

# **A Business Plan for a Dog-friendly Café**

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## **ABSTRAKT**

Cílem této bakalářské práce je sestavit podnikatelský plán pro dog–friendly kavárnu Kostička v Praze. V jejích prostorách se také budou konat vzdělávací lekce a kreativní workshopy pro majitele psů. Tato práce obsahuje teoretickou a praktickou část. Teoretická část se zabývá vymezením podnikání a podnikatele, jednotlivými druhy podnikání a jejich založením, a popisuje strukturu i obsah podnikatelského plánu. V praktické části je sestaven podnikatelský plán za cílem zjistit proveditelnost a výnosnost tohoto podniku.

Klíčová slova: podnikatelský plán, kavárna, PESTE, podnikatel, Porterova analýza pěti sil

## **ABSTRACT**

This bachelor thesis aims to create a business plan for a dog–friendly café Kostička in Prague. Educational lectures and creative workshops for dog owners will also be held in its premises. This thesis contains a theoretical and a practical part. The theoretical part deals with the definition of entrepreneurship and entrepreneur, the various business types and their establishment, and describes the structure and content of the business plan. In the practical part, a business plan is constructed in order to determine the business's feasibility and profitability.

Keywords: business plan, café, PESTE, entrepreneur, Porter's five forces analysis

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

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## INTRODUCTION

This bachelor thesis deals with creating a business plan for a dog-friendly café Kostička in Prague. The purpose of this thesis is to determine whether the establishment of this business is feasible and can generate profit.

The author chose this topic as her long-time hobby is baking homemade treats for her dog and her friend's dogs and educating herself in dog behavior and training. Therefore, she would like to incorporate these activities and establish a café where customers can buy tasty homemade treats for their dogs, have coffee and dessert in a comfortable environment, educate themselves through lectures, make treats or toys at workshops, or support local shelters by purchasing a charity item or making a financial donation when they visit.

The thesis consists of two parts. The theoretical part deals with entrepreneurship and its features, describes the different types of businesses in the Czech Republic and the conditions for their establishment and finally covers the possible structure and contents of a business plan. Based on the theory, the business plan is created. This business plan includes detailed information about the business, its products and services, market analysis, competition, marketing plan, marketing mix, financial analysis, return on investment, and risk evaluation. In the practical part, the author conducted a SWOT analysis, Porter's five forces analysis, and a PESTE analysis to support her thesis.

## **I. THEORY**

## 1 ENTREPRENEURSHIP

Majdúchová (2020, 11) defines *entrepreneurship* as an economic activity that aims to accomplish two seemingly different objectives: to generate profit from the business while ensuring customer satisfaction. She adds that even though a large part of entrepreneurship is profit-oriented, this does not exclude the use of entrepreneurship by the non-profit sector, which uses its profits exclusively for its development and excludes the enrichment of its owners or members (Majdúchová 2020, 11). From the macroeconomic perspective, entrepreneurship contributes a large share of the country's gross domestic product, creates most of the supply of products and services in the market, and forms the most significant part of the demand for factors of production (Kozubíková 2017, 12). Srpová (2020, 16–17) adds that entrepreneurship significantly reduces unemployment in the country, which leads to increased economic growth, and enables quicker innovation and higher efficiency of businesses due to increased competition in the market.

Kozubíková (2017, 13–14) defined these essential features distinguishing entrepreneurship:

- Legal subjectivity – an entity is able to act in legal negotiations and perform legal acts in its own name and on its own responsibility. In the case of a natural person, legal personality arises upon reaching the age of 18; in the case of a legal entity, it arises upon the date of registration in the Public Register.
- Economic autonomy – the enterprise can make independent decisions in all aspects of its activities, bearing costs and making profits.
- Organization of the enterprise – the enterprise forms an independent organizational unit with a unified accounting system.

Kozubíková (2017, 13–14) also mentions other specific characteristics of an enterprise, such as economic and financial balance, the principle of private ownership, and profitability.

### 1.1 Entrepreneur

In the Civil Code Act 89/2012 Coll., §420 (2023), an entrepreneur is defined as a person who independently and systematically carries out a profitable activity in his name and on his responsibility. An entrepreneur must also be registered in the Commercial Register and hold a trade or other license to do business.

Kozubíková (2017, 16) further specifies this general definition. Independent activity indicates the ability of an entrepreneur to carry out and organize his activity or the activity

of his business as he sees fit. An entrepreneur's name is entered in the Commercial Register, and all persons acting in the interest of the business or the entrepreneur must do so in his name (or in the enterprise's name). An entrepreneur's name is the name and surname of a natural person or the name of the enterprise recorded in the Commercial Register for legal entities (Majdúchová 2020, 12). The entrepreneur is liable for his business with all his commercial and personal assets. The business's primary purpose is to generate profits to meet the entrepreneur's needs and grow the business. (Kozubíková 2017, 16)

As believed by Majdúchová (2020, 12–13) and Srpová (2020, 28–30), an entrepreneur, especially a successful one, should also possess certain personality traits, in particular:

- A desire for self-realization
- High social and emotional intelligence
- Creativity to use and evolve ideas to take advantage of market gaps
- A positive mindset
- Strategic thinking
- Responsibility
- Resistance to stress and the courage to take entrepreneurial risks
- The ability to motivate and lead subordinates
- The ability to achieve the company's goals
- Expertise in the specific field of business, technological, methodical, and any other needed knowledge for running the business

There are many advantages that balance the hard work and resources put into starting and evolving a business (Mariotti and Glackin 2013, 6–8). The most significant one is gaining control over one's time. Most entrepreneurs can either choose when they work or adjust their working times to their type of business. An entrepreneur has additional control over earnings – one can choose whether to pay oneself a salary, wage, dividend, or commission of sales. The amount of money received, however, is limited. An entrepreneur should pay himself only sustainably to keep the business functioning and profitable. Entrepreneurs are also usually passionate about their business as it comes from their original idea, which may lead to a sense of fulfillment. The last benefit Mariotti and Glackin (2013, 8) mentioned is being in charge of one's working conditions.

## 2 BUSINESS TYPES AND THEIR ESTABLISHMENT

The first step in starting a business is to think carefully about the appropriate legal form. The chosen form can affect various aspects of business, such as the extent of personal liability, the amount of initial capital, or the speed of growth and development of the business. (Colwell 2019, 55)

According to Srpová (2020, 164), Majdúchová and Neumannová (2014, 175), the recommended criteria to be taken into account when choosing the legal form of the company are mainly the following:

- The extent to which one wants to be liable for the enterprise;
- Capital requirements;
- Number of founding members – business activity as a natural person or establishment of a legal entity;
- The optimal organizational structure of the company;
- Administrative and tax obligations;
- Disclosure obligations.

After carefully considering these requirements, an entrepreneur can start a business as a natural person or a legal entity (Švarcová 2015, 57).

### 2.1 Business of a natural person

This form of business is one of the most widespread in the Czech Republic, probably due to the simplicity of establishing a natural person (Kolářová 2013, 12). (Majdúchová 2020, 85). Entrepreneurship of natural persons can be divided into those who have a trade or other permit to carry out business, private farmers registered in the register, or liberal professionals (Srpová 2020, 165). The tax rate for natural persons is 15% if the tax base is up to 48 times the average wage. The tax is set at 23% for the amount exceeding the limit. (Zákony pro lidi 2023)

#### 2.1.1 Trade business

The Trade Licensing Act (2023) states that trade is “a systematic activity carried out independently, on its own behalf, on its own responsibility, for profit, and under the conditions laid down by this Act”. To carry on a trade, one must fulfill general conditions and, in some cases, special conditions.

General conditions which must be met include:

- Being of legal age (18) with a legal capacity;

- Having a clean criminal record proven with an extract from the criminal record not older than three months.

(Švarcová 2015, 58)

Special conditions which must be met by the owner of the trade and by an elected representative vary. They are specified for each vocational, professional, and permitted trade in the Annex to the Trade Licensing Act. The entrepreneur (or his representative) must meet professional or other competence and, where required, have experience in the business.

The Trade Licensing Act (2023) distinguishes the following types of trades:

I. **Notifiable trades.** A sole trader can carry out this trade on the day of registration with the Trade Licensing Office and subsequent registration in the Trade Register. The notifiable trades subdivide into:

a. Vocational trades – it is necessary to meet special requirements for qualification and experience in the trade. The entrepreneur must submit either his education certificate, a certificate of matriculation examination, a university diploma, or recognition of professional qualifications following the law – all in the specific field of trade an entrepreneur wishes to establish. The proof of education may be replaced by six years of experience. Six years of experience can replace proof of education.

b. Professional trades – requires professional competence further specified for each trade in the Second Annex to the Trade Licensing Act.

c. Unqualified trades – only the general requirements must be met for this form of trade.

II. **Permitted trades.** This form of trade is the most strictly regulated. A natural person must obtain a concession from the state after meeting the general and special conditions.

The law prohibits the issuance of trade licenses to those the court has banned from exercising the trade to a person whose property is in the insolvency or if the filed insolvency has been dismissed for lack of assets.

### 2.1.2 Liberal professions and the enterprise of a self-employed farmer

There is no precise definition of liberal professions in the law. Some characteristics mentioned by Majdúchová (2020, 89) include providing services personally, independently, and on the entrepreneur's responsibility. Those services are of intellectual or ideological character. Srpová (2020, 171) listed some examples of liberal professions, such as:

- Doctors
- Lawyers
- Accounting consultants
- Artists
- Athletes

Natural persons operating a liberal profession must be either registered in a chamber or have signed a form of a contract within copyright or other law. (Majdúchová 2020, 89)

The Agriculture Act (2023) defines the enterprise of a self-employed farmer as a “natural person or legal entity who intends to carry on agricultural production as a continuous and independent activity in its name, on its responsibility, to make a profit, under the conditions laid down by this Act”. To establish this enterprise, one must go to the municipal office in the area of owned agricultural property and apply for entry in the register. The natural person must be an adult with legal capacity and permanently residing in the Czech Republic (or one must demonstrate a basic knowledge of the Czech language in an interview). In 2019, the fee for this act was 1,000 CZK. (Zákony pro lidi 2023)

## 2.2 Business of a legal entity

Setting up a legal entity is not as quick and straightforward as setting up a natural person’s business. The enterprise may be owned by one or more legal or natural entities (Majdúchová, Neumannová 2014, 128). A legal entity gains rights and obligations at the moment of its establishment, and its legal personality lasts from the formation until the termination of the legal entity. (Švarcová 2015, 61) According to the law, the corporate tax rate is 19% of the tax base. (Zákony pro lidi 2023)

A legal entity registers in the Commercial Register. Some of the key reasons for choosing to be a legal person may be the limited liability for the company or the non-dissolution of the company after the death of one of the founders (the possibility of passing the company to successors and further increasing its value). When establishing a legal entity, various issues must be clarified, such as the number of founding persons, the establishment of the headquarters, or initial deposit amount. (Kolářová 2013, 13)

Types of legal entities in the profitable sector include commercial companies, co-operatives, European co-operative societies, and state enterprises (Švarcová 2015, 57). For each of these types, there are different rules for the establishment which will be discussed in the following part of the bachelor thesis.



