Majců which are located the nearest to the company The Cupcake Factory. On the other hand, The Cupcake Factory offers popular sweets from abroad which use to be in short supply in the Zlín market. For this reason, the company The Cupcake Factory has a great competitive advantage among its rivals and a huge potential in the confectionary field.

9.2.3 Bargaining power of buyers

It is hard to predict the strength of the company future buyers. The company will struggle with competitive confectioner's, especially in the beginnings of starting of the business. Despite the fact, the company has a lot of competition in Zlín, the main competitive advantage of this company is in a form of sweets that are unfamiliar to people in most cases. Therefore, the pricing strategy can be set up a little bit higher, because of the people's willingness to explore new things (sweets from the gastronomies abroad). This fact would lead to a gradual boosting of the customer's loyalty.

9.2.4 Bargaining power of suppliers

It is necessary to control the power of the suppliers, as they can potentially increase the prices of ingredients (in the confectionery industry). A potential reason for rising raw material prices may be the external effects of the macroeconomic environment, such as the possible economic crisis in the state, political changes or the European Union situation. An example of this may be the real increase in butter prices.

To reduce the potential risk, it is important to monitor the market situation and if the prices of the ingredients will rise, the necessity lies in increasing of the final prices of the company's products.

9.2.5 The threat of new substitutes

The risk of threat of new substitutes is not that probable, and it is connected with the threats of the new entrants. Both possibilities seem to be less threatening to the company The Cupcake Factory. The only higher competitive threat could be in the opening of a new confectioner's and a sweetshop in the same department store Prior, right in the location of The Cupcake Factory.

To summarize the competition, although Zlín contains a large number of companies with similar products, the company The Cupcake Factory has a large advantage against the majority of them. Due to the customer's preferences of experiencing new things, this company offers new, unknown products with regard to the Zlín confectionery market.

10 MARKETING PLAN

The clue of the company's marketing strategy is about attracting the young segment of customers approximately from 15 to 25, in other words, students who form the essential part of population in Zlín (as Zlín is considered as the student's city). The offer of the company's products is divided into different customer segments. The selection of a target market is based on predictions and statistics from Czech Statistical Office of Zlín region.

These segments are following:

- **SEGMENT A** – these are customers from 15 to 25, mostly students and mothers with kids (women) who would buy cupcakes and macarons.
- **SEGMENT B** – these are customers from 25 to 45, mostly families with kids who would buy cupcakes and macarons.
- **SEGMENT C** – these are customers from 45 and more, retired people, who would buy more traditional things such as cakes for certain occasions or just stop in the company's shop for a while.

The company The Cupcake Factory is trying to satisfy the needs and desires of all the customer segments. Particular segments are divided on a basis of probability of purchasing the company's products.

Based on the statistics from Czech Statistical Office, Zlín is inhabited more by women, which gives the company a great market opportunity, because women are more likely to buy sweets than men. The first segment is founded mainly by students of Tomas Bata University (9 200 students in Zlín) plus students from other secondary schools in Zlín region who form approximately 24 000 students. (zlin.eu) The segment A is the most probable segment who would buy the company's products, as the position of the company in the city centre and near to the university as well as two more secondary schools. Therefore, the company should focus on women (young students) or mothers with kids of age from 15 to 25 and attract this segment with an offer of cupcakes and macarons, because this segment is the most probable for experimenting.

Demographic	
Age	15 - 25
Sex	Women
Education	High and secondary
Revenue	Medium price
Nationality	Czech

Figure 3: Demographic (own creation)

As for the geographic location, the company predicts that the most advantageous position is in Zlín region, right in the city centre of Zlín, in newly reconstructed department store of former Prior. Specifically, the location at Náměstí Práce in Zlín, which is the most attractive and the most stirring part of Zlín city with approximately 19 000 inhabitants and visitors circulating there. (obchodnidumzlin.cz)

Geographic	
Region	Zlín region
Availability	Department store – centre of Zlín and e-shop – available only in Zlín

Figure 4: Geographic (own creation)

Psychographic aspects are reflecting the fact that people are full of desire to try new things and taste some gastronomic experiments that they had no opportunity to taste before. A great number of people are attached to quality things. In recent years, still more and more people are trying to substitute chemical substances in gastronomy by healthy and quality home-made ingredients.

