

A Business Plan for the Bakery CroDonut

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ABSTRAKT

Tato bakalářská práce je zaměřena na sestavení podnikatelského plánu pro založení fiktivní pekárny specializující se především na výrobu a prodej donutů a cronutů a dále také nápojů či produktů na objednávku. Práce je rozdělena na dvě části – teoretickou a praktickou. V teoretické části jsou vymezeny základní pojmy týkající se podnikání. Dále jsou zde také popsány jednotlivé části podnikatelského plánu, které jsou předlohou pro praktickou část. Praktická část se věnuje již samotnému vytvoření podnikatelského plánu pro pekárnu CroDonut. Kromě sestavení podnikatelského plánu je cílem práce zjistit, zda má podnikatelský plán potenciál a je realizovatelný, či ne.

Klíčová slova: podnikatelský plán, podnikání, podnik, pekárna, donut, cronut

ABSTRACT

This bachelor's thesis deals with creating a business plan for fictitious bakery specialized in making and selling of donuts and cronuts as well as beverages or made-to-order products. The bachelor's thesis is divided into the theoretical and practical part. In the theoretical part are specified basic terms concerning entrepreneurship. Further, there are individual parts of a business plan described that became a template for the practical part. The practical part focuses on drawing up the business plan for the bakery CroDonut itself. Apart from drawing up a business plan, the aim of this bachelor's thesis is to discover whether the business plan has the potential and whether is viable or not.

Keywords: business plan, entrepreneurship, enterprise, bakery, donut, cronut

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

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INTRODUCTION

It is said that fortune favours the brave. However, it may not always be the case, especially in terms of entrepreneurship. Although many entrepreneurs may be brave, not all of them are successful, some of them face failure. In order to prevent such failures, it is important to create a business plan. The aim of this bachelor's thesis is to draw up a business plan and to determine whether the business idea is viable or not.

After a detailed consideration of the various ideas, the author decided to draw up a business plan for a new company, the bakery CroDonut. The idea came into her mind simply because she is a sweets lover, especially of donuts. Moreover, the author misses this type of company in the city of Frýdek-Místek.

The bachelor's thesis is divided into the theoretical and practical part. The theoretical part aims to acquaint the reader with basic terms and definitions related to entrepreneurship, including entrepreneur and enterprise. The next section of the theoretical part specifies the purposes and main principles of a business plan as well as its structure that serves as a template for the following practical part.

The practical part of the bachelor's thesis concentrates solely on the creation of the business plan for the bakery CroDonut. The business plan was created on the basis of the structure listed and described in the theoretical part. The chapters of the business plan are as follows, title page, executive summary, company description, description of products, market analysis, marketing plan, human resource plan, financial plan, and finally appendices. At the very end of the bachelor's thesis, the author gives a final analysis and states whether the business idea is viable or not.

I. THEORY

1 ENTREPRENEURSHIP

Entrepreneurship is according to Strouhal (2016, 7) a business activity to realize a profit. There are plenty of reasons for doing business. Equity capital appreciation is considered to be the mainspring of doing business. Another acceptable reason is satisfying the customer's wants and needs. (Strouhal 2016, 7)

The Commercial Code defined entrepreneurship as “a systematic activity done individually by an entrepreneur in his/her own name and under his/her liability, in order to reach a profit.” (Srpová and Řehoř 2010, 20) However, the Commercial Code has been replaced by the New Civil Code and Business Corporations Act, and currently, the definition of the entrepreneurship itself is defined neither in the New Civil Code nor in Business Corporations Act. (Švarcová et al. 2016, 56)

In the Trade Licensing Act, there can be found the definition of the trade that is similar to the definition of entrepreneurship mentioned above though. “A trade is a systematic activity carried out independently under a person's own name and liability in order to make a profit and under the conditions laid down by this Act.” (BusinessInfo.cz 2019)

For a proper understanding of this definition, it is crucial to elucidate the terms used above:

- Systematic activity – the enterprise cannot be carried out just occasionally, but regularly and also repeatedly.
- Independently – if the entrepreneur is a natural person, in that case, acts he/she personally; in case that the entrepreneur is a corporate body, it acts through a statutory body.
- Under a person's own name – a natural person does the legal acts in his/her own name, however, a corporate body does the legal acts in the name of the company.
- Under a person's own liability – the entrepreneur (not only a natural person but also a corporate body) bears full responsibility for his/her business activities.
- In order to make a profit – the main aim of entrepreneurial activity is to reach a profit (however the profit does not have to be achieved). (Srpová and Řehoř 2010, 20)

According to Synek and Kislingerová (2015, 3), the entrepreneurship is characterized by these undermentioned features:

- The main aim is to reach a profit.
- The profit is accomplished by satisfying customer's wants and needs.
- The entrepreneur has to face the risk of all the business activities.

- The effort of businesses entities is to minimize risk.
- At the beginning of each business, the entrepreneur injects capital into his enterprise, either stock capital or borrowed capital. (Synek and Kislingerová 2015, 3)

In the Czech Republic, entrepreneurship is allowed in the following ways: the entrepreneurship of a natural person or legal entity. (Veber and Srpová 2012, 68)

1.1 Entrepreneur

The Civil Code contains several definitions of an entrepreneur. One of them says that “Whoever independently carries out a gainful activity on his own account and responsibility in a trade or similar manner with the intention to do so consistently for the purpose of making a profit is considered an entrepreneur with regard to this activity.” (Ondřej et al. 2019, 1) Another definition says “An entrepreneur is a person registered in the Commercial Register. The conditions under which persons are subject to registration in the commercial register are provided by another statute.” (Švarcová et al. 2016, 61) Therefore an entrepreneur is any person registered in the register of companies irrespective of whether he or she still carries on a business or not. (Accontes 2013)

The term entrepreneur has also many other definitions. The entrepreneur is according to Veber and Srpová (2012, 15):

- A person who carries out activities related to business and does so with the risk of loss or expansion of owner’s capital.
- A person who can identify and exploit opportunities as well as mobilize and make full use of resources and is also able to take on the risks involved in achieving the set goals and objectives.
- A person who is described as not only the initiator but also the bearer of the business and who puts one’s resources, time, strain and the name into the business. Besides, this person also takes responsibility and bears the risk in order to achieve personal and also financial satisfaction. (Veber and Srpová 2012, 15)

Entrepreneurs are under an obligation to pay taxes, meet their commitments and besides that, they are also obliged to keep accounts in the manner that is prescribed. (Kaftan 2001, 24)

According to Srpová and Řehoř (2010, 34), the entrepreneur needs to have two basic assumptions to do business, namely entrepreneurial spirit and success. Spirit of enterprise is one of the main essential properties that characterize the preconditions for

entrepreneurship. An enterprising entrepreneur is the one who has developed this characteristic, however, the entrepreneurial spirit can be acquired by learning as well. The expectation of reaching a pre-planned aim is usually defined as a success, which is considered as the second prerequisite for carrying on a business. It is also a positive experience that provokes the desire for further success. (Srpková and Řehoř 2010, 34) Kaftan (2001, 24) says that the success or failure of an entrepreneur is to a considerable extent determined by entrepreneurial personal qualities. The entrepreneur should have both professional knowledge and managerial experience as well as personal talent that includes creativity and original thinking. (Kaftan 2001, 24)

1.2 Enterprise

The enterprise is one of several other terms that is defined in the Civil Code. The Civil Code uses the term business enterprise which means “obchodní závod” instead of the term enterprise, in Czech “podnik”, which was used until 2014 as we were accustomed to and defines it as: “A business enterprise (hereinafter an “enterprise”) is an organised set of assets and liabilities created by an entrepreneur which, based on his will, are used to pursue his activities. An enterprise is presumed to comprise everything that is typically used for its operation.” (Strouhal 2016, 7)

According to Srpková and Řehoř (2010, 35), the enterprise could be also viewed as a subject where inputs (operational or production factors; such as labor, energy, raw energy, etc.) are converted to outputs (services or products) as well as a subject that consists of tangible, personal and intangible components of the business. (Srpková and Řehoř 2010, 35) As tangible components of the business consider movable and immovable property; personal components consist of employers and employees and know-how, licenses and patents fall into intangible components. (Vochozka and Mulač 2012, 35)

The features of an enterprise are according to Srpková and Řehoř (2010, 36) divided into two main categories, namely general features and specific features. General features of an enterprise include the principle of financial equilibrium as well as the principle of economy and a combination of factors of production; whereas specific features include the principle of autonomy, profitability, and private ownership. (Srpková and Řehoř 2010, 36)

Vochozka and Mulač (2012, 37–38) state that enterprises can be divided into several categories on the basis of these criteria:

1. According to the scope of activity

- Local – the enterprise operates only in the city or village (waterworks, city transportation system).
- Regional – the enterprise operates in the territory of one region (services, distribution of energy).
- National – the enterprise operates throughout a nation (railway transportation, financial institutions).
- International – the enterprise operates in several states (filling stations, retail chains).
- State-owned – the enterprise is founded by the state and its property is owned by the state.

2. According to the form of ownership

- Private ownership – the property is owned by one private person authorized to dispose of it.
- Partner ownership – the property is created by the deposit (association) of several persons doing business under the name they have in common.

3. According to their size

- Micro-enterprise – the enterprise with less than 10 employees and an annual turnover of up to 2 million EUR.
- Small enterprise – the enterprise with less than 50 employees and an annual turnover of up to 10 million EUR.
- Medium enterprise – the enterprise with less than 250 employees and an annual turnover of up to 50 million EUR.
- Large enterprise – the enterprise with more than 250 employees and an annual turnover of more than 50 million EUR.

The enterprises can be further divided according to the output, CZ-NACE classification, and legal form. (Vochozka and Mulač 2012, 37–38) In addition, Synek and Kislíngrová (2015, 83–85) also state the division of the enterprise according to the type of production, sectors and prevailing production factor.

1.3 Before the start of a Business

An entrepreneur needs to take appropriate steps and evaluate many of the factors related to this activity before starting a business. It is necessary for an entrepreneur to consider whether he/she has the personal qualities and skills needed for his/her business activity, whether he/she has adequate support of close relatives, a good business idea as well as what is their competitive advantage over other companies. The entrepreneur should also draw up the founding budget, determine the amount of initial capital and, last but not least, prepare a business plan before starting a business. Without implementing all these steps, it would be almost impossible for a successful entrepreneur to conduct their business.

However, it is also required to be familiar with the basic legislation related to business and then to choose an appropriate legal form of entrepreneurship/business. (Srpová and Řehoř 2010, 54) The choice of legal form is an important decision, but not irreversible. If an entrepreneur realizes that he/she made the wrong decision, the chosen legal form may be changed later. This process of change is called transformation and entails additional expenses as well as difficulties related to the change in the legal form. (Srpová and Řehoř 2010, 67)

1.4 A start of a Business

The Czech Republic allows the following types of entrepreneurship; entrepreneurship of natural persons and entrepreneurship of legal entities. (Srpová and Řehoř 2010, 67–68) These two forms are described in the subchapters below.