### 2.2.1 Commercial companies

Commercial companies are regulated by the Business Corporations Act (2023). Commercial companies can be either partnerships or capital companies. Partnerships include general commercial partnerships and limited partnerships. Capital companies consist of limited liability companies and joint stock companies.

Table 1 – The differences between capital companies and partnerships (Švarcová 2015,65)

Capital companies	Partnerships
Limited or no liability of the associates	Unlimited solidary liability of the associates
No personal participation in the management of the company required	Associates participate personally in the decision-making of the company
Can be established by one founder	Has to be established by at least 2 associates
Has to have statutory authorities	
Obligatory reserve fund and specified minimum amount of registered capital	No minimum amount of registered capital required by law

Founding a commercial company has two phases: the establishment and the origin of the company. The establishment phase consists of a partnership contract signed by all associates or an article of incorporation if the company is to be established by one founder. The company starts its operations on the date of registration in the Commercial Register. (Zákony pro lidi, 2023)

The limited liability company (LLC) can be founded by one or more entities. The required value of registered capital is only 1 CZK. (Švarcová 2015, 68) The main advantage, and probably a reason why a limited liability company is the most popular commercial company in the Czech Republic, is that the owner (or owners) is not liable for all his assets but only up to the amount of outstanding deposits. (Srpková 2020, 176-177)

The required registered capital for establishing a joint stock company is two million CZK and it can be founded by one or more entities. Its registered capital consists of shares. Articles of association are necessary to adopt for the establishment of the company. (Zákony pro lidi, 2023)

General commercial partnerships require at least two founders to be unlimitedly liable for all their assets. Any profit or loss is split equally among those founders. There is no registered capital required, as it is a partnership. (Švarcová 2015, 68)

A limited partnership must be established by at least one general partner and one limited partner. The general partner is liable for all his assets, has the right to participate in the company's management, and does not need to provide a registered capital. The limited partner is liable only for the amount of his share he has to provide, and he cannot participate in running the company. The partnership agreement sets out the exact relations between these partners. (Majdúchová 2020, 95–96)

### **2.2.1.1 The European company**

The European company is a joint-stock company that allows companies can carry out business in the European Union countries. The advantages of a European company include less complicated entrepreneurship in the EU countries and improved mobility. To start a European company, the entrepreneur must provide 120,000 EUR of registered capital, and the company's registered office and headquarters must be situated within the same country. At the same time, it has to have an established branch office or subsidiary in another EU country. These requirements may vary by state. (Europa 2022)

### **2.2.2 Cooperatives**

According to the Business Corporations Act (2023), a cooperative is “a community of an unincorporated number of persons established for mutual support of its members or third parties or to carry on a business.” A cooperative can accept new members freely, and the members can withdraw at any time. That is not the case for commercial companies. (Švarcová 2015, 71)

To establish a cooperative the name must include the word “cooperative”, and it has to be founded by at least three natural or legal entities. There is no required minimum amount of registered capital, it is created by member deposits. The community must have statutes. The cooperative is liable for all its assets, but the members are not liable for the obligations of the cooperative. (Zákony pro lidi, 2023)

Cooperatives can have different objectives, the most well-known being housing and social cooperatives. Other types are savings societies, credit cooperatives, or manufacturing cooperatives. (Švarcová 2015,71)

### **2.2.3 European cooperative society**

*European cooperative society* is a legal entity established by at least five natural persons with a minimum registered capital of 30,000 EUR. The difference between a cooperative and a European cooperative society is that those entities must be residents in at least two EU

countries. (Epravo 2023) For example, the cooperative is based in the Czech Republic, but one founding natural entity resides in Belgium. The European Cooperative Society is governed by the Regulation of the European Company Council, the related Directive, complemented by the European Cooperative Society Act. (Epravo 2023)

#### **2.2.4 State enterprises**

Referring to Muroň (2017, chapter 2), the state enterprise exists to do business with state property and to satisfy the social needs of its citizens in accordance with its laws and economic policies. It has only one owner – the state. Its assets cannot be distributed among any other legal or natural entity. An essential element of a state-owned enterprise is that they are fully controlled by the state, which can make decisions to influence its economic policy goals. However, the state does not guarantee the liabilities of state-owned enterprises. The state is considered a legal entity (Muroň, chapter 5.1).

### 3 BUSINESS PLAN

A business plan is a document that describes key elements of our business and helps us decide whether our entrepreneurship idea is feasible. It can be created at the beginning of a new venture and when an entrepreneur wants to make an essential change to his business. (Andera and Svobodová 2017, 69)

Every entrepreneur should write his business plan to help organize his ideas and be available to plan ahead. (Mariotti and Glackin 2013, 43) The business plan is not only beneficial for the entrepreneur but is the key to obtaining external capital, as most banks or investors want to see it before providing a loan. (Srpková 2020, 209) Šafrová Drážilová (2019, 55) suggests that the purpose of writing a business plan is to uncover any entrepreneurial risks which could make our business unfeasible.

According to Srpková (2020, 209-210), an entrepreneur should follow mainly these principles:

- Clarity – one should write simply and clearly, avoid redundant adjectives and back up claims with concrete figures.
- Logicality – the writing must be sourced and coherent. One should not present contradictory claims.
- Conciseness – the plan should be concise while involving every valuable fact and thought. The entrepreneur should read it and edit it multiple times.
- Truthfulness and realness – there must not be any fake information involved. Realness is represented by working with existing sources, such as current price lists or actual offers.

#### 3.1 Benefits of making a business plan

The most crucial benefit for the entrepreneur is the potential to save money and time by making a business plan. By thoughtfully compiling a plan, the most crucial questions are answered, and the entrepreneur doesn't have to deal with them on the go. The entrepreneur can even discover that his business idea is unachievable and decide not to carry out the business at all, which is the biggest time and cost-saving benefit. (Mariotti and Glackin 2013, 43-44)

As previously mentioned, the business plan can ease the entrepreneur's way of raising capital from banks and investors, as it proves that he thoughtfully considered every part of his business and has a plan for how the company will make profits. The last benefit Mariotti and Glackin (2013, 43-44) mentioned is setting clear goals and using the plan as a guideline

for any aspect of the business. This can be later used to track one's progress as opposed to the plan or to get back on track after digressing from the desired goals.

### **3.2 Structure of a business plan**

There is no fixed structure of the business plan; it should be tailored to the needs of the entrepreneur, eventually the investor, or a bank, and the type of business. At the same time, it should be adjusted to the type of business. (Šafrová Drážilová 2019, 57) However, it should still answer some of the key questions mentioned by Srpová (2020, 210-211):

- What are the company's goals?
- What product or service is the company offering?
- What is the added value for the customer?
- What is the target customer group?
- How will the enterprise generate profit?
- What marketing strategy to apply?
- Who are the competitors?
- What risks does the business face, and how to minimize them?

#### **3.2.1 Title page**

The title page should include basic information about the enterprise: the name, logo, address, the date of planned establishment, or information about the founder or founders, such as their name or address. It is also advised to include a statement about the confidentiality of the document. (Srpová 2011, chapter 1.1.1)

The name of the company should be simple and memorable. New starting businesses should avoid using abbreviations as a name, and the name should suggest what the business does or relate with the business in some other way. (Hughes 2015, 61)

#### **3.2.2 Executive summary**

The purpose of an executive summary is to catch the reader's attention, most likely an investor. Therefore, it needs to be comprehensible and memorable. It should be one to two pages long at most. It briefly mentions the basics of the business – who the founders are, what product or service they are offering, when they want to start, and how they plan to become successful. It functionates as the first good impression of the business – if it fails to hook the reader, it is unlikely that he will read the rest of the business plan. (Mariotti and Glackin 2013, 46)

### 3.2.3 Company description

Another relatively concise part of the business plan is the company description. The reader should be provided with a brief definition of the business, the chosen legal form, the location, and opening hours. If the enterprise already exists, the entrepreneur may include what the company achieved in the past, its background, and the scope of business. It may also include a mission statement that summarizes what the company wants to achieve in the future and defines its concept, principles, and an entrepreneur's vision. (Abrams 2019, 68–70) Additionally, when establishing a new and small company with a low number of employees, especially when there is no need for high level of qualification, this chapter may also include organizational structure. (Srpová 2020, 218) Referring to Cornwall and Scarborough (2016, 182), one should be careful with the usage of “well-known business clichés and jargon.”

### 3.2.4 Products and services

This section should aim at the benefits the product can provide to our target group of customers rather than at its features, which can be listed briefly or complemented by pictures. (Colwell and Scarborough 2016, 182) The description must be comprehensible to any individual; any technical details can be included in an appendix. (Srpová 2011, chapter 1)

Another important aspect is the final price of the product or service for the customer or the costs for the entrepreneur. The entrepreneur should think about the appropriate product or service pricing to make a profit while creating an attractive price for the customer. (Srpová 2011, chapter 1)

### 3.2.5 Market analysis

Defining the target customers and the target market is essential for an enterprise's success. The primary purpose of a business is to satisfy the customer's needs, so the entrepreneur must know who the customer is, what exactly he needs, or what price they can afford. The customer's specifications may include demographic descriptions, such as their age, gender, and income, which may be the most useful when designing a marketing plan. Other descriptions such as geographic or psychographic may be included. The target market must be big enough for the business to make a profit. (Abrams 2019, 106–108)

In addition to understanding customers, it is crucial to understand the company's environment. The business plan should include an analysis of the micro and macro environment, even though it may rarely influence it. Porter's five forces analysis can be used to analyze the microenvironment, and PESTLE analysis can be used to analyze the macroenvironment.

