

A Business Plan for a Selected Company

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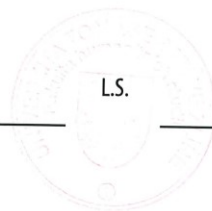
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ABSTRAKT

Tato bakalářská práce se zabývá sestavením podnikatelského plánu pro vybranou společnost. Vybraná společnost bude v tomto případě prodejna regionální produktů, tudíž potravin a také rukodělných výrobků s regionální značkou, s názvem Domovina. Práce je rozdělena na část teoretickou a praktickou. V teoretické části jsou vysvětleny základní pojmy týkající se podnikání, právní formy podnikání v České republice a dále jsou zde popsány jednotlivé části podnikatelského plánu. Praktická část je poté věnována sestavení podnikatelského plánu pro prodejnu Domovina. Na základě analýzy potenciální rentability bylo konstatováno, že v případě realistického a optimistického scénáře je podnikatelský plán proveditelný.

Klíčová slova: podnikatelský plán, podnikání, podnik, prodejna, regionální produkty

ABSTRACT

This bachelor's thesis deals with preparing a business plan for a selected company. The selected company, in this case, will be a store Domovina selling regional products, food, and handicraft products with a regional brand. The thesis is divided into theoretical and practical parts. The theoretical part explains the basic concepts related to entrepreneurship, the legal forms of entrepreneurship in the Czech Republic, and the business plan's different parts. The practical part is then devoted to preparing a business plan for the Domovina store. Based on the potential profitability analysis, the business plan is feasible in a realistic and optimistic scenario.

Keywords: business plan, entrepreneurship, entrepreneur, store, regional products

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

CONTENTS

INTRODUCTION	9
I. THEORY	10
1 BUSINESS.....	11
1.1 ENTREPRENEURSHIP	11
1.2 ENTREPRENEUR	12
1.3 BUSINESS ENVIRONMENT.....	13
2 TYPES OF BUSINESSES.....	15
2.1 BUSINESS OF NATURAL PERSONS	15
A Trade 16	
2.2 BUSINESS OF A LEGAL ENTITY	16
2.2.1 Partnerships and Capital Companies.....	17
3 THE BUSINESS PLAN.....	21
LEAN CANVAS	21
3.1 AN EXECUTIVE SUMMARY	23
3.2 COMPANY DESCRIPTION	23
3.3 PRODUCT OR SERVICE DESCRIPTION	23
3.4 MARKET ANALYSIS	24
3.5 INDUSTRY ANALYSIS.....	25
3.6 MARKETING STRATEGY.....	26
3.6.1 Marketing Mix	26
3.6.2 SWOT analysis.....	27
3.7 OPERATIONS	28
3.8 MANAGEMENT AND STAFFING PLAN	28
3.9 FINANCIAL PLAN	29
Start-up Budget.....	29
Income Statement	29
Cash-flow	29
Balance Sheet	30
3.10 RISK ASSESSMENT.....	30
3.11 THE APPENDIXES	30
II. ANALYSIS	31
4 OUTLINE OF THE BUSINESS IDEA.....	32
5 MARKET ANALYSIS	33
5.1 PEST ANALYSIS	33
5.1.1 Political-legal factors	33
5.1.2 Economic factors.....	34
5.1.3 Socio-cultural factors	35
5.1.4 Technological factors	36
5.1.5 Summary of the PEST Analysis.....	36
5.2 PORTER'S ANALYSIS	37
Bargaining Power of Buyers	37

Bargaining Power of Suppliers.....	37
Threat of Substitute Products or Services	37
Threat of New Entrants	37
Rivalry Among Existing Competitors	38
DIRECT COMPETITORS	38
Z Dědiny.....	38
Sklizeno39	
Bistrotéka Valachy – Obchod s pekárnou	40
INDIRECT COMPETITORS	40
6 LEAN CANVAS.....	42
7 BUSINESS PLAN	43
7.1 EXECUTIVE SUMMARY	43
7.2 DESCRIPTION OF THE COMPANY.....	44
Opening hours	44
7.3 PRODUCT OR SERVICE DESCRIPTION	44
Services 46	
7.4 PERSONNEL PLAN	46
7.5 MARKETING STRATEGY.....	48
7.5.1 Customer segments	48
7.5.2 Marketing mix	49
7.5.3 SWOT analysis.....	55
7.6 FINANCIAL PLAN	57
7.6.1 Initial expenses.....	57
7.6.2 Starting Balance Sheet and Profit Calculation	58
7.6.3 Labour Expenses	59
7.6.4 Fixed expenses	59
7.6.5 Estimated Revenues	61
7.6.6 ROI indicator.....	62
8 RISK ANALYSIS AND PROPOSAL EVALUTION.....	64
8.1.1 Lack of customers	64
8.1.2 Lack of business experience.....	64
8.1.3 Wrong choice of employees.....	64
8.1.4 New competitors due to low entry barriers	64
8.1.5 Increasing costs	65
8.1.6 Refusal by the supplier to cooperate	65
8.1.7 Health hazardous products	65
CONCLUSION	67
BIBLIOGRAPHY	69
LIST OF ABBREVIATIONS	74
LIST OF FIGURES	76
LIST OF TABLES	77

INTRODUCTION

The topic of this bachelor's thesis deals with a business plan for a selected company. The author of the thesis chose a regional food store called Domovina. She chose this topic because of her desire to have her own business, and she is also a great lover of food; she especially enjoys buying from local farmers as she perceives these products as better quality. It is not hard to become an entrepreneur these days, especially if it is a free trade, as in the case of this store. However, many of these entrepreneurs do not even get to the growth stage with their business, often due to a non-existent market for their product and unpreparedness for the business. A business plan can be a test for entrepreneurs to see if their idea is feasible, if it can survive in the marketplace, and to understand how the idea will work overall.

Setting up new businesses is very topical, with a record of 112,000 new businesses established in the Czech Republic in 2022. Three-fifths of these entities were sole proprietors. However, around 100,000 businesses closed in the same year, 72% of which were sole proprietors, for whom inflation and rising energy costs were the most common reasons (BusinessInfo 2023). Drawing up a business plan is, therefore, an important issue.

The bachelor's thesis is divided into theoretical and practical parts. The theoretical part explains the basic concepts associated with entrepreneurship and the types of companies that can be established. The most extensive chapter then describes the different parts of a business plan.

The knowledge and insights from the theoretical part are further used in the practical part, in which the Lean Canvas tool is first filled out, which is a great springboard for comparing ideas, followed by a market analysis. Based on the findings from these two concepts, a business plan for a regional food store called Domovina is further developed.

The thesis aim is not only to construct a business plan but also to assess the presented plan's profitability and, finally, to assess the risks that could limit the proposed business plan.

I. THEORY

1 BUSINESS

According to European Commission (2020), the enterprise is: *"any entity engaged in economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity."* Time is one of the most important things to consider with the business. Time is essential not only because of the changing value of money over time, but it is also crucial that the business is not rigid and constantly evolving. This phenomenon is called the Business life cycle, which captures the organization's evolution through several development parts. The most common stages are birth, growth, maturity, and decline. The last stage is entered when companies cannot revive their firm by new products or entering new markets (Machek and Machek 2020, 16-17).

1.1 Entrepreneurship

According to Martinovičová, Konečný, and Vavřina (2019, 12), business involves finding, discovering, and exploiting business opportunities to fill gaps in the market to satisfy one's own needs by satisfying the needs of others. Another of the many definitions of entrepreneurship is *"the powerful mixture of energy, vision, passion, commitment, judgment, and risk-taking which provides the motive power behind the innovation process"* (Bessant and Tidd 2015, 39). Then this general definition is further explained as "the entrepreneurial process" consisting of four stages:

- Recognizing the Opportunity;
- Finding the Resources;
- Developing the Idea – turning potential opportunities and ideas into reality through investing money, conducting studies, prototyping, and testing;
- Capture Value – entrepreneurs have to protect their intellectual property and financial returns to capture the value of all their hard work.

Kuratko (2014, 23) agrees that entrepreneurship is a dynamic process that creates and implements new ideas and creative solutions. However, he also talks about "The Dark Side of Entrepreneurship" because entrepreneurs have to face four types of risks: financial risk because they put their money into the new ventures; career risk because they leave their job to start a new company that could fail; family and social risk because they devote their time to the business that people around them can suffer; and psychic risk after suffering financial catastrophes.

1.2 Entrepreneur

The goal of entrepreneurs when they entered the business, was, in the past, profit maximization, but more is needed. Nowadays, it would be value maximization when companies achieve profitability and *"noneconomic goals, such as maximizing market share, growth, achieving brand recognition, or creating an employee-friendly work environment."* However, different types of entrepreneurs will have different business goals. It could be independence, personal development, or financial security for sole proprietors. For entrepreneurs whose company is publicly traded, it would be the maximizing of market value (Machek and Machek 2020, 11).

Sloman and Jones (2020, 10) even suggest that maximizing profit, sales, or power may be risky because the firm has to survive first.

Bessant and Tidd (2015, 264-66) identify a combination of factors that affect the probability of establishing a company: family and ethnic background, psychological profile, education, and experience.

Kuratko (2014, 23) defines an entrepreneur as *"an innovator or developer who recognizes and seizes opportunities; converts those opportunities into workable/marketable ideas; adds value through time, effort, money, or skills; and assumes the risks of the competitive marketplace to implement these ideas."*

Mariotti and Glackin (2013, 3) define an entrepreneur as *"someone who recognizes an opportunity to start a business that fulfills a consumer need other people may not have noticed and jumps on it."*

According to the Civil Code (Act No. 89/2012 Coll.), an entrepreneur in the Czech Republic is:

- A person registered in the Commercial Register,
- A person who operates a business based on a trade license,
- A person who operates a business based on a license other than a trade license under special regulations,
- A person who carries out agricultural production and is entered in the register under a special regulation.

The business of natural persons is dealt with more detail in the Trade Licensing Act No. 455/1991 Coll. The business of legal entities is dealt with in Act No. 90/2012 Coll. on Commercial Companies and Cooperatives.

1.3 Business environment

In the "Study of External and Internal Factors Affecting Enterprise's Stability" in *Advances in Systems Science and Applications* (Zinovieva et al. 2016, 62-71), authors divide the external factors of enterprise into other groups through the criterion of the level of affecting the enterprise's stability: direct and indirect influence factors. Customers, competitors, suppliers, and contact audiences would be part of the direct influence factors because they have "the straight impact." Customers are then considered the essential factor and "the main partner" because customers are the ones who determine whether the business will exist in the future. Indirect influence factors are economic, governmental, political, scientific, technological, legal, and socio-demographic. Those factors may affect the business, but they do not influence it straightly as opposed to direct factors.

Sloman and Jones (2020, 11-13) describe four external factors affecting the decisions of a company. This division is known as a PEST analysis:

- **Political factors** – government actions, major political events, bans, charges, or reports.
- **Economic factors** – rising costs, new taxes, movements in interest rates, changes in economic policy. These factors could be divided into subcategories:
 - a) The microeconomic environment – economic factors specific to a particular firm in its market.
 - b) The macroeconomic environment – national and international economic situation.
- **Social/cultural factors** – working conditions, length of the working day, equal opportunities, the nature and purity of products, or the use and abuse of animals.
- **Technological factors** – computer-controlled production, or information-technology revolution.

Nowadays is usually used the recently developed STEEPLE analysis consisting of three additional factors (Sloman and Jones 2020, 13):

- **Environmental (ecological) factors** – "greener business activities."
- **Legal factors** – industrial relations legislation, product safety standards, or regulations.
- **Ethical factors** – corporate responsibility in working conditions, the safety and quality of their products, truthful advertising, or concern for local residents.

In the book *Úvod do podnikové ekonomiky* (Martinovičová, Konečný, and Vavřina 2019, 16), the authors mention that the company's environment is one of the most critical factors that a company must take into account in any decision making. Most of the elements of the environment are influenced by the state. A business must take an active interest in its environment so that it is not caught off guard when making decisions.

2 TYPES OF BUSINESSES

There are several variables by which companies can be grouped. The first option is to divide firms according to their size. Here the variables include the number of employees, the turnover, or the balance sheet total. European Commission (2020) then provides this division:

Table 1 – Division of companies (adjusted)

Company category	Staff headcount	Turnover / Balance sheet total
Micro	< 10	≤ EUR 2 mil / ≤ EUR 2 mil
Small	< 50	≤ EUR 10 mil / ≤ EUR 10 mil
Medium-sized	< 250	≤ EUR 50 mil / ≤ EUR 43 mil
Large	> 250	≥ EUR 50 mil / ≥ EUR 43 mil

Another criterion for classification is the industry affiliation of companies. Companies with the same or similar products or services are grouped into sectors:

- **Primary sector** – extraction of raw materials, rearing animals, and growing crops.
- **Secondary sector** – processing raw materials, manufacturing, construction, and textile.
- **Tertiary sector** – services.

