

# **A Business Plan for a Selected Company**

František Šrámek

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Mgr. Libor Marek, Ph.D.  
děkan



doc. Mgr. Roman Trušník, Ph.D.  
ředitel ústavu

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## **ABSTRAKT**

Cílem této bakalářské práce je sestavení podnikatelského plánu pro fiktivní cyklistickou kavárnu Kolo Kavárna situovanou v Uherském Hradišti. Bakalářská práce je rozdělena na teoretickou a praktickou část. Teoretická část se zabývá mimo jiné všeobecnou teorií podnikání, základními formami podnikání v České republice, a také přesně definuje všechny části podnikatelského plánu a jeho záměr. Praktická část čerpá z nabytých poznatků části teoretické k vytvoření podnikatelského plánu pro cyklistickou kavárnu a určení její realizovatelnosti. Na základě podrobné analýzy trhu a výpočtů uvedených ve finančním plánu bylo konstatováno, že dvě ze tří možných variant projektu (optimistická a realistická) mají ziskový potenciál.

Klíčová slova: Podnikání, podnikatelský plán, kavárna, analýza trhu, finanční analýza, realizovatelnost

## **ABSTRACT**

The aim of this Bachelor thesis is to produce a business plan for the fictional cycling café named Kolo Kavárna located in Uherské Hradiště. The Bachelor thesis is divided into a theoretical and practical part. The theoretical part deals with a general description of entrepreneurship, legal forms of companies in the Czech Republic, and defines the structure of the business plan. The practical part utilizes the knowledge gained from the theoretical part to produce the business plan for the cycling café and analyses its feasibility. Based on a detailed analysis of the market and the calculations stated in the financial plan, it was found that two of the three possible project variants (optimistic and realistic) have profit potential.

Key words: Entrepreneurship, business plan, coffeehouse, market analysis, financial analysis, feasibility

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## INTRODUCTION

There are many life decisions and events that are right to throw yourself into. The same is true for running a business, but with one exception, since the basis of any success is careful preparation and consideration of the current situation. For business, this cornerstone is the development of a business plan. Many entrepreneurs fail their company because they misjudged the market situation, did not think about the financial burden or did not consider the current risks that could endanger the company. A business plan is a great tool that determines how to start a business and whether the intended business might be successful.

The reason why I decided to write a business plan is pretty simple. The idea of running my business has always attracted me a lot. The opportunity to realize yourself and create something with added value is my most influential temptation. Cycling is the biggest passion in my life, which I have been doing since I was 10. That is why I decided to create a business plan for the cycling café Kolo Kavárna. A charming coffee stop in the middle of a bike ride is a pleasant part of training. I plan to establish this type of business in the future, as I believe, that cycling is becoming an increasingly popular and widespread activity in the Czech Republic. The goal of the cycling café will be to offer quality coffee in a pleasant cycling environment.

This bachelor thesis is divided into two parts - theoretical and practical. The theoretical part aims to define the basic business concepts that a beginning entrepreneur should know. A description of all the parts of the business plan is also provided. On the other hand, the practical part aims to utilize all the knowledge gained from the theoretical part and apply this knowledge in compiling a business plan for the Kolo Kavárna. The practical part includes a description of the company, market research, marketing strategy, financial analysis, and, last but not least, consideration of the risks associated with the establishment of the company. The overall goal of the bachelor's thesis is to create a business plan for a company and assess its potential profitability.

## **I. THEORY**

## 1 ENTREPRENEURSHIP

Entrepreneurship is one of the essential human features. According to Worthington and Britton (2006, 4), it is very difficult to define precisely the concept of "business" as such. A general view of entrepreneurial activity defines it as the transformation of inputs (operational or production factors) into outputs (products or services) to meet the material and mental needs of customers. From this activity, the entrepreneur receives a burdensome profit, which is the resulting difference between the cost of producing the product or service and the final price that the customer is willing to pay. The Civil Code defines entrepreneurship as "a continuous activity carried out independently by the entrepreneur in his name and under his responsibility for profit" (Mulačová and Mulač 2013, 15 – 16).

Srpová and Řehoř (2010, 20) state the same definition and adds that to properly understand the definition, it is important to clarify the following terms:

- **Consistency** means that business activity is performed repeatedly and regularly.
- **Independence** means that the entrepreneur independently decides on his/her working place, working hours, and dispensing of a profit from business activities.
- The natural person acts **under his/her name** or and legal entity acts **under the name of the company**.
- The entrepreneur **takes full responsibility** for all his/her liabilities resulting from entrepreneurial activity.
- The entrepreneurial activity carried out **to make a profit**.

Several important facts also emerge from these terms. Short-term projects are not considered as an entrepreneurial activity as the going concern principle is applied to the business activity. For entrepreneurial activity, the personal participation of the entrepreneur in the running of the business is also an important, but not required part of the business (Mulačová and Mulač 2013, 15 – 16).

Like any life choice, entrepreneurship is associated with a possibility of failure that must be anticipated and taken into account. But to transform our entrepreneurial activity into a successful business, we need to know that a truly successful long-term business is based on meeting real needs that remain in society for a while and create added value, just like wheel invented more than 6 thousand years ago (Mulačová and Mulač 2013, 15 – 16).

## 1.1 Enterprise

An enterprise, together with households and the state, is another fundamental economic entity in market economies, which generates the main part of gross domestic product through its activities. Its main task is to create supply in the market of goods and services and create demand in the market of factors of production (Kozubíková 2017, 12). The Civil Code defines enterprise as a set of tangible and intangible components of a business. The company owns things, rights, and other property values that belong to the entrepreneur. These values are used to run the business (Srpová and Řehoř 2010, 35).

Malach et al. (2005, 25) state that despite the different definitions of an enterprise, it is possible to distinguish an enterprise from other economic entities based on the key features of enterprises that each enterprise has in common:

- **Legal personality** means that the company is legally defined by rights and obligations, as a legal entity may enter into legal relations in its own name and independently.
- **Economic independence** means that the company owns production factors, uses them effectively, carries full responsibility, and increases the value of economic resources.
- **Organizational structure** means that the company acts as a separate organizational unit, which is integrated into the system and has a unified accounting and other organizational units (Malach et al. 2005, 25).

Among the secondary characteristics of the company belong (Novák, Kozubíková, and Zámečník 2018, 8 - 9):

- Combination of production factors.
- Economic efficiency.
- Financial balance.
- Principle of private property.
- Principle of autonomy.
- Principle of profitability.

Enterprises are classified according to various aspects, which the most important is classification according to economic sectors, which are individual parts of the national economy and according to the size of the enterprise (Dočekalová 2017, 14).

**Classification according to sectors:**

- Primary sector - enterprises obtaining resources directly from nature. These include agriculture, fishing, forestry, etc.
- Secondary sector - enterprises that process resources produced by the primary sector, such as engineering, textile industry, food industry, etc.
- Tertiary sector - companies that offer services. Healthcare, transport, trade, etc.
- Quaternary sector - enterprises engaged in science and research, such as universities (Dočekalová 2017, 14).

**Classification according to the size of the enterprise based on European Commission:**

- Micro enterprises are companies that have less than 10 employees and annual turnover is less than 2 million EUR.
- Small enterprises are companies that have less than 50 employees and annual turnover is less than 10 million EUR.
- Medium enterprises are companies that have less than 250 employees and annual turnover is less than 50 million EUR.
- Large enterprises are companies that have more than 250 employees and annual turnover is more than 50 million EUR (Dočekalová 2017, 15).

**1.2 History of entrepreneurship**

In pre-war Czechoslovakia, small businesses were an essential part of the economic sector and complemented it appropriately. A market system built on Western-style democracy was applied. This trend persisted in Czechoslovakia until 1948. The end of World War II brought a gradual turnaround in the development of the Czechoslovak economy and gradually all enterprises over 50 employees were nationalized. In 1988, 98.6% of people were employed in the national processing sectors (Malach et al. 2005, 22).

The period after November 1989 brought drastic changes in the development of the Czechoslovak economy. The private sector began to grow in importance. Transformation and reorganization steps took place, leading to a rapid increase in self-employment. This is also evidenced by the fact that between 1989 and 1992 the number of registered business activities increased from 19,000 thousand to almost 1 118 636. One of the things that contributed to this figure was the desire and motivation of about a quarter of the population to use their resources and knowledge to set up an economic entity. In 1994 there was a slight

decline in growth, but since 1995 there has been an annual increase in the number of self-employed (Malach et al. 2005, 23 – 24).

According to Czech Statistical Office, around 2,107,068 independent economic entities were registered in the Czech Republic in 2019. Unfortunately, a large part of the business activities is established for additional income in employment (Český statistický úřad 2020).

### 1.3 Entrepreneur

An entrepreneur is a person who runs a business. At the same time, it is a person who is prepared to take risks with their own or other people's money, in anticipation of financial reward, in case the business is successful (Finch 2010, 167).

The Civil Code defines the entrepreneur as a person who independently carries out a gainful activity on his/her account and responsibility in a trade license or similar manner with the intention of doing so systematically for the purpose of making a profit (Kozubíková 2017, 15). Veber and Srpová (2012, 11) also mentions the Civil Code, which states, that the entrepreneur is:

- Person registered in the Company Register.
- Person who runs a business with a Trade license.
- Person who runs a business without a Trade license under specific regulations.
- Person who runs an agricultural production and is registered in the evidence under specific regulations.

Veber and Srpová (2012, 15) continues to list the common personality traits of an entrepreneur.

- Ability to look for opportunities.
- Setting goals and objectives.
- Ensuring financial resources.
- Ability to organize.
- Risk-taking.
- Self-confidence, persistency, etc.

Both in theory and practice, we also encounter other two categories of personalities in a business environment. These categories are the role of a manager and the role of a leader. A manager is generally defined as a person who holds the main managerial positions. These positions include organizing, planning, controlling, supervising the employee selection

process and management of people. The management process is a group process. The manager uses teamwork to achieve set goals and objectives. On the other hand, a leader is defined as a person who can influence people and inspire them for a certain activity, project, vision, etc. The authority of leaders is not only in a formal position towards their followers within the organizational structure, but it is based on the strength of their ideas and also the charisma to take the leading position. We can see that the positions of an entrepreneur, manager, and leader include different personality traits, which in most cases intertwine in some way. Tomas Bata is a great example of the persona, who was able to combine all these personalities (Synek and Kislingerová 2015, 12 – 13).

#### **1.4 Business environment**

Business environment is understood as conditions and situations that influence business activities. This environment includes internal and external factors. Internal factors are within the control of a business's management, such as the skills and abilities of employees, their know how and attitude, the relationship between manager and subordinates, etc. On the other hand, external business environment causes enterprise to behave in a certain manner, influences its objectives, creates opportunities but also exposes threats. As the external business environment is constantly changing, the company's success depends upon how well an enterprise adapts to these changes. External environment changes provide companies a competitive advantage, for the reason that it is more complex than internal environment. It is comprised of (Dočekalová 2017, 9 - 10):

- The social environment.
- The culture historical.
- The geographic environment.
- The economic.
- The political environment.
- The technological.
- The ecological environment.

Worthington and Britton also refer to business environment and distinguishes between factors that have a direct day-to-day impact on a company's operations and the more general ones that affect the company's operations less. Direct factors include, for example, suppliers, competitors, financial institutions, parent companies, etc. On the contrary, we include economic, political, socio-cultural, technological, and legal factors among the so-called



macroeconomic factors. These factors apply to a wide range of businesses and can be based not only on local and national resources but also on international and transnational developments (Worthington and Britton 2006, 6 – 7).

### **1.5 Before starting a new business**

Before starting a business, it is good to consider several key factors. The basis is to assess whether we have good personal preconditions, a business idea, and what our competitive advantage is. A good business plan will allow us to verify the reality and viability of our business idea (Srpová and Řehoř 2010, 54).

Starting your own business also requires at least courage, patience, and a little madness that an entrepreneur must have. It is not possible to opt for business only partially. Entrepreneurship is a long-term activity, with many positive but also negative consequences. It is also important to realize, that in order to run own business, a start-up entrepreneur must make an appropriate effort which he would not encounter in an employment role. So, it is up to the entrepreneur whether he is willing to submit to this quest for potential success, but also a possible failure, and to take certain risks. Not to mention irreversible cost losses or psychological damage in the event of failure. On the other hand, it would be a great shame not to exploit the potential of an entrepreneurial idea and the opportunities that modern times offer (Veber and Srpová 2012, 46).