PESTLE analysis examines six aspects of the macroenvironment. According to Srpová (2020, 215), those aspects are:

- Political – political background of the specific country along with its expected development;
- Economical – current unemployment, the growth rate of the economy, interest rates, or the impact of the foreign economy;
- Social – cultural influences, social changes, level of education, the standard of living;
- Technological – research and development of new technologies and their costs, the rate of technological change;
- Legislative – the influence of national and global legislation and regulations;
- Environmental

Porter's five forces analysis works with five elements of the microenvironment. These elements are:

- Bargaining power of suppliers
- Bargaining power of buyers
- Barriers to entry
- Competitive rivalry
- The threat of substitute products and services

(Mariotti and Glackin 2013, 39–40)

Finally, the entrepreneur can compile a SWOT analysis that evaluates the internal and external factors of the business – and help uncover its strengths, weaknesses, opportunities, and threats. (Srpová 2011, chapter 1.1.12.1)

### **3.2.6 Competition**

This chapter analyses the competition and its impact on the entrepreneur's business. It should state who the competitors are, their advantages or disadvantages, or identify possible barriers to entry for newly formed competitors. A good entrepreneur should acknowledge his competition and learn from their successes or failures. (Abrams 2019, 124–125) Many competitors may make starting a new business in the same market significantly harder. As a result, investors or banks may hesitate to provide capital due to the higher risk of insufficient return on investment. (Srpová 2020, 216)

After proper market research, the entrepreneur should be able to recognize competitive advantages objectively, which means focusing more on the customer's opinion than one's own. (Srpková 2011, chapter 1.1.8)

According to Andera and Svobodová (2017, 77), some of the competitive advantages might be the following:

- Lower prices
- Higher quality of products and services
- Branding
- A customer-friendly approach or customized products
- The uniqueness of the product or service

### 3.2.7 Marketing plan

A marketing plan should aim to create a viable marketing mix by considering the four P's: product, price, place, and promotion. Any change made to one of the factors will affect the other, therefore, it is crucial to define them carefully. (Mariotti and Glackin, 157–158) According to Thiel (2014, 134-135), a company selling packaged products needs to produce packaging that catches the customer's eye. An entrepreneur with a small company should also avoid splurging much money on television or newspaper ads, even though this may be successful in more prominent companies. (Thiel 2014, 135)

The marketing mix consists of everything the company can do to engage customers and provide value to those customers. It is a collection of tactical marketing instruments that the company incorporates to get the reaction it wants in the target market. (Kotler 2021, 70) The previously conducted market analysis should help to create an effective and efficient marketing plan tailored to our specific audience. (Cornwall and Scarborough 2016, 184)

Kotler (2021, 72) described the elements of 4P as follows:

- Product – the mix of products and services that the business provides to its target market;
- Price – the price consumers must spend to purchase a product. The principle is adjusting prices to reflect the present competitive and economic conditions and align them with customers' perceived value.
- Place – where the product will be distributed, as well as the distribution routes, network availability, sales mix, supply, and transportation.
- Promotion – the activities that convey the product's benefits and convince the target market to purchase it.



An effective marketing plan should then mix all these variables to engage clients and provide value to meet the business' marketing goals. Even though some sources describe more of these "P's" – such as people, politics, public opinion, or others (Srpková 2020, 217), Kotler (2021, 72) has the opinion that any other than these essential 4P's are redundant as they could be included in one of the variables described.

### **3.2.8 Financial analysis**

The financial analysis informs about the feasibility of the business proposal from the financial perspective. Along with the executive summary, this part concerns the investors and banks the most, even though the enterprise will likely go through initial losses. (Mariotti and Glackin 2013, 51) The analysis typically includes the start-up costs, fixed and variable costs, income statement, balance sheet, or cash flow. (Srpková 2011, chapter 1.1.11)

#### Income statement

This document shows the result of an enterprise's operations – its income and expenditure – over a specific period of time. It is not unusual to be at loss for the first months in business. (Mariotti and Glackin 2013, 53)

#### Balance sheet

Here, the enterprise provides an overview of its assets, liabilities, and owner's equity, showing its financial status. (Mariotti and Glackin 2013, 53) Typically, on the left side are listed the assets, and the liabilities with owner's equity are displayed on the right side. The essential rule of the balance sheet is that both sides must be of an equal amount. (Srpková 2020, 220)

#### Cash flow

This statement presents the inflows and outflows of cash in a certain period. Cash transactions include cash equivalents. Even though cash flow might be negative for the first couple of months, the result should always be positive at the end of the monitored period. If this is not the case, the entrepreneur does not have the finances necessary to run the business, and therefore, their business plan would be unfeasible. (Mariotti and Glackin 2013, 53)

For all of these documents, Srpková (2020, 220) recommends drawing up a realistic, optimistic and pessimistic scenarios. Realistic should be as true to reality as possible, optimistic assumes an ideal situation and the pessimistic assumes poorer conditions such as low sales or demand.

### **3.2.9 Return on investment**

Return on assets (ROA) and return on investment (ROI) are valuable tools for investors, banks, or entrepreneurs as performance assessments, showing whether the company can earn profit. ROA is the ratio of net profit to net equity, while ROI is calculated by dividing profit before interest and tax by its expense. The result of these indicators will show the interested parties whether the investment in the company is high-risk or not. (Andera and Svobodová 2017, 104)

### **3.2.10 Risk evaluation**

Risk is anything that is a threat to sustaining and growth of our business. Risk evaluation shows that the entrepreneur is acquainted with the possible threats and should demonstrate how he would deal with them and propose measures to prevent or mitigate the consequences. (Srpová 2020, 221)

### **3.2.11 The appendices**

Appendices support the business plan – they illustrate the stated facts (Andera and Svobodová 2017, 104). These may include illustrations, maps, tables, or legal documents. (Šafrová 2019, 60)

#### **4 SUMMARY OF THE THEORETICAL PART**

The theoretical part provided a base knowledge for setting up a business and described the business plan and its individual parts while highlighting its benefits for the success of an entrepreneur's business.

The first chapter explains entrepreneurship, its objectives, and its essential features. The definition of an entrepreneur follows this according to the law, the personal traits he should exhibit, and what benefits can be achieved through entrepreneurship.

The second chapter deals with choosing the best suiting legal structure. Then the author further describes the enterprises of legal and natural persons and their establishment.

The third chapter discusses the importance of a business plan, the principles for writing one, and its benefits when carefully crafted. It then describes the structure of the business plan, detailing its various parts to be developed in the practical part of the business plan for a particular café. The business plan will start with a title page, an executive summary, and a company, products, and services description. Then a market analysis will be carried out using a PESTE and Porter's five forces analysis, and possible competitors in the market will be identified. Next, the marketing plan, including the marketing mix, will be presented, with special detail on promotion and branding. Finally, a financial analysis of the company is assembled, including initial costs, fixes, variable and labor costs, an estimate of revenues, and a projected income statement in three versions – optimistic, realistic, and pessimistic.

## **II. ANALYSIS**

## 5 BUSINESS PLAN FOR A CAFÉ

This section of the practical part will discuss the business plan of a dog-friendly café called Kostička in Prague.

### 5.1 Title page

<b>Name of the company</b>	Kavárna Kostička
<b>Legal form</b>	Natural person
<b>Address</b>	Sazovická 19, 155 21 Zličín
<b>Date of establishment</b>	1.5.2024
<b>Owner</b>	Kristýna Benešová
<b>Phone number</b>	+420 702 485 589
<b>Email</b>	kosticka@gmail.com
<b>Website</b>	www.kavarnakosticka.cz
<b>Instagram profile</b>	Kavárna Kostička



Figure 1 – Logo of the café (own creation)

### 5.2 Executive summary

Kostička is a dog-friendly café owned and operated by a natural person. This café is located in Prague, specifically in Prague-Zličín. Due to the lack of direct competition in this area, and the high concentration of dog owners, the owner evaluates this area as ideal and with great potential. The café is envisioned as a welcoming space for dog owners and their furry friends to gather, relax, and enjoy quality food and drinks. The owner's passion for dogs and

desire to create a unique social experience and educate about proper dog care while providing help to dog shelters have inspired the concept of this business.

Café Kostička offers an assortment of regular café but also adds homemade treats for dogs in the form of cakes and treats, which can be consumed on the spot or packed. Customers can also view and purchase complementary items, such as books on dog education, or support the local shelter by donating or purchasing charity items. All these products and services will be promoted through social media, the café's website, leaflet distribution, and branding. The establishment will also provide a calm and comfortable environment for the dog owners and their dogs. The ambiance will be enhanced by pleasant background music and thematic decorations, creating a relaxing atmosphere. Providing a welcoming space for dog owners and their pets is essential. The owner is committed to ensuring the dogs and their owners have a comfortable and enjoyable experience at the café.

The café's establishment will be partly financed by the founder's savings (200,000 CZK) and backed by a loan of 500,000 CZK. These funds will cover the initial costs of setting up and equipping the café and fixed and variable costs for the first month, including a financial reserve for any special needs. The business can attain profitability as early as the second month of establishment provided that a minimum of 64 customers per day with an average spend of 194 CZK come, and at least 60% capacity of lectures or workshops is achieved. Under these assumptions, the projected monthly profit for the business is estimated to be 96,236.7 CZK in the second month, resulting in a total net profit of 846,656.3 CZK in the first year of operation in the realistic scenario.

### **5.3 Company description**

Kavárna Kostička is a dog-friendly café located in Prague 5 Zličín. From the entrepreneur's experience, there are many dog owners and a lack of similar businesses in this area on the outskirts of Prague. This café will have only one owner, Kristýna Benešová, who plans to employ one full-time employee and one temporary worker. The scope of business will be a standard café operation and the sale of homemade treats for dogs, charity sales, or educational workshops and lectures. This chapter describes what the entrepreneur wants to achieve, the legal form of business chosen, the exact location of the café, and the opening hours specification.

### 5.3.1 Mission statement

The mission of the café is to create a pleasant environment for customers and their pets while serving quality coffee, drinks, and delicious desserts. The cafe will offer premium quality homemade dog treats and cakes, help local shelters through charity sales and educate customers on the proper care of their dogs.

### 5.3.2 Legal form

The entrepreneur evaluated an ideal legal form for this type of business as a natural person since the café is a small business that the owner will directly manage. Other advantages of this form of business include lower set-up costs compared to a legal entity, lower taxes, simplified administration and accounting, and no registered capital required. In accordance with the Trade Licensing Act of the Czech Republic, the entrepreneur will secure a trade license. The operation of a café is part of a vocational trade, which requires fulfilling general and specific conditions. The entrepreneur fulfills the general conditions; she is over 18 years old, of full legal capacity, and can provide a clean criminal record. However, she does not fulfill the special condition of professional competence. The entrepreneur will therefore arrange for a suitable representative to set up the business.

### 5.3.3 Location of the business

This café will be located in Prague 5 – Zličín, Sazovická Street 19. Although a soccer field and shopping mall are nearby, this is a quieter, more suburban area of Prague. This area is only 15 minutes away from the center of Prague by car. The location chosen for the café is in the heart of the Zličín housing estate, opposite a small park. The selected commercial premises have outside seating available, which is ideal for warmer months.

### 5.3.4 Opening hours

This café will be open from Monday to Saturday and on Sunday only for lectures and workshops. The owner wants to ensure that consumers have the best possible availability because dogs are often walked two to three times daily. Due to this, the cafe will be open from 8 am to 6 pm, Monday through Friday. On Saturday, from 11 am to 9 pm, so the customers can not only enjoy a coffee or a treat for their pet but also enjoy a few drinks drink in the comfortable environment of the café. On Sunday, the café will also be open, but only for customers attending lectures and workshops; therefore, the opening hours will vary.