Psychographic	
Activities	Trying new things
Interests	Gastronomy
Values	Buying quality products

Figure 5: Psychographic (own creation)

10.1 SWOT analysis

For defining the strengths, weaknesses, opportunities and threats of the company The Cupcake Factory on the market, there will be used SWOT analysis, which can be found below:

Strengths

- Advantageous location in the centre of Zlín
- Quality products and a great potential of the offered products
- The large aim of the brand

Weaknesses

- A small variety of products
- One part-time job employee
- Small business premises
- No previous experience of the founder with entrepreneurship

Opportunities

- Growing trend of sweets from abroad
- Creating an E-shop
- A promotional stand in the Golden Apple shopping mall when opening a business
- Modern environment, as the former Prior is reconstructed

Threats

- Lower profit because of the competition
- Lower profit in summer
- Increase of prices of ingredients

Among the company's strengths is appropriate to mention an advantageous position of a confectioner's and a sweetshop. The business premises for the shop will be newly reconstructed, the modern environment of reconstructed former department store Prior will positively influence the buying behavior of customers. What is more, the selected locality in department store is at "Náměstí Práce," a square with the highest fluctuation of population. The amount of inhabitants and visitors of Zlín circulating there is approximately 19 000, which is a huge number of people. This confectioner's and

sweetshop has therefore a great opportunity to attire an immense amount of customers. (obchodnidumzlin.cz)

Another strength cited in a list is a quality of the company's products which is an advantage too, especially for gaining a loyalty of customers, because people search for quality products without chemical modifications.

What is more, the strong company brand is aiming to satisfy all of the customer's segments therefore the operation of the brand could be taken as a advantageous strength.

Concerning weaknesses, the most significant weakness of this company consists in a small variety of products (cupcakes, macarons and cakes), contrasting with competitors. Next weaknesses are the small management team (just one employee on a part-time job), the small business premises and a lack of experience of the founder (in doing business).

As for opportunities, the main opportunities of this company are a growing trend in a form of sweets from abroad, which is favorable in recent years, a creation of e-shop, when customers could order cupcakes, macarons or cakes (but without a delivery option) and a promotional stand in the Golden Apple shopping mall, which will enlarge the advertisement of this company mainly when opening this business. Another opportunity can lie in the business premises, as the department store Prior is going to be reconstructed.

Among the threats could be categorized a low profit because the competition in Zlín is high, a low profit during the summer (people tend to eat less sugar) and a low profit because of the higher prices of ingredients from the company's suppliers.

10.2 Marketing mix

Product

The Cupcake Factory makes candy of three kinds – American cupcakes, French macarons and usual cakes filled with chocolate or vanilla cream, variably decorated. The reason of why this company has so small variety of products is following: the founder plans to have the brick-and-mortar store tiny and homely to engender a pleasurable effect on customers and people passing around. Another reason is that the founder is the baker herself, and the preparation of fresh daily products is quite time-consuming, that is why there are only three kinds of confectionery offered.

According to the company's name, by the main product offered are meant the American home-made fresh cupcakes, which will be made from traditional ingredients. These cupcakes will not be prepared from chemicals from which the usual candy is made (e.g. E

numbers - E 952, 954; E 151; E 131; E 132; preservatives, emulsifiers or sugar substitutes). (cas.sk 2011)

The only chemical substance will be included in food coloring of creams and coloring of macarons which is considered as an exception. The pastry of cupcakes is made of eggs, sugar, butter, flour, milk and baking powder. According to the kind of cupcake, there can be also used fruits, almonds, vanilla extract, cocoa powder, cookies and so on. The cream on the top of the cupcake is usually made of mascarpone of different flavors (as per the type of a cupcake).