## 2 TYPES OF BUSINESSES

To begin with, it is important to define the role of companies in the whole economy. In addition to businesses, there is another legal form of enterprises within the economy, which forms an integral part of the economic environment. These entities are non-profit organizations. Compared to businesses, they differ in their goal, which is not to make profit. Non-profit organizations continue to be divided into private and public (Muláčová and Mulač 2013, 28). For a company to be established at all, it is first necessary to consider the factors that help choose the right legal form of business. The legal form affects and forms the legal relations in the company and legal relations with the external environment of the company. For that reason, it is essential to take into account the following criteria (Strouhal 2016, 12):

- Liability.
- The right to the management and decision-making process of the company.
- Number of founders.
- Venture capital.
- Administrative burden for the establishment and operation of the company.
- Sharing the profit.
- Possibilities to reach a capital.
- Tax burden.
- Publication and information duties.

According to Synek and Kislingerová (2015, 79), the basic and main classification feature of an enterprise in an economic theory is usually the legal form of ownership. The Civil Code of the Czech Republic distinguishes between business of a natural person and business of a legal entity (Srpková and Řehoř 2010, 67).

### 2.1 The business of a natural person

As stated by Synek and Kislingerová (2015, 79), business of a natural person is a business owned by only one person. This enterprise is characterized by a small size of business and has two main advantages – a small capital is enough to set up such a business and state regulation is minimal compared to companies with a larger size. A pleasant bonus is also a lower income tax, which is 15% (Srpková et al. 2020, 169). On the other hand, the main disadvantages are the difficulty to access the capital, unlimited liability for the company's

debts, and the limited life of the company due to the length of life of the owner. The business of a natural person is mostly in the form of a trade. By Trade Licensing Act, trade is a systematic activity operated individually, in one's name, under his/her responsibility at one's own risk to make a profit under the conditions set by law. The Trade Licensing Code also defines several conditions for such a trade to arise. These are:

- Age of 18.
- Capability of legal acts.
- Impeccability.
- Professional competence (Synek and Kislingerová 2015, 80).

In terms of professional competence, The Trade Licensing Act distinguishes between two types of the sole proprietorship. These are notifiable and permitted (licensed). Notifiable trades are further divided into an unqualified, craft and professional.

- **Notifiable trades** are set up only by the registration at the Trade Licensing Office when required terms and specified conditions are met.
  - Unqualified (free) trades do not require professional competence. Unqualified trades involve production, trading, and services that are not included in the craft and professional trades.
  - Craft (vocational) trades require professional competence for each particular are such as hairdressing, massaging, etc.
  - Professional trades require special qualification (education) in the particular are. These trades are for example masonry, butchery, carpentry, and so on.
- **Permitted (licensed) trades** are set up based on the so-called concession (permission) and certificate from the Trade Licensing Office. Permitted trades are gun and ammunition production and service, deratization of pests, funeral service, etc. According to the subject of business, licensed trades are further divided into trading, production and services (Synek and Kislingerová 2015, 80).

## 2.2 The business of a legal entity

If an individual's business is successful and its legal norm as a self-employed person does not allow for its subsequent development and use of potential, it can be transformed into a company. If the entrepreneur does so, he/she must take into account the administrative complexity, the need to deposit the minimum capital when establishing the company, and a higher income tax of 19% (Srpková et al. 2020, 184). Each new established company must

be registered in the Commercial Register as a legal entity. Legal persons are constitutions, foundation, and corporations which are divided into (Synek and Kislingerová 2015, 81 – 86):

- Commercial companies that are furthermore subdivided into:
  - Partnerships that are divided into general commercial company (translated as veřejná obchodní společnost) and limited partnership (translated as komanditní společnost).
  - Capital companies that are divided into limited liability company (translated as společnost s ručením omezeným) and join-stock company (translated as akciová společnost).
- Cooperatives.
- Societas Europaea and European Economic Interesting Grouping.
- Public corporations.

## 2.3 Partnerships

According to Synek and Kislingerová (2015, 81), partnerships are established and owned by two or more people who share the profit and are also responsible for any losses. The partners of such a company personally participate in the business. The advantages and disadvantages are similar to a business of a natural person. On the other hand, these companies often overcome capital scarcity compared to the individual's business. An important factor for the success is a stable relationship of partners

### 2.3.1 General commercial partnership

The first legal form of partnership is a general commercial partnership (translated as Veřejná obchodní společnost). This company is one of the oldest forms of business partnerships. A general commercial partnership is a legal entity that can only be established to operate the business and must contain the abbreviation veř. obch. spol or "v. o. s" in the name of the company. Under this name, the company is also registered in the Company Register (Srpová and Řehoř 2010, 70). This company is established by at least two partners who operate a business under one common name. Partners of the company place cash and non-monetary deposits in the company, which become the property of the company. The partners are unlimitedly liable for all their liabilities by all their property. (Synek and Kislingerová 2015, 82). The founders and members of the general commercial partnership may be persons both

domestic and foreign, provided that they meet the general conditions. Founders' agreement is required (Srpková and Řehoř 2010, 70).

### **2.3.2 Limited partnerships**

The second legal form of partnership is a limited partnership (translated as komanditní společnost). This partnership is established by two or more members. The members of the company differ according to their position in the company. General partners run the business and are unlimitedly liable for all their liabilities. Limited partners do not partake in managing the business and are liable for the company's liabilities up to the number of their investment (Synek and Kislingerová 2015, 82).

The limited partnership is established in the same way as the General Commercial Partnership by founder's agreement. However, it is crucial to determine in advance general and limited partners. The deposit obligation is not required. The company can be established by a legal or natural person and is registered in the Company Register. The name of the company must contain the abbreviation kom. spol. or k. s. The profit of the company is divided in half, of which one half belongs to the limited partners and the other to the general partners. Limited partners share their profits equally, but general partners divide their profit according to the number of their initial investments to the company (Srpková and Řehoř 2010, 72 - 73).

## **2.4 Capital companies**

The capital participation of the partners, not their personal participation in the business or management of the company, is the main difference between capital companies and partnerships (Synek and Kislingerová 2015, 82). According to Mulačová and Mulač (2015, 31), the amount of the initial investment to the company determines the amount of the business share and thus the participation in decision-making in the company. The deposit obligation of each participant is mandatory.

Better availability of capital for capital companies is a great advantage over all the already mentioned forms of business. On the other hand, the significant disadvantage is the greater administrative complexity. We distinguish between two forms of capital companies:

- Limited liability company.
- Join-stock company (Mulačová and Mulač 2015, 32).

### 2.4.1 Limited liability company

A limited liability company, translated as společnost s ručením omezeným, is a capital company that can be established by natural or legal persons. Until 2014, the amount of the authorized capital was 200,000 CZK, and each partner had to invest at least 20,000 CZK into the company. The authorized capital nowadays is only 1 CZK. The company itself is liable for its obligations with all its assets, but the partners only up to the amount of their investment. The business name of the company must contain the abbreviation s. r. o., or spol. s r. o. (Synek and Kislingerová 2015, 82) Historically, this company is considered as one of the youngest and currently the most widespread, mainly because to start and manage this form of company is much easier than a joint-stock company. The highest governing body of the company is the general meeting, the statutory body is the executives. Like the above-mentioned forms of companies, a deed of incorporation is required to establish limited liability company. It must include several requirements, such as the scope of the business, the office of the company, executives and their management strategy, shareholders and their shares, the number of initial investments, and in the case of the supervisory board, it is necessary to state its members (Srpková and Řehoř 2010, 75 – 76).

### 2.4.2 Join-stock company

The joint-stock company is a capital company with a minimum authorized capital of CZK 2,000,000. The company is founded primarily for business purposes, but the corporations' act offers other reasons for establishing. The share capital of the company is divided into shares with a certain nominal value. The company's shares are then publicly offered to investors. The company is liable for its liabilities with all its assets, shareholders are not liable for liabilities (Synek and Kislingerová 2015, 84). The founder can be either a legal entity or a natural person. Establishing a joint-stock company is a very complex process. As with a limited liability company, the company needs a deed of incorporation, which must include: the scope of a business, the office of the company, the amount of the authorized capital, the number of shares, value per share, types of shares with their names, rights, and obligations, number of votes per one share and other information about shares and their public offer. General Meeting is the highest body of the company consisting of the company's shareholders. The governing body of the company is the Board of Directors. The supervisory body is the Supervisory Board (Srpková and Řehoř 2010, 78 - 81).

According to Synek and others, a joint-stock company has many advantages. It is the most effective form of company development. Thanks to a large amount of capital, the

company can diversify and focus on projects for which the sole proprietorship and the above-mentioned forms of the company are not enough. On the other hand, shareholders do not actively participate in the management and the company becomes impersonal. Synek and Kislingerová (2015, 84) also mention that over time, the company becomes only a so-called management company, in which the owners take over only the capital risk.

## **2.5 Cooperatives**

Cooperatives are a special category of business entities. A cooperative is an organization owned and operated by a community of people whose goal is not to make a profit but to benefit its members. The minimum number of members is 3, and each member is obliged to contribute to secure the authorized capital. The cooperative is liable for its obligations with all its assets, the members are not liable for the obligations. The highest body of the cooperative is the membership meeting. The executive and statutory body is the cooperative board and controlling activity is done by the supervisory commission (Mulačová and Mulač 2013, 37).

## **2.6 European partnerships and companies**

European companies and associations are forms of business governed by European Union law. These companies were adopted in the Czech Republic in 2006 after the Czech Republic joined the European Union. Thanks to European regulations, establishing this company is difficult and time-consuming (Synek and Kislingerová 2015, 85). While Synek and Kislingerová mention 2 types of legal forms of entrepreneurship, Dočekalová (2017, 26-17) adds one more:

- Societas Europaea (SE).
- European cooperative society.
- European economic interest grouping (EEIG).

### **2.6.1 Societas Europaea (SE)**

The European company, also known as Societas Europaea, is established under the European law. The main goal of this company is to facilitate the free movement of a capital and to unify the legal forms of business within the European Union. A European company can only be set up in precisely defined ways. Two or more joint-stock companies or European companies merge into one company. Two or more joint-stock companies create a holding of

a European company. To establish a subsidiary of another European company and to transform joint-stock company under European regulations (Veber and Srpová 2012, 65).

### **2.6.2 European cooperative society**

The European cooperative society is a society that is founded primarily for the benefit of its members and the development of their economic activities. The company is founded by at least 5 members or 2 companies that are members of two different European countries. The authorized capital of the company is CZK 800,000. The members are liable for the company's liabilities up to the amount of their initial investment. The authorized capital is further divided into shares that are precisely determined according to the articles of incorporation (Dočekalová 2017, 27).

### **2.6.3 European economic interest grouping (EEIG)**

European economic interest group is established to support the economic cooperation of smaller economic entities that want to participate in international projects. The company can be founded by at least two members who are liable for the company's liabilities with all their assets (Strouhal 2016, 17).

## **2.7 Public corporations**

Public corporations are established by the state and exist to manage some key public services, such as public transport, television service, radio, etc. As private companies, their main goal is to make a profit. Public corporations are either wholly or partly owned by the state (Synek and Kislíngerová 2015, 86). Mulačová and Mulač (2012, 37) point out that the existence of state-owned enterprises is unique in developed countries, and they are found mainly in areas where the government promotes strategic economic interests.



### 3 A BUSINESS PLAN

A business plan is a written document prepared by an entrepreneur that describes all the key external and internal factors related to the establishment and operation of a company. An entrepreneur often draws up a business plan before starting the business itself, often in order to obtain financial resources. However, there are many other reasons for creating a business plan, for example, to analyse a business opportunity, provide the necessary information related to business, define and describe the individual steps of the process, provide information for potential partners, employees or investors, etc. (Finch 2010, 11-12).

According to Červený et al. (2014, 3), it is essential to think about several factors that significantly affect whether a business plan will be successful or not before writing itself.

These factors are:

- Business activity of the company.
- Company and product value for the customer.
- Business field benefits and whether they are sufficient.
- Whether the company benefits from business activities.
- Defining the current and future market of the business (Červený et al. 2014, 3).

If all these factors are answered correctly, the process of creating a plan follows. When writing a business plan, it is necessary to emphasize and meet certain requirements. Therefore, the business plan must be:

- Concise and clear.
- Accurate and informative.
- Logical.
- True and realistic.
- Understandable.
- Defining the advantages and strengths of the product.
- Supported by arguments.

The structure of the business plan is not strictly prescribed; however, it is necessary to follow the verified logical structure, which is defined in the next section (Finch 2010, 18).

### **3.1 The structure of the business plan**

This chapter describes all parts of a business plan. The sections are introduced in chronological order. Theoretical knowledge applied in the practical part is then used from this chapter.

#### **3.1.1 Title page**

The title page of the business plan is the first page of this document, which gives the reader a quick overview. Srpová et al. (2011, 15) state that the title page should be clear and contain the company's business name, logo, name of the business plan, author's, founder's, or key person's names. If the founders are concerned about copying the business plan by other subjects, it is also a good idea to include a statement on the front page that prohibits the reproduction of this document. However, this is not legal protection against copying an idea or the whole concept.