Table 2 – Opening hours of Kavárna Kostička (own creation)

Opening hours of Kavárna Kostička
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Monday – Friday	8:00–18:00
Saturday	11:00–21:00
Sunday	Open only for workshops and lectures

### 5.3.5 Organizational structure

The owner will be fully responsible for bookkeeping, promoting and running social media, ordering or shopping for necessary goods, and supervising the quality of products and services. She will also be part of the staff and work in the cafe mainly in the morning, according to her availability.

Due to the small size of the café, the owner has opted for one full-time employee to cover the opening hours from Monday to Friday. In addition, the owner will employ one temporary worker to work Saturdays or to cover the absence of the owner or the main employee.

During the interview process, the owner will look for communicative, pleasant, and hard-working employees. It is optional to have a specific education or barista certificate, as the owner can teach the usage of the coffee machine and other equipment. However, an interest in coffee and experience in working in cafés will be appreciated and considered an advantage for the potential worker. Being fond of dogs and behaving kindly towards them is a must. Salary conditions will be specified in the café's financial plan.

## 5.4 Products and services

The café will serve quality coffee, tea, lemonades, and alcoholic drinks. The café will offer tasty desserts, charcuterie boards, or other snacks as refreshments. In addition, customers can buy homemade treats for their dogs or support less fortunate shelter dogs by purchasing charitable items. The owner also plans to hold lectures or workshops for customers on dog care and other topics. Customers will enjoy all this while listening to soothing music. All these products and services will be described separately in the following chapters.

### 5.4.1 Beverages

For our café, high-quality and well-prepared coffee is essential. The café will offer espresso, lungo, cappuccino, latte, iced coffee, and flat white. The main coffee supplier will be Lavazza, which is not as expensive as locally roasted coffees, but the brand is widely known, of high quality, and promotes sustainability. Lavazza offers 100% Arabica or Robusta, blends of Robusta and Arabica in various proportions, and even decaffeinated coffee. For



these coffees, customers can also choose a vegan milk alternative – oat or almond milk – for a small extra charge.

Other soft drinks include lemonade and tea. Lemonades will be served with seasonal and frozen fruit. Garden Lemonade will supply the syrup used; this brand has a wide selection of flavors, reasonable prices, ships nationwide, and offers glasses with their logo or designed wooden crates for their syrups for their customers. The teas will be of a more limited selection but still of premium quality; the owner will always choose one type of fruit, green and black loose tea. The menu will also include basic beverages such as tap and bottled water, popular sodas, or juices. Water for the customer's dogs will be free of charge.

Customers may also choose alcoholic beverages, which the café will provide. These will include white, red, and rosé wine or beer classics. Famous cocktails will also be prepared: mojito, gin and tonic, Cuba libre, tequila sunrise, or Piña Colada. Beverages will be served using either edible or glass straws, where appropriate.

#### **5.4.2 Meals**

The daily menu will include desserts, which the owner will rotate weekly. These desserts include cakes, pastries, and muffins. The café offers nachos with salsa, chips, or nuts for customers who prefer salty flavors. Charcuterie boards that customers can assemble to their liking from a selection of cheeses, charcuterie, fruits, and vegetables will be an excellent match for wine or mixed drinks.

#### **5.4.3 Homemade dog snacks**

A unique feature of this café will be homemade dog treats and desserts baked by the owner herself. These treats will be packaged with the café's logo, or the customers can order them for their dog to eat in a bowl. Due to the long preparation time, special cakes for dogs will only be available for purchase by advance order.

Special care will be taken with these products to ensure the quality of ingredients for the best nutritional value compared to commercial, cheaper treats. In particular, peanut butter, eggs, various types of meat, oatmeal, coconut oil and coconut flour, organic fruit, and vegetables will be used. The ingredients of the different types of treats and desserts will be available to customers at any time, so they know exactly what ingredients were used and can avoid various allergic reactions.

#### **5.4.4 Complementary sales**

A charity sale will take place in the café to support Prague's shelters. These items include mainly calendars, diaries, and mugs. Customers can also contribute a cash amount which will then be donated to the shelter by the owner. Thanks to an acquaintance with the owner of the Dogpoint shelter, handmade dog toys will also be available for sale.

In addition to the charity sale, customers can purchase books about the various breeds of dogs, their health care, and proper upbringing.

#### **5.4.5 Music**

The music will be chosen rather calmer to not alarm the dogs. The café will therefore play mostly jazz, ambient, or lo-fi music. For the company to play this music, paying a copyright fee to the OSA (the copyright protection association for musical works) is necessary. This expense will be included in the financial analysis of the company.

#### **5.4.6 Workshops and lectures**

Workshops or lectures will be held every Sunday; therefore, the opening hours can vary depending on the kind of lecture or workshop. Customers can make their own dog toys in the workshops or create simple no-bake dog treats. They can also involve their children in these workshops. In the lessons, customers will be educated about proper care specialized for the dog's breed, dog psychology, or dog sports. The capacity is 10–25 people, depending on the kind of workshop or lesson.

### **5.5 Market analysis**

This section will characterize the target market, analyse the external environment of the company using PESTE analysis and porter's five forces analysis.

#### **5.5.1 Target market**

The target market is working adults of any gender who have the financial means to afford higher price ranges for certain products, donate money to shelters, or purchase charitable items.

Another segment is the dog-owners who wish to relax without the need to walk their pet back home, to buy their dog a tasty treat to eat on the spot or at home, or to learn more about the proper care for dog breed owned. This segment also includes dog lovers who want to support shelter dogs and enjoy cozy and themed environment of the café.

The last segment consists of people who seek quality coffee prepared professionally, like to hang out in cafés with their friends, and perhaps have a delicious homemade dessert at the same time.

## 5.5.2 PESTE analysis

### 5.5.2.1 *Political factors*

The current political situation in the Czech Republic is considered stable, but some legislative changes took place in 2023, and more are planned. In 2023, electronic registration of sales was abolished, which will result in lower administrative costs for companies. (EKP 2022) Discounts on social insurance for certain groups of employees were also introduced, which can reach up to 5%. These groups are mainly employees over 55 years old, high school and university students, or parents of kids no older than ten years. Furthermore, extraordinary depreciation allowances will be extended, the income threshold for filing tax returns will be increased, and the limit for VAT registration will be raised to 2,000,000 CZK. (Morávek 2022) The last major change is that a data box has been set up for each sole trader. Therefore, all sole traders must file tax returns electronically.

The government has also approved a strategy to support small and medium-sized enterprises, which will focus, for example, on simplifying company formation, strengthening business infrastructure, reducing administrative and legislative costs, and developing investment crowdfunding. (Businessinfo 2021)

The entrepreneur has chosen to do business as a natural person with a trade license. After meeting the general and specific conditions set out in the Trade Licensing Act, the entrepreneur applies for a trade license to be issued by the Trade Licensing Office. The fee for the issuance of this document was 1,000 CZK in 2022. The whole process should take an hour. (Podnikatel 2023)

The income tax of natural persons in the Czech Republic is 15% unless the entrepreneur has above-standard income. Income above this threshold is taxed at an increased rate of 23%. (Průvodce podnikáním 2023)

Furthermore, the entrepreneur is obliged to pay social and health insurance, the amount of which varies depending on the average and minimum wage in the state and according to the entrepreneur's profit. The average wage for 2023 is 40,324 CZK, which implies that the minimum monthly social insurance contribution is 2,944 CZK and the health insurance contribution is 2,722 CZK. The payment of illness insurance is voluntary, and in

the event of illness of a sole trader, the state pays them financial support. The minimum monthly illness insurance deposit is 168 CZK. (Truhlářová 2022)

### 5.5.2.2 *Economic factors*

Because of the Covid-19 pandemic and the subsequent war between Russia and Ukraine, economic conditions are not as good as they were three or more years ago. The year 2022 has seen rising energy and commodity prices, significantly affecting businesses and households. (Ministerstvo průmyslu a obchodu 2023)

Inflation has reached 16.2% as of February 2023, the highest rate since 1993 (Český statistický úřad 2023). On the other hand, unemployment is more or less the same at 2.5%. (Český statistický úřad 2023) However, according to the Ministry of Finance's prediction, the inflation rate should gradually decrease and reach 10.4% by the end of the year, and the unemployment rate could rise to only 3.2%. The government plans to stabilize the Czech economy gradually, so business conditions can only improve. (Ministerstvo financí 2023)

The total average wage in the Czech Republic in 2022 was 43,412 CZK, with the highest average wage in Prague reaching 48,712 CZK. (Český statistický úřad 2023) On 1 January 2023, the minimum wage increased to 17,300 CZK or 103.80 CZK per hour. (Ministerstvo práce a sociálních věcí 2023) The average wage in accommodation, catering, and gastronomy in the Czech Republic in 2022 is 24,350 CZK. (Hovorková and Kropáček 2023)

The following graph shows the average wages and number of employees in Prague from the last four years. The chart shows that the most significant drop in employees took place in 2020, during the COVID pandemic, but it gradually increased after that, rising by more than 35,000 in 2022. In contrast, the average gross monthly wage increased only moderately, considering the economic crisis and inflation. It reached 33,840 CZK at the end of 2018; at the end of 2022, the average gross wage was 43,412 CZK.

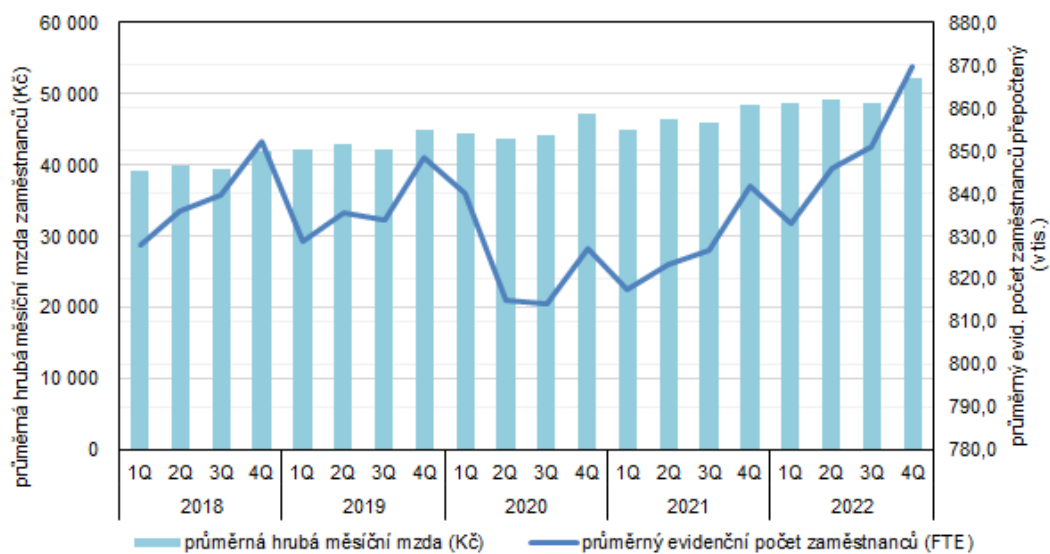


Figure 2 – Average wages and number of employees in Prague 2018–2022 (Český statistický úřad 2023)

### 5.5.2.3 Socio-cultural factors

In 2022, the Czech Republic had more than 10.5 million residents, of which almost 1.3 million live in Prague. The statistics do not include more than 94,000 refugees due to the war in Ukraine. Prague 5, where the café will be located, is the fourth most populous part of Prague, with over 86 thousand inhabitants. (Český statistický úřad 2022) Consequently, it is possible to assume a sufficient number of potential customers. The café is also close to a shopping center or a metro stop.