1.4.1 Entrepreneurship of a natural person

As far as entrepreneurship of a natural person, it is the business of individuals who do so independently, under their responsibility and their name. This type of business is associated with the term "self-employed person" (in Czech we use an abbreviation of OSVČ, which means *Osoba samostatně výdělečně činná*) and as a typical self-employed person is considered, for example, a sole trader, a self-employed artist as well as a self-employed farmer, court expert, etc. (Srpová and Řehoř 2010, 67)

If an entrepreneur decides to conduct their business as a natural person, it is necessary to obtain either a trade license or another authorization to carry on a business as well as to meet the conditions specified by the Trade Licensing Act:

- General conditions: legal age (18 years), legal capacity, clean criminal record

- Special conditions: professional or other qualification if required by the trade. (Švarcová et al. 2016, 57–58)

According to Mulačová and Mulač (2013, 30), and also based on the above-mentioned conditions, trades are divided as follows:

1. Notifiable trades may be operated after compliance with certain conditions stipulated by the trade law and based on the appropriate notification and are further subdivided into:
 - Vocational trades – The condition for carrying on a craft trade is to submit proof of proper completion of the education in the relevant field. Among the craft trades are, for example, locksmithery, butchery, confectionery, etc.
 - Professional trades – The conditions for obtaining and carrying on regulated trades (education, practice and other conditions) are listed individually for each type of trade in the Annex to the Trade Licensing Act. Regulated trades include, for example, repair of electrical or gas equipment, production, eye optics, etc.
 - Unqualified trades – Free trades are all other trades and it is sufficient to satisfy the general conditions to carry them out.
2. Permitted trades can be only performed under license granted by the Trade Licensing Office, so merely declaring a trade is insufficient. A licence deed is issued to applicants if they have the required education and if they also meet other conditions set by an act. The licensed trades are, for example, taxi services, weapons repairs, funeral services, etc. (Mulačová and Mulač 2013, 30)

In addition to the above-mentioned division, trades can also be divided according to the scope of the trade license, so the Trade Act distinguishes trades according to the subject of business into commercial trades, manufacturing trades, and trades providing services. (Majdúchová et al. 2018, 85)

It is possible to operate several trades at the same time, but the entrepreneur must have the appropriate trade license for each of the trades. (Švarcová et al. 2016, 59–60)

The biggest advantage of a one-man business is that a self-employed person does not have to invest any initial capital. However, the disadvantage is the unlimited liability of the entire property of the entrepreneur, nevertheless, this form of business is still considered suitable for starting entrepreneurs. (Veber and Srpová 2012, 71)

1.4.2 Entrepreneurship of a legal entity

Besides the entrepreneurship of natural persons (self-employed persons), it is also possible to start a business as a legal entity. In this instance, it is necessary to take into account that starting a business is more difficult administratively, and it is also important to realize the fact that in many cases it is necessary to deposit the registered capital when setting up a business. Moreover, all types of legal entities must be registered in the Commercial Register. (Srpová and Řehoř 2010, 68)

Synek and Kislingerová (2010, 77–82) state the following types of legal entities in accordance with commercial law in the Czech Republic:

- Partnerships
- Capital Companies
- Cooperatives
- European companies and associations
- Public (state-owned) enterprises and non-profit organizations. (Synek and Kislingerová 2010, 77–82)

Partnerships

Partnerships are both formed and owned by at least two persons who jointly guarantee the liabilities of the company and are thus responsible for the company's losses and share the profits. In the case of a partnership, two types are distinguished – General Commercial Partnership and Limited Partnership. (Synek and Kislingerová 2010, 77)

General Commercial Partnership

A General Commercial Partnership is formed by at least two persons who carry on business under the same name, which has to contain a specific designation, namely “veřejná obchodní společnost” or the abbreviation “veř. obch. spol.” or “v.o.s.” (Synek and Kislingerová 2010, 77) If the name of a company includes the name of at least one of the partners, the abbreviation of “a spol.” is sufficient. A company of this type can only be established by concluding a partnership contract. (Srpová and Řehoř 2010, 70) In the case of this type of partnership, its establishment does not require the registered capital, the partners guarantee the liabilities of the company uniformly and indefinitely with all their assets. (Švarcová et al. 2016, 68) Unless the partners in a partnership contract provided otherwise, both profits and losses are equally shared between all shareholders. (Strouhal 2016, 13)

Limited Partnership

A Limited Partnership (in Czech we use an abbreviation “k.s.” or “kom. spol.”) is another type of partnership that also has to be formed by at least two persons, of which at least one founder must be a limited partner, in Czech “komanditista” and at least one general partner, in Czech “komplementář”, whereas the general partner is the only person who has the opportunity to participate in the management of the company and has unlimited liability with all the property. The limited one, on the other hand, has only supervisory power and guarantees the company liabilities up to the amount of its deposit. (Synek and Kislingerová 2010, 78) When starting a company of this type, a large initial capital is not required, but a limited partner is obliged to contribute to an initial deposit of at least 5,000 CZK compared to a general partner who is not obliged to make any deposit. (Veber and Srpová 2012, 73) The company profit is shared with the shareholders according to the share allocation set out in the partnership agreement. If not specified, the profit is shared among all shareholders in equal parts as well as the loss unless otherwise provided in the partnership agreement. (Švarcová et al. 2016, 68)

Capital Companies

Compared to private companies, capital companies’ partners guarantee only the company’s liabilities up to the deposit amount, not all their assets. This type of company does not require either personal participation of the partners in the business or in the management of the company. There are two types of capital companies – Limited Liability Company and Join-Stock Company. (Synek and Kislingerová 2010, 78)

Limited Liability Company

Limited Liability Company is one of the most common forms of business in the Czech Republic, which may be established by one or more persons (both natural and legal), and its establishment is not very administratively demanding. The company’s name has to include the designation “Limited Liability Company” or the abbreviation “s. r. o.”, alternatively “spol. s r. o.” (Synek and Kislingerová 2010, 78) The registered capital of the Limited Liability Company consists of deposits from partners and in accordance with the Business Corporations Act, the minimum deposit of each partner has to be 1 CZK. In the case of this type of company, the profit is distributed among the shareholders, unless otherwise stated in the partnership contract in proportion to the amount of their shares and as far as the liability of the partners is concerned, partners are liable for liabilities of the company only up to the amount of their outstanding contribution. (Strouhal 2016, 13)

Joint-Stock Company

A Joint-Stock Company (in Czech we use an abbreviation “akc. spol.” or “a.s”) is another type of Capital Company that can be established by more than one founder, but only by one founder if the founder is a legal entity, however, the total number of founders is not limited. (Synek and Kislíngrová 2010, 78) The registered capital of the company is divided into a certain number of shares with a certain nominal value and the amount of registered capital must be at least 80,000 EUR or 2 million CZK. (Švarcová et al. 2016, 69–70) Although the establishment of a Joint-Stock Company is more demanding in terms of administration, the advantage of this form of business is that the shareholder is not liable for the company’s liabilities. (Veber and Srpová 2012, 75)

Cooperatives

Cooperatives (in Czech “družstva”) may be established by at least three persons (both natural persons and legal entities), while the maximum number of founders is not limited, and other members may join the cooperative in the course of their activities later. Compared to private and capital companies, cooperatives are set up for the purpose of mutual support of their members and possibly for gaining a profit. The amount of the minimum registered capital is not set establishing a cooperative and unless the statutes of the cooperative provide otherwise, its members do not guarantee the cooperative’s obligations. (Švarcová et al. 2016, 71)

European Companies and Associations

European Company

European Company (in Czech “Evropská společnost”) is also known as Societas Europaea in Latin, it is a form of enterprise which is formed under the commercial law of the European Union. In the case of incorporation of this type of company, the minimum registered capital must be at least 120,000 EUR. (Strouhal 2016, 16) The purpose of establishing a European Company is to unify the notion the legal forms of companies as well as to facilitate the free movement of capital across the whole European Union. (Vochozka and Mulač 2012, 2012)

European Economic Interest Grouping

European Economic Interest Grouping (in Czech “Evropské hospodářské zájmové sdružení”) is another form of enterprise formed under the commercial law of the European Union to support especially the economic cooperation of smaller companies and also

entrepreneurs who want to participate in the international cooperation, particularly in the creation of transnational projects. The members of the company are liable for the company's debts without any distinction with all their assets. (Strouhal 2016, 17)

Public (state-owned) enterprises and non-profit organizations

Public enterprises are either in whole ownership by the state or can be also in the form of mixed ownership, state-owned along with a private owner and are especially founded to provide important and miscellaneous services, for example, public transportation, radio-communication services as well as the telecommunication system, postal service or raw material extraction, power generation, etc. (Synek and Kislíngerová 2010, 82) Regarding non-profit organizations, the main objective is not to yield a profit from the performed activities, but a significant emphasis is especially put on social beneficial effect. Non-profit organizations can generally be divided into public non-profit and private non-profit organizations. Public non-profit organizations are further subdivided into contributory and budgetary organizations, while private non-profit organizations are foundations, citizens associations as well as public benefit organizations. (Mulačová and Mulač 2013, 38)

2 BUSINESS PLAN

There are a lot of various definitions specifying what a business plan is. McKeever (2011, 6) defines that a business plan is “a written statement that describes and analyses your business and gives detailed projections about its future.” According to Shelton, it is a formal document comprising five key points, namely:

- company goals,
 - reasons for achieving the goals,
 - plans for achieving the goals,
 - information about the offered services or products highlighting their uniqueness,
 - information about the company and group of people striving to achieve the goals.
- (Shelton 2017, 23)

Many start-up entrepreneurs consider a business plan not necessary and a waste of time. However, the reverse is true, the business plan is an important document that will help answer a lot of questions, and entrepreneurs can judge whether their business idea is viable or not. (Srpková and Řehoř 2010, 56) Červený et al. (2014, 1) state that a business plan can help not only to launch a business but also to manage an already established business, as it can also be used to check the success of the business and thus to verify the set objectives to be achieved in the long term. An entrepreneur can compare what was planned and what the reality is, if the goals were achieved or not.

According to Veber and Srpková (2012, 98), before writing a business plan, it might be beneficial to think about the real desire and goal of an entrepreneur’s business, and which aspect of the entrepreneur’s business activities may be considered as a competitive advantage against competitors. Finch (2010, 2) stresses the importance of thinking about who the business plan is for and who is exactly the entrepreneur’s audience as well as what kind of response the entrepreneur wants to hear. Červený et al. (2014, 3) suggest a consideration of the following before starting creating a business plan:

- a company’s entrepreneurial activities,
- a company’s customer value proposition,
- a company’s strengths concerning sphere of business and whether they are adequate,
- a company’s recognized strengths if they are applied right and positioned duly or not,
- a kind of market for the current sphere of business as well as in the near future.

2.1 Purposes of a Business Plan

A business plan should primarily be intended for the entrepreneur's internal purposes. However, it is also often required by external subjects, such as banks, investors or new potential partners. In terms of internal purposes, the business plan is considered an important planning and control tool, especially at the start of entrepreneurship but also at a later stage of the company when important decisions or considerable changes are made. These changes and important decisions include, for example, heavy investments, dividing the company into several smaller parts or its merger with another company, etc.

As was mentioned above, the business plan is also created and used for external purposes as it is considered as a tool for communicating with the external environment in terms of communication with the bank or potential partners or, for example, to search for investors who may be interested in the business. In this case, a well-prepared business plan could convince investors to invest money in the company, unfortunately, the business plan is also often compiled by an entrepreneur only after being requested either by a bank, the future partner or already mentioned investor. (Veber and Srpová 2012, 95–96)

Nevertheless, McKeever (2011, 6–8) highlights five completely different purposes of writing a business plan:

- helps to make money,
- helps to decide whether to continue or wind up business activities,
- helps to enhance entrepreneurial ideas,
- helps to increase the chance of success,
- helps not to get distracted and follow set objectives.

2.2 Main principles of a Business Plan

When writing a business plan, its author, usually an entrepreneur, should take into account that this written document may not only serve to an entrepreneur, but that it can also be read by the above-mentioned external entities, which have several other business plans to read. Therefore, the author should write a business plan according to certain following highly recommended ways by Veber and Srpová (2012, 96–97), in order to impress and attract potential investors:

- comprehensibly,
- rationally,
- concisely

- objectively,
- respecting the risks.

Kašík et al. (2013, 25) claim that a business plan is supposed to be persuasive, brief with a formal layout and that it should represent the newly created company, together with its owners as well as the top management.

2.3 Structure of a Business Plan

The structure of a business plan is not clearly defined, it varies according to the purpose of which it is drawn up and also depends on whether a business plan is written for start-up or an already established business. In addition, each bank or investor may have different demands on the structure of a business plan or its scope, and nowadays a significant number of investors require that a business plan be made solely in the form of a presentation due to the lack of time. (Srpová et al. 2011, 14)

This following business plan structure, which we will later deal with in this bachelor thesis, is the result of a study of several business plans structures listed in books by Srpová et al. (2011), Finch (2010), Blackwell (2011) and Abrams (2019).