#### **3.1.2 The executive summary**

The executive summary is without a doubt the most important part of a business plan. No matter how great our business idea is, how well-developed our financial analysis is unless we have a clear, concise, and impressive executive summary that would persuade an investor to read the rest, all this information is useless (Abrams 2019, 54). The executive summary should not be understood as an introduction, but as comprehensive and clear information about what the reader will learn on the other pages of the business plan. The basic goal of the executive summary is to arouse the reader's interest in reading the rest of our business plan (Srpová and Řehoř 2010, 60). Although the executive summary appears at the beginning of the business plan, it is written last, as it is a picture of all our research and results. To successfully motivate readers, it is crucial to use a positive and confident tone to demonstrate that we are well-positioned to exploit our business idea (Abrams 2019, 54 - 55).

To sum up a large amount of information in the short space is the biggest issue of the executive summary. Abrams (2019, 55) states the most important information that should be included in the executive summary:

- The basic business concept.
- If the business itself has been closely planned.
- The capability of a management.
- If the clear-cut market exists.

- The business competitive advantage
- If the financial projections are realistic.
- A chance for investors to make money.

The executive summary offers a great advantage to attract busy investors with a relatively short text. The length of the executive summary should be from two to three pages, but one-page summary is perfectly acceptable (Abrams 2019, 55).

### **3.1.3 Company description**

If the entrepreneur is a beginner and establishing a brand-new company, it is important in this part of the business plan to clarify and summarize the business idea, its innovation, customer benefits, differences and briefly describe the market he/she is trying to enter. Furthermore, in this section, we define the legal form of the company, the ownership structure, and, last but not least, economic indicators such as potential sales, profit, profitability, and planned cash flow (Srpková and Řehoř 2010, 61). The Company Description may seem very easy at first, but most of the information about the company in this section requires a lot of thought and planning, such as the right company name, legal form, etc. Abrams points out the "Mission Statement" as the most problematic, as it needs to define and set the goals, objectives, and underlying principles of the company (Abrams 2019, 68).

#### **Company name**

A company can have many different names associated with the business. There are several options, such as an entrepreneur's name, a model name, a subsidiary name, a domain name, a brand name, or a "doing business as" name. When choosing the right name, it is important to consider several things, such as the kind of business, the interaction with the public, the number of products or services, and our own personal taste and attitude. Furthermore, the entrepreneur should choose a name that meets his/her current needs, but also gives flexibility over the years (Abrams 2019, 69).

#### **Mission statement**

The mission statement is not just a few blank lines, but principles and intentions that guide the whole idea and other business activities. The entrepreneur should be able to summarize the main intentions and philosophy of his business. As stated by Armstrong, Kotler and Opresnik (2017, 69), the statement must be market oriented. The mission statement should have its meaning as well as a predetermined purpose. Abrams claims that it should also

include and exemplify the nature of the business, business principles, financial goals, company culture, and future perception of the company on the market (Abrams 2019, 70).

### **Legal issues**

According to Abrams (2019, 71), most of the business often start as a sole proprietorship or partnership. The reason is the simplicity when establishing such a business. However, being incorporated gives the entrepreneur and potential investor better protection from personal liability. Nevertheless, choosing the legal form of the business requires other legal considerations. The entrepreneur has to think about licensing, distribution channels, trademarks, patents, or for example copyrights. In the case of intellectual property, copyright protection should be included. The entrepreneur should also bear in mind, that if he/she plans to work globally, it is crucial to have certain knowledge about the legal requirements that may affect the business (Abrams 2019, 76).

### **Products and services**

This part of the Company Description can be relatively short, but it can also fill the whole page. It depends on whether our products or services are complex and require a detailed description. The aim is therefore to describe and represent the product or service that the company plans to produce and offer. If a company has several products, it is enough to define only general categories. Mention of some future products and services is welcome (Abrams 2019, 76).

### **Management and leadership**

This section embraces the names of the Board of Directors, president, and chief executive officer. Other key members of the company, especially those who might be known to investors, are good to mention. In the case that the company is governed by an Advisory Committee, it is beneficial to list the number of the members and how frequently it meets (Abrams 2019, 77).

### **Business location**

The entrepreneur should list the location of the company's headquarters, main place of business (if different than headquarters), any branch locations. If the company has more than one or two branches, it is enough to specify the number. Abrams also states that the geographical area of the company's location is always worth mentioning (Abrams 2019, 75).

### **Development stage and milestones**

Abrams claims that companies and even start-ups often have a record of accomplishments which should occur in this section. A reader gets a clear sense of how far along the company is in its development, and what progress has been already made. At first, the author states

when the company was founded, then indicates its phase of development, mentions product progress and notes past milestones and success of current operations (Abram 2019, 78 - 79).

### **Financial status**

If the author wants to inform the reader about the financial and personnel terms of the company, including loans and investments, this is the right place. If the company seeks for financial coverage, Abrams advises to briefly specify the amount and exact purpose on what the money will be used (Abrams 2019, 83).

### **3.1.4 Industry analysis and trends**

Before establishing a new company, a key factor to success is to know the current state of the industry that the company plans to enter, as well as its future development trends. Information can be obtained, for example, from statistical offices, analytical data, professional statistics, and journals. After a thorough analysis of the industry, it is necessary to precisely define and know the overall market and its potential. At this point, it is possible to indicate the market share that the company could achieve. However, it is necessary to think realistically and not state unrealistic goals that could discourage future investors (Finch 2010, 33 - 34). Abrams claims that in this section, the author of the business plan should primarily focus on an industry description, trends, and strategic opportunities that exist in the industry. First of all, the author of the text should define in which category, in other words, the economic sector, the business belongs. There are 4 general economic sectors, which are service, manufacturing, retail, and distribution. Since these sectors are large and diverse, the business may belong to more than one and the entrepreneur should possess certain knowledge about each (Abrams 2019, 88 - 89). Srpová furthermore advises giving a thought to the size and growth rate of the industry, industry maturity, technological change, especially when the company belongs to the sector which is extremely sensitive to this. The application of PEST analysis is crucial for analysing the macro environment. It is an analysis of political, economic, social, and cultural factors that can represent potential opportunities, but also threats (Srpová and Řehoř 2010, 62). Supply and distribution channels are also worth considering. Some industries dispose of extremely limited distribution systems. In some these systems are held by two or more companies, making costs remarkably higher. Last but not least, the entrepreneur ought to estimate financial characteristics and global industry concerns (Abrams 2019, 97).

### 3.1.5 Target market

Many entrepreneurs consider this part of the business plan to be the most important. Without demand there are no sales, without sales there is no profit and without profit, the company cannot exist. This section serves to figure out how big the market is and find out potential customers (Shelton 2014, 65 – 66). Knowing your customers and focusing on them from the very beginning will also save a lot of initial costs. Most investors invest their money into market-driven companies, meaning that the company's orientation is shaped by the demands and trends. According to Abrams, a market analysis differs from a marketing plan. Market analysis helps the company identifying and understanding its customer, while the marketing plan tells how the company is going to reach its customers (Abrams 2019, 106).

Considering market analysis to be successful means that the target market needs to meet these criteria (Abrams 2019, 104):

- **Definable** – means to clarify characteristics that potential customers have in common.
- **Meaningful** – there must be a meaningful correlation between these characteristics and decisions for a purchase.
- **Sizable** – the market must be large enough to sustain the business.
- **Reachable** – the definition and size must lead to affordable and realistic ways to offer the product or service.

The key to meeting these criteria is to analyse customers from several perspectives. Demographic, geographic, lifestyle, psychographic, and buying sensitivities description gives the entrepreneur essential data to recognize and understand the company's customers, create an appropriate marketing plan and target the product in the right way (Abrams 2014, 114).

### 3.1.6 The competition

Proper analysis of the company's future competition is the basis for obtaining sufficient market share. This chapter deals with the study of competitive conditions and the impact on the possibilities of selling a company's product. Srpová proposes benchmarking as one of the possible methods of understanding the competition. At the beginning of this analysis is a thorough list of all future competitors. In the next step, the entrepreneur should deal only with the direct competitors and observes sales channels, sales volumes, service quality, product or delivery times. Based on the results, it should be straightforward to determine the

position of the competition, but mainly the position of the firm, and ascertain the advantages that will help to penetrate the market (Srpková et al. 2010, 62). Abrams reminds us that the goal of the competitive analysis is not just to determine if a company's product is better than the competitor's, but to explore the environment and learn from the competition during analysis. Another circumstance that the entrepreneur must keep in mind is the internal factors of competition, such as financial resources, highly motivated personnel, marketing budget, strategic partnerships. etc. To overcome this competitive advantage, it is vital to consider customer perception factors, like product features, indirect costs, quality, durability, image value, customer relationship and social consciousness (Abrams 2019, 128 - 129). As a part of the competitive analysis, Shelton advises predicting the possible reactions of competitors to the new market entrant. Lowering the prices, increasing the marketing budget, providing free delivery might be potential actions done by the competition. As a result, these actions may impact the company's sales and margins and should be reflected in the financial forecasts. Worthington and Britton (2006, 351) advise applying Porter's model which says that the structure of an industry and the ability of a company to succeed in that industry depends on five forces: current competition, potential competition, the threat of substitute products, the power of buyers and the power of suppliers. Abrams (2019, 134) defines the exemplary process and appropriate steps in creating a competitive analysis:

- Description of the competition.
- Market share distribution.
- Competitive positions.
- Barriers to entry.
- Strategic opportunities.

Last but not least she points out that the entrepreneur and the company should be aware that new competitors enter the market and want to take a piece of a market share all the time. Be ready to make reasonable predictions and forecast competitive situations (Abrams 2019, 132).

### **3.1.7 Marketing plan and sale strategy**

The marketing plan is one of the most important part of a business plan. Although the business plan consists of several parts, this is the one that interests investors the most. A great marketing plan must be precisely defined and should respond to the following requirements (Abrams 2019, 164):

- The way the company makes customers aware of the product/service.
- The message the company wants to convey to customers about the product.
- Specific methods the company uses to deliver and reinforce that message.
- The way the company secures and keeps actual sales.

The key is to understand and deduce strengths/weaknesses, but also the potential opportunities/threats of the business first. SWOT analysis is a great tool to determine these factors. Strengths include internal factors such as high quality of service, experienced management, etc. Within the weaknesses, the entrepreneur can think about the lack of experience, pricing policy, etc. If the author states a weakness, it is good to respond to it and mention potential solutions. The analysis of opportunities and threats focuses on the company's environment. Opportunities should be assessed based on attractiveness and probability, while threats in terms of relevancy. (Srповá et al. 2011, 32).

The foremost tool for developing a marketing plan and sale strategy is marketing mix that examines elements of 4 P's. Product, price, place, and promotion. However, it is possible to apply the 4 C's marketing mix. Compared to 4 P's, it looks at these aspects from the customer's perspective. Aspects are therefore presented as customer value, communication, convenience, and cost. (Červený et al. 2014, 154). Since service is a type of product that is produced and consumed at the same time and customers are often part of the production process, there was a need to adopt the concept of an extended marketing mix of services, generally called 7 P's. This marketing mix extends the classic concept of the 4 P's marketing mix with people, physical evidence, and process. Although services are intangible, customers often look for any tangible cue to help them understand the nature and value of the particular service they pay for (Zeithaml, Bitner, and Gremler 2018, 26).

### **Product**

According to Srповá et al. (2011, 23), the product should be given the greatest attention, as it forms the essence of the offer on the market and immediately satisfies customers. As part of the product policy, we address which products the company will offer and product properties. This part should include information about variety, volume, quality, features, design, packaging, or brand name (Armstrong, Kotler, and Opresnik 2017, 81). Srповá et al. (2011, 24) furthermore point out the product that requires the necessary certificates and approvals for placing on the market. This product is often perceived by investors as very risky. Abrams (2019, 167) claims, that people usually buy benefits, not features, meaning that potential customers are more concerned about the way the purchase will affect their



lives rather than the way the company achieves those results. In other words, people want to know what the product or service solves, not does.

### **Price**

The second tool of the marketing mix is the price. Price is an element that generates revenue on which the existence of a company depends since the income is closely related to the price (Srpková, Řehoř, et al. 2010, 205). Armstrong, Kotler and Opresnik (2017, 81) simply refer to a price as the amount of money that a potential buyer must possess to buy a company's product. By setting the right price for a product or service, the company determines its position in the hierarchy of consumers, influences purchasing decisions, and also defines its competitive position in the market (Srpková et al. 2011, 24).

Among the factors determining the price and pricing policy Srpková et al. (2011, 24) rank:

- Company goals.
- Costs.
- Demand.
- Competitors.
- Product life cycle phase.
- Regulatory measures.

### **Place**

The third part of the marketing mix deals with place/distribution. Place includes the transportation from a producer of the product to a final customer (Armstrong, Kotler, Opresnik 2017, 81). The author of the business plan must explain the sales strategy and describe the use of product or service distribution channels. It is, therefore, necessary to determine in advance whether the entrepreneur will distribute the goods himself, through suppliers, or the sale will be directly to end customers. When using suppliers and resellers, thinking carefully about the companies that could be involved is recommended (Srpková et al. 2011, 25).