Also, the NACE classification could be found in the EU member states, and in the United States, there is Standard Industrial Classification (SIC) for more detailed classification (Machek and Machek 2020, 10).

Companies could also be classified based on their legal form. Choosing one legal form does not mean that it has to be kept for the entire existence of the business. It is possible to change it during the course of the business at the expense of increased costs. In the Czech Republic, the decision is whether to do business independently or with partners (Srpková et al. 2020, 164).

2.1 Business of natural persons

According to the Czech legal system, a natural person can run a business through trade or based on special legislation such as doctors, dentists, pharmacists, and non-medical health professionals; veterinarians; lawyers, notaries; court interpreters; auditors and tax advisors (Act No. 455/1991 Coll.).

A Trade

The definition of trade can be found in Trade Licensing Act No. 455/1991 Coll.: *"A trade is a systematic activity carried on independently, on one's behalf, on one's responsibility, for-profit and under the conditions laid down by this Act."* Systematic activity means that the activity is done not randomly but repeatedly. On one's behalf means that there is no relation of subordination. The freelancer decides independently; otherwise, it would be a kind of employment relationship. The condition of one's responsibility refers to the fact that the freelancer is responsible for his obligations and is liable for all his assets.

The Licensing Trade Act divides the trades into two main groups: notifiable and licensed trades. The group of notifiable trades is further divided into three subgroups: craft trade, professional trade, and free trade. For free trade, there exist general conditions for the operation of the trade:

- Attaining a minimum age of 18 years,
- Capacity to perform legal acts,
- Integrity proved by an extract from a criminal record.

For other types of trade, there are special conditions for the operation of the trade: professional and other competence. Craft trades require an education certificate, a high school diploma, or six years of experience in a particular field. Common examples of craft trades could be masonry, bakery, or carpentry, while the complete list can be found in Annex 1 of the Licensing Trade Act. Professional competence has to be proven for bound trades – particular conditions for each trade (massage services, bookkeeping) are set out in Annex 2 of the Licensing Trade Act. The group of licensed trades is different because, on top of general and special conditions also, the relevant government authority must approve the concession. After all, the state needs some control over those businesses. Examples could be producing and selling alcoholic beverages, weapons, and ammunition (Act No. 455/1991 Coll.).

2.2 Business of a legal entity

Next to natural persons, the law also acknowledges legal entities that are artificial organized formations with legal personalities. On January 1, 2014, the Commercial Code was abolished, and Act No. 90/2012 Coll. on Commercial Companies and Cooperatives (Business Corporations) was introduced instead. Act No. 90/2012 Coll. is used for corporations whose objective is to make a profit. Part of the Commercial Code about the general regulations for all legal entities was reworked into the New Civil Code (Ryšávková

et al. 2014, 278-80). With the new laws, it could be said that "*regulation of commercial companies is more liberal, making it possible to better adapt their internal relations to specific needs*" (Ryšávková et al. 2014, 283). Legal entities are generally more transparent, as they are obliged to enter data in public registers – the most well-known is the Commercial Register. However, there is also a register of associations, for example (Ryšávková et al. 2014, 287).

2.2.1 Partnerships and Capital Companies

There is no definition of a commercial company or a business corporation in Act No. 90/2012 Coll. The general definitions of those companies can be found in the New Civil Code (Act No. 89/2012 Coll.), and this act only extends them. Commercial companies are divided into partnerships and capital companies (Act No. 90/2012 Coll.). Partnerships include General Commercial Partnerships and Limited Partnerships. Capital companies include Limited Liability Companies and Joint-Stock Companies. Then there are Cooperatives and European companies and associations (Martinovičová, Konečný, and Vavřina 2019, 21). A typical feature of partnerships is that the partners personally participate in the business and are jointly and severally liable for the company's obligations (at least in the General Commercial Partnership because in the Limited Partnership, only general partners of the company are liable for the obligations). On the other hand, there are capital companies where the main obligation of the shareholders is to make a capital contribution. The shareholders are then not liable for the company's obligations or, at most, have limited liability.

General Commercial Partnership

A General Commercial Partnership must be established by at least two people who then participate in the business and are jointly and severally liable for the company's obligations. The name of the company must indicate what type of company it is by naming it "*veřejná obchodní společnost*" or the abbreviation "*veř. obch. spol.*" or "*v.o.s.*" Another option is to include the name of at least one of the partners and the designation "*a spol.*" (Act No 90/2012 Coll.). The company is established by registration in the Commercial Register. The shareholders are not obliged by law to add the registered capital. The profits are then divided equally. The statutory body is all the partners (Martinovičová, Konečný, and Vavřina 2019, 22).

Limited Partnership

A Limited Partnership is another form of partnership. Again at least two people are needed for the establishment. One of them is unlimitedly liable for the debts (in Czech "komplementář"), and the other is only limitedly liable (in Czech "komanditista"). This division then determines that the limited partner must add the registered capital – the amount of which is not specified (Act No. 90/2012 Coll.). On the other hand, the general partner participates in the company's management (Martinovičová, Konečný, and Vavřina 2019, 22). The name of the company must contain either "komanditní společnost" or abbreviations "kom. spol." or "k.s." Unless specified in the partnership contract, any profits shall be divided in half between the general and limited partners. The general partners then divide the profit and loss equally. The limited partners do not bear any loss and shall divide the profit according to their shares (Act No. 90/2012 Coll.).

Limited Liability Company

In a Limited Liability Company, the partners are jointly and severally liable for debts up to the amount of their outstanding contribution. The name of a company must include "společnost s ručením omezeným," "spol. s r.o." or "s.r.o." The profits are divided according to the partner's shares. This type of company does not have to establish at least two people. Even one person could do it, both a natural and legal person. For establishing a company, it is necessary to deposit a registered capital of at least CZK 1 (Act No. 90/2012 Coll.). The supreme body is a General Meeting at which the shareholders vote – usually one vote per 1 CZK of their contribution. An executive convenes the General Meeting. The statutory body is an executive or a group of executives whose job is the company's business management. The Limited Liability Company could also establish a supervisory body. In this case, the company establishes a supervisory board that, among other things, oversees the activities of the executives, investigates the accounts, and checks the data (Act No. 90/2012 Coll.).

Joint-Stock Company

A single founder, a natural person, or a legal entity can establish this type of company. The registered capital of a Joint-Stock Company is divided into a certain number of shares. A share is "*a security that guarantees the shareholder's rights as a partner to participate in the company's management and profits.*" However, the partner is not liable for the debts of the company. Again, the name must contain "akciová společnost," "akc. spol." or "a.s." By law, the registered capital must be at least CZK 2,000,000 or EUR 80,000. The supreme body of a joint-stock company is the General Meeting, in which the shareholders participate

and vote. Then there are two options: the company can choose the traditional dualistic system, or according to Act No. 90/2012 Coll. they could choose a monistic system. In the dualistic system, the statutory body is The Board of Directors, which oversees the company's business management. The supervisory body is The Supervisory Board which oversees the activities of the Board of Directors and the company's performance. In the monistic system, there is an Administrative Board that determines the business management and oversees its performance (Act No. 90/2012 Coll.). As of 2021, the Administrative Board also becomes the statutory body of the Joint-Stock company after the abolition of the Statutory Director and thus acts as a control and management body (Portal.pohoda.cz 2023). The shareholder has the right to participate in the profit previously approved for distribution by the General Meeting in the form of a dividend (Act No. 90/2012 Coll.).

Cooperatives

A cooperative is formed for the mutual support of its members or profit. It is a group of an unrestricted number of people, but at least three for the establishment. The name shall include the designation "družstvo." The Cooperative's Statutes regulate the relations within the Cooperative. The Cooperative is formed by registration into the Commercial Register after the statutes are adopted, the members are elected to the bodies, and the payment of membership contribution is approved. Members have the right to elect and be elected to the Cooperative's bodies, to participate in its management and decision-making, and to share in the benefits provided by the Cooperative. In exchange, they must comply with the statutes and decisions of the bodies. The supreme body of the Cooperative is Membership Meeting. If the Cooperative has 50 or more members, it must establish the Board of Directors and Control Commission. The Membership Meeting and Chairman of the Cooperative could be found in smaller cooperatives. Members are not liable for the debts of the Cooperative (Act No. 90/2012 Coll.).

European Company

A European Company is a joint-stock company incorporated under the commercial law of the European Union. The minimum amount of the registered capital is EUR 120,000. The company's organs are the General Meeting of shareholders. Then it depends on the system – a supervisory body and a management body are created in a dualistic system, and a monistic system establishes a governing body (Strouhal 2016, 16).

European Economic Interest Grouping

This association promotes economic cooperation between smaller companies wanting to join a multinational business. The association is registered in a public register in the country where the company has its registered office. The members are jointly and severally liable for the company's liabilities, just as in a General Commercial Partnership (Strouhal 2016, 17).

3 THE BUSINESS PLAN

Srpová et al. (2020, 209) recommend that a business plan be drawn up so that the entrepreneur understands whether their business plans are feasible. She likens the business plan to a planning and control tool, especially for important decisions.

A thorough business plan can help find the money for funding, understand the concept, and increase the chances of success (Abrams 2019; 15, 38).

Svobodová and Andera (2017, 69) believe that constructing a business plan aims to "*test the feasibility of an idea as realistically as possible*" by comparing verified data with an estimate of the future.

Colwell (2019, 189-90) claims that an entrepreneur can save time and money in the long run by writing a business plan. He sees the business plan as a discovery tool since this process shows whether the idea can survive in the marketplace, as a communication tool between the founders and stakeholders, and as a yardstick because a business plan is essentially a strategic plan for a start-up.

Svobodová and Andera (2017, 61-68) advise that an excellent springboard for writing a business plan is completing a Lean Canvas, which helps prioritize implementation planning. They argue that an entrepreneur should fill out this document three times, each time with a different idea, and then decide which is the best. For established companies that want to innovate their business, they then recommend Alex Osterwalder's classic Business Model Canvas.

Lean Canvas

Maurya (Vecsenyi 2017, 158-160) developed the Lean Canvas by removing four elements from the original Business Model Canvas and adding four new elements. Also, he suggested the following order when completing the Lean Canvas:

1. **Problem** – Customers' problems and needs should be written in this section, with a description of how these problems and needs are solved now.
2. **Customer Segments** – An entrepreneur should list target customers and users in this section. Also, an ideal customer could be described.
3. **Unique Value Proposition** – This part serves as a place where an entrepreneur describes how he solves customers' problems and why this offer is more beneficial than the competitors' offer. Maurya believes this section is the hardest to get right because it forces an entrepreneur to answer the difficult question, "*Why is your product different and worth paying attention to?*"

4. **Solution** – For each problem listed in the section "Problem," a solution should be described.
5. **Channels** – This section is about the communication, distribution, and channels through which an entrepreneur deals with customers.
6. **Revenue Streams** – A list of revenues should be listed in this part of the Lean Canvas tool. This section varies according to the type of business. Revenue streams could be generated through selling an asset, charging money for usage of something that an entrepreneur owns, customers paying subscription fees, customers paying for lending something, or, for example, customers paying for a license. (Strategyzer.com 2023)
7. **Cost Structure** – Here, fixed and variable costs should be listed. Fixed costs are those costs that do not vary with the volume of products produced or goods sold. Variable costs, on the other hand, are related to and vary with the size of sales or production. Typical examples of fixed costs are rent, wages of administrative staff, or heating costs. Variable costs may include direct wages or direct materials.
8. **Key Metrics** – is proposed to *"list key numbers telling how your business is doing today."*
9. **Unfair Advantage** – What differentiates the business from other companies should be written. Something that an entrepreneur possesses, and it cannot be easily copied or bought (Vecsenyi 2017, 158-160).

1	4	3	9	2
	8		5	
7		6		

Lean Canvas is adapted from The Business Model Canvas (<http://www.businessmodelgeneration.com>) and is licensed under the Creative Commons Attribution-Share Alike 3.0 Un-ported License.

Figure 1 – Lean Canvas (Mayura 2012, 27)

3.1 An Executive Summary

Shelton (2017, 70), Abrams (2019, 54), and Colwell (2019, 197) share the belief that the executive summary is an essential part of a business plan. All these authors advise writing the executive summary as the last thing because it summarizes the whole business plan, and can only be completed by completing the other sections first.

Abrams (2019, 54) defines an executive summary strategy as *"to write about the basics of our business and highlight the key points."* Shelton (2017, 71) puts it as *"introduce the idea, provide background, talk about approach and results, and convey confidence that you will be successful."* Blackwell (2017, 8), who has an entirely different approach, would, instead of writing an executive summary, write "The Brief Statement," which should consist of two sentences summarizing what an entrepreneur does and how much money is needed.