According to the 2021 survey, up to half of households have a pet; two-thirds have dogs, and one-third have cats. The survey also showed that the number of pets increased rapidly during the pandemic. Furthermore, according to Mars Czech research, 22% of these pets come from shelters, and 32% of Czechs help shelters in various ways. (Macek 2021) The most rapid growth in the number of dogs is in Prague, where, for example, the number of dogs has increased by 4,000 from 2020 to 2021. In 2021, there were over 90,183 dogs in Prague. (Kaša and Kopecký 2021) According to the 2019 Nielsen Atmosphere survey, Czechs spend an average of almost 16,000 CZK per dog annually. (Irozhlas 2019)

One of the major parts of the café Kostička is the financial support for shelters in the Czech Republic through fundraising and charity sales. Czech interest in donating to a cause grows yearly, donating over 9 billion CZK in 2022. At the same time, on average, every other citizen donates at least once a year. (Janovská 2022) This means that this aspect of the café is also expected to be of considerable interest.

#### **5.5.2.4 Technological factors**

The owner does not expect any significant changes affecting the business in this area. The company will not use any technologically demanding devices or devices that are expected to be rapidly innovated. The café will use essential generally available appliances such as a coffee machine, refrigerator, cash register, and others. Fast and stable Wi-Fi, free of charge for customers, will also be available.

#### **5.5.2.5 Environmental factors**

Due to higher prices and the support of local vendors, the fruits and vegetables used in desserts, dog treats, and cakes will be seasonal if the owner can influence this. Only glass, metal, or edible straws will be available in the cafe. Dog treats will be donated to any chosen dog shelter on the expiration date.

### **5.5.3 Porter's five forces**

#### **5.5.3.1 Bargaining power of suppliers**

The advantages of the brand Lavazza are good availability, the variety of their products, its favorable price, long tradition, and the good name of the company and its quality. Desserts and cakes will be supplied by a friend of the owner with long experience in confectionery production, and the owner herself will bake for dogs. The rest of the ingredients will be bought at Makro, which is only 10 minutes away from the café by car. The owner can change any supplier quickly, and without any cost, many supplier options exist in the capital city.

#### **5.5.3.2 Bargaining power of buyers**

Prague offers a wide selection of cafés and a few dog bakeries. Customers may choose to go to the competition if it offers lower prices or higher quality products. Although the Café has a convenient location with relatively distant competition, it will strive to keep the prices reasonable and affordable, maintain the quality of food and beverages, and continuously care for customer satisfaction through pleasant customer service and a clean and calm environment of the café.

#### **5.5.3.3 Barriers to entry**

Prague is a capital city with hundreds of cafés, and the threat of new similar businesses is always present. The café plans to build a good reputation and a loyal customer base and maintain the original concept and variety of products and services offered. However, if a cheaper or bigger café opens in the close vicinity, it could attract a part of our customers.

#### ***5.5.3.4 Competitive rivalry***

The café is in a good location, however, with few competitors. The nearest café is in the local busy shopping center, which is 1.2 kilometers away. Because of the complicated parking situation and the busyness of this café, their clientele likely consists mainly of visitors of the shopping center. Probably the biggest competitor in the area is the pub and restaurant called U Sousedů na Zličíně. It is located by the football field, so it is full most days, with people visiting after football matches and training or as spectators. It is also next to a kid's playground. From the author's experience, this place is hectic and noisy, and its concept is very different from Kostička café, even though a customer can order a coffee there. Therefore, people from the surrounding housing estate do not currently have the opportunity to take, for example, a coffee to-go before or after work.

Competition for homemade dog treats and desserts is small but not non-existent in Prague. The owner found a total of four dog bakeries in Prague – Psí Pekárna, Zolly Dog Bakery, Dogtown, and Punt'ova psí cukrárna. The nearest is more than 12 kilometers away. Two bakeries are closed on weekends, and the other two are closed on Sundays. Only one of them opens earlier than 10 am.

Considering the chosen location and the unique concept of the café, the owner does not expect existing customers to switch to competitors.

#### ***5.5.3.5 Threat of substitute products and services***

Many people nowadays own a coffee machine, the advantage being a lower price, the comfort of a home environment, and the possibility of choosing a favorite coffee. Still, home-brewed coffee may not be as professionally prepared and delicious as in a café, which also offers a unique environment. Desserts for people and dogs can be prepared at home; many recipes are online. However, it is often time-consuming, and especially for dog treats, the customer may have to buy many ingredients that not everyone has at home.

Similar lectures to the ones planned by the café can be bought and listened to online by different authors, but the price is usually much higher. Workshops are also substitutable with online tutorials, but the customer would have to get all the supplies and may not have sufficient space at home to craft. Even though online lectures and workshops are convenient, flexible, and more cost-effective, attending offline may provide more personalized learning experiences, socializing, building soft skills, and being easier to understand.

The last threat of substitution is pet stores, which sell treats of commercial brands that are usually cheaper. These stores sometimes sell charity calendars and other items. We hope the customer will support the small business and bet on higher quality products and services.

## 5.6 COMPETITION

There is no direct competition in Prague, as the concept of the café is unique. However, there are a few dog bakeries, cafés in the nearby shopping center, and one restaurant which also serves café in the area. These will be analyzed below.

### **U sousedů na Zličíně**

This restaurant is located on a football field, 400 meters from the café. It is oriented towards a different customer segment, mainly football matches and training visitors. It does not open before 10 in the morning or close before 10 at night. Although visitors can order coffee here, they tend to focus on alcoholic beverages and pizza. The price of the coffee ranges from 49 to 79 CZK.

### **Psí pekárna**

This bakery has a long history and experience in baking for dogs; it has been around since 2007. It is located 12 kilometers from the café but offers only dog products, mainly on request. Later they added a dog salon to their scope of business. The opening hours of the business are limited. They are closed on Mondays, open on Tuesdays from 11 am to 6 pm, Wednesdays from 11 am to 7 pm, Thursdays from 11 am to 7 pm, and Fridays only from 11 am to 3 pm. They are closed on weekends. However, in 2023 they suspended the operation of the dog bakery until further notice and now operate only the salon.

### **Zolly dog bakery**

This dog bakery is within 30 kilometers of the café, so the owner does not consider them a threat. This bakery only focuses on the dog treat business and dog grooming products. Except for Sundays, they are open from 10 am to 4 pm. The price of dog cakes is around 700 CZK, and most of their dog treats cost 139 CZK per 100g.

### **Dogtown**

Dogtown is a dog salon, shop, and bakery in the city's heart. Rather exclusive, for wealthy customers, again with only dog goods. It is located 14 kilometers from Kostička café and is open Monday to Friday from 10 am to 7 pm, and Saturday from 10 am to 5 pm. Sunday is closed. This bakery is slightly more expensive than Zolly dog bakery. Their cakes cost 700–1000 CZK, but they don't package their dog treats, which are sold for 15–100 CZK a piece.



### **Punt'ova psí cukrárna**

This is a confectionery that specializes in desserts and cakes for dogs. Their opening hours are Monday to Friday from 11 am to 6 pm and Saturday from 11 am to 2 pm. This confectionery is located at the opposite end of Prague, almost 30 kilometers from the Kostička cafe. Their cakes are cheap, starting at 350 CZK, and their dog muffins cost around 75 CZK.

### **Shopping centre Zličín**

There are three cafés in this shopping center, and their target market is probably mainly the shoppers. These cafes are Café Livello, Felicity Food, and Starbucks. Their opening hours are in accordance with the shopping center, from 8 am to 9 pm, Monday to Friday. The price of coffee ranges from 75 CZK to 175 CZK.

### **Summary of competition**

No dog bakery is near the establishment, and the nearest cafés are in the shopping center. Four dog bakeries are in Prague, one of which has currently suspended operations. None of these bakeries are open on Sundays, and their weekend hours are limited. Considering that the nearest dog bakery in the area is currently not baking, Kostička café is the only dog bakery within a 14 km radius. The competitors' prices do not significantly differ, and the café will be on a similar level with them.

## **5.7 MARKETING PLAN**

The main goal of this chapter is to describe a SWOT analysis with a description of strengths, weaknesses, opportunities, and threats of the café and to create a marketing mix with particular attention to promotion.

### **5.7.1 Swot analysis**

Table 3 – SWOT analysis (own creation)

STRENGTHS	WEAKNESSES
Joyful atmosphere and appealing interior	Inexperienced entrepreneur
Unique concept	Relatively low resources with the need to borrow money
High-quality handmade dog treats and cakes	
Open all week	
A convenient location	

OPPORTUNITIES	THREATS
To develop a loyal customer base	Legislation changes
Low competition in the area	Alcohol regulations
The ability to enjoy beverages, meals and snacks with one's pet	Lack of customers
The convenience of not having to walk pet back home to enter the café	Slow economic stabilization, high inflation
Building a good reputation through charity sales and events	Aggressive dogs and irresponsible owners

#### **5.7.1.1 Strengths**

The café's strengths include its pleasant atmosphere and beautiful interior, in a very convenient location in the middle of the Zličín housing estate. The unique concept of the café may attract the first customers just out of curiosity; then, the café strives to retain them with homemade dog treats and cakes, quality coffee, and tasty snacks. Compared to competing dog bakeries, Kostička Café has longer opening hours, including weekends.

#### **5.7.1.2 Weaknesses**

The main weakness of this business is the inexperienced entrepreneur. Although the owner has experience in accounting and finance and has acquired the necessary theoretical basis for developing her own business at university, she has never yet started a new venture. Another weakness is the owner's low equity, which she must borrow from a bank to launch the café.

#### **5.7.1.3 Opportunities**

Due to a good location with competition relatively far, the café has ample opportunity to build a loyal customer base rather quickly, especially in this area, where from the owner's experience, are many dog owners. The company can quickly build a reputation by combining charity sales and collections for dog shelters, hosting fun weekend workshops and lectures, and offering a tasty menu for customers and their pets.

#### **5.7.1.4 Threats**

The two biggest and most realistic threats to this café are aggressive dogs with irresponsible owners and a possible lack of customers, largely due to the economic recession. To prevent conflict between dogs, a sign will be prominently displayed on the door warning the owner

to bring in only a trained dog that is comfortable with other dogs. However, there is still the risk of an inconsiderate dog owner ignoring this warning. The economic situation may be stabilizing now, but inflation is still high. There is a risk that the café will not have enough customers due to more expensive products, especially in the first months of functioning.