### **Promotion**

The last element of the typical 4 P's marketing mix is promotion. Through the communication channels, the entrepreneur tries to influence economic goals, provide customers with information about the product or service, and last but not least, influence the emotions of customers to create a positive attitude and preferences to the product/brand. The main channels of the communication mix are (Srpková et al. 2011, 26):

- Advertisement.

- Sales promotion.
- Public relations.
- Personal sale.
- Direct marketing.

An essential part of a modern marketing approach is to implement online marketing tactics. The online universe offers an enormous range of opportunities for reaching a potential customer. A great advantage is the fact that people are constantly connected to the internet through their smart devices nowadays. The main tools of online marketing are social media, blogs, email newsletters, and online advertising, such as sponsorships, website ads, etc. (Abrams 2019, 173).

### **People**

Zeithaml, Bitner and Gremler (2018, 26) characterize People as “All human actors who play a part in service delivery and thus influence the buyer’s perceptions: namely, the firm’s personnel, the customer, and other customers in the service environment.” The behaviour, attitudes, or the personal appearance of these participants influence the customer's perception of the service. For most services, these elements are based on professional relationships with their customer. For this reason, it is necessary to pay close attention to the hiring process of employees and representatives (Zeithaml, Bitner, and Gremler 2018, 26).

### **Physical evidence**

Physical evidence includes all material representations associated with the service. They can be brochures, loyalty cards, business cards, letterheads, or websites. In some cases, physical evidence can also represent the equipment and appearance of the place in which the service is offered. (Zeithaml, Bitner, and Gremler 2018, 26).

### **Process**

Zeithaml, Bitner and Gremler (2018, 27) state that Process stands for “The procedures, mechanisms, and flow of activities by which the service is delivered, consumed, and cocreated—the service delivery and operating systems.” In other words, the process represents the customer interface between the producer/company and the consumer, as well as how these two parties act together throughout the purchasing process (Zeithaml, Bitner, and Gremler 2018, 27).

### 3.1.8 Management and organization

This chapter of the business plan defines all job positions that are essential to the operation of the company. Within this, the characteristics of qualifications and skills of the required job positions should be described. Abrams (2014, 231) advises naming external employees with whom the entrepreneur will potentially cooperate and points out that most investors focus not only on whether the management has the expertise necessary to run the business but also if the internal structure uses the maximum potential of team members. The fundamental decision is also what job positions to include in the business plan. Abrams states to list the key employees, board of directors, advisory committee, and consultants/specialists because these people make the fundamental decisions that determine the success of the company. In the case of start-ups, the most important element of a company's human resources is the founder(s) (Abrams 2019, 237). If necessary, the author can add the chapter on the estimated costs associated with internal and external employees (Novák, Kozubíková, and Zámečník 2018, 121).

### 3.1.9 Financial analyses

The financial analysis together with the plan determines the amount of investment needed to establish and operate the company. An essential part is an economic analysis, which reflects the expected success of the project, in terms of achieving economic goals. The basic questions that should be answered in the financial plan include (Finch 2010, 90):

- What is the amount of the required capital?
- What are the company's resources?
- What kind of funds does the company plan to use?
- How to ensure the economic efficiency of the business?
- What are the cash-flows of the company?

According to these issues, Srpová and Řehoř (2010, 65) recommend including planned costs and revenues, income statement, balance sheet, break-even point, effectiveness evaluation, and planned funding in the financial analysis. Mc Keever (2018, 102-103) argues that the most essential part of the financial analysis is the profit and loss forecast. It is an estimation of how much goods a company sells and calculates the revenue. This information determines whether the company will be successful in the future or not. Finch (2010, 94) claims that for every new company and start-up, the most significant financial burden is high initial expenses and costs, which initially exceed profits and revenues. This

difficulty is not uncommon, but these losses must be short-term, adequately funded, and managed from the very beginning. To estimate and control the financial resources required to start a business, it is beneficial to divide the calculations into five groups. Namely, the financial resources needed to establish a company, the acquisition of long-term tangible and intangible assets, the financial resources needed to purchase initial inventories, finance that will cover production until the time of initial sales, and finally a financial reserve. Srpová agrees with Finch and adds that the most important thing is a correct presumption of revenues and costs, as well as providing accurate and true numbers (Srpová et al. 2011, 30).

### 3.1.10 Risk evaluation

Many start-up entrepreneurs think that when listing the risks associated with a business in their business plan, they will discourage potential investors. However, the opposite is true. Deep consideration of all the risks that entrepreneurs may encounter during a business, shows the investor that the entrepreneur has thought about all the scenarios, and can keep a cool head in assessing risky situations in the future (Abrams 2019, 154).

According to Abrams, who states that some risks are more tolerable or more important to potential investors, the entrepreneurs should distinguish between (Abrams 2019, 155):

- **Market risk** – there is no real market for the product, or the market is not ready yet.
- **Competitive risk** – there might be new market entrants or competitors will reposition their product more effectively.
- **Technology risk** – technology and product design might not work.
- **Product risk** – the product might not be finished in time, very similar to technology risk.
- **Execution risk** – the risk that the company will not be able to manage the growth of the company for the sake of insufficient management.
- **Capitalization risk** – the risk that a company will run out of money.
- **Global risk** – when doing business internationally, there might be risks that may interrupt or stop the business.

To be successful in dealing with risks in the future, it is a great advantage to list some measures that lead to risk reduction. Possible measures may be diversification, risk sharing, risk transfer, insurance, or a phased approach to a business (Srpová et al. 2011, 32).

### **3.1.11 The appendix**

The final part of the business plan contains additional information, expands text from the main part or clarifies specific issues, methods, etc. (Srpková et al. 2011, 33). Shelton (2014, 120) suggests that if the entrepreneur decided to put an appendix into his/her business plan, the material should be as readable as the main part. It may include photos, detailed resumes, brochures, technical drawings, patents, and other documents that may be too extensive or complicate reading the main part (Shelton 2014, 120).

## **II. ANALYSIS**

## 4 BUSINESS PLAN

### 4.1 Title page



Figure 1: Logo of the company (own creation)

<b>Name of the company</b>	Kolo Kavárna s. r. o.
<b>Legal form</b>	Limited Liability Company
<b>Location</b>	Mariánské nám., Uherské Hradiště 686 01
<b>Date of establishment</b>	7.7.2022
<b>Owner</b>	František Šrámek
<b>Contact information</b>	f_sramek@utb.cz +420 774 570 633

## 4.2 Executive summary

This business plan aims to establish a cycling café, Kolo Kavárna. The café is a limited liability company, which will be founded by two companions. Kolo Kavárna will be located in the centre of Uherské Hradiště, specifically on Mariánské square. The main goal of this café is to provide cyclists with a pleasant sitting designed in a cycling theme and offer quality café services. The idea to establish this type of café comes from abroad, where this concept is extremely popular.

The target market was determined based on data from the Czech Statistical Office and other public surveys, which prove that the Czech Republic is one of the nations with the greatest popularity of sports cycling. The specific location of the café is determined, since the Zlín Region, in which Uherské Hradiště is located, is one of the most popular cycling locations among the Czechs. A modern marketing approach, especially the implementation of a website and social media will be applied, to reach potential customers.

This plan introduces several main competitors of the café, who are evaluated depending on the threat they pose to the café. Kafec u Komína is one of the café's biggest direct competitors, primarily due to its location and range of offer. However, it should be noted that there is not yet a company in Uherské Hradiště with the same focus as Kolo Kavárna, which is a great competitive advantage.

As mentioned in the beginning, the café is a limited liability company founded by two partners. Each of these partners deposits an initial investment of CZK 250,000. The initial deposit serves to cover start-up costs. Thanks to the financial analysis, it was estimated that the café would gain a profit of approximately CZK 93,000 in the first year. This profit will be partly divided equally among the companions and partially invested into the café.

The last part of the business plan focuses on the risks associated with operating a café. Risks are divided according to types and severity. Both local and global risks are taken into account. For each potential threat, there is a solution, how the company will deal with the situation.



### **4.3 Company description**

The connection between coffee and cycling is rooted in a long-time tradition of combining these two hobbies. It is not a big secret that cyclists love great coffee, and the opportunity to stop for a cup of great espresso during training is an essential part of it. The idea comes from abroad, specifically in France, where this concept of cafes is very popular and up to date (connexionfrance.com, 2018). This company aims to provide a professional cafe service associated with the sale of cycling merchandise. A description of all products and services offered will be defined later in this section.

#### **4.3.1 Mission statement**

Kolo Kavárna plans to provide high-quality service associated with a pleasant cycling environment, good coffee and refreshment. The aim is also to create a place for relaxation, where cyclists will be able to meet, get to know each other, share their experiences or, for example, watch their favourite races together. The idea is to support and expand this community in Uherské Hradiště and near the surrounding.

#### **4.3.2 Legal form**

Kolo Kavárna s. r. o. is a limited liability company for the sake of the way of the liability and minimum deposit obligations. The company is established by one natural person. The founder and owner of the company is František Šrámek Jrn. with one companion František Šrámek Snr. According to the size of the business, it was agreed that the advisory committee and supervisory committee are not necessary.

#### **4.3.3 Location**

The cycling café Kolo Kavárna is situated in the centre of Uherské Hradiště, specifically on the Mariánské square. This location offers a perfect opportunity to take advantage of the demand for cafes and a high density of people in the city centre. At the same time, it is easily reachable by cyclists, as the Moravian cycling path is nearby. In addition, Uherské Hradiště is a Moravian centre during the summer season, and the number of visitors to this place is extremely high. The data also testify to this, as in 2018 Uherské Hradiště welcomed almost 120,000 visitors. The reason is both the historical beauty of the city and the social events held in this place, including beach summer, a film festival, or wine festivals (mesto-uh.cz, 2020).

### Opening hours

The opening hours of the café differ according to the cycling season. From April 1st to September 30th the opening hours are from 09:00 to 20:00. From October 1st to March 30th, the café is open from 11:00 until 17:00. Long opening hours of the café during the summer season allow taking advantage of the high concentration of cyclists. On the other hand, the concentration of cyclists during the winter is low, hence the opening hours are shorter.

Table 1: Kolo Kavárna opening hours (own creation)

Opening hours of Kolo Kavárna		
	April 1st to September 30th	October 1st to March 30th
<b>Monday</b>	9:00 – 20:00	11:00 – 17:00
<b>Tuesday</b>	9:00 – 20:00	11:00 – 17:00
<b>Wednesday</b>	9:00 – 20:00	11:00 – 17:00
<b>Thursday</b>	9:00 – 20:00	11:00 – 17:00
<b>Friday</b>	9:00 – 20:00	11:00 – 17:00
<b>Saturday</b>	9:00 – 20:00	11:00 – 17:00
<b>Sunday</b>	9:00 – 20:00	11:00 – 17:00

#### 4.3.4 Product and service description

The main offer of the Kolo Kavárna consists of drinks, together with different types of sandwiches. All raw materials needed for the production of these goods will be supplied by subcontractors. The secondary product range furthermore includes cycling merchandise such as small cycling gifts, jerseys, and bottles. These goods will be supplied from the manufacturer's wholesale.

#### Beverages

The drinks menu includes both alcoholic and non-alcoholic drinks. Preference is given to different types of coffee, which vary from each other in origin, roasting, aroma, etc. The main offer of coffees includes espresso, cappuccino, flat white, caffè latte, americano, lungo, etc. These coffees continue to be subdivided into small, medium, and large according to their

size. The menu also covers various types of teas such as green, white, fruit, etc. Other drinks on offer are juices (orange, apple, pear), lemonades (raspberry, grapefruit) and non-alcoholic beer, and last but not least, sparkling and still water. Alcoholic beverages on offer include draft beer and bottled wine.

### **Dishes**

The menu consists mainly of savoury snacks and desserts. Customers have a choice of different types of desserts - such as cakes, muffins, donuts, cookies, etc. Salty snacks consist of baguettes, toasts, bagels, tortillas, and croissants. The menu of these dishes is not the same but changes every week. Kolo Kavárna plans to edit its menu depending on the season.

### **Cycling merchandise**

Kolo Kavárna plans to offer merchandise related to cycling and to the Kolo Kavárna. These goods primarily include gifts for cycling enthusiasts. It represents coffee cups, cycling socks, printed jerseys and t-shirts, bottles, books, and last but not least gift vouchers. These goods plan to take advantage of high concentration of cyclists that will support the sales.

## **4.4 Industry analysis**

Kolo Kavárna belongs to the tertiary sector, in other words, the sector in which organizations provide services to their customers. This sector represents a significant part of the national economy and is an important tool of modern economies, as organizations providing services in developed countries generate about 60% of gross domestic product (managementmania.com, 2019). According to the data from Czech Statistical Office, about 55% of the population is employed in the services sector, and this sector as a whole shared at the beginning of 2020 62% of the gross value added (czso.cz, 2018).