Macarons are made of “meringue” and some kind of filling in between these two meringues. The “meringue” is made of egg whites together with ground nuts, confectioner’s sugar, sugar and water. The flavor can be various. The filling is very specific, it can be filled with jam, “nutella” or some buttercream icing. (bakingbites.com 2011)

The third product listed in the company’s offer, are cakes, which are similar to cupcakes in a consistence.

As for the packaging, the company plans to cooperate with the company “Gastro-obaly.cz” which made product containers eco-friendly. For making a good image to the company’s brand, the founder decided to have two kinds of product containers – pink and purple with the company’s heart logo and slogan.

These containers will be in a form of carton boxes and they will serve customers when taking the candy home or customers on the internet, in a case of an online order. When customer wants to order products online, they had to (after some time limit) come to our sweetshop and pick the prepared order up.

Price

Price of products is set up to cover fixed, variable costs along with gaining a profit. Another factor that the pricing strategy must obtain consists of the customers preferences and how much are they willing to pay for each of the company’s product. This criterion was based on the predictions while comparing the prices of competition in Zlín.

Here is a list of prices of the individual products:

Cupcake - 60 CZK

Macaron – 35 CZK

Cake – 400 CZK

Place

The Cupcake Factory is planned to be situated in a former Prior department store, which is still in reconstruction but it will be available around August 2018. From this reason, The Cupcake Factory will be opened to customers on 1st September 2018. The location of this company is convenient because of the grandiose effect of luxury department store full of shops with quality products. It means a great market opportunity to the sweetshop because of the number of customers circulating there.

The newly reconstructed department store will be divided in two parts. First two floors will be infelt by modern restaurants, cafés, pharmacy and others. Three floors above will be possessed by the company HP TRONIC and its offices. And at the top of the department store will be situated a luxurious four star hotel with wellness and fitness center for very wealthy people. (obchodnidumzlin.cz)

Promotion

The Cupcake Factory plans to have plenty of ads in places that people watch the most. Of course, it's a Facebook page and an Instagram account with professional product photos and an e-shop with the ordering system. In order for this company to attract as many customers as possible at the start of business, it will use distinctive, eye-catching colors (pink, purple) both on the shop floor and inside the store. The company plans to promote its products on social media – a Facebook page advertisement as well as Instagram account with professional pictures of the products and the sweetshop interior. Another types of promotion will include leaflets (containing information about the company, its location, logo and the eye-catching slogan), the promotional stand (which will be situated in the Golden Apple shopping mall), the ads in the public transport (trolleybuses circulating from Otrokovice to Zlín and vice versa) and creating an e-shop (popular and favorite online shopping).

Facebook

Nowadays, companies promote their products or services on social media. Our company will use Facebook as a useful tool for creating a marketing strategy of the “word of mouth” between people.

The Facebook webpage will concern detailed information about the company's vision, mission, the company's short description, about the products the company offers and the contact information as the telephone number of the founder and email address. This platform purpose will be also in informing customers through posts about the daily offers and about the possibility of discounts or benefits. The basic version of the Facebook webpage is for free (it does not include sending advertisements to the specific customer segments and so on).

Instagram

On this platform, customers can find pictures of the company's daily offers, including all the products listed there. Moreover, customers will have the unique opportunity to participate in short contests organized by our company (once per month), in which they can win some free products. The particular contests will serve as a tool for attracting a large sum of people using an Instagram application.

Leaflets

Leaflets will serve mostly for attraction of old-pensioned customers, who do not know or use any social media. It will be the easiest plus traditional means of communication with these customers. Anyway, this kind of promotion will be more time-consuming as well as too expensive. The founder decided to order just 1000 leaflets from the company "onlineprinters.cz" with the cost of 550 CZK plus the graphical design which will cost around 800 CZK. These leaflets will be of format A6, including the main company information, location, contact and products and will be available on the promotional stand (in the Golden Apple) at the opening ceremony of a new business.