## **5.8 Marketing mix**

### **5.8.1 4P**

#### **Product**

Café Kostička offers high-quality handmade treats and desserts for dogs, coffee, and other alcoholic and non-alcoholic beverages, snacks, and delicious desserts for the customers. Additionally, the café sells calendars and other products to support dog shelters, with occasional fundraising events. Customers may learn about their pets in hosted lectures or make fun crafts at weekend workshops. Products and services of café Kostička are discussed in more detail in chapter 5.4.

#### **Price**

For the pricing of handmade dog cakes and treats, the owner will be guided by the competition of dog bakeries and the costs. These products will be relatively expensive due to the time required to prepare them and the high-quality ingredients. On the other hand, the café should maintain lower prices for coffee and other beverages than competing cafés in the Zličín shopping center due to lower rent and fewer employees. The prices of the complementary sale items are based on supplier prices; the entire profit from the charity items will be given to the shelters, the pricing is therefore up to them, and the owner will not profit from these items. However, a very high profit is expected from the lectures and workshops organized, assuming full capacity. Possible prices for all products and services are in the financial plan.

#### **Place**

Kostička café is located on Sazovická street 19, Prague 5. This place is located in the middle of the Zličín housing estate, opposite a small park. A part of the café will be used for selling charity and other products. The second part will be a counter with showcases, behind which there will be a staff area and a small kitchen, and the last part will be a seating area for customers. Inside, three tables are available, so the maximum capacity of the indoor space is 12 seats. If the weather is warm enough, it is possible to sit outside, where the capacity is

also three tables, therefore 12 customers. Customers and their dogs can sit inside and be served or take anything from the menu to-go.

The café's interior will be decorated in warm orange, brown and yellow colors. The decoration will be focused on dogs and everything related to them, and the owner will choose comfortable but stain-resistant furniture. Dogs will be provided with beds and water bowls at their owner's request.

The suppliers are also nearby – Makro is located 5 kilometers from the café. The owner of the café and the confectioner live in the same street as the café, which saves transport costs. The supplier of Garden Lemonade syrups delivers nationwide above a specific order value for free, and the owner can pick up the shipment at a delivery point near the café.

### **Promotion**

Promotion is one of the most valuable tools in the marketing mix, and the owner intends to focus on it. The primary marketing efforts will be online advertising, the café's website, branding, and leaflets.

Online promotion will be done mainly through Facebook and Instagram. The owner also plans to add her cafe to Google Maps. Kavárna Kostička will also be promoted by the private dog shelter Dogpoint for free by offering their visitors the café's leaflets and mentioning the café on their website. Dogpoint's owner has also offered to mention the café on their Instagram, which now has over 23,000 followers. Furthermore, the owner hopes that after trying the café's products or services, customers will recommend the café to their friends or share the café's website or posts. The individual marketing vehicles are detailed below.

### **Online promo**

Online promotion of the café is essential; the owner of the café wants to ensure that customers always have access to up-to-date information about the café and its products and services.

- **Facebook** – The café will operate on Facebook under its name, "Kavárna Kostička". This is the main platform on which the café will develop its online audience and interact with customers. The Facebook page will list the opening hours, where the café is located, the menu, photos of the interior and exterior, and the café's products. There will also be announcements of upcoming lectures and workshops or changes in the menu. The owner's posts here will also be automatically shared on the cafe's Instagram. The owner plans to use Facebook PPC ads, as their customer targeting is one of the most accurate. She plans to use this advertising for at least the first six months of the café's operation.

- **Instagram** – The café's Instagram will also be called "Kavárna Kostička". Operating Instagram will be easier thanks to the possibility of resharing posts from Facebook, but the owner will also focus on creating Instagram stories or reels to maximize the audience. The owner will not use Instagram ads, at least not in the first year of business.
- **Google Maps** – For the customer to quickly find out the business's opening hours or conveniently set a driving route to the café, the owner will set up a company profile on Google. It is a quick process, and adding the café to Google Maps is free. The owner will also pay for Google search PPC ads in the first months.
- Friends and family will share Facebook and Instagram pages and posts.

### **Website**

The website has the advantage that the customer does not have to register or have any social media to access it. Although the owner herself does not have an IT qualification or experience in creating websites, her family member has; he has created many websites for Prague entrepreneurs and offered to create a website for the café for free. This website will contain all the essential information, such as opening hours, menu, and photos of the café and its products. There will also be a space for sharing news, where the owner will post upcoming events, possible discounts, competitions, and more. If the business is successful, the website can also be used to launch an e-shop with dog treats or an online ordering system for dog desserts and cakes.

### **Leaflets**

Leaflets announcing the establishment of the new café and providing brief information about it will be handed out in the vicinity of the café and the nearby shopping center and at dog shelters that will agree to cooperate. This leaflet will also include a 5% discount on the first purchase at the café to attract more customers.

### **Branding**

Branding offers numerous benefits for a dog bakery company, such as creating a unique identity, establishing credibility, and increasing customer loyalty. Branded aprons, packaging with logos, and loyalty cards can help create a consistent look and feel for the business, improving brand recognition and customer retention. Consistency in branding can also attract new customers and promote positive word-of-mouth advertising. Ultimately, a well-executed branding strategy can increase sales and revenue for the business.

The owner has designed aprons, loyalty cards, and packaging as implied in the previous chapter. Employees will be given aprons of their size, which they must wear when working. These aprons are in light colors, which can make stains more visible, but due to the simplicity of the design, these aprons are not expensive and are easily replaceable. The design of these aprons is shown in Figure number 3.



Figure 3 – Aprons with the company logo (Own creation)

The owner also designed the design of loyalty cards. Customers collect "bones," and every tenth coffee or dog treat is free. The design of these cards is displayed in Figure 4.



Figure 4 – Loyalty cards for customers (Own creation)

In the first months of the café's establishment, to save packaging costs, the treats will be packaged in transparent plastic packaging with a sticker, and the cakes will be in a box that will be transparent on top, also with a sticker. If the café is successful, or even successful enough to sell treats in an e-shop, more sophisticated and decorative packaging will be created.



Figure 5 – Packaging front sticker (own creation)



Figure 6 – Packaging back sticker (own creation)

## 5.9 Financial analysis

This chapter describes all the start-up costs for a new business. It includes the initial expenses, labor, fixed and variable costs, and estimated revenues and income statements in realistic, pessimistic, and optimistic scenarios.

### 5.9.1 Initial expenses

Initial expenses include all costs involved in setting up a new business. This includes obtaining a trade license, reconstruction, marketing costs, large and small equipment, initial inventory, and furniture. The premises already have a white tiled floor, two toilets for customers and one for employees, and sufficient electrical wiring and lighting, so it is unnecessary to include these costs. The shelters will supply the charitable items, and the entire sale price will be returned to them, so they are not included here either. In total, these initial expenses amount to 308,184 CZK.

Reconstruction costs include the purchase of a sales counter, kitchen counter, and cabinets. It also includes materials to build dividing walls and to repaint the café. The labor cost is not included in this expenditure as the complexity of these tasks does not require a professional, the owner and her partner will carry them out. The dividing wall will be situated between the café sales area and the sales counter, along with the kitchen and staff area. The shop will also be repainted from white to a light pastel orange.

The next part is the marketing costs to attract new customers and build the Kostička brand. That includes leaflets for distribution to potential customers, which will also be placed in the cooperating shelters. Another item is branded employee aprons. Since there will be two full-time workers (including the owner) and one part-time worker in the café, the owner will purchase two aprons for each. There is also the cost of printing stickers, loyalty cards, and plastic packaging. The last item is online promotion, which includes the cost of advertising on Facebook and Google.

The most expensive part of the initial cost is the equipment of the café, mainly due to the expensive professional coffee machine, followed by the cost of indoor and outdoor furniture. The last item is the initial inventory, which includes purchasing complementary products, supplies for lectures and workshops, and cleaning and hygiene products.

Table 4 – Total initial expenses in CZK (own creation)

<b>Total initial expenses (in CZK)</b>	
<b>Item</b>	<b>Expense</b>
Trade License	1,000
<b>Reconstruction</b>	<b>51,487</b>
Sales counter	35,000



Kitchen counter with cabinets	4,487
Dividing walls	7,000
Painting	5,000
<b>Marketing</b>	<b>14,966</b>
Aprons	1,776
Leaflets	1,700
Loyalty cards	1,490
Plastic wrapping and stickers	3,000
Online promotion	7,000
<b>Equipment</b>	<b>177,111</b>
PC with monitor	8,815
Wi-fi router	489
Coffee machine	112,240
Refrigerator	15,000
Electric kettle	500
Showcases	10,000
Audio speakers	4,567
Stationery	500
Utensils and kitchen equipment	8,000
Plants with pots	5,000
Dog bowls	2,000
Decoration	10,000
<b>Initial inventory</b>	<b>10,000</b>
Complementary products	4,000

Cleaning and sanitary products	1,000
Workshop, lectures supplies	5,000
<b>Furniture</b>	<b>53,620</b>
Indoor tables	7,257
Indoor chairs	16,200
Outdoor furniture sets	12,567
Shelves	2,156
Seating cushions	8,980
Dog beds	6,460
<b>TOTAL</b>	<b>308,184</b>

### 5.9.2 Fixed costs

The fixed costs of the Kostička café are mainly the rent of the premises and labor costs, as well as the costs of operating the café, such as energy, internet, and the insurance of the premises. Finally, the owner is required to pay the OSA a fee for playing music through the audio system.