Coffee and its quality is a significant part of any successful cafe business. It is one of the most popular beverages in the Czech Republic. As reported by Jan Kulhánek, a marketing specialist from AG FOODS, the Czechs drank 19,500 tons of coffee for almost CZK 6.5 billion in 2019. Even though coffee consumption is declining by an average of 4% year-on-year, 95 percent of Czechs buy regularly at least one type of coffee in the Czech Republic. The constant decline may be due to the fact that more and more Czechs care about the quality of coffee. Almost half of the total amount of coffee consumed is ground coffee. Instant coffee is in the second place. On average, 8 percent of Czechs choose espresso, latte, and cappuccino, 13 percent, and the remaining types of coffee make up 15 percent of total sales. As was already mentioned, the quality of the coffee is an important factor for the Czechs. People focus mostly on the type, freshness, coarseness, and size of the package. Each coffee

consumer drinks an average of 3-4 coffee per day. Czechs drink the most coffee in the morning, about 65 percent. 30 percent of Czechs have at least one coffee after lunch and the remaining 5 percent in the afternoon (Ďurčíková, 2019).

The second of the industries and the cornerstone of the Kolo Kavárna is the cycling industry. This industry has experienced unexpected growth in the last few years and the associated consumer interest in this kind of activity. The interest in recent weeks is such, that some manufacturers are increasing their production by up to 30 percent (ceskenoviny.cz). Cycling equipment goes on sale and postponed delivery time until 2023 in some cases is its proof. There are several reasons for the expansion of cycling. One of them may be the well-known environmental problem and the deteriorating traffic situation in cities. More and more people choose a bike instead of a car or public transport to travel to jobs to save the time they would otherwise spend in traffic jams. States and cities are also adopting stricter restrictions on the entry and movement of motor vehicles in the centres of large cities to reduce emissions. All these factors contribute to the increasing demand for cycling equipment. This increase means rapid growth of people who choose cycling as a sport and leisure activity. Evidence is data that confirms this. General bicycle use in the Czech Republic has increased by an average of 39 percent between 2019 and 2020, and sports bicycle use by an average of 26.1 percent. Many states now even provide financial support to people who decide to buy a new bike and investments in cycling infrastructure are growing. These factors support the current trend and assume interest in cycling in the upcoming years (welovecycling.com, 2019).

#### **4.4.1 PEST Analysis**

Applying PEST analysis is an essential tool for the correct estimation and understanding of the market and the environment in which the company operates. The following section describes in detail the current political, economic, social, and technological situation in the field and industry. Business strategies that the company follows are further derived and adjusted from this analysis.

##### **Political environment**

Within the political environment, it is crucial to take into account considerations, legislative changes, and other factors that may affect the operation of the business in the future. To establish a limited liability company in the Czech Republic, it is first necessary to conclude a partnership agreement or the deed of association, in case there is only one founder. The second step is registration in the Commercial Register. It is necessary to substantiate the

trade license, partnership agreement, extract from the register, etc. Only after meeting these conditions, the company is established.

In 2021, several changes influence entrepreneurs, primarily related to tax and accounting legislation. In this section, some changes considered to be the most important are mentioned. The personal income tax will now be calculated on the gross wage, instead of the super gross wage. Super gross wage was a wage of employees that is increased by costs paid by the employer. The personal income tax rate remains at 15%. This change means that each employee will receive a higher net salary. However, for employees who exceed four times the annual average wage, an increased tax rate of 23% applies. This change will affect a relatively small number of very high-income employees (zalozenifirmyonline.cz, 2021).

Another novelty is the depreciation of tangible and intangible assets. The separate category of intangible assets has been removed and is now replaced by a new section of fixed assets, containing both tangible and intangible assets. The great advantage is the increase of the lower limit for depreciation of assets from 40 to 80 thousand Czech crowns. Assets with an acquisition cost of up to CZK 80,000 can now be expensed.

The third change is the amendment to the Labor Code, which introduced shared job positions for employees. In other words, a limited liability company can divide one job position between two or more employees. Employees in this position also schedule their working hours, share the volume of work, and work equipment on their own. These employees have shorter working hours. It offers great opportunity to employ mothers on maternity leave, students, or seniors. The amendment also regulates holidays, which will be not provided for workdays, but newly from the number of working hours. The conditions for shortened or shift operations are derived more precisely (pruvodcepodnikanim.cz, 2020).

A pleasant bonus is a possibility of depositing the basic capital. When establishing a limited liability company, the entrepreneur does not have to deposit the required CZK 1 into a special account if the amount of cash deposits does not exceed CZK 20,000. The last novelty deals with the food facilities' supervisions. Inspections will be now done by the Czech Agriculture and Food Inspection instead of regional hygienic stations. On the other hand, welcomed bonuses are the postponement of electronic records of sales until the end of 2022, bank identity, thanks to which the entrepreneur can log in to the internet banking, or transformed meal voucher system, which allows the employer to pay employees directly money instead of meal vouchers (Buršíková, 2020).

### **Economic environment**

Within the economic environment, it is crucial to focus on the upcoming prospects of the economic situation in the country in which the company operates. The key economic indicators that define how the economy is doing include gross domestic product, unemployment and inflation rate, wage growth, and balance of payments. These indicators will help us define whether the economy is expanding, peaking, or experiencing a recession.

Based on the data from Czech Statistical Office, the Czech economy fell due to the world pandemic by almost 6% in 2020 and real gross domestic product fell by 6.6% last year. However, this number is expected to increase by 3.9% during the first half of 2021. The unemployment rate rose by about 0.8% to 2.8% last year. Unfortunately, a growth trend is expected this year, and unemployment is expected to climb to 3.5% during the second half. The average inflation rate is estimated at 1.3% and wage growth should remain at 2.7%.

The balance of payments, which is the sum of all economic transactions of the Czech economy with foreign countries, reached a record surplus of 180 billion crowns in mid-2020, which is 3.3% of gross domestic product. A slight decline is expected this year, but the balance of payments will probably remain in a significant surplus of 2% of gross domestic product (czso.cz, 2020). As the Kolo Kavárna is located in Uherské Hradiště, it is crucial to focus more specifically on this location. To determine the economic situation in this area, the indicator of the level of unemployment and the average wage is used. In the Zlín region, year-on-year wage growth of 5.1% was recorded in the third quarter of 2020 and the average wage was thus 34,610. (czso.cz, 2020). The share of unemployed at the beginning of 2021 was 3.4 % in the Zlín region and 3.2 % in Uherské Hradiště (czso.cz, 2021). Thanks to the pandemic crisis, growth potential is expected in the future.

### **Social environment**

The social environment represents the consumption habits of buyers, demographic factors, lifestyle changes, education, and, for example, consumer behaviour. All these factors help to define potential and ideal customers, and at the same time help to adapt the business to the given location and citizens, to increase the demand for the offered goods or services. Significant factors of social development include changes in the composition of citizenship according to age. According to the latest survey from 2018, approximately 25,000 people live in Uherské Hradiště. About 3,400 inhabitants are between the ages of 0-14, 16,600 in the productive age of 15-64, and almost 5,000 in the post-productive age (mesto-uh.cz, 2018). Unfortunately, due to the population aging, an increase in the post-productive population is expected in the future. This trend could have negative effects on the existence

of the café; however, cycling is becoming a popular activity among the older generation thanks to e-bikes (Rapco, 2017).

Education as such does not have a direct impact on the success of the café, nevertheless, it does influence the salaries and financial resources people spend on entertainment and services. The education of the inhabitants in Uherské Hradiště has significantly improved. The rate of people with primary education is 16.7%, the share of people with secondary education is 35.6%, and the portion of people with university education is 17.1% (kurzy.cz, 2021). The days off at work, which are available to people with better working conditions, are also crucial, as people can take advantage of leisure activities and visit the café. The cultural life of the town is a great advantage of Uherské Hradiště. As was mentioned in the description of the location of the cafe, many popular cultural events take place in this city during the summer season. These events have a positive impact on consumer behaviour, increase tourism, and support small businesses.

### **Technological environment**

The quality of the services and products offered is extremely important for a company's success, to be constantly competitive. The key is to follow new market trends and be innovative. Although the implementation of these technological changes and trends costs a lot of money, the company gains a competitive advantage. Even though the café is not a typical place for the implementation of developing technological changes, it is essential to focus on the standard that the modern customer takes for granted. The technology can be considered high-quality cafe equipment, a cafe environment, or a way of promoting a café. Wi-fi connection provided to visitors is a matter of course nowadays. As well as the possibility of cashless payment, as we live in a time when it is common to pay with smartphones or smartwatches.

## **4.5 Market analysis**

To define the ideal customer and market, it is fundamental for a business to choose the right way and approach to reach the customer. This chapter deals with market analysis aiming to determine the target market, the size of this market, as well as precisely defining the ideal customer.

### **4.5.1 Target market**

A target market is a group of potential customers of the company, for whom the marketing efforts of the company and products are further adapted. This group of customers usually

share similar characteristics consists of geography, demographics, incomes, or buying habits. All these characteristics have been precisely defined in chapter 7.1.3, and this chapter draws the necessary data from it.

East Moravia is a cycling paradise. The reason is that the Zlín Region is one of the best in the number of kilometers of cycle paths. The same applies to individual cycling routes. The Bečva cycle path and the Baťa canal cycle path became a hit. The second of the mentioned, the Baťa canal cycle path passes through Uherské Hradiště. The high popularity of these cycling routes increases an expanding cycling trend and brings about the influx of new tourists to this region (Janoška, 2018). Kolo Kavárna plans to use this growing potential. According to a survey from 2019 within the We Love Cycling Czech Republic project, cycling is an extremely popular sport among the Czechs. 35.5% of the population enjoys sports cycling. Although this number may not seem overwhelming, the Czech Republic is one of the countries with the greatest popularity of cycling, after Hungary and Denmark (welovecycling.com, 2019). This survey was furthermore supplemented by the finding that the most active cycling group is aged 15-24, accounting for 84%. As the years go by, the respondents' interest in cycling decreases. Only 48% of people aged 55 - 64 said that they ride a bike occasionally. However, this declining trend could encourage the boom of e-bikes. In the case of professions, students (87%) and managers (80%) are the most represented groups. People taking care of their children (74%) together with people working in the office (70%) are the third-most represented groups. Retirees ride a bike the least (39%). The survey also concluded that the most popular place for cycling in the Czech Republic is Otrokovice, located approximately 20 kilometers from Uherské Hradiště, and through which the already mentioned Baťa canal cycle path passes (welovecycling.cz, 2019).

#### **4.5.2 Size of the market**

The size of the market is a key indicator that defines whether there is a place in the market for the entry of a new business. The size of the market is derived from the total population of the Czech Republic, Zlín Region, and Uherské Hradiště. Potential customers can also be residents from nearby areas. The author decided to include Staré Město and Kunovice. These areas are connected to the centre of Uherské Hradiště by public transport and cycle paths, so the business is easily reachable by those residents. The data acquired from the Czech Statistical Office are shown in the table and expressed in percentage (czso.cz, 2019).



Table 2: Calculations of the number of people of productive age in Uherské Hradiště  
(czso.cz, 2019)

Calculations of the number of people of productive age in Uherské Hradiště		
<b>Population of the Czech Republic</b>	10,701,777	100 %
<b>Population of productive age in the Czech Republic</b>	6,870,00	64,2 %
<b>Population of Uherské Hradiště</b>	25,205	100 %
<b>Population of productive age in Uherské Hradiště</b>	16,400	65,1 %

The data above relate to the total population of the Czech Republic and Uherské Hradiště. The ratio between the total population of Uherské Hradiště and the population of productive age, which the café has as a target group of customers, is also defined. All of these values are stated as a percentage for better understanding. The data show that the percentage of people of productive age in Uherské Hradiště is one percent higher than the overall average in the Czech Republic. The total number of café facilities in the centre of Uherské Hradiště is about 15. If we consider the ratio between people of productive age actively visiting cafes and the number of cafes, it is estimated that there are about 1093, 6.7% of people per cafe. It is also worth noting that some of these cafes are only seasonal, meaning that the total number is slightly decreasing during the winter months, and the percentage per cafe increases. It is beneficial to include the inhabitants of the adjacent parts such as Kunovice and Staré Město in the calculations. The total number of these is 12,276 inhabitants (mistopisy.cz, 2021). If we estimate that about 60% of these residents are people of productive age, we get the number 7366. If we include this number in the total average of inhabitants per cafe, it turns out that there are 1584 people per one café.