- Title page
- Executive summary
- Company description
- Description of the product or service
- Market analysis
- Marketing plan
- Human resource plan
- Financial plan
- Appendices

2.3.1 Title page

A title page is the first page of a business plan containing the most important basic information about the company, including a name of the company, founder's name, other personal data (phone numbers, e-mail addresses), a company address, date of establishing and also a company logo, if any already exists, etc. (Srpková et al. 2011, 15) Pinson (2008, 17) states that a title page should be engaging to catch the reader's attention because gives the reader the first impression of a business plan.

2.3.2 Executive summary

An executive summary is considered the most crucial part of an entire business plan. Although this section appears at the beginning of a business plan, it is processed last when all other chapters have been completed. It is simply a summary of an entire plan, including all the ideas and planning into one, which allows the reader to comprehend immediately the fundamental concept of planned business. (Abrams 2019, 54)

Abrams (2019, 54) asserts "No matter how beneficial your product, how lucrative your market, or how innovative your manufacturing techniques, it is an executive summary, that persuades the reader" and therefore, all the individual information presented in the executive summary should be both "clear and concise" as well as convincing to encourage readers to desire to read the rest of the business plan further.

A well-prepared summary can be crucial and critical for investors and banks to support the newly formed business. (Abrams 2019, 54) According to Finch (2010, 24), all the basic information about the business should be included there, including the information about the company's management team as well as the concrete founder's proposal, eventually what the business specifically expects from its readers, etc.

2.3.3 Company description

A company description consists of fundamental information about a business and should also familiarize the reader with the legal form of the company and other legal aspects as well as with the main company's mission and key objectives. (Shelton 2017, 73) Abrams (2019, 77) recommends to include, for example, the company's location and concise information about management in this chapter.

As Mariotti and Glackin (2013, 47) state, the principal objective of the company description is to provide any reader "the background for understanding the rest of the plan."

A description of the company is usually more extensive for an already established company than for a start-up, as the entrepreneur starting the business may not have enough information and expertise to fill in each category included in this chapter. (Abrams 2019, 68)

2.3.4 Description of the product or service

The fourth part of a business plan focuses on the complete description of products and services that the company already offers or plans and intends to include in the offer. (Veber and Srpová 2012, 100) Shelton (2017, 83) also recommends mentioning the distribution channels as well as what is the company's competitive advantage, simply what makes the product unique and different from the company's competitors.

The uniqueness of the offered product or service is important to attract the customers and to ensure that the customers do not choose a competing product or service instead. (Shelton 2017, 83) Only if customers benefit from our product or service can a business plan be successful. (Srpová et al. 2011, 16)

2.3.5 Market analysis

A business plan can only be successful if there is a market that is eligible to accept the products or services offered. An entrepreneur should provide in this section information not only about the target market but also about the overall market situation. The very first step is, therefore, to determine the overall market and afterward to determine the target market within the mentioned overall market on which the entrepreneur wants to focus and offer products or services. (Wupperfeld 2003, 63)

There are many different ways to get information about the market nowadays. Sources of information that help entrepreneurs to make a market analysis vary depending on the business plan. Among possible and applicable sources might be, for example, the Czech Statistical Office or the Czech Chamber of Commerce information materials, annual or quarterly reports of respective regions and municipalities as well as business magazines, etc. (Srpová et al. 2011, 20–21)

Abrams (2019, 106) states that “essential to business success is a thorough understanding of your customers.” According to Wupperfeld (2003, 63–64), the success of a company depends primarily on the ability to satisfy the specific needs and wants of customers, so it is needed to find a group of potential customers who:

- considerably benefit from product or service offered,
- are willing to pay for the product or service offered,
- have easy access to the products or services offered.

The process of identifying a suitable group of customers, or a target market that a company wishes to reach is called market segmentation, which is considered as one of the components of market analysis that aims to divide customers into several groups on the basis of demographic description, geographic description, psychographic description, purchasing patterns description as well as buying sensitivities description. (Abrams 2019, 107–114) According to Kozel et al. (2011, 35), customers are often segmented by age or gender. Selected segments, or merely one selected segment, which is most interesting for an entrepreneur, form the so-called target market. (Wupperfeld 2003, 65) According to Abrams (2019, 107), the definition of the specified target market must meet the following appropriate criteria to be considered as an effective and useful tool:

- easily approached,
- determinable,
- ample,
- purposeful.

2.3.5.1 PEST Analysis

PEST analysis is an analysis of the macro-environment that focuses on the environment in which the company operates and deals with the following key factors that result from the acronym of the name of this analysis: Political, Economic, Social and Technological factors. (Kozel et al. 2011, 45) The main aim of this external analysis is to identify and handle potential entrepreneurial opportunities as well as threats. (Veber and Srpová 2012, 299)

2.3.5.2 Analysis of competition

After defining the market, it is also necessary to analyse the competitors. Each business has the competition, and therefore, every company should be aware of it, and in no case, the company should underestimate it since underrating competition could in some cases lead to fewer customers and thus the lower volume of sales. (Abrams 2019, 124-138)

Competitors are marked not only as providers of the same products or services, but also, for example, as producers of substitutes as well as alternatives that meet the same needs and wants of customers. Gattis (2010, 38) suggests drawing up a list of direct and

possibly indirect competitors and provide a concise analysis of each company, which should include the location of the company, a brief description of the products or services offered and, in addition, the strengths or weaknesses of competitors should be indicated. A typical example of these strengths or weaknesses comprises opening hours, good reputation, pricing strategy, accessibility to customers, etc. (Shelton 2017, 95)

We can get the information about competitors from online sources these days, for example, from their website or Facebook profile but also by visiting competitors in person and pretending to be a potential customer to find out some additional information, such as the number of people present in the store, store layout, etc. (Shelton 2017, 92)

Competition can also be viewed not just negatively but also positively. According to Finch (2010, 35), competitors try to drive all the other companies out of business and thus somehow motivate entrepreneurs to be better and to “get the upper hand against them.”

Last but not least, in this part of a business plan can also be mentioned the information about the suppliers as key players in a market analysis. (Wupperfeld 2003, 63) According to constant changes in the market environment, Berry (2005) states, that it is crucial to make a market analysis on a regular basis at least annually.

2.3.6 Marketing plan

A marketing plan focuses on the way of achieving the company’s strategic goals by means of marketing strategies and certain tactics, which help to get customers. (Kotler and Armstrong 2018, 627; Abrams 2019, 164)

Kotler together with Armstrong (2018, 29) describes marketing in general as “the process by which companies engage customers, build strong customer relationships, and create customer value in order to capture value from customers in return.” Considering the fact that marketing can be seen all over the place, at school, at the workplace, or even where we live, it is so hard to arouse the potential customers’ interest in the product or service newly offered because their attention is often caught by the advertisements surrounding them daily. (Kotler and Armstrong 2018, 29)

Marketing itself impacts the future prosperity of a company, and therefore, it is necessary to assure the readers of a business plan, especially potential investors or lenders that the company has a proper and efficient marketing and business strategy. (Srpková et al. 2011, 22) Furthermore, with an elaborate marketing plan, product introduction or

increasing sales of already existing products will be much easier for any company. (Kotler and Armstrong 2018, 627)

The length and structure of the marketing plan vary depending on the business size, “smaller businesses may create shorter or less formal marketing plans, whereas corporations frequently require highly structured marketing plans.” (Kotler and Armstrong 2018, 627)

2.3.6.1 Marketing mix

Marketing mix is one of the key marketing tools through which companies can achieve or influence their marketing objectives and thus approach as much as possible the needs and wishes of the target segment. The most widely used marketing mix is considered the marketing mix consisting of 4Ps, which are defined as follows:

Product is the first aspect of the marketing mix and is considered to be the core of marketing as it satisfies customers’ wants and needs. Apart from the description of products or services that the company will offer or intends to include in the offer, there should be also included product properties, such as its quality, design, brand, variants as well as packaging in this part. However, information about additional services or product warranty, etc. may also be important. Furthermore, information about product introduction on the market, product life cycle, as well as the daily volumes in which the products will be produced, may also be mentioned there. (Srpová et al. 2011, 23–24)

Price represents the most crucial aspect of the marketing mix, and its optimal and correct choice is therefore very demanding. In the broadest sense of the word, the price stands for the monetary expression of the value of the product, where the value of the product is based on its capability to satisfy customers’ needs. Since price is the only aspect of the marketing mix that is a source of income for the company, it should be set to cover variable costs as well as generate a profit for the company. The price can also be defined from a customer’s perspective as the amount of money the customer is able to pay for a product or service offered. Several factors are influencing the formation of prices, such as the goals of price policy, company’s goals, legal or regulatory measures, etc. However, the universal method for optimal price formation does not exist, so the price is most often set on the basis of costs, demand or competition. (Srpová and Řehoř 2010, 205–207) According to Gattis (2010, 48), in addition to the price list, terms of payment or some benefits of the company’s pricing strategy, such as discounts, could also be mentioned.

Place or more precisely, the so-called distribution is the third “P” of the marketing mix, which is concerned not only with the place where the product will be offered but also with the process of how the product gets from the place of production into the hands of the customers and possibly through which distribution channels. An entrepreneur can decide between direct or indirect distribution channels. In the case of choosing a direct distribution channel, the product goes from the producer directly to the customer without the involvement of mediators. However, in the selection of an indirect distribution channel, mediators such as wholesalers, retailers, or both are involved in the process. (Srpová and Řehoř 2010, 213–217) As Pinson (2008, 51) states, the product may also be available for purchase through other distribution methods, for example, either through a company’s website page or by ordering it from the catalogue. The aim of distribution as such is to have the product available for the customer not only at desired location at desired time but also in the required quality and quantity. (Srpová and Řehoř 2010, 213)

Promotion or marketing communication is considered the most visible aspect of 4P’s that is not just about sales promotion, however, it is a set of miscellaneous methods and means the company uses to communicate between the seller and the buyer whose aim is to influence the purchasing behaviour of potential customers. There are several elements of the so-called communication or promotional mix, which are intended to provide the customer with information about the product and at the same time also evoke certain emotions in the customer, such as the desire to own the product. Basically, these promotional elements include advertising (broadcast advertising, leaflets, billboards, etc.) sales promotion (samples, competitions, loyalty programs or cards, etc.) public relations (press conferences, newspaper articles, etc.), personal selling (trade fairs or exhibitions, face-to-face business meetings, etc.) and last but not least, direct marketing (teleshopping, direct-mail selling, etc.). (Srpová and Řehoř 2010, 218–224)

As marketing continues to evolve, there are several modifications of the marketing mix, so it may consist not only of the four above mentioned Ps but also of several other Ps, such as 7Ps (including Process, People, Physical evidence) or 8Ps (including previous elements but also Productivity), etc. However, this bachelor thesis will deal only with the basic and traditional marketing mix, labelled as 4Ps and described above.

2.3.6.2 SWOT Analysis

SWOT analysis is another part of the marketing plan, it is a smart tool that aims to identify and characterize the following key factors that influence the strategic position of the

company. (Srpová and Řehoř 2010, 132) These key factors are basically divided into internal and external, where internal factors are made up of strengths and weaknesses, while external factors consist of opportunities and threats. However, the company can only influence the first-mentioned, namely the internal factors over which it has some control. (Koráb et al. 2007, 48) According to Srpová and Řehoř (2010, 132), SWOT analysis is most often depicted in a table where strengths and weaknesses are at the top, while opportunities, as well as threats, are at the bottom of the table.