3.2 Company Description

Nor are there two authors who would completely agree on the structure of the Company Description section. Blackwell (2017, 18), who takes the most straightforward approach, gives no structure, only that this section should *"mention any important happening that has affected the business."* Shelton (2017, 73), Srpová et al. (2020, 212), Colwell (2019, 202-205), and Abrams (2019, 67-81) write about a similar structure of the section. Only minor deviations could be found: company name, products/services description, legal form, management, and development stage.

Colwell (2019, 205) also considers the "Exit Strategy" section very important. He thinks it is vital for investors to know when they will eventually get their investment back. However, it is also crucial if no external funding is needed because every business has a beginning and an end.

Abrams (2019, 70) and Shelton (2017, 81) talk about a section called "Mission Statement." Those few sentences should contain a company's basic philosophy and the entrepreneur's wishes on how customers perceive the company in the marketplace (Abrams 2019, 70).

A different approach has Garrett Sutton (2012, 45-46), who would include a part called "The Business Section" that should include the strengths and weaknesses of a company, a description of the operations, location, personnel, records, insurance, and security.

3.3 Product or Service Description

A full description of the products and services should be found in this business plan section. Not only describing what the product looks like but also describing it from the customers'

point of view – what needs it fulfils and how, or the benefits for the customers (Shelton 2017, 83-85).

Colwell (2019, 206-211) talks about this part as an extended version of the product description from the Executive summary section. He would divide this section into two parts, with the first containing the product and pricing strategy. The second part would then contain the competitive advantage and value proposition. The value proposition should answer the questions: Who is the target customer? How is this business different from its competition? For a change, Abrams (2019, 76, 87) would continue after Company Description chapter with Industry Analysis chapter. The Product Description part should already be included in the Company Description.

Shelton (2017, 83) would be the only one to include "*technical specifications, drawings, photos, and sales brochures,*" but he would more likely link to them because they should be put directly in the appendixes.

3.4 Market Analysis

Svobodová and Andera (2017, 71) would choose Market and Customer Analysis as the next part, in which they would briefly characterize the market (industry), its size, and trends. They would also define the customers and the target groups. It should also include a description of the demand conditions, which can be divided into two types. It is a product or service that the customer repeatedly buys in his lifetime, or it is a product or service that they buy only once or twice, for example, a wedding dress. If the business concept is part of the second group, then there is not much point in nurturing an acquired customer, but instead trying to acquire more new customers.

Srpková et al. (2020, 214-15) stress that success is only possible if a market exists for our products. It is, therefore, essential to define the total market, including all possible uses of a given product or service and the target market. She suggests that a detailed macro environment analysis should be done in this section for which PESTLE analysis can be used. Next, the micro-environment should be analysed, whereby this should focus on the following:

- The structure of the sector (competition, existence of monopolies, trends in the sector),
- The level of profitability in the sector,
- Factors causing changes in the industry (seasonality, legislation, raw material dependence, the pace of change).

Abrams highlights (2019, 107) that a common mistake when defining the target market is describing it in the broadest possible terms and including everyone who could buy the product. However, that gives entrepreneurs little information about the customers; an entrepreneur should instead identify market segments that he wishes to reach with specific characteristics.

3.5 Industry Analysis

A proper competitor analysis can help the entrepreneur to understand the customers. This analysis should include the competitors' prices, services, or locations, as well as competitors' strengths and weaknesses. It must always be considered that competition will grow stronger and new competitors will come (Abrams 2019, 124-132).

According to Colwell (2019, 217-221), the first paragraph should contain information on the industry's definition, what segments there are, current trends, and expected developments. The following section should be about identifying direct and indirect competitors – who they are and differentiating factors.

Svobodová and Andera (2017, 87-89) also divide the competition into direct and indirect. Indirect competition is firms that do not operate in the same industry but satisfy the same need. They further distinguish potential customers that are not yet on the market but are about to enter it.

Srpová et al. (2020, 215) recommend using Porter's five forces model for this analysis.

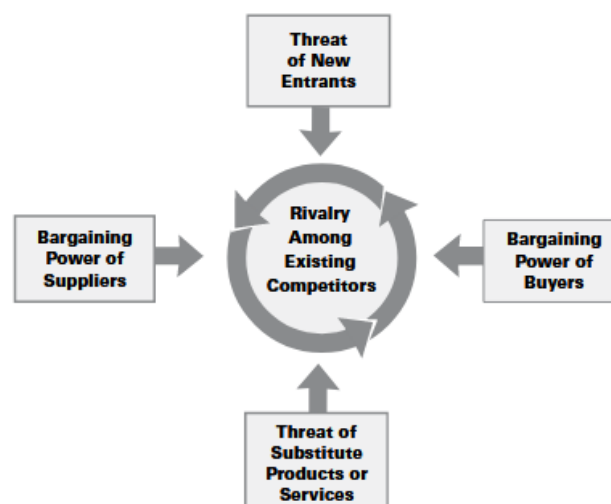


Figure 2 – The Five Forces That Shape Industry Competition (Porter 2008, 27)

Magretta (2012, 47-56) explains Porter's different forces. If the bargaining power of buyers is high, the price will go down, and the industry's profitability will be lower. Suppose the bargaining power of suppliers is high. In that case, they will take advantage of this to charge

a higher price or negotiate better terms, again at the cost of reducing the industry's profitability. If there are substitutes for products that satisfy the same need, these create a price ceiling that producers must not exceed, thus preventing higher profitability in the sector. Then there are new entrants seeking to gain market share. Also, if an entrepreneur has higher prices, it is easier for new entrepreneurs to enter the market. The final force is the rivalry between existing competitors. Competition can take the form of price competition, investment in advertising, improvement of existing products, or introduction of new products.

3.6 Marketing Strategy

The marketing strategy chapter should address the target market, product market position, and marketing mix. The target market of customers should be selected correctly so that products and services can be tailored to meet customers' needs. Market segmentation can help with this. Once the target market has been selected, the product's position among other competing products must be expressed. The determination of the marketing mix follows this. The traditional marketing mix consists of the 4Ps: product, price, place, and promotion, but it can also be extended to the 7Ps by adding politics, public opinions, and people. Alternatively, the so-called "customer" 4C marketing mix can be used. This type comprises customer, cost, convenience, and communications (Srpková et al. 2020, 216-17).

3.6.1 Marketing Mix

The marketing mix is considered one of the main tools in marketing. It contains everything that can engage customers (Armstrong, Kotler, and Opresnik 2017, 81).

Product considerations should include *"issues as quality and reliability, as well as branding, packaging and after-sales service"* (Sloman and Jones 2020, 75).

There are several ways to get the **price** right. The most common is the competitive method, which involves determining competitors' prices and setting the price accordingly. This method is the simplest but has disadvantages because it is not known what margin the competitors have set and the costs. Another method is the demand method, where market research determines how much the customer would be willing to pay. The third way is cost-based, where the total costs plus a margin are reflected in the price (Svobodová and Andera 2017, 94).

Place strategy includes distribution, location, or transportation to final customers (Sloman and Jones 2020, 75).

The **promotion** part should include forms of promotion, specifically online and offline promotion, along with sales promotion (Svobodová and Andera 2017, 92-93). Colwell (2019, 232) proposes that usually, new companies do not have money for "*full-scale multimedia advertising*," so they should develop guerrilla marketing using an unconventional approach or a powerful public relations campaign that is often low-cost and give the company more credibility.

Vašítková (2014, 22-23) would add another 3Ps for the marketing mix, mainly for services than for products:

Physical evidence should serve the customer to "materialize" the service. There are many forms, e.g., to have a building or a brochure about services and offerings.

People are critical in the service to communicate with customers. The company must emphasize its employees' selection, training, and motivation, plus adhere to the rules of conduct towards customers.

The last element is **processes**, which means creating a precise service delivery process and simplifying the steps.

3.6.2 SWOT analysis

It is also vital for marketing to assess the company's overall situation. A SWOT analysis, which evaluates four areas, helps to do this:

Strengths include the company's "*internal capabilities, resources, and positive situational factors that may help the company serve its customers.*"

On the other hand, **weaknesses** highlight where the company has gaps and what negative situational factors may interfere with the performance.

Opportunities could be an advantage for the company – favourable factors or trends.

Threats are the opposite – unfavourable external factors that could be challenging (Armstrong, Kotler, and Opresnik 2017, 85).

Červený et al. (2014, 136-37) recommend preparing a SWOT analysis in a table divided into four quadrants.

Weighting and scoring can be used for an even more thorough SWOT analysis. The weight in a category must total 1, and the individual factors are assigned a weight based on importance. For scoring, a scale of 1-5 is most commonly used. The weights are then multiplied by the points to obtain a score summed over the category to give a comprehensive overview.

After the SWOT analysis is compiled, four links are then obtained:

- **Strengths-Opportunities strategy** – best for the company, as the company has strengths that allow taking advantage of the market's opportunities.
- **Strengths-Threats strategy** – the firm has strengths that it will use to reduce the risk to the firm.
- **Weaknesses-Opportunities strategy** – if the firm removes the weakness it is aware of, it can exploit more opportunities.
- **Weaknesses-Threats strategy** – if the firm reduces the weakness, it will reduce the threat and the risk of the impact of that threat (Šafrová Drážilová 2019, 85-87).

3.7 Operations

This section is where day-to-day operations planning begins for the entrepreneur. However, it is not advisable to go into too much detail for a business plan, primarily if it is being written to raise external finance. This section should include information about facilities, production, inventory control, supply and distribution, order fulfilment and customer service, global operational issues, financial control, and other operational issues (Abrams 2019, 195-96).

3.8 Management and Staffing Plan

Entrepreneurs in this section address organization, staffing, and the management team. The reason is to show that the business is in good hands and that people or investors can trust it. The management team should be described here – who the key managers are and their achievements, or what managers the company will hire during the growth phase (Colwell 2019, 234-37).

Abrams (2019, 252) highlights that *"people are the key to success for every business."*

Šafrová Drážilová (2019, 165-67) perceives the establishment of an organizational structure as the part that budding entrepreneurs often get wrong. Properly, it should be an association of downstream activities that one person can do into larger groups. This association will create jobs, with some being managed directly and some assigned to a supervisor. The author points out two extremes that are happening. Either a group of enthusiasts gets into the business, with individual activities being done by whoever has the time, or entrepreneurs create a "business as usual" structure and assign tasks to whoever is closest to the issue or is most capable.

After the entrepreneur gets an idea of how many people he or she will need, a vision of the ideal employee is created. This inventory of characteristics is called a competency model.

According to the requirements of the specific job and the job description, the values and competencies sought are determined (Šafrová Drážilová 2019, 172).

3.9 Financial Plan

The financial plan is part of the business plan in which the previous chapters are converted into numerical form. The financial part of a new business should include a start-up budget, opening balance sheet, cash flow statement, profit and loss statement, and break-even point calculation (Srpková et al. 2020, 219).

Colwell (2019, 238-39) talks about two primary purposes of the financial plan: *"to show how big the venture could be if everything goes as planned"* and *"to show that you understand what the business model is and how the business will operate."*

Abrams (2019, 322) advises getting professional help to set the right financial processes and mainly stick to them.

Start-up Budget

A list of start-up expenses should be compiled to determine the finance needed. The calculation includes

- start-up expenses for a business license, notary fees;
- capital expenditures for the purchase of machinery, equipment, real estate;
- operating expenses for inventory, payroll, insurance premiums, utilities, and advertising.

In addition, contingencies must be provided for, and a reserve must be made (Svobodová and Andera 2017, 96).

Income Statement

The income statement shows the costs, revenues, and profit or loss for a given period (Machek and Machek 2020, 69).

Cash-flow

The cash-flow statement is used to provide an overview of income and expenditure. It is ideal to have a positive result each month. If it were negative, additional cover sources would need to be secured. For new businesses, it is advisable to use the direct method of calculating cash flow (Svobodová and Andera 2017, 96):

$$CF = \text{Cash receipts} - \text{Cash expenses}$$

Balance Sheet

This document lists *"all the company's assets minus all the company's liabilities."* The difference in amount is then the net worth of the company. Then it can be distributed among owners or stay in the company as retained earnings (Abrams 2018, 316).

The balance sheet is prepared on a balance sheet basis, which means that the asset and liability sides are equal. Financial management can then use information about the specific amount and structure of assets, for example, whether fixed or current assets predominate, and information about how much debt the firm has, whether own or external sources of finance predominate (Srbová 2020, 145-48).