Promotional stand

As for another type of promotion planned by this company, a promotional stand would be the greatest way for promotion. As far as this promotion seems to be costly, this event will be operated only for a purpose of the opening ceremony of the new sweetshop in Prior. The approximate cost for an overall stand is 16 400 CZK and it is also necessary to calculate the costs for rent in Golden Apple shopping mall. The advantage would be in the word of mouth, in other words, people sharing information about the company what is the brilliant strategy in attiring new customers.

Advertisements in public transport

This method seems to be an approved form of advertisement. Passengers are more likely to notice the eye-catching advertising campaigns in traffic areas than anywhere else.

Moreover, the number of passengers in Zlín is massive and this ad campaign can attract dozens of new customers. Advertisements in public transport will be in the form of stickers in the number of six pieces for 1 year. The price per year is around 4000 CZK.

E-shop

This platform will be created with a professional help of “www.shop5.cz” with whom our company is going to cooperate. The owner made a decision to order the package PROFI with a price around 29 900 CZK which is quite a lot, on the other hand, the package PROFI includes 2 licenses, graphics bespoke, EET system, various payment options for customers and all the functions that a standard e-shop has.

Overall costs for promotion	
Facebook	Free
Instagram	Free
Leaflets	1 350 CZK (100 pieces)
Promotional stand	16 400 CZK + rent for one day
Public transport ads	4 000 CZK
E-shop licenses	29 900 CZK
Overall price	51 650 CZK

Table 1: Costs for promotion

The prices in the table are the regular costs for the promotion paid every one year.

11 OPERATIONAL PLAN

Suppliers

Regarding the chain of suppliers, the owner made a decision to be a supplier herself and cooperate with:

- Makro Cash & Carry
- Kaufland, s.r.o.
- Candy Shop Zlín

These suppliers will provide the materials and the owner will distribute them to the sweetshop.

Distribution channels

The company products will be available through two distribution channels:

- Shop: located at Náměstí Práce 2523, Zlín 756 01
- E-shop: <http://www.thecupcakefactory.cz>

Safety and quality standards

It is necessary to implement control measures on the production sold to the customers. The confectionery production must accord with certain legal norms as well as implementing certificates by Czech controlling Institutions and food safety standards.

- HACCP which is the “Hazard Analysis and Critical Control Point” a system approving that all the products are harmless including the manufacturing, storage and distribution of these products to the customers. What is more, if the production is in accordance with HACCP, (Food Law and Decree n. 147/1998 Coll.), the shop will obtain a sticker of the food safety standard. (itczlin.cz)

Management

The Cupcake Factory is a small company including only one employee who will hold a position of a sale assistant in a company’s confectioner’s and sweetshop. For the beginning of the business, the management team will consist of the owner and one full-time job employee. As the company is planned to expand in a future, the number of employees will be possibly enlarged.

- **Owner**

Between the main responsibilities of the owner of this company will be listed these things: accountancy with company finances together with supplying of material for baking products, responsibility for marketing, responsibility for customer orders (preparing products on time and for daily offers) and also administering an e-shop. It could seem really demanding for owner to occupy so many functions, but it is not impossible. The owner's rate of wage will be dependent on the overall profit of the company.

- **Shop assistant**

Wage: 19 200 CZK

The shop assistant will help the owner with selling the company's products, also provide a help with promotional campaign (the promotional stand).

CALCULATION OF THE SALARY	
Hourly rate	120 CZK
Number of hours per day	8
Number of hours per week	40
Gross monthly wage	19 200 CZK
Super-Gross wage	25 728 CZK
Estimated tax	3 870 CZK
Health insurance	864 CZK
Social insurance	1 248 CZK
Take-home wage	15 288 CZK
Wage costs	19 200 CZK

Table 2: Wages

Insurance

The owner has a duty to provide insurance for all the company employees. The advantage is that the company has only one employee – one sales assistant, so the number paid will not be so high. The percentage of insurance will be the rate of insurance given by a state permission.

12 FINANCIAL PLAN

The financial plan of this company starts with the calculated set-up costs of this company. The total sum which is invested into this business by the founder of this business is 1 000 000 CZK from her own savings. This amount of money should cover the set-up costs and the fixed and variable costs for three months (for the time since the business starts to generate a profit and builds a loyalty of customers).