Table 5 – Fixed costs in CZK (own creation)

<b>Fixed costs in CZK</b>		
<b>Cost</b>	<b>Monthly</b>	<b>Annually</b>
Rent	20,000	240,000
Labor costs	50,606	607,272
Energy	5,000	60,000
Internet	450	5,400
OSA	307	3,684
Insurance	4,500	54,000
<b>TOTAL</b>	<b>80,863</b>	<b>970,356</b>

### 5.9.3 Variable costs of products and services

Table 6 – Variable costs of products and services in CZK (own creation)

<b>Non-alcoholic beverages</b>			
<b>Item</b>	<b>Price</b>	<b>Cost</b>	<b>Gross profit</b>
Espresso	50	5.5	44.5
Lungo	55	5.8	49.2
Cappuccino	65	8	57
Latté	70	10.2	59.8
Iced coffee	75	12.4	62.6
Flat white	70	9.2	60.8
Tea	40	3.2	36.8
Lemonade 0,5l	50	18.45	31.55
Aquila water 0.5l	30	8.99	21.01
Coca-cola 0.33l	40	20.8	19.2
Coca-cola light 0.33l	40	20.8	19.2
Fanta 0.3l	40	20	20
Sprite 0.33l	40	22	18
Rauch juice 0.2l	45	27	18
<b>Average</b>	50.71428571	13.738571	36.9757
<b>Alcoholic beverages</b>			
<b>Item</b>	<b>Price</b>	<b>Cost</b>	<b>Gross profit</b>
Mojito	120	40	80
Gin&tonic	125	46	79
Cuba libre	120	39	81
Tequila sunrise	135	52	83
Piña colada	120	47	73
Beer 0,5l (Stella Artois)	65	23.42	41.58
Red wine 0,2l	45	12.36	32.64
White wine 0,2l	45	14.12	30.88

Rosé wine 0,2l	45	13.96	31.04
<b>Average</b>	91.11111111	31.984444	59.1267
<b>Condiments</b>			
<b>Item</b>	<b>Price</b>	<b>Cost</b>	<b>Gross profit</b>
Honey	10	4.6	5.4
Oat milk	15	5.7	9.3
Almond milk	15	7.4	7.6
Cow milk	10	3.79	6.21
<b>Average</b>	12.5	5.3725	7.1275
<b>Desserts</b>			
<b>Item</b>	<b>Price</b>	<b>Cost</b>	<b>Gross profit</b>
Big	85	43	42
Medium	70	19	51
Small	55	11.5	43.5
<b>Average</b>	70	24.5	45.5
<b>Dog treats and cakes</b>			
<b>Item</b>	<b>Price</b>	<b>Cost</b>	<b>Gross profit</b>
Whole cake	860	172	688
Big treats	90	15.4	74.6
Medium treats	60	7.3	52.7
Small treats	30	3.1	26.9
<b>Average</b>	260	49.45	210.55
<b>Other products</b>			
<b>Item</b>	<b>Price</b>	<b>Cost</b>	<b>Gross profit</b>
Books	349	199	150
Dog toys (Dog-point)	79	79	0
<b>Average</b>	214	139	75
<b>Snacks</b>			

Item	Price	Cost	Gross profit
Full charcuterie board	299	125	174
Nachos with salsa	85	38.45	46.55
Chips	45	20	25
Mixed nuts	35	13.8	21.2
<b>Average</b>	116	49.3125	66.6875
Services			
Item	Price	Cost	Gross profit
Workshop	500	85.3	414.7
Lecture	250	23.1	226.9
<b>Average</b>	375	54.2	320.8

#### 5.9.4 Labour costs

As mentioned in the business's organizational structure, the café will be staffed by the owner, one full-time employee, and one temporary employee. The owner has considered the average wage in the industry and increased it since the wage in Prague is the highest in the country. The full-time employee and the temporary worker will keep all tips received during their shift.

Table 7 – Labor costs of employees in CZK (own creation)

Employee	Gross wage	Social insurance (24,8%)	Health insurance (9%)	Wage	Annual wage
Full time worker	30,000	7,440	2,700	40,140	481,680
Part-time worker				4,800	57,600

The temporary worker will receive 120 CZK per hour. Assuming he works only Saturdays and does not have to cover for the full-time employee, this amounts to 40 hours per month. In this case, the temporary worker will receive 4,800 CZK. As the income is less than 10,000 CZK, there is no obligation to pay social security and health insurance.

The owner will not receive a fixed monthly wage; she will only keep a portion of the profits. However, as a sole trader, she is obliged to pay social and health insurance.

Table 8 – Labor cost of the owner in CZK (own creation)

Owner	Monthly	Annually
Social insurance	2,944	35,328
Health insurance	2,722	32,664

### 5.9.5 Estimated revenues

To calculate estimated revenues, the owner considered the possible number of customers, and their estimated average spend per visit. This chapter will include the estimated revenues in three versions: optimistic, realistic, and pessimistic. Since the maximum seating capacity of the café is 12 customers from November to April, and 24 customers from May to October, the owner, therefore, assumes an average capacity of 18 customers throughout the whole year.

#### Optimistic version

The optimistic version assumes 80% occupancy of the café, and the average time spent by customers is 1,5 hours. In total, therefore, the owner expects 96 customers per day. For the purposes of estimating an average spend by the customer, Table 9 was created, which works with average costs and prices for each product category.

Table 9 – Average prices of chosen categories in CZK (own creation)

Example purchase	Price	Cost
Coffee	64.16667	8.516667
Alcoholic drink	91.11111	31.98444
Dessert	70	24.5
Dog treat	60	49.45
<b>Total</b>	<b>285.2778</b>	<b>114.4511</b>

The average customer spending in the optimistic version is roughly 285 CZK, when considering an average price of a coffee, an alcoholic drink, a dessert, and a dog treat. Variable costs of supplies are therefore 114 CZK per customer, and daily per all customers 10,944 CZK.

Table 10 – Optimistic version of revenues in CZK (own creation)

Optimistic version of revenues	
Customers per day	96
Average spending of one customer per visit	285

Estimated daily revenues	27,360
Estimated monthly revenues	656,640
Estimated annual revenues	7,879,680

To this, the revenues from lectures and workshops must be added. Assuming two workshops and two lectures per month, with a capacity of 80%, the estimated monthly revenues are 24,000 CZK and the estimated annual revenues are 288,000 CZK. Variable costs for these services are 3,468.8 CZK per month, which is 41,625.6 CZK annually.

### Realistic version

The realistic version assumes a 60% occupancy of the capacity of the café, again with an average time of time spent by customers of 1.5 hours. In this case, the figure is 64 customers per day. Referring to Table 10, the realistic version assumes an average spend of roughly 194 CZK, which consists of a coffee, a dessert, and a dog treat. Variable costs per customer are 82 CZK rounded down, which is 5,248 CZK for all customers per day.

Table 11 – Realistic version of revenues in CZK (own creation)

Realistic version of revenues	
Customers per day	64
Average spending of one customer per visit	194
Estimated daily revenues	12,416
Estimated monthly revenues	297,984
Estimated annual revenues	3,575,808

For 2 lectures and 2 workshops with a capacity of 60%, there is an extra revenue of 18,000 CZK, and 216,000 CZK annually. Variable costs are 2,601.6 CZK per month, and 31,219.2 CZK annually.

### Pessimistic version

In the pessimistic version, the owner assumes only 40% capacity occupancy. The total number of customers per day is 38. Based on average product category prices, the average spend in this scenario is 128 CZK rounded up to units. This consists of coffee and a dessert. The variable cost per customer is therefore 33 CZK, and daily for all customers 1,255 CZK.

Table 12 – Pessimistic version of revenues in CZK (own creation)

Pessimistic version of revenues	
Customers per day	38
Average spending of one customer per visit	128
Estimated daily revenues	4864

Estimated monthly revenues	116,736
Estimated annual revenues	1,400,832

Also, assuming holding 2 lectures and 2 workshops per month, with a capacity of 40% for the pessimistic version of revenues, extra revenue of 12,000 CZK monthly, and 144,000 CZK annually. Variable costs are 1734,4 CZK per month, and 20,812.8 CZK annually.

### 5.9.6 Income statements

The income statements are constructed in three scenarios – optimistic, realistic, and pessimistic. The income statements are taking estimated revenues and variable costs of each version into consideration, as well as income tax for a natural person (15%). The owner will also pay the amortization of 83,274.1 CZK and the interest of 40,694.4 CZK in the first year.

#### Optimistic income statement

Table 13 – Income statement in optimistic scenario (own creation)

<b>Optimistic income statement in CZK</b>			
	<b>First month</b>	<b>Second month</b>	<b>First year</b>
<b>Revenues</b>	680,640	680,640	8,167,680
Fixed costs	80,863	80,863	970,356
Variable costs	266,128.8	266,129	3,193,548
Initial costs	308,184	0	308,184
Total costs	655,175.8	346,992	4,472,088
<b>EBITDA</b>	<b>25,464.2</b>	<b>333,648</b>	<b>3,695,592</b>
Amortization	6,664	6,712.9	83,274.1
<b>EBIT</b>	<b>18,800.2</b>	<b>326,935.1</b>	<b>3,612,317.9</b>
Interest	3,666.7	3,617.8	40,694.4
<b>EBT</b>	<b>15,133.5</b>	<b>323,317.3</b>	<b>3,571,623.5</b>
Income tax 15%	2,270	48,497.6	535,743.5
Taxpayer discount	30,840	30,840	370,080
Tax with deducted discount	0	17,657.6	165,663.5
<b>Net income</b>	<b>15,133.5</b>	<b>305,659.7</b>	<b>3,405,960</b>

#### Realistic income statement

Table 14 – Income statement in realistic scenario (own creation)



<b>Realistic income statement in CZK</b>			
	First month	Second month	First year
<b>Revenues</b>	315,984	315,984	3,791,808
Fixed costs	80,863	80,863	970,356
Variable costs	128,553.6	128,553.6	1,542,643.2
Initial costs	308,184	0	308,184
Total costs	517,600.6	209,416.6	2,821,183.2
<b>EBITDA</b>	<b>-201,616.6</b>	<b>106,567.4</b>	<b>970,624.8</b>
Amortization	6,664	6,712.9	83,274.1
<b>EBIT</b>	<b>-208,280.6</b>	<b>99,854.5</b>	<b>887,350.7</b>
Interest	3,666.7	3,617.8	40,694.4
<b>EBT</b>	<b>-211,947.3</b>	<b>96,236.7</b>	<b>846,656.3</b>
Income tax 15%	0	14,435.5	126,998.4
Taxpayer discount	30,840	30,840	370,080
Tax with deducted discount	0	0	0
<b>Net income</b>	<b>-211,947.3</b>	<b>96,236.7</b>	<b>846,656.3</b>

**Pessimistic income statement**

Table 15 – Income statement in pessimistic scenario (own creation)

<b>Pessimistic income statement in CZK</b>			
	First month	Second month	First year
<b>Revenues</b>	116,736	116,736	1,400,832
Fixed costs	80,863	80,863	970,356
Variable costs	42,120	42,120	505,440
Initial costs	308,184	0	308,184
Total costs	431,167	122,983	1,783,980
<b>EBITDA</b>	<b>-314,431.0</b>	<b>-6,247</b>	<b>-383,148</b>
Amortization	6,664	6,712.9	83,274.1
<b>EBIT</b>	<b>-321,095</b>	<b>-12,959.9</b>	<b>-466,422.1</b>
Interest	3,667.7	3,617.8	40,694.4
<b>EBT</b>	<b>-324,761.7</b>	<b>-16,577.7</b>	<b>-507,116.5</b>
Income tax 15%	0	0	0

Taxpayer discount	30,840	30,840	30,840
Tax with deducted discount	0	0	0
<b>Net income</b>	<b>-324,761.7</b>	<b>-16,577.7</b>	<b>-507,116.5</b>

## 5.10 Return on investment

ROI calculates the feasibility of the business, the return of investment in business. This is calculated by dividing net income by the cost of investment and multiplying it by 100 to get a percentage. The higher the percentage, the higher the return on investment.