3.10 Risk Assessment

Constructing a risk analysis is important for two reasons: to determine the likelihood of a situation occurring and to prepare for action if the situation does occur (Srbová et al. 2020, 221).

Srbová and Andera (2017, 101) advise that risks should be sorted neatly into a table by similarity (e.g., risks associated with customers, employees, and external risks), then assign them significance and the probability with which they can occur.

3.11 The appendixes

According to Srbová et al. (2020, 222), among appendixes can be an extract from the commercial register, CVs of key managers, photographs of products, market research results, a technological scheme of production, essential contracts, or, for example, obtained certificates.

Abrams (2019, 334) adds that there should be no essential data in the Appendix because they should be used in the business plan. She even provided a guideline if an entrepreneur chooses to include an Appendix:

- The plan must stand on its own. It is no good relying on people to read the appendixes.
- No appendixes has to be used if they do not provide helpful additional information.
- Unrelated information should not appear in the appendixes; only directly related data should be there.

II. ANALYSIS

4 OUTLINE OF THE BUSINESS IDEA



Figure 3 – Logo design option 1 (own creation via Canva.com)



Figure 4 – Logo design option 2 (own creation via Canva.com)

- **Name:** Domovina
- **Legal form:** Natural person – sole proprietor
- **Location:** Kvítková 4122, 760 01, Zlín
- **Founder:** Lenka Rýznarová
- **Phone:** +420 731 325 193
- **E-mail address:** domovina@seznam.cz
- **Website:** www.domovina.cz
- **Start of operations:** 1. 1. 2024
- **Registered capital:** CZK 700,000

5 MARKET ANALYSIS

In this market analysis chapter, the author discusses PEST analysis and Porter's Analysis, including a description of direct and indirect competitors.

5.1 PEST Analysis

PEST analysis consists of four external factors that affect the company. The name is an acronym consisting of the words: Political-legal, Economic, Socio-cultural, and Technological factors.

5.1.1 Political-legal factors

Political and legal factors are mainly about the actions of the government. A natural person would establish the company Domovina, so it is essential to consider the regulations for these legal persons.

A sole proprietor must meet the general conditions to establish a retail store. The establishment process is the following: A future sole proprietor must first go to the Trade Licensing Office and fill in the Unified Registration Form. By completing this form, the entrepreneur automatically registers as self-employed with the District Social Security Administration and his health insurance company. The entrepreneur can go to any trade office regardless of his residence. He must have an identity card and CZK 1,000 to pay the fee for setting up a trade. Submitting a free trade registration by post, electronically (using a data box), or submitting an application via a public administration contact point (Czech POINT) is possible (Průvodce podnikáním, n.d.).

The minimum advance payment for 2023 for social insurance is CZK 2,944 per month, and the minimum advance payment for 2023 for health insurance is CZK 2,722 per month. The sole proprietor can also decide whether to pay sickness insurance. The minimum amount is CZK 168 monthly (Money.cz 2023).

An entrepreneur registers as an income taxpayer by filling in the Unified Registration Form. The tax rate is 15% (Money.cz 2023).

The entrepreneur can also register as a VAT payer. It is then compulsory to register if his sales in the last 12 months exceed CZK 1 million (Money.cz 2023).

Entrepreneurs have statutory obligations, and several controls from various authorities accompany this:

- Financial Administration – whether the entrepreneur is fulfilling his tax obligations.

- Czech Trade Inspectorate – checking errors in the terms and conditions of trade, incorrect descriptions of goods, and non-compliance with contracts and prices.
- Trade Licensing Office – whether the entrepreneur complies with the subject of activity within the scope of his trade license.
- State Labour Inspection Office – to determine compliance with the Labour Code and the Employment Act.
- Czech Social Security Administration – whether the entrepreneur pays social insurance payments, keeps pension insurance records, and others.
- Czech Agriculture and Food Inspection Authority – This institution primarily inspects retail stores, catering establishments, food production plants, wholesale warehouses, or customs warehouses.
- Czech Hygienic Station – checking the areas of occupational health, hygiene, epidemiology, or municipal hygiene (Průvodce podnikáním.cz 2023).

5.1.2 Economic factors

Economic factors can be divided into national level, regional level, or focus on a given city. At the level of the Czech Republic, GDP in 2022 grew by 2.4% compared to 2021, with a decline in the trade sector (-0.3%), among others (Czech Statistical Office 2021). The unemployment rate at the end of 2022 was 2.1%, compared to 2.6% in December 2021 (Ministry of Labour and Social Affairs 2023). The average inflation for the whole year 2022 was 15.1%, while the average for the whole year 2021 was 3.8%. This significant change is generally due to the disruption of supply chains during the pandemic, the ongoing war in Ukraine, and the deficit budgets of the Czech Republic's fiscal policy in recent years. From January 1, 2023, the monthly minimum wage rate was increased to CZK 17,300, which is CZK 103.80 per hour (Ministry of Labour and Social Affairs 2023). The average wage in the Czech Republic in the fourth quarter of 2022 was CZK 43,412, 7.4% higher than in 2021 (CZK 40,224). However, the price level increased by 15.1%, so the actual value of the wage decreased by 7.7%.

According to the latest data from Czech Statistical Office (2023) from March 6, 2023, the unemployment rate in the Zlín Region was 3.02, down year-on-year. The average gross wage is reported to be CZK 39,505.

5.1.3 Socio-cultural factors

At the end of 2021, 188,987 inhabitants lived in the Zlín district. About 15.3% of these inhabitants were aged 0-14, 62.9% were aged 15-64, and 21.8% were aged 65 and over (Czech Statistical Office 2023). By the end of 2021, the population of Zlín by itself was 72,973. The average age of the population in the Zlín Region in 2021 was 43.6 years.

As for the Zlín district, according to the last available data from 2020 (Czech Statistical Office 2020), there were 29,213 inhabitants aged 0-14, including 15,013 boys and 14,200 girls; 121,038 inhabitants aged 15-64, including 61,808 males and 59,230 females; and 40,709 inhabitants over 65, including 16,652 males and 24,057 females.

The 2016 study "Preferences of Customers in Choosing Food Outlets" (Švec and Martíšková) investigated the different preferences of men and women when choosing food shops. Regardless of gender, the quality of goods, the price of the goods on offer, and the freshness of the food on offer were identified as the most critical factors. Criteria such as advertising in the media, organic food offer, and store layout were less important for both genders. Finally, the author indicates that the least chosen preference was the offer of organic food. He states that this figure differs from recent works and may result from the respondents' segment (discount store customers). For the organic food offer, women's average response was "Cannot say," while men's average response was "Not important."

The survey "Food 2020" (Centrum pro výzkum veřejného mínění 2020) included questions on local food. According to the survey, only 30% of the public is interested in this topic. 62% of respondents said they would prefer local food, even at a higher price. Overall, 61% of the Czech public thinks that there needs to be more local producers and farmers in their area and perceive support for local food as insufficient.

The Association of Small and Medium-sized Enterprises and Tradesmen of the Czech Republic (2016) analysed public attitudes toward local raw materials and products. This survey confirms that people buy mostly in hypermarkets and supermarkets but also seek out small shops because of availability, specialization, and originality. Only 9% of people answered that they choose purely on price, while 69% consider price and quality necessary. Another conclusion of this analysis is that people shopping in these farm and regional shops are interested in certificates. Proving hygiene and health criteria then plays a significant role for these retailers in attracting customers. 81% of respondents think that products from these regional stores are "much/slightly better quality." The Association also lists the five most common responses for why people do not shop in these stores: 66% because they are not close to where they live or do not know about it, 30% because the products are more

expensive, 14% because they grow their produce or have their supplier, 14% believes they can buy the same quality of goods in ordinary stores, and 11% because they do not trust the quality of local products. From regional shops people most often buy food for further processing, such as flour, meat, or eggs (72%); food for consumption, such as cheese, jams, or honey (70%); fruit and vegetables (58%); handicraft products (12%); and cosmetics (7%).

5.1.4 Technological factors

For a retail store, there is no need for a significant technological background and no need to invest money in expensive machines, systems, or licenses. There will be a need for refrigerator equipment to store specific products and a need to invest in a POS system for sales and service. Electricity and water supply will also need to be provided. With the recent price increases due to the ongoing energy crisis, the energy costs will drive the higher price of the products offered. In the future, getting a Wi-Fi connection for customers in the store would be advisable.

5.1.5 Summary of the PEST Analysis

No political-legal factors are preventing the establishment of the Domovina store. However, it is important to take into account several control institutions, also because of the focus on the sale of foodstuffs, which carries certain hygiene conditions, in particular, those imposed by Regulation (EC) No. 128/2002 of the European Parliament and of the Council laying down the general principles and requirements of food law.

The biggest threat from the category of economic factors is inflation, which was 15.1% in 2022, and only 3.8% in 2021, mainly due to the ongoing war in Ukraine. It can be assumed that this inflation rate will continue to be high, and hence food prices will increase even in supermarkets, let alone for regional foods, mainly due to rising operating expenses.

Business in the Zlín Region is significantly affected by lower purchasing power. The Zlín Region is second from the bottom in terms of average wages. At the end of 2022, the average gross wage in the Zlín Region was CZK 39,505, while in the Czech Republic, it reached CZK 43,412.

On the socio-cultural factors, the advantage for the Domovina store is that in recent years people have been turning back to regional food.

For technological factors, again, none would preclude market entry.

5.2 Porter's Analysis

Magretta (2012, 47-56) explains Porter's different forces as a tool that helps to understand how different competitive powers could shape the industry.

Bargaining Power of Buyers

By bargaining power of buyers, it is understood that it is vital to know how many customers the company has or how much it would cost to find new customers. The company Domovina would have a smaller client base; although everyone has to eat, fewer people prefer regional food, which is more expensive. Then the power of buyers is higher. If the bargaining power of buyers is high, the price will be driven low. The best way how to weaken their power is to have more customers.

Bargaining Power of Suppliers

The power of suppliers is higher when there are few producers with the same or similar products. Because that gives an entrepreneur no choice but to buy the product from him, even for higher prices. In the case of the store Domovina, there are few local producers, for example, of meat or fruit and vegetable.

Threat of Substitute Products or Services

The ideal situation is that the products the store Domovina offers as the only shop. That is, however, different from the current situation. Substitutes for products are the same products from supermarkets. The core concept is selling food. The supermarkets offer food for lower prices because they are supermarket chains that are more about quantity than quality. So, the products of store Domovina could be substituted with not local but mass-produced food from supermarkets.

Threat of New Entrants

Throughout the last decades, a shift in society could be seen. People are being drawn back to their roots and finding that supporting local producers is important, and many of them want to avoid buying imported food. This fact allows new entrepreneurs to start moving in this direction. There are few shops now, but this number will multiply. There are no significant legal barriers to entry for new competitors or technical barriers such as acquiring know-how or patents. However, it is necessary to consider the increased regulation, as this is a food shop regulated by the hygiene rules of the abovementioned Regulation (EC) No.

128/2002 of the European Parliament and of the Council laying down the general principles and requirements of food law.

Rivalry Among Existing Competitors

Suppose there are many competitors with similar or the same products, and the power of one's company is lower, which is not ideal. Customers can search for competitors to see if they offer products at lower prices, or with better quality, in a better environment. On the other hand, suppliers may turn to competitors as they offer them more money to deliver their products. The company can charge higher prices or set better deals if there are few competitors.

Direct Competitors

It would be most appropriate if competition is divided into direct and indirect. The direct competition for the Domovina store is stores selling local food in Zlín; five brick-and-mortar stores operate here.

Z Dědiny

Store "Z Dědiny" is a shop offering an assortment of regional farm food from the Zlín region and the Czech and Slovak Republic. The company has two branches in the city of Zlín. One is located in the building of the former marketplace on náměstí Práce, which is a great location, as it is adjacent to one of the most used public transport stops, and many people pass by. The second branch is in the Louky district.

The branch on náměstí Práce is open Monday to Thursday from 8:00 to 17:30. On Fridays, it is open from 8:30 to 17:30 and on Saturdays from 9:00 to 12:00. The shop in Louky has postponed opening hours: Monday to Thursday from 9:00 to 18:00, Friday from 9:00 to 19:00, and Saturday from 8:30 to 13:00.

Their range includes baked goods, meat, fish and cold cuts, dairy products, vegetables and fruit, beverages, and other more durable foods.

It also offers next-day delivery if the customer orders the goods the day before via e-mail or a form on the website.

Other services they offer include preparing gift packages on request, dropping off goods by prior telephone arrangement, and selling gift vouchers worth CZK 200, CZK 300, and CZK 500. Regarding payment methods, they accept cash, credit cards, and vouchers (Gastro Pass, Ticket Restaurant, and Chèque Déjeuner).

