

# **A Business Plan for a Tea Room in Zlín**

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## **ABSTRAKT**

Předmětem této bakalářské práce je teoretická příprava a zpracování podnikatelského plánu pro založení čajovny ve Zlíně. Teoretická část obsahuje základní pojmy související s podnikáním a založením nového podniku v České republice a strukturou podnikatelského plánu. V praktické části je sestaven podnikatelský plán pro založení čajovny. Součástí praktické části je i marketingový výzkum, který autorovi pomohl v další realizaci podnikatelského záměru. Hlavním cílem praktické části je zjistit, zda je podnikatelský záměr realizovatelný.

Klíčová slova: podnikatelský plán, založení podniku, podnikání, finanční plán, čajovna

## **ABSTRACT**

The subject matter of this bachelor thesis is theoretical preparation and processing of a business plan for the foundation of a tea room in Zlín. The theoretical part contains basic terms related to entrepreneurship and establishing of new business in the Czech Republic and structure of the business plan. In the practical part is created a business plan for a tea room. Part of it is also marketing research which helped the author in the further realization of the business plan. The main goal of the practical part is to find out whether the business is viable.

Keywords: business plan, setting up a business, entrepreneurship, financial plan, tea room

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## INTRODUCTION

Freedom, flexibility, and money. Those are usually the most common reasons why people start a business. Yes, entrepreneurs are flexible, can earn more money but they are not usually as free and independent as people might often think. They are followed by work responsibilities 365 days a year and not everybody has the courage to go through this and start a business. However, if a person decides to start a business, it is necessary to ensure all the obligations related to entrepreneurship and make a business plan which helps them to find out whether the is worth it.

The aim of this bachelor thesis is processing a business plan for a foundation of a tea room in Zlín. The thesis itself is divided into a theoretical and practical part. The theoretical part focuses on a description of an entrepreneurship, entrepreneur, and forms of enterprise in the Czech Republic. Moreover, it provides information about types and function and a structure of a business plan in which are analyzed its individual parts.

The parts of a business plan described in theoretical part serve as a guide for the realization of a business for a tea room in the practical part. The main goal of the practical part is to lay out the business and find out whether it is feasible. The business plan includes the description of a business, analysis of the market, SWOT analysis, and market research. The market research helps an owner to recognize what is important for the customers and how to set up the tea room in overall. The last part of the practical part is a financial plan which helps with calculating all the necessary costs and meeting its financial goals in order to make a profit.

## **I. THEORY**

## 1 ENTREPRENEURSHIP

There is not one exact or correct answer for the definition of entrepreneurship and it can be defined by many different ways. However, according to Czech Commercial Code, the entrepreneurship is a systematic activity which is done by an entrepreneur who does this activity individually, in his or her own name in order to make a profit and is liable for it (Business.center.cz 2017). Systematic activity means the activity is not performed occasionally but that it is performed regularly or with the intention to do it again in the future. And it does not matter if it is only a few times a year.

Under individual activity is understood that a business's owner decides about time, place and organization of a particular activity independently and freely. Being in business on one's own name is another requirement because doing the business in someone else's name is forbidden. Being responsible for the business is a really important attribute which cannot be forgotten. An entrepreneur is responsible for all the liabilities relating to a given business and is liable for it with the whole asset. Lastly, the primary goal of running a business is to make a profit with the combination of increasing at market value. When profit is not achieved, then the market value is not going up and also it is not entrepreneurship when a person does not intend to make a profit (Ipodnikatel.cz 2014).

A lot of people still consider the history and theory of entrepreneurship crucial. Some people, on the other hand, may argue the history has no influence to the present day and theory is too abstract and has really no practical value. However, a most of the great businessmen attach a great importance to knowledge of theory and say their success was highly based on that. Of course, it does not mean automatic success when knowing all the theory but it helps an entrepreneur to find the best way to achievement and avoid a failure. Even though the Cantillon and Say stated the importance of theory about entrepreneurship it was developing slowly. Entrepreneurship was not considered as a separate scientific discipline not until the eighties of the 20<sup>th</sup> century. The whole entrepreneurship can be divided onto 3 basic approaches:

### 1. Economical approach

It studies mainly the role of the entrepreneur in the progress from the economic point of view. According to Josef Alois Schumpeter, an entrepreneur is somebody who brings change considering the product or its technological process and thanks to it an added value

is created. On the other hand, Israel Kirzner thinks an entrepreneur is a speculator who is able to identify supply and demand and transform it into opportunity how to make a profit.