#### 4.5.3 An ideal customer

Describing an ideal customer helps the business to adjust services and products that fit the customers more, satisfy their needs and determine the right way to reach them. Based on data obtained from the industry and market analysis, an ideal customer is a person of productive age, preferably in the range of 20 to 50 years in family living. As the Kolo Kavárna focuses mainly on cyclists, it is a great competitive advantage if the customer is interested in cycling and share this enthusiasm with family members or friends. With the growing customer demand for quality coffee, this may also be one of the reasons for visiting

one particular cafe. Ideal customers should therefore be interested in coffee and tasty fresh snacks. Other characteristics might be flexible working hours so that the customer has the opportunity to visit the cafe throughout the day. Even though Kolo Kavárna combines a café and cycling environment, the range of customers is wide. The café can serve as a place for business or friendly meetings, a lunch bistro, but also as a place that makes everyday life more enjoyable.

#### 4.6 Competitor analysis

The main goal of this part is to define and introduce the main competitors of the Kolo Kavárna. The café is located in the centre of Uherské Hradiště, for this reason, the author decided to include businesses having headquarters there. All competitors are evaluated by the author based on location, quality of services and products provided, environment, price category, opening hours, marketing, websites, and references. Each of these aspects is carefully considered and then evaluated a grade from 1 to 5. The evaluation system is the same as in school, meaning that number 1 means that the company has an aspect well managed, on the other hand, number 5 means that the company lags in an aspect. Subsequently, the points of each competitor are counted. The table that compares all competitors is presented at the end of this section. The competitor with the lowest number poses the greatest threat to our company.

##### **Delikana Eiscafe**

Delikana Eiscafe is one of the main competitors of the Kolo Kavárna due to its proximity. The café is located on Marinské square, with a large concentration of people. This cafe is a part of the network of Delikana cafes and cake shops with a long tradition, which creates a certain competitive advantage. Another plus is the offer, which includes a wide range of desserts. In the summer months, the café offers outdoor seating in front of the café, along with an ice cream menu. The café presents itself well on Facebook and also on the website. The café is open every day from 9 am to 7 pm. Based on customer reviews, it was found that customers are most complaining about the cramped space and low quality of the coffee provided. (Delikana Eiscafe, 2021).

Table 3: Delikana Eiscafe (own creation)

Delikana Eiscafe	
Location	2
Quality of products/services	3

Interior of the café	3
Price category	2
Opening hours	1
Marketing	2
Website	1
Customer references	3
<b>Total</b>	<b>17</b>

### Kafe uprostřed

Kafé uprostřed is particularly interesting for its non-traditional environment, thus appeals to younger customers. This café is located on the famous Prostřední Street, which connects Masarykovo and Mariánské square. The café has gained its popularity thanks to its outdoor seating in the courtyard, where speeches, concerts, or short theatre plays take place during the summer. The café also actively communicates with its customers on Facebook and Instagram, on the contrary, there is no website promotion. Opening hours are Monday to Friday from 8 a.m. to 6 p.m. The café is closed on weekends. In terms of price, this café ranks among the average. Customers consider the cramped interior, narrow assortment, and lack of credit card payment to be the main weakness of the café (Kafe uprostřed, 2021).

Table 4: Kafe uprostřed (own creation)

Kafe uprostřed	
Location	1
Quality of products/services	2
Interior of the café	3
Price category	2
Opening hours	3
Marketing	2
Website	5
Customer references	2
<b>Total</b>	<b>20</b>

### Café Portal

Café Portal is a café classic in Uherské Hradiště, placed on Masaryk Square. This cafe is one of the oldest of the above. The café regularly hosts book evenings, thanks to the book club,

which is an integral part of this café. It is popular among the younger and middle generation. The café might impress with its non-traditional interior, reminiscent of the 70s in Czechoslovakia. The offer of the café is limited, and in addition to coffee, alcoholic beverages are also served here. The café uses social media for its promotion, the website is missing. Opening hours are from 8 am to 8 pm. There are no opening hours on Sunday. The price category of this cafe is the cheaper one. According to references, the weakness of this café is the low quality of café services. Besides, there is a fact that the café is visited by regular customers with a low influx of new ones. What's more, the cafe does not have a website, and its communication with customers and promotion is done only via Facebook (Café Portal, 2021).

Table 5: Café Portal (own creation)

Café Portal	
Location	1
Quality of products/services	4
Interior of the café	2
Price category	1
Opening hours	2
Marketing	4
Website	5
Customer references	3
<b>Total</b>	<b>22</b>

### Jiné Café

Jiné Café is a very nice café located on Masaryk Square, in the very centre of Uherské Hradiště. This cafe is one of the largest in the city. It gained popularity mainly due to its modern and spacious interior, divided into two floors. The cafe offers summer seating in front of the cafe. The opening hours of the café are one of the longest, as the café is open every day from 8 am to noon. The café operates a modern website and actively promotes itself mainly via social media. The range on offer is extensive and includes both desserts and sandwiches. Due to its popularity, the café is often fully booked, and customers often complain about long order times and a lack of staff. In terms of price, the café is one of the most expensive (Jiné Café, 2021).

Table 6: Jiné Café (own creation)

Jiné Café	
Location	1
Quality of products/services	2
Interior of the café	1
Price category	4
Opening hours	1
Marketing	2
Website	1
Customer references	3
<b>Total</b>	<b>15</b>

### Kafec U Komína

Kafec u Komína is one of the latest cafés in Uherské Hradiště. This company has expanded its scope, as its headquarters are located in Brno. At first glance, this café impresses with its unconventional appearance, as it is placed next to a factory brick funnel. There is a spacious parking space available, so the customer has great accessibility. The offer of savoury and sweet breakfasts, sandwiches, and desserts throughout the day creates a competitive advantage of this cafe. It possesses nice outdoor seating along a cycle path. The café actively communicates with its customers on Facebook and Instagram, and the modern website is an integral part of its promotion. Opening hours are every day from 8 am to 7 pm. According to reviews, customers complain the most about high product prices and the lack of alcoholic beverages such as beer. Thanks to its modern design, marketing approach to customers, and the proximity of the cycle path, Kafec expresses the greatest threat to our café (Kafec U Komína, 2021).

Table 7: Kafec U Komína (own creation)

Kafe u Komína	
Location	1
Quality of products/services	2
Interior of the café	1
Price category	3
Opening hours	2

Marketing	1
Website	1
Customer references	2
<b>Total</b>	<b>13</b>

Table 8: Evaluation of the competitors (own creation)

Evaluation of the direct competitors	
<b>Delikana Eiscafe</b>	17
<b>Kafe uprostřed</b>	20
<b>Café Portal</b>	22
<b>Jiné Café</b>	15
<b>Kafe u Komína</b>	13

The competitor analysis shows that the Kolo Kavárna biggest competitor is Kafec u Komína. It is mainly due to its lucrative location, near the cycle path. Another advantage is the wide range of products, such as breakfast and snacks throughout the day. As it is the largest competitor of the café, there will be an effort to reach its regular customers. Since the majority of negative customer references of Kafec consist of high product prices, it was decided that the Kolo Kavárna would set the prices of its products slightly below this limit. This fact could attract customers due to the proximity of cafes. This analysis furthermore helped identify cafe features which customers currently consider the most important. The author estimates the offer of high-quality products together with a modern marketing approach to be the vital factors. The price category of the company should be slightly above average, as current customers prefer quality over quantity. A welcome bonus is outdoor seating during the summer. The interior of the company should be spacious and modern. In terms of opening hours, customers visit cafes frequently in the morning and then in the afternoon. The evening opening hours attract the young and middle generation. The possibility of contactless payment is a matter of course.

#### 4.7 Marketing plan

This section aims to describe the company's strengths/weaknesses and potential opportunities/threats. To analyse this, the chapter produces a SWOT analysis. The approach in gaining a target market and customers, the company's products and services, pricing,

place, and ways of promotion are mentioned as well. All this information is presented through the 4 P's marketing mix.

#### 4.7.1 SWOT Analysis

This subchapter presents strengths/weaknesses and potential opportunities/threats for the Kolo Kavárna. SWOT analysis is used for this analysis, and the data are shown in the table.

Table 9: SWOT Analysis of the Kolo Kavárna (own creation)

SWOT Analysis of the Kolo Kavárna	
Strengths	Weaknesses
The only cycling café in UH High-quality café, services Location Cycling accessories	No experience in running a business High start-up costs No reputation
Opportunities	Threats
Cultural events in UH Growing number of cyclists Filling the market gap	Lack of customer's interest New market entrants Economic crisis Strong competition

#### Strengths

The table presents several strengths that could serve the café as a competitive advantage over the competitors. The main competitive advantage that the café plans to utilize is the fact that it is the only cycling café in Uherské Hradiště and the surrounding area. This advantage is followed by the location of the cafe. The location can be understood in two ways. The first is the location of the cafe itself. The café is located almost in the centre of the city, where the people accumulate during the day the most. The second point of view is the general location of the café, as the fact that one of the most popular cycle paths in the Czech Republic passes through Uherské Hradiště can make a positive contribution to the number of visitors to the café. One of the side strengths of the café is quality service together with products. The PEST analysis shows that Czechs prefer quality over quantity. It is therefore essential that the café offers quality coffee and tasty snacks. The last advantage can be the sale of cycling goods, which can entice cyclists to visit the café.

### **Weaknesses**

It is also important to mention and think a bit about the weaknesses that can be encountered in the cafe. The first weakness in the table is no owner's experience with running such types of business and business in general. This fact can play a key role in whether a café will succeed or not. However, it is worth saying that this weakness can be partially eliminated through mentoring from an experienced entrepreneur or by taking various business courses. The second weakness is the high start-up costs. Unfortunately, this type of business requires these costs. The owner expects a return on investment ranging from 1-3 years, depending on how the cafe will thrive. The last weakness is no reputation of the cafe. There is no way to eliminate this weakness, only to try to offer quality service supported by the right marketing strategy.

### **Opportunities**

The third part of the SWOT analysis presents opportunities. In the case of a café, famous cultural events held in Uherské Hradiště represent the first opportunity. The market gap is related to this opportunity. As mentioned in the strengths, this type of cafe will be the only one in this city. It is therefore very likely that the café will attract mainly cyclists, and subsequently also ordinary visitors. It is obvious that the popularity of the café together with its attendance will grow gradually, but this applies to every type of business. It is necessary to overcome the first year of operation, which will show whether the café has potential or not. The last opportunity may be the growing number of cyclists in the vicinity of the cafe and generally in the Czech Republic (welovecycling.com, 2019).

### **Threats**

The last part of the analysis presents threats related to the operation of the café. The main threats include strong competition together with the lack of customer interest. As the café is in a very competitive environment, all aspects related to the operation of the café must be properly managed. The key to success is to be different and to take an active approach to business. One of the main ways to differentiate yourself from the competition and at the same time reduce the risk of customer disinterest is event marketing. If the café will regularly organize various events, it is very likely that it will gradually find regular customers. Threats that are very difficult to eliminate subsequently include the economic crisis and the risk of new entrants to the market. Although these threats are difficult to control, the owner should keep them in mind and react flexibly. In the event of an economic crisis, it is essential to have certain financial reserves that will help the cafe overcome the difficulties associated with the cash flow. When it comes to new market entrants, the owner should always have an



overview of its competitors. Regular analysis of the competitors, which can include visiting them, can serve as a great tool for revealing the strengths of our competitors.

#### 4.7.2 Product

The product of the Kolo Kavárna is high-quality café services. What's more, the café plans to offer merchandise related to cycling and to the Kolo Kavárna. These goods primarily include gifts for cycling enthusiasts. The café focuses on meeting the needs of both cyclists and regular visitors to the café. The added value of the café is primarily a pleasant environment designed for cyclists and quality refreshments. Regular visitors to the café will be able to enjoy great coffee, lemonades, fresh sandwiches, or desserts. All products are described in detail in chapter 6.5 Products and service description.

#### 4.7.3 Price

Setting the right pricing strategy is a necessary part of any successful business. This chapter sets the prices of individual products offered by the cafe. The prices are determined by the author based on the competitor analysis of the Kolo Kavárna in Uherské Hradiště, in other words, demand-oriented pricing strategy. The following tables show the cost price together with the sale price of each product.