2.3.7 Human resource plan

This chapter concentrates on a company's personnel matters, such as by whom is the company run as well as who are its key employees. In the case of a start-up, the founder of the company is considered the most important person, as it carries out a check of a company's affairs, solve the issues, and also makes an important decision. (Abrams 2019, 236–237)

According to McKeever (2011, 152), employees help in a certain way to mould the company's personality based on everyday communication with customers, supplier companies, and also with each other. Therefore, it is important that the company owner hires the right people and also makes sure that the employees are endowed with special skills and rich experience that are necessary for particular posts. (Shelton 2017, 127)

Furthermore, this section should include monthly salaries and possibly other additional forms of rewarding employees, such as bonuses, merit rewards, benefits, etc. Pinson (2008, 39) and Finch (61–62)

Most of the work in the company is initially done by the owners regarding small businesses, nevertheless, as soon as the business expands and sales increase, the owner will probably need to hire more employees. (Pinson 2008, 39) Therefore, personnel who may have to be possibly hired in the future can also be mentioned, for example, consultants or specialists. (Abrams 244–247)

2.3.8 Financial plan

One of the last parts of a business plan is a financial plan. In particular, a financial plan should prove whether a business plan is practicable or not. According to Srpová et al. (2011, 28), a financial plan converts some of the preceding parts of a business plan into numbers. At least some of those numbers will be already known from the previous parts of a business plan, such as the amount of money needed for promotional activities listed in

the Marketing plan chapter or even salaries of employees listed in the Human resource plan chapter, etc. (Shelton 2017, 137)

The very first step of this chapter is to state the way of how the starting company will be financed and likewise to provide information regarding registered capital. Unless an entrepreneur is short of money needed to start a business, it can be borrowed from, for example, his or her family, friends, banks, etc. (Červený et al. 2014, 153)

Furthermore, an entrepreneur should also indicate the start-up costs comprising, for example, the purchase of necessary equipment, obtaining the trade license or promotional activities, and so on. Fixed costs and variable costs, additionally a calculation of expected revenues, are presumed to be included in this chapter too. (Červený et al. 2014, 152–153) Besides that, Shelton (2017, 140) suggests including balance sheet, income statement, and possibly cash flow. It is encouraged to add at least a brief comment to those financial statements. (Veber and Srpová 2012, 104)

A financial plan should convince the readers and especially potential investors of the company's profitability. (Koráb et al. 2007, 127)

2.3.9 Appendices

Appendices are the very last but not a necessary part of a business plan where the owner's CV, marketing materials such as leaflets or loyalty cards, the floor plan depicting the layout of the business or the graphic design of an interior, etc. can be included. (Abrams 2019, 334–336) Nevertheless, as Shelton (2017, 167) and Pinson (2008, 120) point out, only needful information and important documents supporting a business should be contained in this chapter.

II. ANALYSIS

3 A BUSINESS PLAN FOR THE BAKERY CRODONUT

The business plan focuses on the establishment of a new company CroDonut.

3.1 Title page



Figure 1 – The logo of the company (own creation)

Name of the company:	CroDonut
Legal form:	Natural person – sole proprietor
Location:	T.G. Masaryka 1146, 738 01, Frýdek-Místek
Date of establishment:	1 January 2021
Founder:	Iveta Čevelíková
Telephone:	+420 773 381 624
E-mail address:	crodonut@bakery.cz
Website:	www.crodonut.cz

3.2 Executive summary

The company CroDonut is a small bakery founded by the natural person Iveta Čevelíková who is currently a student at Tomas Bata University in Zlín and a sweets lover. CroDonut bakery will be located in the centre of Frýdek-Místek, in the part called Frýdek. The location has been carefully and strategically chosen due to a high number of passers-by and thanks to its accessibility.

The main goal of the company is to bring the concept of a small ring-shaped fried cake (donut) and its similar probably even better tasting product (cronut) into the city of Frýdek-Místek as there is not any other company in the city producing these delicious products. The company also wants to make people especially aware of existing donuts and cronuts as not the whole population of the city probably knows exactly what it is. In our country, there are several shops or bakeries where you can buy some of these products, however, they are mainly located in more populated cities, such as Prague, Brno, Olomouc or Ostrava.

CroDonut customers can choose from several kinds of main products offered. CroDonut will focus on daily fried home-made donuts and cronuts which will satisfy even the most demanding customers. After the company settles down, the range of offered kinds of donuts and cronuts will expand or the company will innovate products continuously according to the demand of customers. Besides, the customers can also buy coffee, tea or hot chocolate. Apart from commonly offered products to buy, there will be also a possibility to order mini donuts that are suitable, for example, for corporate events or a cake for any kind of celebration.

The idea to open CroDonut bakery came into the owner's mind after visiting several cities where she could buy a tasty donut or even more delicious cronut. As she lives in Frýdek-Místek originally, she started to miss this kind of a company and, therefore, decided to start her own small business, to open a bakery called CroDonut.

The biggest and the most significant advantage of CroDonut is, as stated above, that no other company makes and sells these or similar types of products, in the city of Frýdek-Místek.

The founder will invest in the business the amount of 530,000 CZK. The registered capital consists of the owner's savings, the building savings, and the family savings.

3.3 Company description

CroDonut is a small establishment where primarily two main products related to the company name will be offered.

This section is divided into several parts, including the description of CroDonut's mission, key objectives, legal form, location, and opening hours.

3.3.1 Mission statement

The mission of the company is to prepare and provide customers high-quality products with amazing taste and to enchant anyone who opens the door to our small kingdom by delicate aroma and pleasant atmosphere.

3.3.2 Key objectives

The key objectives of the company are as follows:

- to fill a niche in the market in Frýdek-Místek county,
- to get and keep loyal customers,
- to sell daily quantity of donuts or cronuts produced,
- to satisfy the needs and wishes of customers as much as possible,
- to innovate products according to the demand of customers,
- to increase the customer base after some time.

3.3.3 Legal form

The owner of the company decided to conduct business as the natural person because the conditions of the natural person are in comparison with other legal forms simpler to meet. Other reasons for choosing this form of business include lower tax rate (only 15% and not 19% as for legal entities) and simpler administration (legal entities are obliged to keep the books whereas natural persons only the tax record). The chosen legal form is in the Czech Republic regulated by a Trade Licensing Act No. 455/1991 Coll. According to the Trade Licensing Act, the most appropriate trade needed for conducting this type of business is as follows:

- Vocational trade - Bakery and pastry products in the Annex 1, part A in the Trade Licensing Act (Ministry of Industry and Trade 2020)

The owner of the company meets the general conditions (legal age, legal capacity, clean criminal record), however, conducting a craft trade also requires the meeting of special conditions (professional competence or other qualification) set by the Trade Licensing Act.

Since the company owner does not meet these special conditions, the company will conduct a craft trade through a responsible representative who meets them.

3.3.4 Location

The company CroDonut will be located in the owner's home town Frýdek-Místek, in particular in Frýdek in T.G. Masaryka Street 1146. It is a place that is easily accessible to all as there is a bus stop on each side of the street. There is also the municipality as well as some secondary schools and a historical square situated nearby. For this reason, there is a lot of people in this locality during the day.

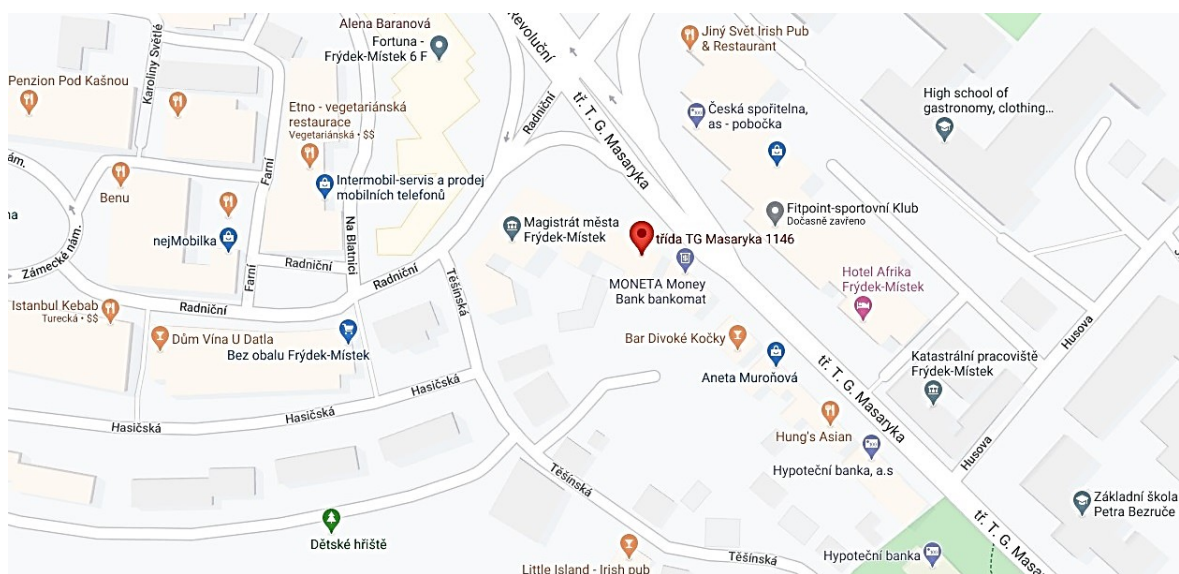


Figure 2 – Location (accessed from Maps by Google)

3.3.5 Opening hours

Opening hours are based on the fact that the company would like to allow customers to purchase products not only in the course of the day but also early in the morning before they go to work or school so that they can take them for breakfast or snack. Since many people working from early morning have a finishing time around 2 or 3 p.m., these people could come and buy products even in the afternoon hours after work as the closing time on weekdays is at 4:30 p.m. However, if all products are sold out earlier, the store will close after selling the last piece.

The complete opening hours are in the table below mentioned. If many customers will not be satisfied with the stated opening time, the team of CroDonut will try to come up with a different opening time that will be more acceptable and suitable for customers.

Opening hours will probably be one of the aspects of the company that will most likely change sometime in the future.

Table 1 – Opening hours (own creation)

<i>Opening hours</i>	
Monday	07:00 – 16:30*
Tuesday	07:00 – 16:30*
Wednesday	07:00 – 16:30*
Thursday	07:00 – 16:30*
Friday	07:00 – 16:30*
Saturday	08:00 – 12:30*
Sunday	Closed
*unless sold out prior	

3.4 Description of products

As already mentioned, the company focuses on the production of donuts and cronuts. The products will be prepared exclusively every morning before opening CroDonut to maintain freshness and the highest possible quality. Regarding the production, only quality and proven ingredients will be used. The portfolio of freshly offered donuts and cronuts will not initially be very extensive, as only one employee will take care of the production, and the production possibility of one person is not very large. However, after some time as the company settles down, the offer is likely to expand slightly and perhaps will also start to change at least several times a week, nevertheless, the most popular variations will remain in the daily offer. The following subchapter deals with the main offered products and their variants.

3.4.1 Main products

- **Donuts**

Donut is a type of either baked or fried round cake made from yeast dough and has its origin in the United States of America. It is very similar to Czech "kobliha", however, a donut is characterized by a typical hole in the middle. From the point of view of the needed ingredients, donuts are very easy to prepare. The basis of each donut is always the same, differing only in glaze and decoration. The taste of the dough and its smoothness is important, however, the glaze topping will be also supplemented, for example, with crushed cookies or nut pieces, which all is visible at first sight, makes the first impression and often significantly influences the customers' purchase decision. Customers can choose from the following varieties of donuts offered:

- *Coconut*
- *Pistachio*
- *Lotus*
- *Oreo*

- **Cronuts**

Cronut is similar to a donut, it also has a hole in the middle, but it is made of croissant dough and filled inside with creamy or different kind of filling. It is simply a combination of French croissant and American donut. The company does not offer as many types as donuts since cronuts are a little bit more difficult regarding preparation and making. The two varieties of cronuts offered are as follows:

- *Lotus filled with caramel cream*

- *Coconut filled with almond cream*
- **Beverages**

Customers will also be able to buy non-alcoholic beverages in CroDonut. There will be three types of coffee to choose from espresso, cappuccino, and latte. To please the non-coffee drinkers, the company CroDonut will also offer tea (fruit, black, green) and hot chocolate (white, milk). All these drinks will be served in “to go” cups with the logo of CroDonut. Moreover, sparkling or still water will also be on sale.