12.1 Set-up costs

The set-up costs are an essential part when opening a new business. These set-up costs include reconstruction of interior and exterior as well as the equipment of the confectioner's and the sweetshop, costs for small advertisements and a trade license. These company's costs represent a large sum of money from the budget, on the other hand, they are paid only once and they are necessary for running the business. These set-up costs will be financed from the owner's initial investment into the business (1 000 000 CZK).

SET-UP COSTS	CZK
Trade license	1000 CZK
Reconstruction	20 000 CZK
Equipment in total	205 423 CZK
Cash desk Optima CR 21LA	8 228 CZK
WiFi router TP-LINK	549 CZK
Refrigerating vitrine NORDline	11 539 CZK
Microwave oven Sencor Smw	1 199 CZK
Bar counter SIFA SPRING GREY	24 079 CZK
Jug kettle Rohson	549 CZK
Refrigerator Snaige CD290	7 549 CZK
Kitchen robot BOSCH	5 999 CZK

Oven EPP 03 S	81 058 CZK
Dishwasher E50T	32 901 CZK
Dishes for baking	5 000 CZK
Furniture	10 000 CZK
Putting advertisements up on a shop window	3 973 CZK
Decoration + lights	7 000 CZK
Hygienic utilities	5 000 CZK
Internet	1 500 CZK
Electricity	3 000 CZK
Promotion	51 650 CZK
Company car	65 000 CZK
Total	226 423 CZK

Table 4: Set-up costs

12.2 Fixed costs

The following chart registers the periodical fixed payments that the owner has a duty to pay per each month for running the business properly.

Total costs in CZK	Monthly	Annually
Fixed costs	48 127 CZK	577 524 CZK
Insurance	3 000 CZK	36 000 CZK
Super-gross wage	25 728 CZK	308 736 CZK
Internet AVONET	399 CZK	4 788 CZK
Rent	13 000 CZK	156 000 CZK
Energies	6 000 CZK	72 000 CZK

Table 5: Fixed costs

12.3 Revenues and variable costs

The table below focuses on the production costs of the products, the selling price and the final sales margin as the company's profit.

The production costs for one cupcake will be around 40 CZK, 12 CZK for one macaron and 250 CZK for one cake. On the other hand, to generate a profit, the selling price for one cupcake will be 60 CZK, for one macaron 35 CZK and for one cake 400 CZK.

The sales margin for the company will be then 20 CZK from one cupcake, 13 CZK for one macaron and 150 CZK for one cake.

Products	Variable costs	Selling price	Sales margin
Cupcake	40 CZK for one	60 CZK for one	20 CZK
Macaron	12 CZK for one	35 CZK for one	13 CZK
Cake	250 CZK for one	400 CZK for one	150 CZK

Table 7: Production costs

The table of the predicted amount of sold products shows three different scenarios – optimistic, optimal and pessimistic. It is really important to pay attention to the optimistic as well as the pessimistic point of view of the company's variable costs.

Predicted sold products	Optimistic	Optimal	Pessimistic
Cupcakes	110 per day	90 per day	70 per day
Macarons	80 per day	60 per day	40 per day
Cakes	12 per day	2 per day	0 per day
Variable Costs	8 360 CZK	4 820 CZK	4 680 CZK
Revenues	14 200 CZK	8 300 CZK	5 600 CZK
Profit per day	5 840 CZK	3 480 CZK	920 CZK
Variable Costs per month	250 800 CZK	144 600 CZK	140 400 CZK
Revenues per month	372 000 CZK	249 000 CZK	168 000 CZK
Profit per month	121 200 CZK	104 400 CZK	27 600 CZK

Table 8: Predicted sold products

Cupcakes

Optimistic scenario prediction shows 110 sold products per day, it means 3 300 products sold per month with the production expenses of 132 000 CZK per month.

Optimal scenario prediction shows 90 products sold per day, it means 2700 products sold per month with the production expenses of 108 000 CZK per month.