Table 10: List of beverages (own creation)

<b>List of beverages</b>		
<b>Coffee</b>		
	<b>Cost price</b>	<b>Sale price</b>
<b>Espresso</b>	7 CZK	42 CZK
<b>Lungo</b>	7 CZK	42 CZK
<b>Macchiato</b>	9 CZK	54 CZK
<b>Cappuccino</b>	10 CZK	60 CZK
<b>Flat white</b>	10 CZK	60 CZK
<b>Caffé Latte</b>	10 CZK	60 CZK
<b>Americano</b>	11 CZK	66 CZK
<b>Non-alcoholic beverages</b>		
<b>Kofola</b>	21 CZK	35 CZK
<b>Lemonade (raspberry, grapefruit)</b>	21 CZK	35 CZK
<b>Juice (orange, apple, pear)</b>	24 CZK	40 CZK

<b>Sparkling water</b>	18 CZK	30 CZK
<b>1L of lemon water with fresh mint</b>	30 CZK	50 CZK
<b>Tea</b>		
<b>Green tea</b>	7 CZK	50 CZK
<b>Black tea</b>	7 CZK	50 CZK
<b>Iced tea</b>	7 CZK	55 CZK
<b>Fruit tea</b>	7 CZK	55 CZK
<b>Beer</b>		
<b>Plzeň</b>	27 CZK	45 CZK
<b>Birell</b>	18 CZK	30 CZK
<b>Wine</b>		
<b>White</b>	15 CZK	30 CZK (1dl)
<b>Red</b>	15 CZK	30 CZK (1dl)

Table 11: List of savoury snacks and desserts (own creation)

List of savoury dishes and desserts		
Savoury snacks		
	<b>Production cost</b>	<b>Sale price</b>
Baguettes	17 CZK	85 CZK
Toasts	15 CZK	75 CZK
Bagels	15 CZK	75 CZK
Tortillas	16 CZK	80 CZK
Croissants	13 CZK	65 CZK
Desserts		
Cake	9 CZK	45 CZK
Muffins	7 CZK	35 CZK
Donuts	6 CZK	30 CZK
Cookies	3 CZK	17 CZK

The prices of beverages, snacks, and desserts are listed in Table 10 and Table 11. As the coffee is the type of goods with the highest sales margin, this margin was set at 600%. In contrast, the sales margin for alcoholic and non-alcoholic beverages is 40%. Depending on the upward trend in food prices, the margin for snacks and desserts was set at 80%. The

entrepreneur furthermore decided to adjust the menu together with prices depending on the season (100progastro.cz, 2018).

Table 12: List of cycling merchandise (own creation)

Cycling merchandise	Cost price	Sale price
<b>Coffee cup</b>	208 CZK	320 CZK
<b>Cycling socks</b>	293 CZK	450 CZK
<b>Cycling men jersey</b>	1,039 CZK	1,599 CZK
<b>Cycling women jersey</b>	909 CZK	1,399 CZK
<b>Men t-shirts</b>	358 CZK	550 CZK
<b>Women t-shirts</b>	293 CZK	450 CZK
<b>Cycling bottles</b>	97 CZK	149 CZK
<b>Book</b>	259 CZK	399 CZK
<b>Gift voucher</b>	2,000 CZK	2,000 CZK

The prices of cycling merchandise are listed in Table 12. Unlike café goods, these goods are only bought at a reduced price from wholesalers and sold at a certain sales margin, meaning there is no production process. Depending on the average sales margins of sports equipment in the Czech Republic, this margin was set at 35% (sancepodnikat.cz, 2021).

#### 4.7.4 Place

Kolo Kavárna is located in Uherské Hradiště on the Mariánské square. The location was selected primarily due to the high concentration of people and the proximity of the cycle path. There are also several parking spaces on the square, making it easier for customers to visit. The description of the location and its advantages are described in detail in chapter 6.4 Location.

#### 4.7.5 Promotion

Kolo Kavárna uses several promotion channels for its promotion. As part of the competition analysis, it was found that companies taking an active approach to their promotion are the most successful. The author wants to focus primarily on the website, social media, and city advertisement billboards. These marketing channels will be used regularly, but the company plans to include event marketing in its marketing strategy as well.

**Web site**

Kolo Kavárna will operate through a website that will provide essential information about the business. This page will describe the business idea, the menu, and opening hours. Contact information, a list of employees together with a photo gallery of the café will be provided as well. The website aims to provide the customer with the most necessary information as quickly as possible. It must be modern, clear, and constantly updated. In the future, the company plans to expand its website with an e-shop.

**Facebook**

The Facebook page, together with Instagram, forms the main marketing channels that the Kolo Kavárna will use. The page will provide similar information as the website. Moreover, photos and news will be posted here. The author plans to use Facebook to communicate with the customers via chat or comments section. The owner also plans to take advantage of paid sponsored posts. It enables Kolo Kavárna to become known to the general public and potential customers.

**Instagram**

Like Facebook, Instagram will provide photos that aim to attract the customer's attention and arouse the customer's desire to visit the café. Photos will promote the interior, products, and news. Instagram is now an extremely popular and widely spread way of promotion (Mašek 2021).

**City advertisement billboard**

Advertising spaces in cities are a great way to inform the public about a new business in the city, especially when the right location is selected. The author decided to use the advertising space located on the mainline road to Uherské Hradiště. This location offers great customer coverage due to high traffic.

**Leaflets**

Leaflets are another way to promote a café. The leaflets will contain basic information about the café. They will be created by the owner itself and placed both in the café and in publicly available places, such as information centre or bus stations.

**Event marketing**

Event marketing is also an essential part of the Kolo Kavárna marketing strategy. Event marketing will aim to take advantage of the rich cultural program of the town of Uherské Hradiště and, within the framework of these cultural events, to inform potential customers about upcoming events in Kolo Kavárna. The first event of a new company must be a great opening party. The author decided to plan this party on July 7, 2022, at 17:00, the day of the

official opening of the café. As the aim of this opening party is to inform the permanent residents of the city about the newly opened business, drinks and refreshments will be prepared for customers at a symbolic price. To promote this party, a Facebook event with a description, date, and address of the party will be created. This information will also be included on posters and leaflets that the owner will distribute on Mariánské square before the party. As the café targets primarily cyclists, it would be a great pity not to use the regular cultural events called "Na kole vinohrady Uherskohradištska". As part of this event, the menu of the café will be modified and a program for visitors will be created. Like the opening party, this event will be promoted through social media. Other events that the author plans to use are Slovácké léto, Slavnosti vína or Letní filmová škola. The costs associated with event marketing are irregular, i.e., they are not included in the regular monthly costs of the café and will be paid separately.

To create a business account in the internet list of companies, such as Google My Business is an essential marketing tool. This is beneficial when someone starts searching for cafes, the Kolo Kavárna will appear in the search results. It is a great way of promotion, since registering a company is completely free.

Table 13: Costs at the promotion per month (own creation)

Costs at the promotion per month	
Web site administration	1,200 CZK
Facebook page and sponsored posts	1,400 CZK
Leaflets A6	220 CZK (100 pcs.)
City advertisement billboard	5,000 CZK
Google ads	1,500 CZK
<b>Total</b>	<b>9,320 CZK</b>

## 4.8 Management and organization

The main goal of this chapter is to describe the organizational structure of the company. As the Kolo Kavárna is a start-up company with limited financial resources, it is important to include both owners in the team of employees at the beginning of the operating process. This team will therefore consist of 3 full-time employees and one part-time worker. A brief overview and description of employees are expressed in the table below this paragraph. The

table includes the position of employees, their responsibilities, required characteristics, and also the ownership share. Below this table, the positions of all employees are described in more detail.

Table 14: Organizational structure of the company (own creation)

Organizational structure				
Position	Responsibilities	Characteristics	Initial deposit	Profit share
<b>Manager</b>	Administrative worker Marketing specialist B2C specialist Supplier of goods Organizational duty	Reliability Communication skills Problem-solving orientation Experience in online marketing	250,000 CZK	50%
<b>Barista</b>	Preparing beverages and dishes Accepting payments Cleaning glasses Record and balance cash receipts Build a positive relationship with regular customers Menu preparation	Reliability Time management Customer service skills Situational awareness Hardworking	250,000 CZK	50%
<b>Waiter/Waitress</b>	Greeting guest Taking beverages and food orders Delivering beverages and dishes Maintaining order and cleanliness in the café Replenishment of goods Accepting payments	Punctuality Hospitality Great memory and knowledge of the menu Decent appearance Speed	0 CZK	0 %

<b>Part-time worker</b>	Helping hand to barista and waiter Café cleaning	Punctuality Reliability Working-time flexibility	0 CZK	0%
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### **Manager**

The manager and owner of the café is František Šrámek Jrn. The manager will be in charge of running the cafe. The main duty is to promote the company, the organization of employees and their supervision, the purchase, and replenishment of goods needed to run a cafe, financial management together with administrative duties. Other responsibilities include monitoring legislative changes related to operating the café, check customer satisfaction, and active communication with them on social media. In the case of full occupancy of the café, the manager can help with dishes and beverage preparation. The manager of the café will have flexible working hours, with the possibility of adapting it according to the workload.

### **Barista**

The barista is another important position in the cafe. The main job of the barista will be the preparation of beverages and dishes, which are listed in chapter 4.7.2. This is also related to washing dishes and replenishing the ingredients needed to make these dishes. The position does not require special education, but it is important to mention that it will be held by the second owner of the cafe, František Šrámek Snr. For this reason, a barista course will be needed to acquire the necessary knowledge and skills related to the preparation of the coffee. A secondary job of the barista will be accepting payments from customers, preparing the menu, as well as creating a pleasant atmosphere and relationships with customers. The barista will work from Monday to Friday, and also every even weekend. Working hours will be from 11 am to 5 pm in winter and in summer from 9 am to 8 pm. The barista will always come to work half an hour before the cafe opens to prepare everything that relates to his/her responsibilities.

### **Waiter/Waitress**

The third key position in the cafe is the waiter/waitress. It will be necessary to find a permanent employee for this position, preferably with gastronomic education, but it is not a condition. The employee holding this position will be in charge of receiving orders from

customers, serving drinks and dishes, operating the cash register, and also responding to customer needs and complaints. A pleasant appearance and hospitality are key characteristics when it comes to this position. The waiter/waitress will also be responsible for the cleanliness of the café, which he/she will perform every day before the café opens. The waiter/waitress will work from Monday to Friday and every odd weekend. Working hours are the same as in the case of the barista.

### **Part-time worker**

An additional workforce in the café will be a part-time worker. His/her main responsibility will be to give a helping hand to the barista and waiter in need. The main reason for involving a part-time worker is to assist during the afternoon and in the early evening when the café will be occupied probably the most. The part-time worker will also help with events held in the café. He/she must be able to adapt to flexible working hours and be ready whenever the manager decides. The part-time worker will work 3 days a week on Mondays, Wednesdays, and Fridays. His/her task will be to hold the position of bartender or waiter during the weekends, depending on the type of the week. The part-time worker will work 4 hours a day, in winter from 1 pm to 5 pm and in summer from 4 pm to 8 pm.

The responsibilities of the employees were determined based on mutual agreement and taking into account several factors, such as education, experience, soft skills, etc. Although three full-time employees and one part-time worker are sufficient to run a café, the company must hire an external employee for accounting. The company will also need a professional to create a website.

Table 15: Expenses for salaries per month in CZK (own creation)

<b>Job position</b>	<b>Gross salary per month</b>	<b>Net salary per month</b>	<b>Total expenses per employee</b>
Manager	28,000	23,040	37,464
Barista	28,000	23,040	37,464
Waiter/Waitress	25,000	20,820	33,450
Part-time worker	9,600	9,600	9,600
<b>Total expenses for salaries per month</b>		<b>CZK 117,978</b>	

Table 11 shows job positions together with the gross and net salary of each employee per month. The total costs that the employer has to spend on the employee are introduced as



well. These costs are calculated from the employee's gross salary, which is increased by social (24.8 %) and health (9 %) insurance. As the manager, barista and waiter are full-time employees, they will be paid a fixed salary each month. On the other hand, the part-time worker will be employed on an agreement to complete a job and will be paid CZK 120 per hour. The monthly income will therefore be approximately CZK 9,600 (CZK 120 x 80 hours). Since the owner plans to hire a university student as a part-time worker, the tax burden is zero.

## 4.9 Financial plan

The main goal of this part is to determine and prove whatever the business plan for the Kolo Kavárna is feasible. This chapter is divided into several subchapters. At the very beginning, the author introduces an opening balance sheet, as well as initial costs. The last part of the financial plan presents estimated revenues, profit and income statement. The author's commentary and determination of whether the business plan is feasible from a financial point of view are provided at the end of the chapter.

### 4.9.1 Balance sheet

The opening balance sheet is a crucial part of the financial analysis, as it represents the initial budget, which can be spent on the initial costs associated with the establishment of the company, equipment, promotion, etc. The long-term assets, which include technical equipment together with furniture is expressed on the left side of the table. The current assets, which consist of other equipment, stock, and money in the bank account is listed as well. The right side of the table shows the sources of asset coverage. As the assets are acquired from the companion's resources, no external resources have been used.

Table 16: Opening balance sheet in CZK (own creation)

Total assets		Total liabilities	
<b>Long-term assets</b>	<b>213,900</b>	<b>Equity</b>	<b>500,000</b>
Technical equipment	127,300	Owner's equity	500,000
Furniture	86,600		
<b>Current assets</b>	<b>286,100</b>	<b>Liabilities</b>	<b>0</b>
Other equipment	91,500		
Bank account	145,700		
<b>Incorporation expenses</b>	<b>10,000</b>		

<b>Total value</b>	<b>500,000</b>	<b>Total value</b>	<b>500,000</b>
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#### 4.9.2 Initial costs

Initial costs represent the costs associated with the establishment of a company and purchasing the equipment. These costs are paid only once and represent the greatest financial burden for the company.