3.4.2 Made-to-order products

CroDonut offers the option to order a cake or mini donuts in addition to buying the main products. The cake is convenient for any festivities, while mini donuts could crown any corporate event or meeting. CroDonut will make the cake on the basis of the customer’s demand. It can be a cake that will represent a single round donut or filled cronut or, for example, in the shape of heart.

3.4.3 Special offer

The company will also prepare several special seasonal surprises such as limited editions of donuts and cronuts that will be available to purchase, for example, for Valentine’s Day, Halloween, or Christmas. Sometimes the company will also probably announce happy hours or voting regarding which type of donut or cronut would customers like to find in the offer next week.



Figure 3 – Halloween donuts (source: Facebook Just Donut.)

3.5 Market analysis

The market analysis chapter provides information not only on the overall market but also focuses on potential customers of CroDonut and thus the market where the bakery is located, followed by a PEST analysis, competition analysis, and information regarding suppliers.

3.5.1 Market

Based on the statistics of the Czech Ministry of Industry and Trade, about 2.54 million people are engaged in business. (Ministry of Industry and Trade 2019). People are starting to conduct business in various sectors, nevertheless opening a small donut or cronut factory (bakery) becomes one of the new trends, especially in larger cities. Benešová (2017) states that "the American donuts have even inspired people who have never been involved in large-scale baking to go into business." However, in the city of Frýdek-Místek there is no company selling donuts or cronuts, and therefore CroDonut bakery will be opened.

Frýdek-Místek is located in the Moravian-Silesian Region, which has approximately 1.2 million inhabitants. The population of Frýdek-Místek itself is about 56,000. (Czech Statistical Office 2018) Including all adjacent municipalities, it has approximately 112,000 inhabitants. According to the statistics of the Czech Statistical Office, slightly more women than men live in the city of Frýdek-Místek, and that could be a good and convenient market opportunity for CroDonut since it is expected that more customers of CroDonut will be women. (Czech Statistical Office 2019)

The city of Frýdek-Místek has great conditions for doing business and is also considered to be a business-friendly city as it won in a comparative survey that evaluated the business environment in all municipalities with extended powers a year ago. (Město pro byznys 2019)

3.5.2 Target customer groups

It is essential to specify who will be the customers of CroDonut after describing the market. Since CroDonut will be located in Frýdek-Místek, the target customers could be all the citizens of Frýdek-Místek as well as its nearby surroundings, especially lovers of sweet and quality products.

For that reason, the company's ideal customers (target customers) are people who have a sweet tooth, and those are expected to be mainly students and young adults. Those people will surely appreciate early opening hours and the opportunity to buy donuts or

cronuts and possibly beverages in the form of “to go” while going to school, for example. They are expected to come approximately two or three times a week.

Another potential segment is represented by mothers with children, women on maternity leave, and employees of surrounding companies. These are customers who will most probably buy donuts and they are expected to come once a week. However, since they probably do not know what cronuts are or they know them solely by hearsay, they will most likely want to try them.

The last segment is represented by the so-called occasional buyers who will probably buy made-to-orders products, such as mini donuts that are suitable for corporate events, office parties, etc. or cakes for celebrations. Furthermore, they could also be interested in special seasonal surprises, such as limited editions of donuts and cronuts.

3.5.3 PEST Analysis

As was mentioned in the theoretical part of this bachelor thesis, PEST is an acronym that stands for the Political, Economic, Socio-cultural as well as Technological environment. However, the influence of these four macro-environmental factors on a particular business can be both positive and negative.

Political environment

An entrepreneur, whether a natural or a legal person, has certain obligations to the Czech Republic concerning the entrepreneurship that has to observe. Since the founder decided to do business as a natural person, it is important to point out that even as for this type of legal form, there is an obligation to pay income tax, nevertheless with a rate of only 15%.

Besides, the natural person is compulsory to pay both social and health insurance. In 2020, the minimum amount of social insurance reserves is 2,544 CZK per month and the minimum amount of health insurance reserves is 2,352 CZK. (Finance.cz 2020)

A future entrepreneur has to go through many steps as well as to meet many conditions to create a successful business and afterward keep the company going. Below there are mentioned only some of an entrepreneur’s duties:

- “Obtaining a Trade License at the Trade Licensing Office (Craft Trade - Bakery and pastry products).
- Obtaining a certificate of health.
- Developing a HACCP plan.
- Announcing of the establishment at the Trade Office.
- Registration for the social and health insurance payment.

- Registration for the EET system, etc.” (Hovorka 2017)

An entrepreneur in the Czech Republic may also expect controls, for example, from some of the following institutions:

- “Czech Agriculture and Food Inspection Authority.
- The Czech Trade Inspection Authority.
- Public Health Authority.
- Health Insurance Company.
- State Labour Inspection Office.
- Trade Licensing Office, etc.” (Hovorka 2017)

Economic environment

Economic environment in the Moravian-Silesian Region could be analysed on the basis of two main factors, while the first one of them is unemployment. According to data that comes from the Ministry of Labour and Social Affairs, there were registered more than 37,000 unemployed persons in the whole region towards the end of 2019, of which about 47.3% were women. The unemployment rate reached 4.44% and was the highest among all regions. However, it is relevant to point out, in the long term, this is the lowest number of unemployed persons since the establishment of the Moravian-Silesian Region. The district of Frýdek-Místek boasted the second-lowest unemployment rate in the Moravian-Silesian Region, namely 2.85%. (Czech Statistical Office 2019)

Regarding wages in the Czech Republic, the rate of the minimum wage is currently 14,600 CZK or 87.30 CZK/hour. According to the Czech Statistical Office, the average gross wage in the Moravian-Silesian Region was amounting to 32,644 CZK in the fourth quarter of the previous year 2019. The average gross wage increased by 1,828 CZK compared to the same period of 2018, nonetheless, it is still by 3,500 CZK below the national average. (Czech Statistical Office 2019)

Inflation, as well as GDP, could be considered other economic factors influencing business, in terms of inflation, it is currently not developing very well while GDP is developing in the right direction. (Czech Statistical Office 2020)

Socio-cultural environment

Apart from the political and economic environment, even the socio-cultural environment can somehow influence business. The first great market opportunity could be company

placement. CroDonut bakery will be located in the city centre, in Frýdek in particular, which is considered a great location thanks to many passers-by.

In the city of Frýdek-Místek, where the population is about 56,000 inhabitants, including 28,700 women and 27,500 men. The predominance of women can be another market opportunity since more CroDonut customers are expected to be more likely women. The average age of the city's inhabitants is 42.7 years. (Czech Statistical Office 2018)

Moreover, there are about nine secondary schools and two higher vocational schools located nearby, which means the total number of students who could be potential customers of CroDonut is quite high. The presence of these several schools in Frýdek-Místek may also indicate that people living here are most-likely well-educated and probably are employed and earn good money. According to data from the previous year concerning the number of students of primary schools, secondary schools, conservatories, higher vocational schools, and universities, there were about 31,218 students in the whole district of Frýdek-Místek. However, the data also takes into account students that have permanent residence in Frýdek-Místek district but study, for example, at university in another city. (Czech Statistical Office 2019)

Considering the preferences, young people compared to the elderly and retirees like to try products originating abroad as well as their various flavours. However, every person can have different preferences in terms of dieting and taste. Healthy eating or even veganism has become a significant and upward trend in recent years, for example, and this socio-cultural trend could have a negative influence on company development as it could reduce the number of potential customers. The company considered the inclusion of, for example, gluten-free or vegan variants of products in the offer, however, from an economic point of view, these product variants will be put on sale later if customers show interest in them, and not from the very beginning of the sale.

Technological environment

The technological environment also plays a crucial role, as technology can also somehow influence a business. CroDonut is a small company that does not plan to start with machine production but will promote honest domestic production and quality above quantity.

However, even some modern cooking utensils, gadgets or devices can facilitate the production process and thus save the worker's strength in particular. One of the basic technological equipment the company will purchase is a food processor that can quickly

and efficiently mix the dough, whip the cream, and so on. Furthermore, the company will also purchase proofer and fryer, which will probably be the most expensive pieces of needed appliances.

Furthermore, because it is needed to use electricity in the production process of products, its price is crucial. If electricity costs increased significantly, it would probably also affect the company's product prices.

3.5.4 Analysis of competition

Concerning the competition, as was mentioned in the theoretical part of this bachelor's thesis, it is suitable to make up a list of direct and indirect competitors and give a brief description of them.

The owner decided to establish a business in the city of Frýdek-Místek to fill a niche in the market. For this reason, the emerging company called CroDonut has no direct competition in this city at all, as there is not a single company offering the same products as CroDonut plans to offer. Perhaps someone could consider retail chains, for example, Tesco, Billa, Albert, etc. selling donuts as a direct competitor. However, the donuts offered are quite different from those that CroDonut is going to make. Donuts from supermarkets are mainly frozen semi-products sold at a low price and also of low quality. For this reason, the author does not consider retail chains to be a direct competitor.

Nevertheless, if the competition is perceived more widely as a sale of confectionery products or sweet pastries, several businesses could be considered as so-called indirect competitors. Therefore, these indirect competitors might be, for example, bakeries and sweets shops situated nearby the company CroDonut and will now be briefly described below. Moreover, businesses are in rank order from potentially strongest and closest indirect competitors to less significant, and they are all located in the part called Frýdek.

- **Pekařství Boček**

Location: tř. T. G. Masaryka 1131, 738 01

Opening hours: Monday-Friday: 5:00 – 17:00

Description: Boček Bakery is a traditional family company with a long tradition. They specialize primarily in fine pastries as well as leavened puff pastries, however, all baked goods are imported daily from a large bakery. In addition to regular pastry goods, they also offer pies, croissants, savoury pastries, etc. Due to its location, about 130m far from CroDonut and extensive offer, this bakery is considered the main and possibly the biggest

competitor of CroDonut. However, the weakness of this bakery is the impossibility of card payment and even though the range of products offered is extensive, only a limited amount is available from each type of product and therefore are sold out always early in the morning.

- **Kavárna Radhošť**

Location: tř. T. G. Masaryka 1147, 738 01

Opening hours: Monday-Friday: 10:00 – 18:00

Description: The Art Nouveau cafe Radhošť is considered to be the second-largest indirect competitor because it is located next to CroDonut. However, the café is currently run by the local Secondary Vocational School of Gastronomy, Clothing, and Services within the vocational education of its students. The cafe offers apart from coffee also a variety of desserts prepared by students. Therefore, products offered do not have to be of high quality. However, the weakness of this cafe is that it does not have any website where people could get some information, such as basic data, types of products offered, some news of the cafe, etc.

- **Elizebet**

Location: Hluboká 50, 738 01

Opening hours: Tuesday-Friday: 8:00 – 18:00, Saturday: 9:00 – 17:00

Description: Elizebet is a small company run by a young group of enthusiasts and by one baker. It is a shop selling fresh mini desserts and offers a comfortable seating corner. This could be considered an advantage over CroDonut since CroDonut will only be equipped with a simple and limited seating area. Except for mini desserts, which are offered with different flavours and decorated with fresh fruit, the company further offers coffee, wine, and unique seasonal products. Elizebet also accepts orders for normal size desserts, micro desserts or even Christmas sweets. The weaknesses are relatively high product prices and the location of the company since it is not immediately in the centre of the city as CroDonut.

- **Zámecká Cukrárna**

Location: Zámecké náměstí 1249, 738 01

Opening hours: Monday-Saturday: 8:00 – 18:00, Sunday: 9:00 – 18:00

Description: Confectionery with a thirty-year tradition located on Frýdek's Castle Square is considered by the author as the last, and thus the least significant indirect competitor. Throughout the existence, the confectionery has switched many owners and recently was also partly renovated its interior. The confectionery offers many kinds of self-made desserts from selected ingredients from local companies. Besides, it also offers, for example, ham open sandwiches. Nevertheless, it is probably the most expensive confectionery in the whole city of Frýdek-Místek since the prices of all their products are very high.