The most significant advantage of the Z Dědiny stores is certainly their location. The shop on náměstí Práce is near the public transport stop. The shop in Louky is located in the building together with the Terno supermarket, which is also an advantage that more people will notice the shop. The outdated interior of the stores can be perceived as a disadvantage. At the same time, this company has been on the market since 2013.



Figure 5 – Interior of Z Dědiny store (accessed from www.zdediny.cz)

Sklizeno

Sklizeno is a network of stores offering food from small and medium-sized growers and producers in the region. They then publish on their website "Our Quality Code," in which they guarantee that the food is:

- Free from genetic modification,
- Free of solid fats and trans fats,
- Free of chemical flavourings, colours, and sweeteners,
- Free of harmful and unnecessary ethers,
- No hormones or antibiotics in meat.

The Zlín store offers a wide range of food in every possible category: bakery, confectionery, milk, eggs, meat, cold cuts, fruits, vegetables, fast food, healthy snacks, health and diet, non-perishable food, the world of beverages, and home and hygiene.

The great advantage of this store is its location in the Zlaté Jablko shopping centre on náměstí Míru. Since the shop is part of a department store, its opening hours are very friendly for all customers. They are open weekdays from 7:30 to 21:00 and on weekends from 9:00 to 21:00.

Their e-shop is also a great advantage, where people order products that can be picked up in-store or delivered to their home or the customer's car. The condition is a minimum purchase value of CZK 150.

Sklizeno also offers gift vouchers, corporate gift packages, and catering. They also have a recipe section on their website with links through which a person can order the ingredients for a given recipe directly. They also offer that if people enter their first name, last name, and e-mail, they will inform them of upcoming tastings and special events.

They also offer a loyalty program for their customers. For every CZK 10 purchase, a member gets one point, and once they reach 300 points (buying a total of CZK 3,000), they get a CZK 60 credit redeemed for in-store purchases. Those who shop frequently have a premium Gold card with additional benefits. At the same time, this account will also be linked to the e-shop, and the member will have an overview of their purchases. Sklizeno will also send a summary of news and tips for the next month and a summary of bonus products.

Bistrotéka Valachy – Obchod s pekárnou

The third competitor is then a shop with a bakery under a larger unit called Bistrotéka Valachy. This shop, directly connected to the popular bistro, is open weekdays from 7:00 to 19:00 and on weekends from 8:00 to 19:00. The shop is located on the second floor of Obchodní dům Zlín.

This store states on its website that it offers over 1,200 different products, not only from local producers but from all over the Czech Republic and various other countries. Their product range includes cold cuts and fresh, chilled meats, Dutch sliced cheeses, over 900 bottles of fine Moravian wines, baked goods from their bakery, fruits and vegetables, fresh dairy products, or dried fruits and nuts. Catered canapés and sandwiches are also available on request.

A great advantage is that the shop is adjacent to the bistro of the same name, which offers from breakfast to dinner. For example, one can taste their baked bread in the bistro and then stop by the shop when leaving to buy the bread.

Indirect Competitors

Indirect competitors include all grocery stores in Zlín. In the centre of Zlín are six branches of various food chains (Billa, Penny, Albert, Kaufland). In the city districts, there are other branches. These chains offer substitutes for local produce in the form of mass-produced or imported food.

Other indirect competitors are bakeries and butchers of all kinds.

Last is the town market, where individual stallholders sell fresh produce. These are mainly fruit and vegetables in the April-September period.

6 LEAN CANVAS

Completing the Lean Canvas tool makes sense as it is about refining the ideas of what value the business creates for the customer and how it raises money for its operations. This way of clarifying the ideas in the Lean Canvas and then elaborating on them is presented, for example, by Svobodová and Andera (2017, 61-68).










Lean Canvas				
Designed for: Domovina store		Designed by: Lenka Rýznarová		Date: 30.03.2023
Version: 01				
Problem  <p>Food full of chemicals and preservatives</p> <p>Imported produce more accesible</p> <p>Local food more expensive and not achievable for everyone</p> <p>Availability of similar stores</p>	Solution  <p>Organic produce</p> <p>Bringing local products to a single store</p>	Unique Value Proposition  <p>Regional food of all kinds with the delivery to Zlín city districts</p>	Unfair Advantage  <p>Unique combination of passionate employees with the necessary knowledge and enthusiasm to work in a store with regional products</p>	Customer Segments  <p>People with a healthy lifestyle</p> <p>People interested in ecology</p> <p>Parents who want chemical-free food for their children</p>
		Key Metrics  <p>Revenues</p> <p>Number of followers on social media</p>	Channels  <p>Website</p> <p>Social media</p> <p>Emailing</p>	
Cost Structure  <p>Fixed costs: rent, energy, payment terminal fee, OSA, mobile phone tariff, promotion, labour costs, insurance, internet connection</p> <p>Variable costs: inventory, detergents and office supplies</p>			Revenue Stream  <p>Direct sales</p>	

Figure 6 – Lean Canvas (own creation through Canva.com)

Some of the data in the figure will be dealt with later in the thesis; for example, Chapter 7.5, Marketing Strategy, contains the elaborated customer segment and promotion methods.

7 BUSINESS PLAN

This chapter will draw up a business plan for the Domovina store. The market and industry analysis sections will be omitted, as these were developed in the previous chapter. Also, the risk assessment chapter will not be included, as it will be dealt with in the following chapter. The business plan compiled in this chapter should be a refinement of Chapter 5 after considering the market analysis findings. It should also extend the compilation of Chapter 6, in which the Lean Canvas was filled and can be used as a basis for an extended business plan (Svobodová and Andera 2017, 61-68).

7.1 Executive Summary

The regional food store called Domovina will be established by a sole proprietor Lenka Rýznarová. The central concept of the shop will be to bring people closer to regional food instead of mass-grown and cultivated food. According to recent research (The Association of Small and Medium-sized Enterprises and Tradesmen of the Czech Republic 2016), 81% of people think that regional food is of better quality, and for 66% of people, the main reason why they do not buy these foods is the fact that there is no similar shop anywhere nearby or at least they do not know about it. It is these two reasons that the shop will try to address. The fact that there is no shop nearby will be solved by an import service offered in the afternoon for the nearby area of the shop. The fact that they do not know of a similar shop will be addressed by the marketing strategy described below in Chapter 7.5.

People can buy fruit and vegetables, meat, pastries, pasta, herbs, dairy products, beverages, and handicraft products from producers' hands with the BESKYDY Original Product® brand. Customers will also be able to order gift baskets tailored to their wishes and needs, and there will be gift vouchers that sound like unique gifts for loved ones. When all of this is combined with the pleasant, almost homely, atmosphere of the store and the friendly staff, it should work.

To support the whole existence of the business, the author has put together a marketing plan that includes offline and online forms of marketing. The most active then will be social media and the website, including a blog.

The author has invested CZK 300,000 and a car worth CZK 100,000 in the business. In addition, money from family and friends who helped the author was used – a total of CZK 300,000. All initial expenses were paid from this initial investment, and a reserve of CZK 140,228 was left, which will be used in case of a loss in the first year of business. According

to the estimated revenues, there should be no loss in the first year according to a realistic scenario.

7.2 Description of the company

The concept of the store Domovina is to sell regional food from local producers, mainly from the Zlín region. In recent years, society has changed (viz PEST analysis) to return to its roots in supporting local producers instead of mass-produced food, mostly imported from abroad. People perceive that farmers are not sufficiently supported and are disappearing en masse because they cannot withstand competition from supermarkets where food is sold at lower prices. At the same time, ecology is resonating through society, with saving the planet becoming more and more of a driving force. Among the essential things humans can do for the planet is to be interested in and support local producers. After the great boom in globalization, where it is possible to transport food halfway around the world in a matter of days, this transport generates emissions from fuel consumption.

Košturiak (2015, 154) talks about a concept called "relocalization," which represents "*communication and exchange of information in a global network, local production, and service provision.*" This concept further enhances regional autonomy by precisely eliminating intermediate links and intermediaries.

Opening hours

It would be open Monday through Saturday, with Saturday hours reduced to morning hours only, a take back to its roots when stores were not open from morning to night seven days a week.

Table 2 – Opening hours (own creation)

Day of the week	Opening hours
Monday	8:00 – 18:00
Tuesday	8:00 – 18:00
Wednesday	8:00 – 18:00
Thursday	8:00 – 18:00
Friday	8:00 – 18:00
Saturday	8:00 – 12:00
Sunday	Closed

7.3 Product or Service Description

The range of products offered would include:

- **Fruit and vegetables.** In the case of fruit and vegetables, it must be considered that the supply will be considerably reduced during the winter months due to the climate affecting Czech agriculture. During winter, the supply would be reduced to selling apples, potatoes, onions, root vegetables, or garlic. These foods are stored at lower temperatures and, therefore, available during winter. The offer would be extended in the summer months to other types of fruit and vegetables grown in the Zlín region. For species not available in the region, imports from the rest of the Czech Republic would be used, and this fact would be indicated for the species concerned. If customers were interested, fresh herbs could also be included in the range.
- **Pastry.** The range of products would ideally include several types of bread, rolls, buns, sweet pastries, and gluten-free pastries.
- **Meat.** Quality meat from farms with animal-friendly living conditions is the key to the Domovina store. The meat on offer would be chicken, turkey, beef, pork, or fish on request.
- **Dairy products.** The range of dairy products would be divided into cow's milk and goat's milk products. These include fresh milk, cheese, curd, yogurt, and other products individual farmers offer.
- **Dried fruits and nuts.** Here are two options. Either dried fruit or nuts will be sold in pre-packages. The other option is that there will be large containers where the fruit or nuts will be piled up, and people will pick them themselves. The bags, thus scooped, will then be counted by grams according to type.
- **Tea and coffee.** There are several roasters in Zlín from which one could choose coffee for the shop. It could be a pack of both coffee beans and a pack of ground coffee. A few basic types would be selected. If there was interest in the coffees, one more exotic flavour could be selected each month, which would be on sale that month and unavailable for sale the next month.

The range of teas on offer would depend on the particular supplier. Ideally, herbal teas would always come with a description of what the blend contains and with what the tea helps. The more comprehensive part of the tea offered would ideally be fruit teas and their various blends, again according to the suppliers' offer.
- **Drinks.** Beer lovers could also be offered beers from local breweries. If the agreement is successfully concluded, the beers of the Zlínský Švec brand from the Malenovice Brewery will be included.

A few essential quality Moravian wines and sparkling champagne could be imported from the vineyards for wine lovers.

Syrups would be included in the offer, which is also suitable as a gift for loved ones. Nowadays, syrups are fruity and herbal, including unfamiliar flavours such as spruce, birch, and others. If a suitable supplier could be found, fruit lemonades could also be included in the range.

- **Durable food.** Most of the product range would consist of non-perishable foods, including pasta, fruit compotes, preserved vegetables, meat mixes and pates, or spices. The advantage of these products is that they can be kept in the store for a more extended time without spoiling.
- **Products from the Zlín region.** The regional products section could separate the Domovina store from competitors offering only food. Within the Czech Republic, a label called "Regional Product" is awarded to products typical of the region. Some of these products could be included in the store's product range. These would be products that people are unlikely to buy repeatedly, but only on a one-off basis, but they could nevertheless be a product enhancement.

Services

The shop could also offer gift vouchers of a selected value, which would be an ideal gift package made up of the store's products that could be prepared. Again, an order would be required.

Another service that the store would offer would be the delivery of food to the urban areas of Zlín. An e-shop would also be set up on the website, where customers could order goods online and choose the option of home delivery or personal pick-up at the store. This service would significantly differentiate the shop from its competitors, as only the franchise shop Sklizeno offers this service among all shops in Zlín. This service would entail the cost of the transport vehicle, its insurance, fuel, and road taxes.