Pessimistic scenario prediction shows 70 sold products per day, it means 2 100 products sold per month, with the production expenses of 84 000 CZK per month.

Macarons

Optimistic scenario prediction shows 80 sold products per day, it means 2 400 sold products per month with the production expenses of 28 800 CZK per month.

Optimal scenario prediction shows 60 sold products per day, it means 1 800 sold products per month with the production expenses of 21 600 CZK per month.

Pessimistic scenario prediction shows 40 sold products per day, it means 1 200 sold products per month with the production expenses of 14 400 CZK per month.

Cakes

In a case of selling cakes, optimistic scenario prediction shows 12 sold products per day, it means 360 sold products per month with the production expenses of 90 000 CZK.

Optimal scenario then predicts 2 sold products per day, it means 60 sold products per month and the calculation of the variable costs appoints for 15 000 CZK.

Pessimistic scenario predicts 0 sold products per day, it means 0 sold products per month and the calculation of the variable costs is 0 CZK.

Now, it is important to explain the overall monthly costs and the overall monthly revenues of the company in the table 8 and calculate the three different variants of the company profit or loss.

1. The overall variable costs for the optimistic scenario are 250 800 CZK per month and the overall optimistic revenues are 372 000 CZK per month, so the monthly profit would be 121 200 CZK.
2. The overall optimal variable costs are 144 600 CZK per month and the overall optimal revenues are 249 000 CZK per month, therefore the monthly profit would be 104 400 CZK.

3. The third pessimistic variant describes the overall variable costs as 140 400 CZK per month, the overall pessimistic revenues as 168 000 CZK per month, that is why the company would have a profit of 27 600 CZK per month.

12.4 Income statement

Income Statement	Monthly	Yearly
Revenues (optimal scenario of sold products)	249 000 CZK	2 988 000 CZK
Variable Costs	144 600 CZK	1 735 200 CZK
Fixed Costs	48 127 CZK	577 524 CZK
EBT	56 273 CZK	675 276 CZK
Tax 15%	8 441 CZK	101 291 CZK
EAT	47 832 CZK	573 985 CZK

Table 9: Income Statement

Based on the tables above, the company's income statement consists of estimated costs and revenues. Costs are deducted from the company's revenues to generate EBT (income before taxes). EAT is considered as the following step, and as the founder of this company is a legal entity of the natural person, there is a necessity to deduce 15% of the personal income tax from the income before taxes EBT (this tax rate is valid in the Czech Republic).

The company generates profit (income after taxes) around 47 832 CZK per month and 573 985 CZK per year, for that reason, this business is profitable.

13 PROPOSAL EVALUATION AND RISK ANALYSIS

It is important to define also the risks providing the entrepreneurship. The limiting factors of this business plan accept the outcomes from the analyses PEST and SWOT of the company the Cupcake Factory. These outcomes summarize risks from the inner and outer environment.

13.1 Limiting factors of the business plan

As the Cupcake Factory deals with the confectioner's and the sweetshop it can avoid the ecological or political risks.

Amongst the internal risks of this company could belong the possible entrepreneur's failure in doing business because of the entrepreneur's no previous experience in the business environment. Another significant internal risk could be for example unreliable employee or the company's employee who leaves the company. The SWOT analysis mentions another internal risks like the small variety of products offered, only one employee, therefore the small management team and the small business premises.

The outcome of the PEST analysis mentions the external risks of the changes in legislation, unemployment or demographic changes of population in Zlín. The SWOT analysis mentions the external risks like for example smaller profits because of the season, smaller profit because of the competition or because of the lower prices of the substitutes on the market.

The external risks of this company are classified below:

Political, Legislative risks – Changes in legislature

In this case, there is an obligation to comply with legislative changes and to monitor their development in the state in order to avoid non-compliance with certain legal standards, which could prevent the operation of the enterprise or the enterprise from harming it.

Such legislative changes may include, for example, the electronic revenue records introduced since 2016.