## **2. Psychological approach**

The psychological approach focuses mainly on seeking the typical characteristics. The finding of them was supposed to identify potentially successful businessmen. This approach was criticized because the existence of such characteristics was not acknowledged (Srpková and Řehoř 2010, 18-19). Nevertheless, the entrepreneur is more likely to be a creative, managerial and imaginative person who can positively contribute to a project. "The greatest exponent of the psychological approach to entrepreneurship is of the view that the genesis and performance of entrepreneurs require strong motivation for achievement. The achievement motivation, according to McClelland, is a function of child rearing practices in a society."

## **3. Sociological approach**

The sociological approach looks into how social and cultural aspects are responsible for growth and development of a business. It tries to understand why social and cultural features affect a business and how. It tries to find an answer why the same businesses in different regions are not equally successful (Yourarticlelibrary.com 2014).

## **1.1 Entrepreneur**

"Entrepreneur can be defined as a legally independent subject with a separate property who is an independent business operator and bearer of business risk" (Kaftan 2001, 24). An entrepreneur is an initiator and challenger. It is a person who creates something new or innovative and he or she decides to transform the idea into reality. An entrepreneur is the person in charge and leader who found a vision and inspires others to follow it. Apart from this, an entrepreneur is the one who is responsible for the whole company or project (Entrepreneur.com 2015). An entrepreneur must be good at selling and is not afraid to take a risk. A person who is the owner of a firm set goal but primarily knows how those goals achieve and has the biggest decision power. Identifies and solves any problem that comes across. They say if any problem is not solved as soon as possible, it is possible it will set one back in the near future (Thetotalentrepreneurs.com 2017). Lastly and maybe most importantly, every entrepreneur should be persistent and patient because 9 out of 10

entrepreneurs go bankrupt during the first 5 years (Kiosaki 2016). However the legal definition stated in the Commercial Code, an entrepreneur is one of these:

- A person registered under the Commercial Code
- A person who runs a business on the basis of trade license
- A person who runs a business on the basis other than trade license according to special regulations
- A person who runs agricultural production and is registered according to special regulation.

Every entrepreneur has to meet following requirements in order to start a business:

- A person has to be at least 18 years old (Veber and Srpová 2012, 15),
- A person has to have legal capacity,
- A person has to have clean record,
- A person has to be qualified to a given activity (Synek and Kislingerová 2015, 80).

## 1.2 Enterprise

An enterprise is a subject in which inputs transform into outputs. By inputs is meant capital or labor and by outputs the services and goods which are the results from inputs. From the legal point of view, an enterprise is a complex of personal, material and immaterial constituents. All these things including rights and other value of a property which serves for conducting the business, belong to the company (Veber and Srpová 2012, 15).

### 1.2.1 Legal forms of enterprise

Before commencement of a business activity, it is necessary to decide the ideal legal form of business. According to Commercial Code business in the Czech Republic might be run by either a natural person or legal person (Kolářová 2013, 12).

#### 1.2.1.1 *Natural person*

Entrepreneurship performed as a natural person is the most frequent way of doing business in the Czech Republic (Kolářová 2013, 12). From the chart above is also evident that undertaking a business as a natural person is the most frequent legal form of enterprise and the number of natural persons is year after year higher. The same applies for Legal persons. As it is apparent from the chart, the number of legal persons goes up even more

rapidly. The number of legal persons had risen by 4.5 % since the year 2015. Altogether in 2016, there were 2 433 756 legal entities in the Czech Republic and that is a 1.36 % year-on-year increase (Mpo.cz 2016). A person who wants to run a business must get a trade license which costs 1000 CZK and can be later found in the trade register (Srpková and Řehoř 2010, 18-19).

<b>Overview and course of legal entities in the Czech Republic</b>					
<b>Legal form of Business</b>	<b>Year</b>			<b>Year-on-year</b>	
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2014/2015</b>	<b>2015/2016</b>
<b>Natural persons</b>	1 974 925	1 982 757	1 996 337	0,39 %	0,68 %
<b>Legal persons</b>	400 827	418 188	437 419	4,3 %	4,5 %
<b>Altogether</b>	<b>2 375 752</b>	<b>2 400 945</b>	<b>2 433 756</b>	1,06 %	1,36 %

*Table 1: Overview of legal entities (adapted from Mpo.cz, 2016)*

### **1.2.1.2 Legal person**

The second way to start a business is as a legal person. Kolářová states a legal person is basically artificially made subject, which comes into existence on a day it is enrolled in the business register (Kolářová 2013, 13). According to the business code of law, a legal person has legal personality from the origin until its end and has to keep a record of assets (Business.center.cz 2017).