7.4 Personnel plan

The author of the business plan will be the primary employee of the Domovina store since the company will be set up as a sole proprietorship. In addition, two temporary employees would be hired to staff the store during afternoons and Saturdays. The shifts would be divided as follows:

Table 3 – Week shift schedule for even and odd weeks (own creation)

Type of week	Day	Author	Temporary employee No. 1	Temporary employee No. 2
Even week	Monday	7:30-15:00	15:00-18:30	-
	Tuesday	7:30-15:00	-	15:00-18:30
	Wednesday	7:30-15:00	15:00-18:30	-
	Thursday	7:30-15:00	-	15:00-18:30
	Friday	7:30-15:00	15:00-18:30	-
	Saturday	-	-	7:30-12:30
Odd week	Monday	7:30-15:00	-	15:00-18:30
	Tuesday	7:30-15:00	15:00-18:30	-
	Wednesday	7:30-15:00	-	15:00-18:30
	Thursday	7:30-15:00	15:00-18:30	-
	Friday	7:30-15:00	-	15:00-18:30
	Saturday	-	7:30-12:30	-

The author would work the morning shift from 7:30 to 15:00. The shop would open at 8:00, giving 30 minutes to check the shop. That would involve checking the store, restocking the merchandise, and checking the cash register. Deliveries of goods would also be expected in the morning, as their receipt and stocking. Once open, the job would involve selling food and assisting with selections if needed. The work also includes checking the expiry date of the food and the best-before date. The author's work would also include ordering goods and other necessary administration. In the beginning, when there are fewer customers, there is also expected to be room for social media management as part of marketing or writing blog posts. After taking turns with one of the temporary workers, the owner will have the space to deliver any orders from the e-shop. If this service catches on, another worker will be hired. Two temporary workers would be hired for the rest of the working hours – afternoons from 15:00 to 18:30 and Saturdays from 7:30 to 12:30. A minimum age of 18 would be required as it would be a condition of signing a Material responsibility agreement to work with the money. They would work for 22.ř hours per week, so hiring one part-time worker would be an option. It would all depend on the current labour market situation and the applicants. The remuneration would be set for temporary workers at CZK 130 per hour. The offer would be placed on the web portals with temporary jobs, and a flyer would be posted in the shop window. The author would request a CV from the applications and then invite those who meet the requirements for a short interview. As this would be work that would exceed the limit of 300 hours worked in a year, Agreement on work activity would be concluded with

the temporary workers. Income tax at 15% is payable on this Agreement regardless of whether the employee has signed a Personal Income Tax Return for the tax year. No social security or health insurance would be paid if the employee earned up to CZK 3,999 monthly. Assuming the shifts are split precisely between the two temporary workers, each works 45 hours monthly. The remuneration would be CZK 5,850, so the insurance would be deducted. The job would be selling food, possibly helping customers with selection. Also, general cleaning of the shop and replenishing goods if needed. The store would close at 18:00, and the temporary worker would be responsible for cleaning and mopping the store. On Saturdays, they would come in 30 minutes early to open the store, again casually cleaning and preparing the store.

Labour Expenses

The labour expenses were calculated for the owner of the shop. Also, two temporary workers working on Agreement on Work Activity and with earnings above CZK 3,999 will also be paid health and social insurance.

Table 4 – Labour Expenses in CZK (own creation)

Type of worker	Gross Monthly Wage	Health insurance	Social insurance	Total expenses per month	Total expenses per year
Owner	32,000	2,722	2,944	37,666	451,992
Temporary worker 1	5,850	527	1,451	7,828	93,936
Temporary worker 2	5,850	527	1,451	7,828	93,936
Total expenses				53,322 CZK	639,864 CZK

7.5 Marketing Strategy

The marketing plan for the Domovina store consists of a further description of customer segments, a marketing mix, and a SWOT analysis.

7.5.1 Customer segments

Even though the grocery store is vital to everyone, since, with a slight exaggeration, everyone needs to eat, and it is not appropriate to say that the grocery store will target everyone. It is best to single out 2-3 solid segments for which the marketing mix can vary. For the Domovina grocery store, the author has identified three segments to be targeted. The first two segments are slightly intertwined. The first segment consists of people with a

healthy lifestyle. This segment refers to people who seek quality food without chemicals. They are actively interested in the composition of food and its origin.

The second segment is people interested in ecology. One of the basic tips on how one can be more eco-friendly is to buy local produce. GreenMatch (2023) reports that, on average, food travels 1,500 miles before it reaches the final consumer, causing significant pollution to the planet due to emissions from transportation or refrigeration. At the same time, local products have higher nutritional values as they are stored for a shorter time.

The last segment will be parents who buy chemical-free food for their children. Here it is important to separate the buyer, which in this case is the parent, and the end consumer, which is the child. Therefore, it is necessary to target parents, not children, because they do not buy food.

7.5.2 Marketing mix

For the Domovina store traditional 4P marketing mix will be used. The 4P marketing mix is used from the perspective of the seller. In this case, the 4C marketing mix could also be used, which on the other hand, is from the customer's perspective. The author elaborated a short 4C marketing mix towards the end of each category.

Product

A detailed product description can be found in Chapter 7.3; however, this chapter will only list the products and describe the other associated elements.

As mentioned, the Domovina store will sell food. The vast majority will be non-perishable foods, which sections of baked goods, meat, dairy products, fruits and vegetables, or a drinks section will complement. There will also be handicrafts from the region for sale to spice things up.

Products will be in the original packaging of each vendor. Plastic or reusable mesh bags will be available for the purchase of fruit and vegetables at a premium price, depending on the supplier. Free paper bags will be available for baked goods; reusable cotton pastry bags will also be offered. In addition, paper bags with the store logo will be available for all purchases. From the 4C marketing mix perspective, the concept of "Customer Value," which represents the value a customer receives after purchase, is used here. This value is different from the price at which the customer buys the product and is subjective. Here, one can work with customer segments. For people with healthy lifestyles, local food will have the value of not affecting their bodies with chemicals in the long run. For the eco-conscious segment of people, the value of these foods will be that they will help the planet through their purchase

and prevent at least a little bit of pollution due to food transport, which they consider important. For parents buying food for their children, the value is embedded in the fact that they will feel that they have done the best for their child and not given them food containing chemicals that are not good for people.

Price

Pricing options include competitor-based, customer-based, or cost-based pricing. It has not been possible to ascertain retailer prices from individual suppliers, so the prices below listed are indicative only and set mainly by competition. The author visited all the direct competitors mentioned and recorded the prices. If the store were to open, prices would then be obtained from individual suppliers, and the price would be determined using the cost-based method.

Table 5 – Prices of products (own creation)

Category	Product	Price (in CZK)	Volume
Dairy products	Cow milk	38	1 l
	Goat milk	42	450 g
	Yoghurt	17	130 g
	Eggs	89	10 pcs
	Cheese	35	100 g
	Butter	399	1 kg
Pastry	Bread	59	500 g
	Roll	4.50	1 pc
Fruit and vegetables	Apples	59	1 kg
	Potatoes	22	1 kg
	Onion	29	1 kg
	Garlic	199	1 kg
	Tomatoes	269	1 kg
Meat	Chicken breasts	299	1 kg
	Pork chop	179	1 kg
	Beef shoulder	399	1 kg
	Turkey meat	370	1 kg
Drinks	Beer	65-99	1 l
	Wine	149-349	0,7 l
	Syrup	129	500 ml
	Tea	149	40 g
	Coffee	299	250 g
Durable food	Pasta	54	400 g
	Spices	39	30 g

In the 4C marketing mix, this price category is linked to the Cost category, representing the customer's costs associated with the purchase. Another cost besides the selling price may be the cost of transport to the store. Alternatively, the cost of importation if the customer would order food to be delivered to their home.

Place



Figure 7 – Location (accessed from Google Maps)

The shop would be located in Zlín. Specifically, the location would be Kvítková 4122, Zlín. This street is perpendicular to one of the main streets in the city, Dlouhá. Approximately 100 meters from the shop are the entrance and exit of a parking house that belongs to the Zlaté Jablko shopping centre. That is the only parking house on the main street. Thus, not only countless cars pass here, and they may notice the shop. At the same time, it is a great location as people will have parking nearby, so the store does not have to deal with parking. One of the main public transport stops, Dlouhá, is also nearby, so pedestrian customers will not be far away. There are many companies and offices in the area whose employees can shop in the store or at least subconsciously remember it on their way to and from work. The rent per month is CZK 18,125. It is a ground-floor shop with a glass window and a modern look. The real estate agency indicates that it is an area of 87.31 m². However, since the beginning of writing the thesis, the situation has changed considerably because the site is already leased. For this location, the author prepared a drawing of the layout of products in the store.

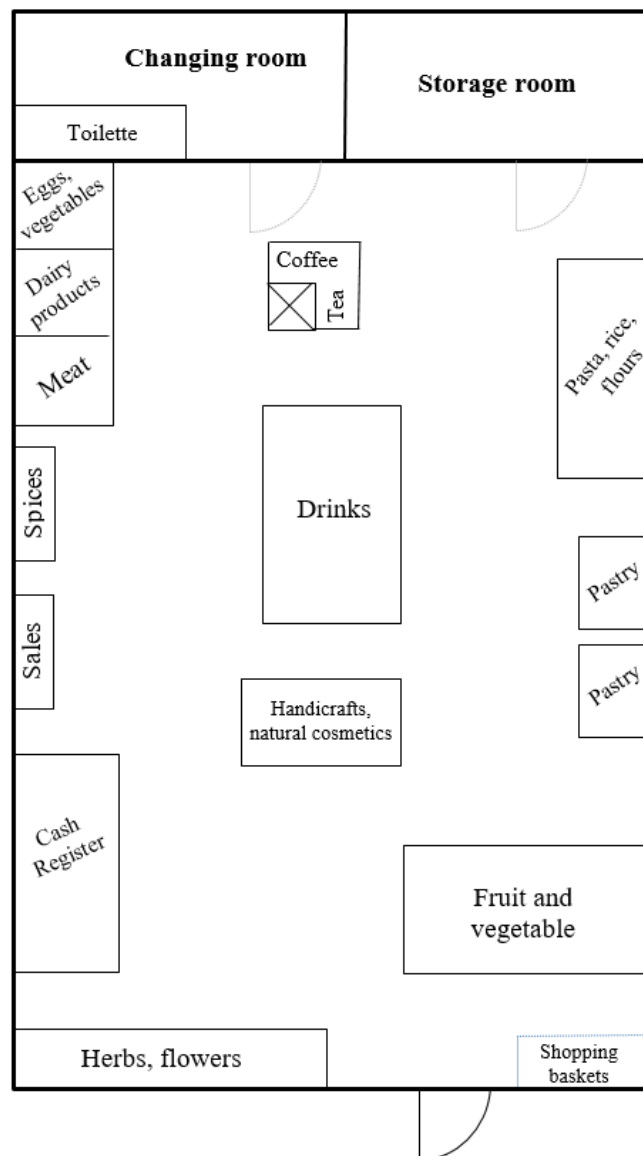


Figure 8 – Drawing of the store layout (own creation)

From the customer's perspective, the Convenience category is in the 4C marketing mix. It is about convenience for the customer, how easy it is to buy the product, or whether there are any barriers. The Domovina store is easily accessible as it is located in the city centre near the car park. The customer should feel comfortable in the store, due to its layout or pleasant music.

Another advantage of the location is that a kindergarten is 100 metres from the store, and the primary school is 270 metres away. For the segments of parents, this is, therefore, a great location where offline marketing can be used to get parents to notice the store on their way to kindergarten and school.

Promotion

Store promotion is a crucial element in attracting customers. The author decided that the promotion would start a month before the store opens for a simple reason: to get into the customers' subconscious. Both offline and online forms will be used.

- **Website.** The shop will have its website. The website will be divided into sections. The first section will be "About us," briefly describing the Domovina store and its vision and goals. Next, there will be a "Products" section which will list the products and their manufacturers. There will also be an essential "Contacts" section which will contain the address of the shop, the owner's name, email address, or phone number of the shop.

One of the sections of the website would be a blog. The author would post topics related to the store's vision here. There would be articles about the importance of supporting local suppliers and articles about individual store suppliers. The most extensive section of the blog would be posting about food, so recipes compiled from the store's products, as well as articles about various seasonal topics such as herbal season, preserving, grilling, or spring cleansing. There could also be posts about healthy lifestyles related to food.

The author would have a bespoke website built, which would also include an e-shop through which people could order food in advance and choose whether they wanted it delivered to their home or picked up in person at the store. The price would depend on an individual agreement; however, the author expects the initial cost of the website and e-shop to be CZK 30,000.

- **Posters in public transport.** Another promotion form will be displaying posters in public transport vehicles in Zlín. The author would like to use the type "Rear of vehicles – glass coating" a month before the shop's opening. The monthly price of one vehicle is CZK 1,700, and the installation fee is CZK 800. The author would order the advertisement twice. Thus, the price, including VAT, would be CZK 6,050. In addition, ten pieces of advertising would be ordered one week before the opening for the "Horizon System," which means an A2 poster behind the driver inside the vehicles. The price is CZK 1,200 plus CZK 200 for installation, and the total with VAT is CZK 1,694.
- **Social media.** The author would set up a profile for the shop on social media, specifically Facebook and Instagram. Setting up profiles is free. Additionally, one month before the store opening would be paid to promote the post. The profile needs

to be a Company profile. Then it is necessary to choose a budget for the day and duration. The minimum daily budget is CZK 30, and the maximum is CZK 10,000. Thus, a post promotion with a budget of 60 CZK per day would be chosen one month before the opening. At 30 CZK, the estimated reach is 180-490 users. The Instagram promotion would then be used occasionally, for example, once a month for an interesting recipe post or in-store sale. This promotion would then have a duration of 5 days, again with a budget of CZK 60 per day. With long durations, people may be shown the post repeatedly, which may have the opposite effect of putting people off. CZK 3,600 will be used for the social media campaign before the store opens, half of which will be used for Instagram and the other half for Facebook. In the following months, the amount will be CZK 600 if there is one sponsored post monthly.