The risk of the loss of the customer's loyalty

This risk is very crucial. It could potentially make company losing a profit which could lead to the company insolvency. Unemployment in Zlín could be another risk, mainly in a case of the company loss of customers. These people lose their jobs and henceforward do not have need to buy such products. For that reason, it is important to constantly check the demographic statistics and lower the prices.

Logistic risks

Risk number 3 is connected with potential problems with suppliers. The owner herself decided to buy materials for the company's production, but the risk is, when the company suppliers stop providing these materials.

In order to prevent this risk, it is appropriate to extend the supplier network.

Technological risks

Another risk consists in technical facility. There is the possibility that if some of the technical equipment needed to produce the products go damage, it could lead to financial losses of the company. Therefore, there is a need for the owner to be financially secured and to have certain finances in inventory.

Market risks

The enterprise's pricing strategy may also pose a risk. Competitive businesses or the substitutes on the market could attire higher demand than the single company. That is why the company should be prepared for it, and should make promotional actions or prepare new products for attiring the customers, potentially lower the prices of the products.

Financial risks

The most prominent limiting factor of the company The Cupcake Factory is the financial factor. As for the most significant risk, it could be losing profit, videlicet, unreal company's predictions about the numbers of sold products. Therefore the company's variable costs would be higher than the company's total revenues which could mean the company's financial problems. In this case, it is essential to have prepared some future sales forecasts and divide them into different scenario's (optimistic, optimal and pessimistic) to be financially prepared for all of these three kinds of situations.

13.2 Risk evaluation

These risks can be summarized into the following categories:

- Financial risks – higher rent, higher prices of ingredients, profit loss, higher variable costs than revenues
- Market risks – competitive companies has lower prices, lower prices of substitutes
- Technological risks – the company’s technology obsolescence
- Legislative risks – EET program
- Political risks – changes in legal norms and standards
- Other risks – losing customers, loss because of unsuccessful entrepreneurship, problems with logistics

RISK	LOSS	PROBABILITY
Financial	High	High
Market	High	High
Technological	Middle	Middle
Political	Middle	Middle
Legislative	Low	Low
Other risks	High	Low

Table 10: Risk evaluation

CONCLUSION

This bachelor's thesis was focusing on creation of a business plan for the new company. The particular business plan was created on a confectioner's and a sweetshop "The Cupcake Factory." This thesis was divided into theoretical and analytical parts.

The theoretical part served to introduce the most important information about the current business conditions in the Czech Republic, as well as defining the Czech entrepreneurship and division of the Czech enterprises. The second section of the theoretical part mentioned the definition and purpose of the whole business plan concept and gave theoretical explanations of different parts of the business plan. The end of the theoretical part was comprised of the conclusion of the overall theoretical section.

The very first step, when preparing to write the specific business plan was to come up with an idea of the company and analyze the relevant market. It was also really important to have knowledge about the real business functioning.

The analytical part described the specific business plan for the company the Cupcake Factory. It started with a title page and an executive summary, followed by a market analysis with the help of the PEST analysis and the analysis of the competition. The next following chapters were in accordance with the theoretical part – marketing plan, operational plan, financial plan and the risk analysis.

Concerning the financial plan, the overall outcome proved that this company would be able to be successful in reality. On the other hand, the author's lack of experience with entrepreneurship could be considered as the limiting factor of this business plan. However, the business plan was based on the real data obtained from the public sources as well as personal consultations with the entrepreneurs. The performed analyses showed that despite the fact there is higher number of the competition in a confectionery field of the Zlín market, there is still a possibility to introduce the new company (which is orientated on the specific range of products) to this specific market in Zlín. In addition, the company The Cupcake Factory has a great market opportunity in the form of the company's portfolio. This company's portfolio could be able to boost the traditional confectionery field in Zlín by offering people sweet products from abroad, which are popular nowadays and by facilitating them something brand new right in their city centre.

On the base of the previous facts, the aim of this thesis was accomplished.

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LIST OF ABBREVIATIONS

CZK Czech Koruna

EET Elektronická evidence tržeb

SWOT Strengths, Weaknesses, Opportunities, Threats

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