3.5.5 Suppliers

There are countless suppliers of everything on the Czech market today, but their right choice is considered crucial. However, it is also necessary to monitor the market situation on an ongoing basis even after their selection, as selected suppliers may, for example, increase the prices of needed ingredients, etc. The company would then probably have to change suppliers or increase product prices, which could lead to reduced sales.

As for the ingredients needed to prepare the products, the owner decided to supply them to the bakery by using her car. Since the ingredients used for products are principally durable, it is not necessary to replenish them daily. However, the amount of needed remaining raw materials must be checked regularly and resupplied if necessary. Therefore, the stock of raw materials will be checked every Friday, and the purchase, as well as the order of the missing items, will be made on Saturday or Monday morning.

The following table shows suppliers with which the owner has decided to cooperate with, and who will supply the company with the necessary equipment.

Table 2 – Suppliers (own creation)

Ingredients - Makro, Keška, Kaufland	Decorations, furniture - Ikea, Pepco
Gatro equipment, kitchen utensils - Gastronom, Gastromania	Electro stuff - Alza
To-go cups, greaseproof bags, paper boxes - Gastro-obaly, Dobré obaly	Printing leaflets, Logo stamps - Kleinwächter

3.6 Marketing plan

The marketing plan consists of a marketing mix and compiling a SWOT analysis of CroDonut.

3.6.1 Marketing mix

The marketing mix is composed of the so-called 4Ps – Product, Price, Place and Promotion. These aspects will now be described below.

Product

The whole chapter 3.4, namely Description of products is devoted to the company's products, therefore, the products offered will be highlighted here only for a reminder. However, some additional information will be mentioned, such as types of product packaging.

CroDonut offers several types of donuts and cronuts. Donuts are made of yeast dough, while cronuts of croissant dough. As far as donuts are concerned, the company offers the following four types: Coconut, Pistachio, Lotus and Oreo. In terms of cronuts, their offer is not as extensive due to more difficult and time-consuming preparation, so the company offers only the following two varieties: Lotus filled with caramel cream, Coconut filled with almond cream. At first, the portfolio of product types is not very extensive, nevertheless, the range of offered kinds of products will after some time as the company settles down at least slightly expand or will change at least a few times a week. Concerning vegan or gluten-free variants of products, those will be put on sale if customers show interest in them. Furthermore, customers can also purchase non-alcoholic beverages, such as coffee, tea, hot chocolate, and sparkling or still water, and they can also order a cake or mini donuts for a certain day.

CroDonut will also carefully focus on packaging. Greaseproof bags into which will be donuts or cronuts commonly put are made of 100% organic material, as well as paper boxes. All these paper boxes and also cups will be marked by a stamp with a logo of CroDonut.



Figure 4 – Donuts (photo by the author)

Price

The selling of products is the only source of income for the company. Therefore, the prices of products offered should be carefully set. The prices could not be set according to direct competitors as there are no companies located in Frýdek-Místek offering the same products.

Therefore, the prices of products are mainly based on the value perceived by customers, however, the approximated prices of ingredients were also taken into consideration. Those who appreciate the handwork, and not machine production, effort, perfection, and uniqueness of the products will most likely be satisfied with the given price. The price of donuts is uniform, even if the production costs of each offered type slightly differ due to the decorating. The same is true for cronuts. However, concerning special seasonal surprises, such as limited editions of cronuts and donuts, for example, for Valentine's Day, the price will be slightly higher.

Regarding payment options, customers can pay in cash and also by credit card. The following table below lists the prices of all the products offered.

Table 3 – Price list (own creation)

<i>Price list</i>	
Products	
<i>Donut Coconut / Pistachio / Oreo / Lotus</i>	39 CZK
<i>Cronut Lotus filled with caramel cream / Coconut filled with almond cream</i>	49 CZK
<i>Mini donuts (50 pieces)</i>	135 CZK
<i>Cake</i>	375 CZK
Beverages	
<i>Espresso</i>	33 CZK
<i>Cappuccino</i>	40 CZK
<i>Latte</i>	43 CZK
<i>Tea fruit / black / green</i>	32 CZK
<i>Hot chocolate white / milk</i>	39 CZK
<i>Sparkling / Still water with lemon / lime / mint</i>	15 CZK

Place

A company CroDonut is going to be located in T.G. Masaryka Street 1146 in Frýdek-Místek, in the part called Frýdek. It is a strategically advantageous place for conducting business due to a high number of passers-by and also because of its accessibility. Customers can easily reach CroDonut on foot, by public transport or even by car as there is situated a parking area behind the building, which can be customers' benefit.

Regarding the rented space, it will undergo partial reconstruction. The premises of CroDonut will be divided into three main parts, a production area, a store, and a staff room where the dressing room and toilet are situated. A simplified floor plan showing the layout of CroDonut can be found in the Appendices.

The products will be sold in the CroDonut shop directly to the end customers, and they will have the opportunity to savour them either in the interior of CroDonut or take them away. However, there will not be a classic seating-area, but there will be only wide wooden counters along walls and windows with a few barstools. Customers can also order or make a firm reservation for products through our website and then pick them up in CroDonut since the bakery does not run the delivery. Orders will usually be ready within half an hour or at a pre-selected time. A text message will be sent to the customer that the order is ready for collection. The bakery CroDonut would like to cooperate with jidlov.cz that helps to sell foods that are not sold during the day. This collaboration would avoid the

possible throwing away or possible disposal of our products if donuts or cronuts were not sold. However, this cooperation will probably also help raise people's awareness of CroDonut as jidlov will promote it both on social networks and their websites.

Promotion

The promotion of CroDonut is scheduled at least three weeks before opening to ensure that CroDonut will enter the consciousness of potential customers. CroDonut decided to choose the types of promotion listed below.

- **Website** – CroDonut offers the possibility to order or to reserve products via the website, and therefore the creation of an official website is essential. The owner decided to create for-free and manage the website through Shoptet.cz. Thanks to this platform, the creation of the website is no hard task. There are templates available that will ensure modern and simple design. In addition to a brief description of the company and its mission, there will be a section with important information (location, opening hours, etc.), menu, and order section. Moreover, there will be quick links to social media of CroDonut. The menu section will consist of photos of the products offered and their descriptions. These photos will be taken with a digital camera and then also edited by the owner's friend for a total price of 2,000 CZK. Costs for the domain are only 20 CZK per month, thus 240 CZK per year. Costs for running the website through the platform Shoptet (basic package including webhosting) are 320 CZK per month, thus 3,840 CZK per year. Shoptet also offers a lot of additional services, the owner decided to buy the accessory service called GoPay, which is a payment gateway that allows customers to pay by card not only via the website but also in CroDonut shop. Costs for this payment gateway are 218 CZK per month, thus 2,616 CZK per year.
- **Social media** - The owner decided to create an account on Facebook as well as Instagram and will communicate with customers mainly through these accounts. As for Facebook, customers can write reviews there, see special offers of the company, etc. As for Instagram, apart from publishing photos, from time to time there will be voting regarding which type of cronut or donut would customers like to find on offer the following week as well as various contests, for example, a photo of the month. If CroDonut sells out all donuts and cronuts before the closing time, there will be posted a piece of information about it on both social media networks. The

advantage of having these profiles is also sharing of so-called stories. The creation of both accounts is free, but the owner decided to pay for the sponsored advertising posts only when starting a business, so the first month, to reach more customers. Total spending for both social media is thus 3,000 CZK, so the budget is 50 CZK per day.

- **Public transport** - Placing eye-catching advertising posters into buses seems to be a good way of promotion as a lot of inhabitants of Frýdek-Místek and its surroundings travel daily by free city transportation system. The graphical design of posters will be made by the owner through the online graphic editor Canva.com. The costs for posters in A4 format placed into two selected buses including printing of posters are 4,620 CZK per year.
- **Leaflets** – Distributing small leaflets is another way of promoting CroDonut. These leaflets will contain important information such as location, contact information, and a concise description of CroDonut, website, Facebook, and Instagram. However, sometimes leaflets can also be enriched with a discount coupon. The owner will distribute them once a month to nearby schools, offices, but also few random post boxes. The graphical design of leaflets will also be made by the owner through the Canva.com website. The monthly costs of printed leaflets in A6 format (350pcs) are 600 CZK, and therefore, the annual costs are 7,200 CZK.
- **Promotion board display** - Once CroDonut opens, the member of staff will place this board in front of the bakery every morning for the first several months to attract passers-by. It is a low cost and often effective form of advertising that could awake the interest to visit CroDonut. The price of the promotional board is 2,000 CZK.
- **Loyalty cards** - It is an excellent form of sales promotion that will help CroDonut to attract and retain regular customers. Customers will be given cards and receive a stamp each time they buy a donut or cronut. After receiving eight stamps, they will get a donut or cronut of their choice for free. The graphical design of the loyalty cards created by the owner through the Canva.com website can be found in the

Appendices. The costs for 2,000 pieces of ordered paper loyal cards are 1,900 CZK, so the price per piece is 0.95 CZK.

3.6.2 SWOT analysis

The biggest strength probably will be hand-made products and the fact that CroDonut offers totally new products on the market in the city of Frýdek-Místek which also means that there is no direct competitor in the city. Another major strength of CroDonut is its favourable location close to the city centre.

The main weakness might be that CroDonut will be a new and unknown company on the market and therefore will not even have a customer base. Furthermore, the founder does not have any previous experience with conducting business.

Concerning opportunities, the company can offer new product variants based on customer demand. Another opportunity could be participation in cultural events, mainly at various food festivals that could help spread awareness of the company.

The biggest threat might be the lack of customers since it would certainly have an impact on the company’s revenues. One of the other threats could also be the increase in ingredient prices, utilities, rent, etc. as well as possible competitors entering the market in the city.

Table 4 – SWOT analysis (own creation)

Strengths	Weaknesses
<ul style="list-style-type: none"> • Favourable location • Hand-made products • No direct competitor in the city • Totally new products on the market in the city 	<ul style="list-style-type: none"> • New and unknown company on the market • No customer base • Unhealthy products • No previous experience with conducting a business
Opportunities	Threats
<ul style="list-style-type: none"> • Opening of a new branch in another city • Offer new product variants • Participation in cultural events; catering • Offer delivery service 	<ul style="list-style-type: none"> • Lack of customers • New competitors entering the market • Healthy eating trend • Increase in ingredient prices, utilities, rent, etc.

3.7 Human resource plan

Since CroDonut is a small company, its organizational structure consists only of the owner and three employees (one baker and two sales assistants) who will be employed on a permanent contract with reduced working hours. The founder is a key worker who will supply the necessary raw materials, order goods, deputise employees in case of illness, take care of marketing, accounting, and last but not least, the founder has to hire the right people with the necessary experience. All employees must possess a food hygiene certificate.

The baker must also have a vocational secondary education and possess a baker's apprenticeship certificate. The baker's daily duties include processing the ingredients, in other words kneading and rolling the dough, cutting out the shapes, letting the dough rise, and then finally frying donuts and cronuts. The baker's last task will be to fill cronuts with the previously prepared cream. The baker will work 4.5 hours a day.

The task of the sales assistant will be to decorate enough donuts and cronuts to fill the showcase before opening CroDonut, and the rest will be decorated gradually in the course of the day. The sales assistant will also prepare coffee, tea, and hot chocolate for customers as well as prepare customer orders ordered through the website into boxes, etc. The last task of the day will be to clean up after closing CroDonut. Both sales assistants will work 5.5 hours a day. On Saturdays, shop assistants will take turns.

The following table shows the working hours of employees.