- **Board display in front of the shop.** There would also be a board in front of the store with the store's logo on which would be written bargains, promotions, or just a reminder that it is regional food. An "A" board would be chosen for chalk or chalk markers, the cost being CZK 1,600, and then only buying chalk occasionally.
- **Benefit cards.** A bonus program would be available for customers. It would be a form of collecting stamps and subsequent discounts. For every CZK 200, a customer buys, they would get one stamp. After collecting eight stamps, they would receive a CZK 100 discount on their next purchase. When setting up the card, the customer's email could be requested, which could later be used for e-mailing. Customers could be emailed exciting promotions, offers, or invitations to the shop's blog.

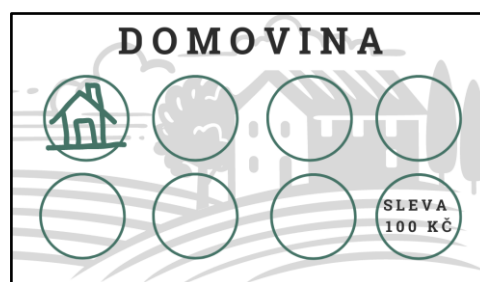


Figure 9 – Front side design of the loyalty card (own creation via Canva.com)



Figure 10 – Back side design of the loyalty card (own creation via Canva.com)

The 4Cs of the marketing mix refer to the "Communication" section. It differs from mere promotion in that promotion aims to sell the product, whereas the communication concept requires interaction between the seller and the buyer. This can be fulfilled by social media, which will be part of the marketing plan of the Domovina store. Again, it is possible to focus on the given customer segments and create, for example, posts tailored to them.

If all the forms of promotion that the author wants to use at the beginning are added up, the total expenses are CZK 44,504.

Table 6 – Initial expenses on promotion (own creation)

Expenses on promotion	CZK
Website & e-shop	30,000
Posters in public transport	7,704
Rear of vehicles – glass coating (used for 1 month before opening)	6,050
Horizon system (used for 1 week before opening)	1,654
Social media	3,600
Board display & chalk markers	2,000
Benefit cards (print & postage)	300
Stamps (3 pcs) & postage	900
Total	44,504

7.5.3 SWOT analysis

For the SWOT analysis of the Domovina store, the author decided to use a SWOT analysis extended with scores and weighting. Since SWOT analysis can be tempting to subjectivity, the author decided to set up an evaluation team, consisting of the author, the thesis supervisor, and a health food store employee, in which risks were identified and evaluated.

Table 7 – SWOT analysis (own creation)

Category	Factor	Score	Weight	Score * Weight	Total weight
Strengths	Prices similar to supermarkets	4	0.2	0.8	4.35
	Location	4	0.25	1.0	
	Attentive staff, personal approach to customers	3	0.1	0.3	
	Fresh quality products	5	0.2	1.0	
	Delivery to home	5	0.25	1.25	

Weaknesses	Business inexperience	5	0.3	1.5	4.0
	Customers do not know the shop and may not trust it	4	0.1	0.4	
	Established competitors	3	0.2	0.6	
	Low expiration date	3	0.1	0.3	
	Limited delivery area and time	4	0.3	1.2	
Opportunities	Rising interest in local products	5	0.3	1.5	4.1
	Expansion of product selection	4	0.2	0.8	
	Possibility of building a gift basket	3	0.2	0.6	
	Expanding the delivery area	4	0.3	1.2	
Threats	Entry of new competitors	3	0.1	0.3	3.4
	Rising inflation	4	0.4	1.6	
	Lower wages than average	3	0.2	0.6	
	Loss of reputation due to poor quality product	3	0.2	0.6	
	Tightening of legislation	3	0.1	0.3	

When compiling the SWOT analysis, scores were assigned from 1 to 5, which could be repeated within a given category. A score of 5 is the highest in a given category (such as most vital strengths or greatest opportunities), and a score of 1 is the lowest. For the weights column, a weight is assigned according to importance, with the sum for the category equalling 1. Some of the factors listed were inspired by the SWOT analysis in the book *Od nápadu k podnikatelskému plánu* (Svobodová and Andera 2017, 212-213) where the author describes a company that manufactures baby food. Thus, in the Strengths category, the most important thing is the delivery to home and then fresh quality products and location near the city centre. The Weaknesses category shows that the biggest weakness is the fact that the author has no business experience. The highest number in this category shows what the author should focus on. The author can refer to several trainings related to starting a business to alleviate this weakness. The most significant opportunity is people's growing interest in local food, which should be exploited using the strengths. The biggest threat to the store is then the rising prices caused by the current economic situation, a threat that the author cannot

eliminate. However, it is necessary to be prepared for this situation. The determination of the strategy follows the SWOT analysis. An aggressive growth strategy is applied if external and internal influences are positive.

7.6 Financial Plan

Initial expenses will be the first to be established and will be further used in the starting balance sheet. Next, the calculations of labour expenses and fixed and variable expenses will be presented. After that, the estimated sales will be presented in three versions: pessimistic, realistic, and optimistic. The realistic scenario will be further budgeted in the first three years. Finally, the return on investment will be calculated using the ROI indicator.

7.6.1 Initial expenses

Table 8 – Initial Expenses (own creation)

Initial expenses	CZK
Trade Licence	1,000
Promotion	44,504
Equipment	459,772
Wooden shop equipment	117,118
Central pyramid counter (fruit, vegetables)	23,950
Pastry stand (2 pieces)	14,460
Terrace counter (herbs, flowers)	11,918
Wooden stand for goods MEDIUM (coffee, tea – 2 pieces)	4,840
Wooden wall shelf (pasta, rice, flour)	12,536
Action display	2,874
Central counter for goods (drinks)	15,714
Wooden counter with a wooden top (handicrafts)	14,338
Wooden stand for goods BIG	2,150
Wooden counter with a wooden top (cash register)	14,338
Refrigerators with double glass doors (3 pieces) + Refrigerator for the storage room (1 piece)	80,111
Cash register	10,745
Loudspeaker	4,850
Mobile phone	4,790
Changing room equipment (3 lockers + bench)	8,146
Stand for shopping baskets + 5 baskets	3,695

Shelving racks for the storage room (3 pieces)	5,997
Staff aprons	1,320
Inventory	200,000
Detergents	3,000
Decoration	10,000
Fruit and vegetable scale	10,000
Total initial expenses	505,276

7.6.2 Starting Balance Sheet and Profit Calculation

A balance sheet summarizes assets and financing coverage of assets at a specific date in monetary units. Within assets, assets are divided into non-current and current assets. In the case of the Domovina store, the wood shop equipment and refrigerators will be purchased initially. Both of these items together with the invested car meet the conditions for classification as fixed assets - a useful life of more than one year, the asset is worn out rather than consumed, and its cost is more than CZK 80,000. Current assets are broken into inventories, including purchased goods, other small tangible assets that do not meet the conditions for classification as fixed assets, and cleaning products and office supplies. There is also cash in the bank account and cash.

On the other side of the balance sheet are liabilities. The author's share amounted to CZK 300,000, and family and friends supported the rest. The author also invested a car worth CZK 100,000 in the business. No additional loan was needed, and there is also CZK 140,228 as a reserve for the first month's expenses.

Table 9 – Starting Balance Sheet (own creation)

Assets		Liabilities	
Long-term assets	297,229 CZK	Equity capital	700,000 CZK
Wooden equipment	117,118 CZK	Registered Capital	700,000 CZK
Refrigerators	80,111 CZK		
Car	100,000 CZK		
Current assets	402,771 CZK	Current liabilities	0 CZK
Stock	262,543 CZK		
Small tangible assets	59,543 CZK		
Inventory	200,000 CZK		
Detergents, office equipment	3,000 CZK		
Bank account	100,228 CZK		
Cash	40,000 CZK		
Total assets	700,000 CZK	Total liabilities	700,000 CZK

7.6.3 Labour Expenses

The labour expenses were calculated for the owner of the shop, and also for two temporary workers who will work on Agreement on Work Activity; therefore, with earnings above CZK 3,999 they will also be paid health and social insurance. The labour expenses have already been presented in Table 4, so here, the author presents only the monthly and annual sum of labour expenses.

Table 10 – Total monthly and annual labour expenses (own creation)

Total monthly labour expenses	53,322 CZK
Total annual labour expenses	639,864 CZK

7.6.4 Fixed expenses

The fixed expenses table contains expenses that do not vary with the production volume and must be paid even if sales are zero. This includes but is not limited to rent, energy consumption, telephone tariff, in-store music tariff (OSA), advertising expenses, web fees, labour expenses, and depreciation. The wooden shop equipment, the refrigerators, and the invested car are part of fixed assets and are therefore depreciated. This depreciation is a cost to the company and is tax deductible, thus reducing the tax base for income tax purposes.

Table 11 – Fixed Expenses (own creation)

Type of Expenses	Monthly in CZK	Annually in CZK
Rent	18,125	217,500
Energy consumption + Water supply	15,000	180,000
Depreciation	-	32,696 (1 st year) / 66,134 (other years)
Payment terminal fee	580	6,960
Copyright Union for Rights in Musical Works (in Czech "OSA")	125	1,500
Mobile phone tariff	510	6,120
Promotion	600	7,200
Wages including health and social insurance	53,322	639,864
Website fee	500	6,000
Insurance of the shop	8,000	96,000
Internet connection	499	5,988
Total fixed expenses	97,261	1,199,828 (1st year) / 1,233,266 (other years)

Depreciation – Wooden shop equipment

- Purchase price: CZK 117,118
- Depreciation group: 2 (5 years)
- Straight-line depreciation

Table 12 – Depreciation of wooden shop equipment (own creation)

Period	Depreciation	Corrections	Amortised cost
2024	12,883	12,883	104,235
2025	26,059	38,942	78,176
2026	26,059	65,001	52,117
2027	26,059	91,060	26,058
2028	26,058	117,118	0

Depreciation – Refrigerators

- Purchase price: CZK 80,111
- Depreciation group: 2 (5 years)
- Straight-line depreciation

Table 13 – Depreciation of refrigerators (own creation)

Period	Depreciation	Corrections	Amortised cost
2024	8,813	8,813	71,298
2025	17,825	26,638	53,473
2026	17,825	44,463	35,648
2027	17,825	62,288	17,823
2028	17,823	80,111	0

Depreciation – Car

- Purchase price: CZK 100,000
- Depreciation group: 2 (5 years)
- Straight-line depreciation

Table 14 – Depreciation of refrigerators (own creation)

Period	Depreciation	Corrections	Amortised cost
2024	11,000	11,000	89,000
2025	22,250	33,250	66,750
2026	22,250	55,500	44,500
2027	22,250	77,750	22,250
2028	22,250	100,000	0

7.6.5 Estimated Revenues

In determining sales, the author based on observation of the purchasing process in competing stores. Since it was not possible to obtain prices from suppliers for single products, the author calculated that she would add a margin of 35% to the products, and this 35% margin is calculated from the selling price. Thus, the variable cost calculation represented 65% of sales.

Variable Expenses

Within variable expenses, the Domovina store will be dominated by inventory, which will vary according to sales. For this reason, three scenarios are again presented here. At the same time, cleaning and office supplies are shown here, and the cost of these items will again vary according to the number of goods sold. Variable expenses are shown monthly and annually, as these amounts will be blended into the following chapter about Estimated Revenues.

Table 15 – Variable Expenses (own creation)

Type of Expenses	Pessimistic version		Realistic version		Optimistic version	
	Monthly	Annually	Monthly	Annually	Monthly	Annually
Inventory (in CZK)	126,360	1,516,320	252,720	3,032,640	421,200	5,054,400
Detergents, office equipment (in CZK)	1,000	12,000	1,000	12,000	1,000	12,000
Total (in CZK)	127,360	1,528,320	253,720	3,044,640	422,200	5,066,400

The author constructed three scenarios for three different sales developments: pessimistic, realistic, and optimistic. The shop would be open 10 hours daily, Monday to Friday, and 4 hours on Saturday. Thus, in a week, the shop would be open for 54 hours. The author assumes that CZK 1,800 per hour sales can be expected in the realistic approach – 1,800 CZK would represent an average of 6 customers per hour with sales of 300 CZK, which could mean roughly one bread (59 CZK), five rolls (22.5 CZK), six apples (53.1 CZK), eight potatoes (10 CZK), 1 l of milk (39 CZK), four yoghurts (72 CZK), other goods (roughly 50 CZK). The pessimistic scenario assumes half the sales per hour, i.e. CZK 900. This would mean only 3 customers with spend of 300 CZK. On the other hand, the optimistic scenario assumes that 10 customers could visit the shop with spend of CZK 300.