Table 17: Initial costs of the company in CZK (own creation)

Initial costs of the company		CZK
<b>Costs associated with the establishment of the café</b>		<b>10,000</b>
Trade license		1,000
Registration in the Commercial Register		6,000
Extract from the Criminal Record		100
Extract from the Trade Licensing Register		100
Extract from the Commercial Register		100
A Notarial record		2,700
<b>Promotion</b>		<b>35,440</b>
Web Design		35,000
Leaflets A6 (220 pcs)		440
<b>Technical equipment of the café</b>	<b>Quantity</b>	<b>127,300</b>
Coffee machine	1	50,000
Juicer	1	4,000
Refrigerator	1	15,000
Display refrigerator	1	12,000
Grill	1	7,000
Oven	1	6,000
Dishwasher	1	8,500
Cup	40	3,200
Glass	40	2,000
Plate	30	1,800
Light	8	9,600
Wi-Fi router	1	700
Radio	1	2,500

EET Cash desk	1	5,000
<b>Furniture</b>		<b>86,600</b>
Table	6	18,000
Chair	18	21,600
Storage space	3	12,000
Bar	1	35,000
<b>Other equipment and costs</b>		<b>91,500</b>
Kitchen utensils (knives, forks, spoons)	-	5,000
Cookware (pans)	-	1,500
Decorations	-	15,000
Barista course	-	4,000
Reconstruction	-	70,000
<b>Stock</b>		<b>38,900</b>
Coffee goods	-	28,500
Cycling merchandise	-	10,400
<b>Total</b>		<b>389,740</b>

### 4.9.3 Operating costs

Before being able to estimate whether the company is profitable, it is important to calculate operating costs and estimate revenues at first.

Table 18: Calculation of operating costs (own creation)

Calculation of fixed and variable costs in CZK		
Fixed costs		
	Monthly	Annually
Rent	15,000	180,000
Internet and mobile service	1,520	18,240
Promotion	9,320	111,840
Insurance	2,122	25,464
Energy, Water supply	9,000	108,000
Accountant	3,000	36,000
Travel costs	2,500	30,000
Salaries	117,978	1,415,736
<b>Total</b>	<b>160,440</b>	<b>1,925,280</b>

Variable costs		
Supplied goods	Monthly	Annually
Pessimistic	23,100	277,200
Realistic	36,300	435,600
Optimistic	49,500	594,000
Operating costs - total		
	Monthly	Annually
<b>Pessimistic</b>	<b>183,540</b>	<b>2,202,480</b>
<b>Realistic</b>	<b>196,740</b>	<b>2,360,880</b>
<b>Optimistic</b>	<b>209,940</b>	<b>2,519,280</b>

Table 13 represents the fixed and variable costs of the Kolo Kavárna, which together generate operating costs. These costs are calculated for one month, and one year. To calculate the variable costs, the costs per customer were estimated. If we take into account that the average customer orders one type of drink together with one meal, we get the production costs of goods per one customer, which is CZK 22. This value was subsequently multiplied by the number of customers per day. The pessimistic scenario counts on 35 customers per day (35 customers x CZK 22 production costs x 30 days = CZK 23,100). The realistic scenario counts on 55 customers (55 customers x CZK 22 production costs x 30 days = CZK 36,300), and the optimistic counts on 75 customers per day (75 customers x CZK 22 production costs x 30 days = CZK 49,500).

#### 4.9.4 Expected revenues

This subchapter aims to estimate the revenues of the café. The table shows three possible scenarios depending on how the café will thrive.

Table 19: Expected revenues in CZK (own creation)

Expected revenues in CZK				
Scenario	Customers	Daily	Monthly	Annual
<b>Optimistic</b>	75	9,375	281,250	3,375,000
<b>Realistic</b>	55	6,875	206,250	2,475,000
<b>Pessimistic</b>	35	4,375	131,250	1,575,000

Table 15 shows the estimation of the daily, monthly, and annual revenues of the café. The optimistic, realistic, and pessimistic scenario is represented, depending on how many customers visit the café per day. The revenues are based on the finding that the customer spends on average CZK 125 in a café (Hubertová, 2013). This value is calculated in the table. It is important to note that the estimation of revenues might be slightly skewed, as the number of visitors to the café may vary depending on the days of the week. It was decided that revenues from the sale of cycling merchandise would not be taken into account, as it would negatively distort the given numbers. The revenues that the café will gain from this sale will be invested back into the café for repairs and improvements.

#### 4.9.5 Profit

The profit of the company has been calculated based on expected revenues and operating costs. Since revenues are estimated in three scenarios, the profit is calculated in the same way. The table also shows profits before and after taxation. In the Czech Republic, corporate income tax is 19%.

Table 20: Optimistic profit in CZK (own creation)

Optimistic profit in CZK		
	Monthly	Annually
Revenues	281,250	3,375,000
Expenses	209,940	2,519,280
<b>EBT</b>	<b>71,310</b>	<b>855,720</b>
<b>EAT</b>	<b>57,761</b>	<b>693,132</b>

Table 21: Realistic profit in CZK (own creation)

Realistic profit in CZK		
	Monthly	Annually
Revenues	206,250	2,475,000
Expenses	196,740	2,360,880
<b>EBT</b>	<b>9,510</b>	<b>114,120</b>
<b>EAT</b>	<b>7,703</b>	<b>92,437</b>

Table 22: Pessimistic profit in CZK (own creation)

Pessimistic profit in CZK		
	Monthly	Annually

Revenues	131,250	1,575,000
Expenses	183,540	2,202,480
<b>EBT</b>	<b>(52,290)</b>	<b>(627,480)</b>
<b>EAT</b>	<b>-</b>	<b>-</b>

Three possible profit scenarios were presented. The tables clearly show that the optimistic and realistic scenario is acceptable for the company, as revenues exceed expenditures, and the company generates profits. On the other hand, the pessimistic scenario is loss-making, which is due to the low number of customers. As for the profits within the optimistic and realistic scenario, this profit would be divided equally according to the deposits among the cafe owners as a bonus to the regular salary.

#### 4.9.6 Income statement

The purpose of the income statement is to determine whether the company is at a profit or a loss. It aims to show the company's financial performance in the first year of its operation. The table shows stock, expenses, and expected revenues within the realistic scenario, as it is most likely to meet the reality.

Table 23: Income statement in a year in CZK (own creation)

<b>Total revenues</b>	<b>2,475,000</b>
<b>Fixed costs</b>	<b>1,925,280</b>
Rent	180,000
Internet and mobile service	18,240
Promotion	111,840
Insurance	25,464
Energy, Water supply	108,000
Accountant	36,000
Travel costs	30,000
Salaries	1,415,736
<b>Variable costs</b>	<b>435,600</b>
Stock	435,600
<b>Total expenses</b>	<b>2,360,880</b>
<b>Profit</b>	<b>114,120</b>
Tax 19 %	21,683

Net income	92,437
------------	--------

#### 4.10 Profitability assessment

Although three scenarios of the company's potential profits were presented in Chapter 4.9.4, it is also very important to incorporate a profitability assessment. This assessment is used to estimate whether the company's future actions have a profit or loss potential. The ROI indicator is most often used for this evaluation.

##### ROI Indicator

ROI indicator is an indicator that shows the return of our investment into the business. The resulting value is usually expressed as a percentage. If the resulting value is positive, our investment into the business was worth it and the company generates profit. On the other hand, if the resulting value is negative, the investment was not worth it and the company is loss-making (monetizace.cz, 2021). ROI indicator is calculated as:

$$\text{ROI} = (\text{Gain from investment} - \text{costs of investment}) / (\text{cost of investment}) * 100$$

Investment costs include the value of registered capital. The optimistic scenario was chosen for the calculation, as it generates the highest profit, and the resulting ROI value is positive. The registered capital is set at CZK 500,000. Net profit for the one month is CZK 57,761, therefore for the one year, it is CZK 693,132.

$$\text{ROI} = (693,132 - 500,000) / (500,000) * 100 = \mathbf{38,6 \%}$$

The calculation above results in a positive number, which means that if the optimistic scenario is fulfilled, the investment in the business will be fully repaid after the first year of the company's operation. The realistic and pessimistic scenarios result in negative numbers, which means that the return on investment would take longer.

#### 4.11 Risk evaluation

This chapter aims to list six types of risks that the Kolo Kavárna may face in the future. There are many potential threats, but this chapter should help an entrepreneur adapt to these threats.

##### Market risk

Market risk represents that there is a lack of interest in the service or product, or the market is not ready yet. Kolo Kavárna faces the risk that there will be no interest in connecting café

and cycling. Since this type of café has been operating in Zlín for several years with a great customer interest, the same is expected for the Kolo Kavárna (bajkavarna.cz, 2018). However, if there will be no interest in this type of business, the café will be transformed into a different focus.

### **Competitive risk**

Competitive risk means that there will be new market entrants, or existing companies will expand their business. In this case, it is hard to say how many new cafes will be established in Uherské Hradiště in the upcoming years. However, if this type of business is created, Kolo Kavárna will already have a built reputation and a tailored customer approach.

### **Technology risk**

Kolo Kavárna is a type of company that does not directly face any technological risks. However, it is crucial to gradually innovate café equipment. The key is to offer customers a free and stable internet connection, as well as a seamless payment terminal.

### **Product risk**

Product risk represents the dissatisfaction of customers with the company's product. In the case of a café, it is necessary to bear in mind the quality of the coffee, refreshments and cycling merchandise. To avoid any obstacles, cooperation with reliable suppliers is a possible solution. Moreover, it is essential to perceive the reviews of the customers to eliminate the shortcomings.

### **Execution risk**

Kolo Kavárna may face execution risk if the partners are unable to manage the growth of the company. A potential threat is an insufficient number of employees in the café, which creates a long waiting time for customers. It was agreed by both companions, that if there is more interest in the café, the café will hire part-timers to ensure the run of the company.

### **Capitalization risk**

The problem of insufficient capital, high initial costs, or poorly estimated revenues may be the reasons for capitalization risk. All of these problems can be avoided by applying the right financial analysis based on true and real data. The company's goal is to survive the first two to three years of existence, in which the company may not be profitable.

### **Other risks**

A less common but more serious risk may be the need to close a business based on state regulations in response to life-threatening events, such as a global pandemic, a war, or a natural disaster. In this case, a quick reaction of the company and an effort to adapt to the situation is necessary. The dispensing window is one of the options. Kolo Kavárna



furthermore plans to implement an e-shop, through which the distribution of cycling merchandise would be done. It is out of the question to wait for the situation to improve without taking appropriate steps, as every single day that the café is closed loses its potential gain.

## CONCLUSION

This bachelor's thesis aimed to compile a business plan for the Kolo Kavárna, located in the centre of Uherské Hradiště. The main goal was to estimate and assess the potential profitability of this company. The bachelor thesis is divided into two parts.

The theoretical part of the bachelor thesis focuses on the introduction of basic business concepts associated with the establishment of such a company. The first part describes the concept of entrepreneurship and the business environment. The second part deals with the different types of companies in the Czech Republic. A detailed description of all parts of the business plan is included in the last part.

The practical part of the bachelor's thesis focuses on compiling a specific business plan for the Kolo Kavárna. The main goal was to create a business plan based on knowledge and data obtained from the theoretical part. The structure of the business follows the structure defined in the theoretical part. Besides, analyses are applied to help identify the business environment, financial burden, and target market. SWOT analysis, competitor analysis, or industry analysis are covered.

The café aims to provide quality café in pleasant cycling environment. Thanks to a large number of cycle paths around Uherské Hradiště, this city is ideal for the operation of such a café. This is supported by the market analysis, which shows that this location is one of the most popular among Czech cyclists. The 4 P's marketing mix method is used as a tool to create a marketing plan. Moreover, the prices of products and services offered were presented as well.

A financial analysis of a business plan is a crucial part of estimating whether a business will generate a profit in the future. This chapter calculates the initial costs of setting up the café. According to the data, the revenues and the profit of the café are estimated. The end of the practical part consists of listing the risks that the cafe may encounter together with the related strategies.

Financial analysis can be considered as a limiting part of a business plan since it does not always accurately reflect data that is highly variable. On the other hand, great attention was paid to market and competitor analysis. The fact that the author had previously visited all competing companies was a great advantage during these analyses.

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**LIST OF ABBREVIATIONS**

UH	Uherské Hradiště
CSO	Czech Statistical Office
CZK	Česká Koruna
e.g.	Exempli gratia
Etc.	Et cetera
B2B	Business to business
B2C	Business to customers
s. r. o.	Společnost s ručením omezeným
k. s.	Komanditní společnost
et al.	Et alia
i.e.	Id est

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