Table 5 – Working hours of employees (own creation)

Working hours of employees		
Post	Mon - Fri	Number of hours worked
Baker	03:00 – 07:30	4.5 hours a day
Sale assistant 1	06:30 – 12:00	5.5 hours a day
Sale assistant 2	11:30 – 17:00	5.5 hours a day
Post	Sat	Number of hours worked
Baker	03:30 – 08:00	4.5 hours a day
Sale assistant 1 or 2	07:30 – 13:00	5.5 hours a day

3.8 Financial plan

This chapter aims to prove whether the business idea is feasible or not. The financial plan consists of the following: opening balance sheet, initial costs, labour costs, fixed costs, variable costs, estimated revenues calculation, and income statement.

3.8.1 Opening balance sheet

The following Table 6 represents the opening balance sheet that describes the assets on the right side and the liabilities on the left. The assets consist of the long-term and current assets, while the liabilities comprise equity capital and current liabilities.

The founder will invest in the business the amount of 530 000 CZK. The registered capital consists of the owner's savings (150 000 CZK), the savings from building society account (250 000 CZK), and the family savings (130 000 CZK).

Table 6 – Opening balance sheet (own creation)

Assets		Liabilities	
Long-term assets	0 CZK	Equity capital	530,000 CZK
		Registered capital	530,000 CZK
Current assets	530,000 CZK	Current liabilities	0 CZK
Bank account	530,000 CZK		
Total assets	530,000 CZK	Total liabilities	530,000 CZK

Long-term assets are in the amount of 0 CZK. The acquisition of every individual equipment, machinery, or appliance is up to 40,000 CZK. These acquisition expenses are included in costs in the income statement for the first year.

Current assets include money on a bank account in the amount of 530,000 CZK. The money will be used to purchase the equipment and also for starting up the operation.

Concerning the registered capital, it is money from own resources. Own resources are sufficient, and therefore, no bank loan is supposed to be taken.

3.8.2 Initial costs

The initial costs include all the necessary costs associated with setting up and opening CroDonut. These costs include, for example, the trade license fee, promotion expenses, purchasing the needed equipment and machinery, etc. The most expensive item of all is a fryer, which costs 38,600 CZK. All other initial costs are represented in the following table and will be financed by money invested in the business.

Table 7 – Initial costs (own creation)

Initial costs of the company	CZK
Trade license	1,000
Reconstruction	15,000
Promotion	
- promotion board display	2,000
- social media advertisement	3,000
- photos of the products offered	2,000
- loyalty cards (2000 pieces)	1,900
- illuminated sign	7,000
Developing a HACCP plan	2,000
	33,900
EET Cash desk	6,990
WiFi router	700
Mobile phone	1,500
Loudspeaker	300
Wall safe	1,500
Logo stamps	500
Decorations	5,000
	16,490
Kneader	35,000
Fryer	38,600
Proving cabinet	24,800
Food processor	6,200
Oven	22,000
Refrigerator	7,500
Food scale	1,500
Jug kettle	500
Donut cutters	600
3 x Mini donut maker	1,200
Coffee machine	26,000
SodaStream	1700
Other kitchen tools, gadgets and utensils (rolling pin, sieve, baking trays, bowls, ...)	5,000
	170,600
Work surface	10,000
Storage space	10,000
Wooden equipment (counters, barstools, ...)	8,000
Custom made showcase	2,500
Lighting	6,000
Electricity	2,500
Staff room equipment	4,000
Clothes for personnel	2,000
Detergents	3,000
	48,000
Total	268,990 CZK

3.8.3 Labour costs

As mentioned in chapter 3.7 Human resource plan, the owner employs three employees on a permanent contract with reduced working hours.

The baker's monthly workload is 108 hours as she/he will work 4.5 hours a day, six days a week. The gross wage of the baker is 14 580 CZK, which means 135 CZK per hour.

The monthly workload of each sales assistant is 121 hours. The gross wage is 12 100 CZK, which means 100 CZK per hour.

The owner's salary is not part of the below-mentioned table as it will be generated from the profit of the company.

Table 8 – Wages (own creation)

	Gross monthly wage	Social insurance per month (25%)	Health insurance per month (9%)	Super-gross wage	Annual salary
Baker	14,580 CZK	3,645 CZK	1,312 CZK	19,537 CZK	234,444 CZK
Sale assistant 1	12,100 CZK	3,025 CZK	1,089 CZK	16,214 CZK	194,568 CZK
Sale assistant 2	12,100 CZK	3,025 CZK	1,089 CZK	16,214 CZK	194,568 CZK
Total monthly wages of all employees					51,965 CZK
Total annual wages of all employees					623,580 CZK

3.8.4 Fixed costs

Fixed costs are costs that have to be paid by the owner regularly each month. Rent for the particular premises with an approximate area of 40m² is 15,000 CZK per month. All fixed costs are listed below in Table 9.

Table 9 – Fixed costs (own creation)

Cost type	Monthly	Annually
Rent	15,000 CZK	180,000 CZK
Internet connection	500 CZK	6,000 CZK
Mobile phone expenses	400 CZK	4,800 CZK
Insurance	3,200 CZK	38,400 CZK
Utilities	5,000 CZK	60,000 CZK
Promotion	1,543 CZK	18,516 CZK

Wages	51,965 CZK	623,580 CZK
Social insurance – owner (minimum reserve)	2,544 CZK	30,528 CZK
Health insurance – owner (minimum reserve)	2,352 CZK	28,224 CZK
Total	82,504 CZK	990,048 CZK

3.8.5 Variable costs

The following two tables show the variable costs of the products as well as beverages, the selling prices, and the sales margins.

The variable costs of the products are from 9 CZK up to 175 CZK. The selling prices of products start at 39 CZK and end at 375 CZK, while the sales margins are in the range from 30 CZK to 200 CZK. A paper box for 2-4 pieces of donuts or cronuts is for an additional charge 7 CZK.

Table 10 – Variable costs of products (own creation)

Type of product	Variable costs	Selling price	Sales margin
<i>Donut Coconut / Pistachio / Oreo / Lotus</i>	9 CZK	39 CZK	30 CZK
<i>Cronut Lotus filled with caramel cream / Coconut filled with almond cream</i>	14 CZK	49 CZK	35 CZK
<i>Mini donuts (50 pieces)</i>	60 CZK	135 CZK	75 CZK
<i>Cake</i>	175 CZK	375 CZK	200 CZK
<i>Paper box for 2-4 pieces of donuts/cronuts</i>	5.5 CZK	7 CZK	1.5 CZK

The variable costs of beverages to-go are from 8 CZK up to 14 CZK. The selling prices of beverages start at 15 CZK and end at 43 CZK, while the sales margins are in the range from 11 CZK to 29 CZK.

Table 11 – Variable costs of beverages (own creation)

Type of beverage to-go	Variable costs	Selling price	Sales margin
<i>Espresso</i>	8 CZK	33 CZK	25 CZK
<i>Cappuccino</i>	11 CZK	40 CZK	29 CZK
<i>Latte</i>	14 CZK	43 CZK	29 CZK
<i>Tea fruit / black / green</i>	7 CZK	32 CZK	25 CZK
<i>Hot chocolate white / milk</i>	12 CZK	39 CZK	27 CZK
<i>Sparkling/Still water with lemon / lime / mint</i>	4 CZK	15 CZK	11 CZK

3.8.6 Estimated revenues calculation

The following tables show the estimated calculation of revenues in the first three years. Each table of the weekly predicted amount of sold products and beverages represents three different scenarios - optimistic, realistic, and pessimistic. Besides, the tables consist of variable costs, revenues, and contribution margins both per week and per month.

As for the first year and thus table 12 below, the amount of sold products (realistic scenario) is based on a discussion with an employee of a company of this type located in another city. The realistic scenario predicts total sales of 580 donuts per week (which is around 100 pieces during the weekdays, and 80 pieces on Saturdays). As for cronuts, it shows total sales of 300 pieces per week, since 50 pieces are predicted to be sold both during the weekdays and Saturdays. Daily peak selling times of donuts and cronuts are expected to be between 7-9 am when students go to school and people to work, and then also between 1-3 pm when people head home.

The table also shows the total predicted sales of other products per week, such as mini donuts, cake, and different types of beverages. According to the realistic scenario, the revenues per week are expected to be 45,705 CZK in the first year.

Table 12 – Predicted products and beverages sold in the first year (own creation)

	Optimistic (per week)	Realistic (per week)	Pessimistic (per week)
<i>Donut</i>	700	580	460
<i>Cronut</i>	420	300	180
<i>Mini donuts</i>	6	4	2
<i>Cake</i>	4	2	0
<i>Espresso</i>	50	33	16
<i>Cappuccino</i>	66	44	22
<i>Latte</i>	66	44	22
<i>Tea</i>	33	22	11
<i>Hot chocolate</i>	30	20	10
<i>Sparkling / Still water</i>	45	30	15
<i>Paper box for donuts/cronuts</i>	77	60	44
Variable costs per week	16,485 CZK	12,218 CZK	7,957 CZK
Revenues per week	60,758 CZK	45,705 CZK	30,659 CZK
Contribution margin per week	44,274 CZK	33,487 CZK	22,702 CZK
Variable costs per month	65,938 CZK	48,872 CZK	31,828 CZK
Revenues per month	243,032 CZK	182,820 CZK	122,636 CZK
Contribution margin per month	177,094 CZK	133,948 CZK	90,808 CZK

Regarding the second year (Table 13), the founder expects that total sales per week will increase by 10 percent as CroDonut will enter the consciousness of people and become more popular and frequented by regular customers but also by the new ones. The sales increase is expected mainly on weekdays. According to the realistic scenario, weekly revenues in the second year are supposed to be 50,755 CZK.

Table 13 – Predicted products and beverages sold in the second year (own creation)

	Optimistic (per week)	Realistic (per week)	Pessimistic (per week)
<i>Donut</i>	770	638	506
<i>Cronut</i>	462	330	198
<i>Mini donuts</i>	7	5	3
<i>Cake</i>	5	3	1
<i>Espresso</i>	55	37	18
<i>Cappuccino</i>	73	49	25
<i>Latte</i>	73	49	25
<i>Tea</i>	37	25	13
<i>Hot chocolate</i>	33	22	11
<i>Sparkling / Still water</i>	50	33	17
<i>Paper box for donuts/cronuts</i>	85	66	49
Variable costs per week	18,281 CZK	13,642 CZK	9,011 CZK
Revenues per week	67,178 CZK	50,755 CZK	34,328 CZK
Contribution margin per week	48,898 CZK	37,113 CZK	25,318 CZK
Variable costs per month	73,122 CZK	54,568 CZK	36,042 CZK
Revenues per month	268,712 CZK	203,020 CZK	137,312 CZK
Contribution margin per month	195,590 CZK	148,452 CZK	101,270 CZK

As far as the third year is concerned (Table 14), the founder expects that the total sales per week will increase by 10 percent against the second year as even the citizens of surrounding villages will come to CroDonut based on recommendations from their acquaintances. The increase in sales is expected mainly on Saturdays. According to the realistic scenario, the revenues per week are presumed to be 56,247 CZK in the third year.

Table 14 – Predicted products and beverages sold in the third year (own creation)

	Optimistic (per week)	Realistic (per week)	Pessimistic (per week)
<i>Donut</i>	847	702	557
<i>Cronut</i>	509	363	218
<i>Mini donuts</i>	8	6	4
<i>Cake</i>	6	4	2

<i>Espresso</i>	61	41	20
<i>Cappuccino</i>	81	54	28
<i>Latte</i>	81	54	28
<i>Tea</i>	41	28	15
<i>Hot chocolate</i>	37	25	13
<i>Sparkling / Still water</i>	55	37	19
<i>Paper box for donuts/cronuts</i>	94	73	54
Variable costs per week	20,260 CZK	15,184 CZK	10,149 CZK
Revenues per week	74,278 CZK	56,247 CZK	38,329 CZK
Contribution margin per week	54,018 CZK	41,064 CZK	28,120 CZK
Variable costs per month	81,040 CZK	60,734 CZK	40,596 CZK
Revenues per month	297,112 CZK	224,988 CZK	153,316 CZK
Contribution margin per month	216,072 CZK	164,254 CZK	112,720 CZK

The author commented on only the realistic scenarios during all three years. The optimistic scenarios count on higher sales than is expected. However, even the pessimistic scenarios can come on, and those can be caused in case of, for example, poor promotion or the entrance of a possible direct competitor.