Table 16 – Estimated sales for the 1st year (own creation)

	Realistic version (1,800 CZK / hour)	Pessimistic version (900 CZK / hour)	Optimistic version (3,000 CZK / hour)
Total revenues (realistic version)	4,665,600 CZK	2,332,800 CZK	7,776,000 CZK
Variable expenses (65% of revenues + detergents and office supplies)	3,044,640 CZK	1,528,320 CZK	5,066,400 CZK
Fixed expenses	1,199,828 CZK	1,199,828 CZK	1,199,828 CZK
Initial expenses	308,047 CZK	308,047 CZK	308,047 CZK
EBT	113,085 CZK	-703,395 CZK	1,201,725 CZK
Tax (15%)	16,936 CZK	-	180,259 CZK
EAT	96,149 CZK	-703,395 CZK	1,021,466 CZK

In the next few years, the author expects a 10% increase in sales per year as people will already know the store, verify that the food is of good quality and recommend the store to their family and friends. At the same time, the initial expenses, which amounted to CZK 308,047 in the first year, will be eliminated in subsequent years.

Table 17 – Estimated Income Statement for 1st, 2nd and 3rd year (own creation)

Realistic version	First year	Second year	Third year
Total revenues	4,665,600 CZK	5,132,160 CZK	5,645,376 CZK
Variable expenses	3,044,640 CZK	3,347,904 CZK	3,681,495 CZK
Fixed expenses	1,199,828 CZK	1,233,266 CZK	1,233,266 CZK
Initial expenses	308,047 CZK	-	-
EBT	113,085 CZK	550,990 CZK	730,615 CZK
Tax	16,936 CZK	82,649 CZK	109,593 CZK
EAT	96,149 CZK	468,341 CZK	621,022 CZK

7.6.6 ROI indicator

ROI, or return on investment, is an indicator that measures the return on investment. The result is a percentage that further allows comparison of the profitability of investments, for example, in investor decision-making. For each investor, then, a good result is a different number. If an investor is more risk-averse, then he accepts a lower ROI.

$$ROI = \frac{\text{Net Income}}{\text{Cost of Investment}} * 100$$

$$\text{ROI}_{\text{Realistic scenario}} = \frac{96,149}{700,000} * 100 = 13.74\%$$

$$\text{ROI}_{\text{Optimistic scenario}} = \frac{1,021,466}{700,000} * 100 = 145.92\%$$

According to the calculations, the return on investment in the realistic scenario is 13.74%. However, the initial expenses, which will not be paid in the following years, must be considered here. Since this is a sum of CZK 308,047, this will affect the calculation quite a lot. In the optimistic scenario, the return on investment is more than 100%, which means the investment will be fully recovered in one year. In the pessimistic scenario, it is clear that the investment was not profitable. ROI is best compared to other investment options. In the realistic scenario, the result can be compared, for example, with the percentage return on putting money in a savings account to see if it would be more profitable to put the money in the bank rather than invest it.

8 RISK ANALYSIS AND PROPOSAL EVALUATION

Setting up any business always entails risk. One should enter into a business knowing there is always a possibility of losing everything one puts into it. In this chapter, the author will look closely at the potential risks a store may face. The author will first describe the risks to the store and then construct a simplified risk analysis.

8.1.1 Lack of customers

A shop must have enough customers. The number of customers, or their purchases, determines the various scenarios that predict sales. It is, therefore, essential to launch a marketing plan before the store opens, promote it, and then remind people. At the same time, it is crucial to maintain the goodwill of the customers and the store's reputation so that people keep coming back and recommending the store to their friends, as word-of-mouth marketing is one of the most powerful forms of promotion.

8.1.2 Lack of business experience

Not knowing how to run a business is a risk that every entrepreneur encounters initially. The author has yet to gain experience in running a business. The options are to attend courses for aspiring entrepreneurs or learn as you go and learn from your own mistakes.

8.1.3 Wrong choice of employees

Staff and an adequately assembled team are essential, as one of the strengths of a store should be a perfectly assembled team of people who are passionate about their work, interested in similar topics, and keen to help customers with their selection. It is only sometimes possible to find such employees on the first try. It is, therefore, important that as many things as possible are identified when selecting employees, their skills, ability to communicate, and willingness to help. By dealing with a team of three, any shortfall will be felt. Thus, it is important to have employees with a spirit of teamwork.

8.1.4 New competitors due to low entry barriers

There are low barriers to entry when setting up a grocery store. It is a free trade, and therefore it is sufficient to meet the general conditions. Regarding the financial aspect, no high initial investment is needed, only the shop's equipment. The most significant barrier to entry is the legislative requirements, as the business is food.

8.1.5 Increasing costs

Inflation is high, and therefore prices are rising. The fact that it is regional food means there is no need to import food, which costs money, but energy prices are still rising, which the Domovina store cannot avoid. In addition, suppliers may increase prices due to the increase in expenditure. This can be partly avoided by the shop entering into long-term contracts with suppliers, where the price is fixed in advance.

8.1.6 Refusal by the supplier to cooperate

The author had already researched in advance which suppliers she would approach. However, nowhere is it stipulated that these suppliers have to agree. A situation could then arise where either there would be insufficient choice of food in the store, or the author would have to approach other suppliers who might not be of such high quality or might have higher prices.

8.1.7 Health hazardous products

The shop would buy products from suppliers, which means that it cannot check the quality of the food apart from checking the use-by and best-before date or spot checks. Some food may be spoiled before the expiry date and therefore be health hazardous. This may jeopardise the company's reputation, and at the same time, such negative information about the store may spread among regular and potential customers.

Table 18 – Risk analysis (own creation)

Risk	Probability of occurrence	Size of impact	Product	Preventive measures
Lack of customers	3	5	15	More prominent marketing strategy
Lack of business experience	2	3	6	Courses for starting entrepreneurs, consultancy
Wrong choice of employees	3	2	6	Thorough interview
New competitors	3	3	9	Maintain quality and build on a good name of the store
Increasing costs	4	4	16	Long-term contracts, reserves
Refusal to cooperate by suppliers	2	2	4	Good reputation mainly through solvency

Health hazardous products	1	5	5	Strict control of use-by dates and best before dates, random control of foodstuffs
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In the column Probability of occurrence and Size of impact, a rating scale from 1 to 5 is used, whereas 5 is the highest possible (the probability is very high, and the impact is destructive). The risk assessment again involved the assessment team consisting of the author, the thesis supervisor, and a health food store employee.

According to the product of the probability of occurrence and the size of impact, the highest risk for the Domovina store is increasing costs. After subtracting the initial expenses, the store would still have a money reserve of CZK 140,228 for the first months of operation. The second highest risk is the lack of customers. In that case, other marketing tools and strategies would be used. There could be a higher budget for both offline and online marketing. Without enough customers, the store would not have generated enough revenue to pay its costs, and therefore the owner would be pushed to end the business.

CONCLUSION

The impulse for this bachelor's thesis was an idea to develop a business plan for the regional food store Domovina. The thesis is divided into two parts. The theoretical part explained the concepts related to business, the basic types of businesses, and the different parts of the business plan. In the practical part, the knowledge gained from the theoretical part was used to create a business plan for the Domovina store.

After outlining the basic parameters in Chapter 4, the Lean Canvas tool was completed, which is seen by the authors as an aid to organise ideas and can be developed into a business plan. Next, an analysis of the relevant market in Zlín, where the store will be located, was conducted. PEST analysis was used for the market analysis consisting of political-legal, economic, socio-cultural, and technological factors. The most important outcome of the PEST analysis is that people would prefer local food to mass-processed food, and the most common reason why they do not do so is that they do not have a shop nearby that offers this option or at least they do not know about it. Porter's five forces analysis was also used in the market analysis, in which direct and indirect competitors of the store were presented.

Based on the findings from the Lean Canvas and the Market Analysis, a business plan was sequentially developed consisting of an executive summary, description of the company, product and service description, personnel plan, marketing strategy, financial plan, and risk analysis. The marketing and financial plans are the most important parts of this plan.

In the marketing plan, the customer segments that the store would target were described, and the marketing mix was also elaborated, where the different types of promotion that the store would use were described, along with the price offer. The last part of the marketing plan was the development of a SWOT analysis using points and weights.

As part of the financial plan, the initial costs were calculated and came out to be CZK 505,276. Furthermore, a starting balance sheet was drawn up, with an initial investment of CZK 700,000. The following are the calculations of labour expenses, fixed and variable costs. All these calculations are further used in the estimated revenues forecast, where three scenarios are created: pessimistic, realistic and optimistic. The realistic scenario is then developed for the first three years of the business. Due to the high initial expenses mentioned above, a profit of CZK 96,149 was achieved in the first year, so there will be no need to use the reserve created at the beginning of the business.

The next objective was to assess the profitability of the submitted plan using the return on investment (ROI), which came out to be 13.74% for the realistic scenario. This result should

be compared with other options that the entrepreneur has, which in this case could be a comparison with the interest rate in banks, however, this result was greatly influenced by the initial costs.

The last part is the Risk Analysis, in which the risks are listed, described and then entered into a table for simplified risk analysis. The biggest risks for Domovina are rising costs and a lack of customers. At the same time, ideas are presented on how to reduce these risks.

The limiting factors of the solution may be the sources from which the author has drawn. In compiling the initial costs or product prices, the prices were drawn from the internet and secondary sources of information. Also limiting was the fact that the author was creating a business plan for the first time.

Based on the above presented outputs of the thesis, the author wishes to conclude that the objective set out in the Introduction chapter has been met.

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LIST OF ABBREVIATIONS

a spol.	a společníci
a. s.	akciová společnost
akc. spol.	akciová společnost
Coll.	Collection of Laws
CV	Curriculum Vitae
CZK	Czech koruna
EAT	Earnings After Taxes
EBT	Earnings Before Taxes
EC	European Commission
EU	European Union
EUR	euro
g	gram
GDP	Gross domestic product
k. s.	komanditní společnost
kg	kilogram
kom. spol.	komanditní společnost
l	liter
m ²	square meters
mil	million
ml	milliliter
NACE	Statistical classification of economic activities in the European Community
No.	number
OSA	Ochranný svaz autorský
pc	piece
pcs	pieces
POS	Point of sale
Q1	Quarter 1
Q4	Quarter 4
ROI	Return on Investment
s. r. o.	společnost s ručením omezeným
SIC	Standard Industrial Classification

spol. s r. o.	společnost s ručením omezeným
v. o. s.	veřejná obchodní společnost
VAT	Value added tax
veř. obch. spol.	veřejná obchodní společnost

LIST OF FIGURES

Figure 1 – Lean Canvas (Mayura 2012, 27)	22
Figure 2 – The Five Forces That Shape Industry Competition (Porter 2008, 27)	25
Figure 3 – Logo design option 1 (own creation via Canva.com)	32
Figure 4 – Logo design option 2 (own creation via Canva.com)	32
Figure 5 – Interior of Z Dědiny store (accessed from www.zdediny.cz)	39
Figure 6 – Lean Canvas (own creation through Canva.com)	42
Figure 7 – Location (accessed from Google Maps).....	51
Figure 8 – Drawing of the store layout (own creation).....	52
Figure 9 – Front side design of the loyalty card (own creation via Canva.com).....	54
Figure 10 – Back side design of the loyalty card (own creation via Canva.com)	54

LIST OF TABLES

Table 1 – Division of companies (adjusted)	15
Table 2 – Opening hours (own creation)	44
Table 3 – Week shift schedule for even and odd weeks (own creation)	47
Table 4 – Labour Expenses in CZK (own creation)	48
Table 5 – Prices of products (own creation)	50
Table 6 – Initial expenses on promotion (own creation)	55
Table 7 – SWOT analysis (own creation).....	55
Table 8 – Initial Expenses (own creation)	57
Table 9 – Starting Balance Sheet (own creation)	58
Table 10 – Total monthly and annual labour expenses (own creation)	59
Table 11 – Fixed Expenses (own creation).....	59
Table 12 – Depreciation of wooden shop equipment (own creation).....	60
Table 13 – Depreciation of refrigerators (own creation)	60
Table 14 – Depreciation of refrigerators (own creation)	60
Table 15 – Variable Expenses (own creation)	61
Table 16 – Estimated sales for the 1 st year (own creation).....	62
Table 17 – Estimated Income Statement for 1 st , 2 nd and 3 rd year (own creation).....	62
Table 18 – Risk analysis (own creation).....	65