### Optimistic ROI

$$\text{ROI} = \frac{3\,405\,960 - 700\,000}{700\,000} \times 100 = 386,57\%$$

### Realistic ROI

$$\text{ROI} = \frac{846\,656 - 700\,000}{700\,000} \times 100 = 20,95\%$$

In both optimistic and realistic scenarios, the business is feasible. In the optimistic scenario, the owner gains almost four times more than she invested. In the realistic scenario, the return on investment is significantly lower but still positive. The ROI is, however, likely to increase in the following years. The pessimistic version of ROI cannot be calculated, having negative earnings after taxes. Therefore, only in this scenario the business is in loss, and the owner would need to consider another loan or closing the business.

## 5.11 Risk evaluation

### Dog-related accidents and allergies

Dogs can be unpredictable, and there is a risk of bites, scratches, and other accidents. Some people are also allergic to dogs or may have other health issues around animals. If the café is not properly ventilated, it can lead to customer complaints. To prevent this, the owner shall implement the following measures:

- Developing a clear policy for customers with dogs. Rules for hygiene, behavior, and safety will be clearly displayed outside and inside the café. The customers will also be notified that some spaces are off-limits for dogs, such as the staff area and the kitchen corner.
- Maintaining hygiene. The café will be cleaned and disinfected often to ensure the environment remains healthy for all customers. A regular cleaning schedule will be established.

- Ventilation and air quality. An air purifier will be installed to minimize the risk of allergies or other health issues associated with pet odor, and the owner and her employees will ventilate the café frequently.
- Liability and property insurance.

### **Employees**

There is a risk of poor employee choice, which can have a major impact on the business and lead to low productivity, morale, and customer dissatisfaction. The owner will ensure that the job requirements and qualifications are clearly defined before the hiring process and will use a structured interview process. Once hired, ongoing feedback will be provided to ensure the employee meets the position's expectations. Employees must be friendly, professional, love dogs, and help create a comfortable environment and pleasant customer experience.

### **Lack of customers**

This risk is crucial for any business as lack of customers leads to reduced revenue, decreased profits, and potentially even failure of the business. Even if there is no direct competition, it cannot be guaranteed that there will be enough customers immediately. To mitigate this risk, the owner will invest in marketing and promotion, mainly through Facebook and Google ads. The goal of the café is also to provide exceptional customer service to ensure that existing customers are satisfied and more likely to return and offering high-quality products and services to meet customer expectations to build a positive reputation. The pricing is also intentionally set a bit lower than the competition to help attract new customers.

### **Rising prices**

Although the Ministry of Finance predicts that inflation will decrease yearly, rising energy costs and other commodities cannot be ruled out. In this case, this may result in higher prices for products and services for consumers. There is also the possibility that suppliers will increase their prices, in which case replacing suppliers is relatively easy as the company is in Prague, where many options are available.

## CONCLUSION

The main goal of this bachelor thesis was to develop a business plan for a café Kostička in Prague and to determine whether the opening of such a business is feasible and able to generate profit. This café offers coffee, desserts, or drinks, homemade dog treats or cakes, sales of complementary goods, and weekend lectures and workshops.

In the theoretical part, the principle of entrepreneurship and the entrepreneur was described, and various forms of entrepreneurship in the Czech Republic, as a natural or legal person, were introduced. After considering the recommended criteria, the author chose to do business as a sole trader, i.e., a natural person. Following this, the possible structure of the business plan was described and then tailored to the needs of the specific business in the practical part.

The practical part provided basic information about the business, its logo, executive summary, company description, and the products and services offered by the café. Furthermore, the author conducted a thorough market analysis, which involved identifying the target market and carrying out PESTE and Porter's five forces analysis. Then possible competitors are listed, and the author concluded that the café is the only dog bakery in at least 14km. As a unique concept, it currently does not have direct competition in the area. In the marketing plan, a SWOT analysis was undertaken, followed by developing a marketing mix strategy, with a particular focus on the promotion and branding of the café. The financial plan involved determining the initial expenses, fixed costs, and variable costs associated with the products and services offered. The projected revenues were then calculated across three versions: optimistic, realistic, and pessimistic, which enabled the creation of income statements for each scenario. Both the optimistic and realistic projections showed profitable outcomes. Moreover, the return on investment was calculated for the optimistic and realistic scenarios, which were both favorable. Finally, the practical section concluded with a risk assessment, where the most significant risks were identified, and the author suggested possible solutions.

Based on the practical part, it can be determined that the establishment of a café is both feasible and profitable in two scenarios, provided that the owner takes a loan of 500,000 CZK and contributes 200,000 CZK from her savings. The café Kostička should be profitable in the first year in the optimistic and realistic version. The most probable realistic version assumes 64 customers per day, which could generate 846,656.3 CZK net income per year and a 20.95% return on investment in the first year. Under this assumption, the café could

expand its services in the following years to include an e-shop with packaged dog treats and further increase its profits.

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**LIST OF ABBREVIATIONS**

CZK	Czech crown
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EBIT	Earnings before interest and taxes
EBT	Earnings before taxes
EU	European Union
EUR	Euro
i.e.	Id est – that is
IT	Information technology
Lo-Fi	Low fidelity
LLC	Limited liability company
SWOT	Strengths, weaknesses, opportunities, and threats
OSA	Ochranný svaz autorský – The copyright protection association
PESTE	Political, economic, social, technological, and environmental factors
PPC	Pay-per-click
ROI	Return on investment
ROA	Return on assets
SWOT	Strengths, weaknesses, opportunities, and threats

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## APPENDICES

P I      Repayment schedule

APPENDIX P I: REPAYMENT SCHEDULE

Schedule of repayments		Repayment date	Installment number	Installment	Interest	Principal	Loan balance
		01.05.2024	1	10 330,7	3 666,7	6 664,0	493 336,0
		01.06.2024	2	10 330,7	3 617,8	6 712,9	486 623,0
		01.07.2024	3	10 330,7	3 568,6	6 762,1	479 860,9
		01.08.2024	4	10 330,7	3 519,0	6 811,7	473 049,2
		01.09.2024	5	10 330,7	3 469,0	6 861,7	466 187,5
		01.10.2024	6	10 330,7	3 418,7	6 912,0	459 275,5
		01.11.2024	7	10 330,7	3 368,0	6 962,7	452 312,8
		01.12.2024	8	10 330,7	3 317,0	7 013,8	445 299,0
		01.01.2025	9	10 330,7	3 265,5	7 065,2	438 233,8
		01.02.2025	10	10 330,7	3 213,7	7 117,0	431 116,9
		01.03.2025	11	10 330,7	3 161,5	7 169,2	423 947,7
		01.04.2025	12	10 330,7	3 108,9	7 221,8	416 725,9
		01.05.2025	13	10 330,7	3 056,0	7 274,7	409 451,2
		01.06.2025	14	10 330,7	3 002,6	7 328,1	402 123,1
		01.07.2025	15	10 330,7	2 948,9	7 381,8	394 741,3
		01.08.2025	16	10 330,7	2 894,8	7 435,9	387 305,4
		01.09.2025	17	10 330,7	2 840,2	7 490,5	379 814,9
		01.10.2025	18	10 330,7	2 785,3	7 545,4	372 269,5
		01.11.2025	19	10 330,7	2 730,0	7 600,7	364 668,7
		01.12.2025	20	10 330,7	2 674,2	7 656,5	357 012,3
		01.01.2026	21	10 330,7	2 618,1	7 712,6	349 299,7
		01.02.2026	22	10 330,7	2 561,5	7 769,2	341 530,5
		01.03.2026	23	10 330,7	2 504,6	7 826,2	333 704,3
		01.04.2026	24	10 330,7	2 447,2	7 883,5	325 820,8
		01.05.2026	25	10 330,7	2 389,4	7 941,4	317 879,4
		01.06.2026	26	10 330,7	2 331,1	7 999,6	309 879,8
		01.07.2026	27	10 330,7	2 272,5	8 058,3	301 821,6
		01.08.2026	28	10 330,7	2 213,4	8 117,4	293 704,2
		01.09.2026	29	10 330,7	2 153,8	8 176,9	285 527,3
		01.10.2026	30	10 330,7	2 093,9	8 236,8	277 290,5
		01.11.2026	31	10 330,7	2 033,5	8 297,2	268 993,2
		01.12.2026	32	10 330,7	1 972,6	8 358,1	260 635,1
		01.01.2027	33	10 330,7	1 911,3	8 419,4	252 215,7
		01.02.2027	34	10 330,7	1 849,6	8 481,1	243 734,6
		01.03.2027	35	10 330,7	1 787,4	8 543,3	235 191,3
		01.04.2027	36	10 330,7	1 724,7	8 606,0	226 585,3
		01.05.2027	37	10 330,7	1 661,6	8 669,1	217 916,2
		01.06.2027	38	10 330,7	1 598,1	8 732,7	209 183,6
		01.07.2027	39	10 330,7	1 534,0	8 796,7	200 386,9
		01.08.2027	40	10 330,7	1 469,5	8 861,2	191 525,7
		01.09.2027	41	10 330,7	1 404,5	8 926,2	182 599,5
		01.10.2027	42	10 330,7	1 339,1	8 991,6	173 607,8
		01.11.2027	43	10 330,7	1 273,1	9 057,6	164 550,2
		01.12.2027	44	10 330,7	1 206,7	9 124,0	155 426,2
		01.01.2028	45	10 330,7	1 139,8	9 190,9	146 235,3
		01.02.2028	46	10 330,7	1 072,4	9 258,3	136 977,0
		01.03.2028	47	10 330,7	1 004,5	9 326,2	127 650,8
		01.04.2028	48	10 330,7	936,1	9 394,6	118 256,2
		01.05.2028	49	10 330,7	867,2	9 463,5	108 792,7
		01.06.2028	50	10 330,7	797,8	9 532,9	99 259,8
		01.07.2028	51	10 330,7	727,9	9 602,8	89 657,0
		01.08.2028	52	10 330,7	657,5	9 673,2	79 983,7
		01.09.2028	53	10 330,7	586,5	9 744,2	70 239,6
		01.10.2028	54	10 330,7	515,1	9 815,6	60 423,9
		01.11.2028	55	10 330,7	443,1	9 887,6	50 536,3
		01.12.2028	56	10 330,7	370,6	9 960,1	40 576,2
		01.01.2029	57	10 330,7	297,6	10 033,2	30 543,1
		01.02.2029	58	10 330,7	224,0	10 106,7	20 436,3
		01.03.2029	59	10 330,7	149,9	10 180,8	10 255,5
		01.04.2029	60	10 330,7	75,2	10 255,5	0,0

Amount of installments	60
Annual interest rate	8,8%
Monthly interest rate	0,73%
Loan amount (CZK)	500 000
Monthly instalment	10 330,7
Total amount payed	619 843
Date of the first installment	01.05.2024
Date of the last installment	01.04.2029

Figure 7 – Repayment schedule (own creation)