3.8.7 Income statement

Based on the tables above, the following income statement has been created to show whether the company is making a profit or not. The income statement has been compiled according to realistic scenarios for the first three years.

Table 15 – Income statement (own creation)

	First year	Second year	Third year
Revenues (Realistic scenarios)	2,193,840 CZK	2,436,240 CZK	2,699,856 CZK
Variable Costs	586,464 CZK	654,816 CZK	728,808 CZK
Fixed costs	990,048 CZK	990,048 CZK	990,048 CZK
Initial costs	268,990 CZK	–	–
EBT	348,338 CZK	791,376 CZK	981,000 CZK
Tax (15%)	52,251 CZK	118,707 CZK	147,150 CZK
EAT	296,087 CZK	672,669 CZK	833,850 CZK

Regarding the calculation of the first year, variable, fixed, and initial costs had to be deducted from the company's revenues to achieve EBT. Furthermore, a 15% tax is deducted from the calculated EBT since the founder is a natural person. Therefore, the resulting estimated EAT of the first year is the profit of 296,087 CZK. The company's estimated profit in the second year and third year is 672,669 CZK and 833,850 CZK respectively.

As a result, the calculations of the income statement of realistic scenarios for the first three years show the business idea has the potential and that CroDonut might be successful.

The other two scenarios of the income statements for the first three years can be found in the Appendices. The table with optimistic scenarios is enclosed in Appendix P IV, whereas the table with pessimistic scenarios is available in Appendix P V.

CONCLUSION

The purpose of this bachelor thesis was to create a business plan and to determine whether the proposed business idea is viable or not. In order to find out whether the business idea is viable, the author calculated estimated revenues and subsequently compiled an income statement which showed that the bakery CroDonut will be profitable in the first three years and that the business idea has the potential and is thus viable as far as realistic scenarios are concerned. The company's estimated profit in the first, second and third year is 296,087 CZK, 672,669 CZK and 833,850 CZK respectively.

Nevertheless, the author of the bachelor's thesis also takes two other scenarios (optimistic and pessimistic) into consideration, and that can be found in the appendices. Regarding the first year, if any pessimistic scenarios arose, the company would report a loss of 169,342 CZK, but in the next two years, the company would be profitable.

Considering the realistic scenario, the author is aware of possible difficulties of the first months due to a non-existing customer base and as a result, the stated numbers of products may not always be sold out. However, the author will try to achieve the set sales, and therefore will use various types of promotion strategies, such as offering loyalty cards, distributing leaflets, etc. From 2-3 pm happy hours will be sometimes introduced to sell out all donuts and cronuts at a discount. If any unpredictable problems, even economic crisis, occurred, the company would have to react to them in a certain way.

As for the plans for the future, the bakery CroDonut would like to offer new product variants, make various seasonal boxes full of donuts or cronuts, supply weddings and parties with products, introduce delivery service and, if the business rose extremely well, possibly open a new branch in another city.

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LIST OF ABBREVIATIONS

a spol.	a společníci
a.s.	Akciová společnost
akc. spol.	Akciová společnost
am	ante meridiem
CV	Curriculum vitae
CZK	Czech koruna
EAT	Earnings after taxes
EBT	Earnings before taxes
EET	Elektronická evidence tržeb
et al.	et alia – and others
etc.	etcetera
EUR	Euro
GDP	Gross domestic product
HACCP	Hazard Analysis and Critical Control Points
k.s.	Komanditní společnost
kom. spol.	Komanditní společnost
OSVČ	Osoba samostatně výdělečně činná
p.m.	post meridiem
pcs	pieces
PEST	Political, economic, social, technological factors
s. r. o.	Společnost s ručením omezeným
spol. s r. o.	Společnost s ručením omezeným
SWOT	Strengths, Weaknesses, Opportunities, Threats
v.o.s.	Veřejná obchodní společnost
veř. obch. spol.	Veřejná obchodní společnost

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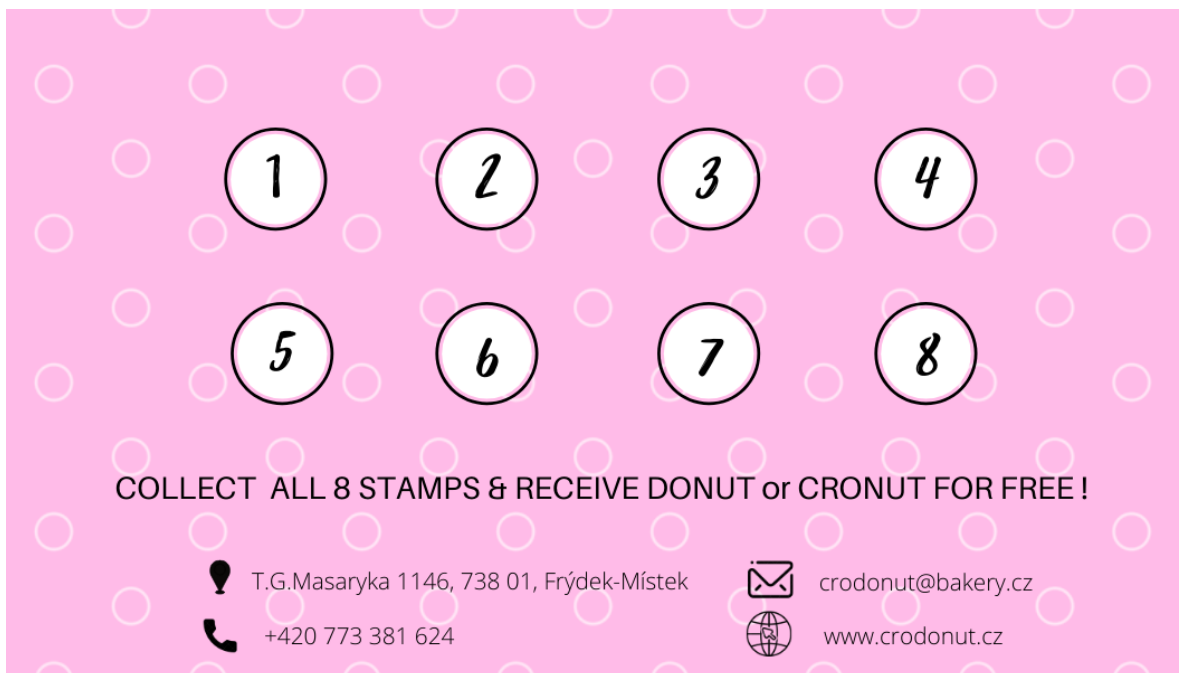
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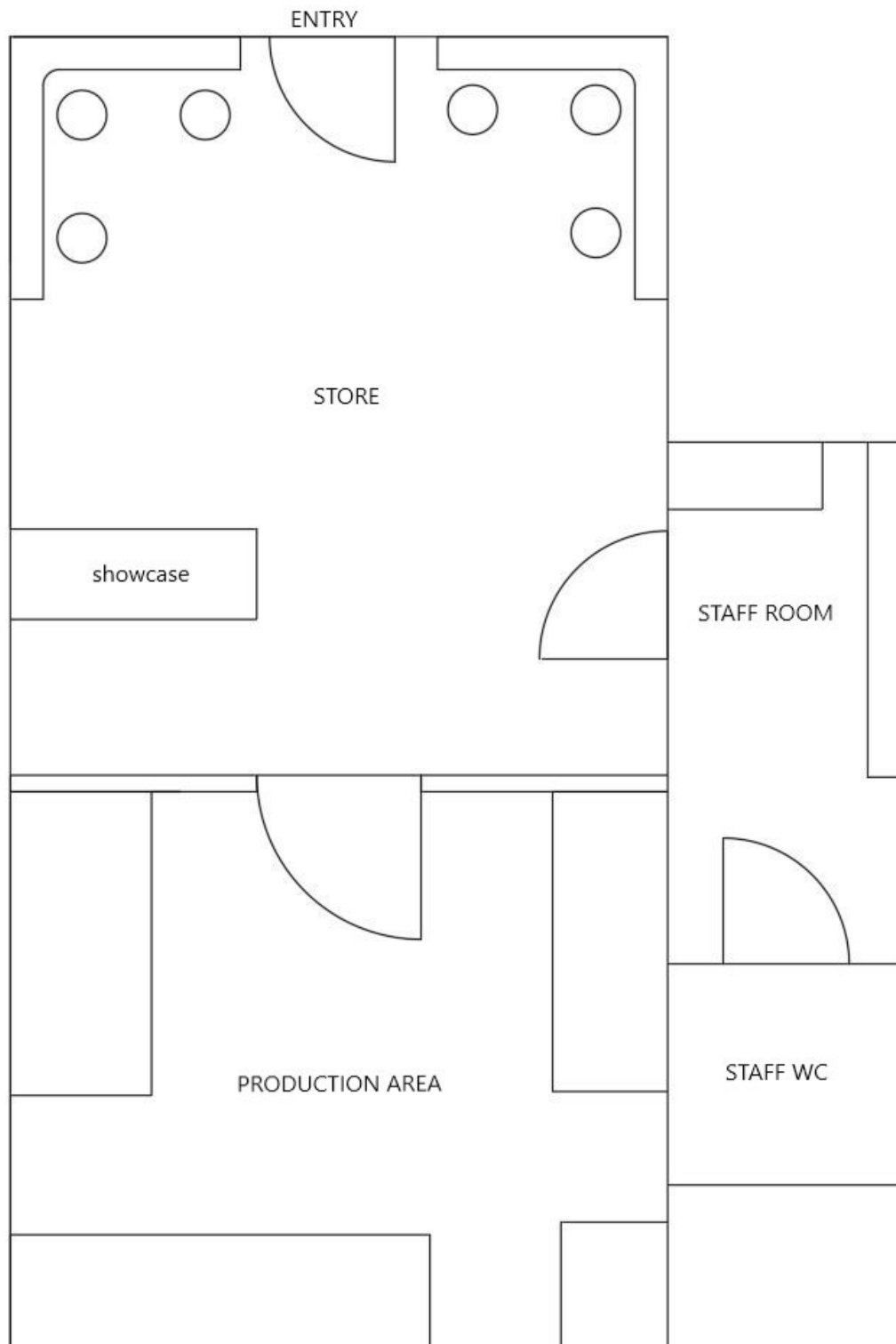
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APPENDIX P I: THE COMPANY'S LOYAL CARD



APPENDIX P II: THE FLOOR PLAN



**APPENDIX P III: THE INCOME STATEMENT FOR THE FIRST
THREE YEARS – OPTIMISTIC SCENARIOS**

	First year	Second year	Third year
Revenues (Optimistic scenarios)	2,916,384 CZK	3,224,544 CZK	3,565,344 CZK
Variable Costs	791,256 CZK	877,464 CZK	972,480 CZK
Fixed costs	990,048 CZK	990,048 CZK	990,048 CZK
Initial costs	268,990 CZK	–	–
EBT	866,090 CZK	1,357,032 CZK	1,602,816 CZK
Tax (15%)	129,914 CZK	203,555 CZK	240,423 CZK
EAT	736,176 CZK	1,153,477 CZK	1,362,393 CZK

**APPENDIX P IV: THE INCOME STATEMENT FOR THE FIRST
THREE YEARS – PESSIMISTIC SCENARIOS**

	First year	Second year	Third year
Revenues (Pessimistic scenarios)	1,471,632 CZK	1,647,744 CZK	1,839,792 CZK
Variable Costs	381,936 CZK	432,504 CZK	487,152 CZK
Fixed costs	990,048 CZK	990,048 CZK	990,048 CZK
Initial costs	268,990 CZK	–	–
EBT	-169,342 CZK	225,192 CZK	362,592 CZK
Tax (15%)	x	33,779 CZK	54,389 CZK
EAT	- 169,342 CZK	191,413 CZK	308,203 CZK