### **1.2.2 Legal forms of business**

- 1) Private companies
  - a) General Commercial Partnership
  - b) Limited Partnership
- 2) Capital Companies
  - a) Limited Liability Company
  - b) Joint Stock Company
- 3) European Companies and Associations
  - a) The European Company
  - b) European Economic Interest Grouping
- 4) Public Corporations

(Note: In this bachelor thesis will be analyzed only the first two forms – private companies and capital companies).

### ***1.2.2.1 General Commercial Partnership***

Czech term for General Commercial Partnership is “veřejná obchodní společnost” or often used abbreviations “veř. obch. spol.” or “v.o.s.” It is the association of at least two companions who are in a business under the joint name and put in it financial and nonfinancial contributions which become a property of their company (Synek and Kislingerová 2015, 81). The companions have unlimited liability with all their and company’s property together and indifferently. Statutory organ thus an organ which is eligible to act on a company behalf, are all the firm's companions. They participate in the firm's management within the rules stated in partnership agreement if it is not stated some other way. By law, there is not required a minimum amount of registered capital for founding a company (Koráb and Mihalisko 2005, 78-79).

### ***1.2.2.2 Limited Partnership***

Czech term for Limited Partnership is “komanditní společnost” or often used abbreviations “kom. spol.” or “k. s.” It is a company which establishes at least one limited partner and one general partner. The limited partner is liable for company’s obligations no more he or she subscribed - limited liability whereas general partner is liable with his or her all asset - unlimited liability (Synek and Kislingerová 2015, 82). Statutory organ, thus an organ that is eligible to act on the company behalf are general partners. Limited partners do not take a part in managing the firm if it is not stated in partnership agreement some other way. This form of company is a combination of General Commercial Partnership and Limited Liability Company (Koráb and Mihalisko 2005, 80).

The role of general partners is similar to the role of companions in case of General Commercial Partnership. Meanwhile, the role of limited partners is more similar to the role of companions in case of Limited Liability Company (Synek and Kislingerová 2015, 82). By law, there is not required a minimum amount of registered capital for funding but limited partner has to put minimally 5 000 CZK (Koráb and Mihalisko 2005, 81).

### ***1.2.2.3 Limited Liability Company***

Czech term for Limited Liability Company is “společnost s ručením omezeným” or often used abbreviations “spol. s. r. o.” or “s. r. o” Limited Liability Company is considered for a capital company and can be founded even by one natural or legal person. The maximum number of companions is not restricted and a company is responsible for all obligations with its whole asset together and inseparably (Synek and Kislingerová 2015, 82). Statutory organ, thus and organ that can act on behalf of the company is one or more manager. Every



manager acts independently and has to be named by other partners who represent general meeting. One of the most important general meeting's duty is to divide profit or loss, in other words, they have to divide the share in profit between all companions. The establishing is easy, fast and that is why this form of business is so popular (Koráb and Mihalisko 2005, 81). According to commercial code, there is only 1 CZK as a registered capital required for establishing a new Limited Liability Company (Portal.pohoda.cz 2017).

#### ***1.2.2.4 Joint Stock Company***

Czech term for Joint Stock Company is “Akciová společnost” or often used abbreviations “a. s.” It can be established at least by one legal person. The company is liable for all obligations with its whole asset, while shareholders are not liable for company’s obligations at all. The company can continue even when the founders leave because it is simple to transfer the ownership on someone else. The main disadvantage is the amount of registered capital and double taxation – taxation of company profit and then taxation of shareholder’s dividends. There is 20 million CZK needed for founding in the case of initial public offering and only 2 million CZK without initial public offering (Koráb and Mihalisko 2005, 82-83). The Supreme Audit Institution is a general meeting which votes other two organs – board of directors and supervisory board. General meeting decides about the most important things in the company. Joint Stock Company is characteristic for its shares. Share is a security and thanks to that a holder of the share has a right to take part in managing a company. A shareholder basically owns a certain part of a company and can potentially receive dividends. A dividend is after-tax profit given to shareholders according to how many shares they own (Synek and Kislíngrová, 2015, 82).

## **2 BUSINESS PLAN**

According to Gattis a business plan is a summary of plans, research and expected performance of an intended business and it is written in a way that it is easy to understand and read for people outside the company. It is just a summary of what an entrepreneur found out about the industry, competition, customer and a plan to make a profit. How detailed and extensive will be the business plan depends on a size of a company and a founder itself. If a company is complicated and needs a lot of financials, then it will be probably longer and more detailed. However, most businesses make do with a short business plan (Gattis 2010, 4).

A business plan is a written document which helps the entrepreneur in the beginnings to create convenient conditions for commencing the business (Červený 2014, 1). It helps to verify feasibility and viability of entrepreneurial intention. Thanks to that, an entrepreneur realizes what particular steps need to be done in what areas (Srpková 2011, 14). Creating a business plan usually precedes the courage of future entrepreneur to set a business. Apart from new companies, companies which want to expand or change the course of their business make also business plan (Červený 2014, 1). As Abrams says: “Knowledge is power.” A person should start writing a business plan once he or she gathers accurate and sufficient information. The more and precise knowledge person has the more likely he or she will succeed in the field (Abrams 2014, 19).

### **2.1 Types of business plan**

Since there are many types of business plans, Gattis divides them into three basic categories: Formal, Informal and Summary.

#### **2.1.1 Formal**

A formal plan is the most comprehensive and detailed form of a business plan. It is used for presentation to outsiders such as bankers, investors, and other partners. The formal plan gives the most detailed information and analysis about the company itself, industry, competition, customer, financial projections and SWOT analysis. The analysis is usually accompanied by charts, graphs and tables to better show the data.

### **2.1.2 Informal**

An informal plan is basically the same as the formal one but in more summarized style. This type of plan is usually used for the management and employees, therefore, it is more general and does not contain details about business form, financials. On the other hand, it will give more detailed information about marketing, promotion and other strategic sections.

### **2.1.3 Summary**

“The summary plan is typically used for marketing purposes where detailed information about the company would not be appropriate. It might be used as a recruitment tool for potential employees or to give vendors and other business partners an indication of the overall goals and plans of the company. Confidential and proprietary information will not be included in this type of plan” (Gattis 2010, 7-9).

## **2.2 Structure of a business plan**

The structure and content of the business plan are different for each business and there is not one correct structure. Therefore after comparison of many business plans, I chose a model that is most suitable for a particular business.

- Title page,
- Executive summary,
- Description of the business,
- Organizational plan,
- Market analysis,
- Marketing plan,
- Financial plan,
- Appendix (Srpová 2011, 14-15).

### 2.2.1 Title page

A title page is the first page of business plan in which should be listed all the basic information about the company and founder/s. Those are: name of the company, company address, name of founder/s contact information, legal form of the business (Srpková 2011, 15).

### 2.2.2 Executive summary

“The executive summary is very simple. However, its simplicity is what makes it so difficult.” It is a brief summary of your business plan that shows market analysis, how a business is unique, what is its competitive advantage, how to attract customers and lastly financial needs and forecast (Gattis 2010, 23-24). Based on executive summary the potential readers or investors decide if it is worth it to read the whole business plan. Therefore as Koráb emphasizes an entrepreneur should create this part of a business in the end and try to make as good impression as possible (Koráb and Mihalisko 2005, 28-29).

### 2.2.3 Description of a business

Before writing more detailed information about a business such as marketing strategy, a reader needs to be informed about basic information such as a legal form of the business, and opening hours. The hardest part in this section is to formulate a “Mission Statement”. A Mission Statement describes a company’s objectives and goals that an entrepreneur wants to achieve. It shows where an entrepreneur is planning to go with a business and reveals a philosophy of a company in just a few sentences. A mission statement shall expose nature of business, business principles, financial goals, corporate culture and how the company shall be viewed in the marketplace (Abrams 2014, 68-70). The most important parts of this section are:

- Location and size of a business,
- Products and services,
- Business organization (Koráb, Peterka and Režňáková 2007, 37).

#### 2.2.3.1 Location and size of a business

In this part should be described where the business will be located and why an entrepreneur chose a particular place. Regional or local street map pictures that are related to business location can be also included (Gattis 2010, 29). List also other branch locations

if there are any and in case a location is still not ensured, just indicate the general location of planning business (Abrams 2014, 75).

### **2.2.3.2 *Products and services***

This part of a plan deals with describing concrete products or services that will be provided. Cover how the products or services are different compared to the competition (Gattis 2010, 29). Identify the nature of the products or services and if there are plenty of them, just identify the crucial ones or general categories. All products or services that are likely to be introduced in the future can be also listed. If a product or service is more complicated or technical, sufficient and detailed information must be provided so that the reader will understand (Abrams 2014, 74).

### **2.2.3.3 *Business organization***

In this part is shown a type of ownership of the enterprise. It is necessary to elaborate on management, a hierarchy of the business and the relations between superiors and inferiors. The partners and employees, their education and experience might be introduced in this section as well. Legal form of a business and data about shares of a business should not be left out too (Koráb, Peterka and Režňáková 2007, 38).

### **2.2.4 *Market analysis***

Businesses often fail and their founders lost a lot of money. And that only because they did not understand their market and did not invest their time into proper research. “Knowing the market” or in other words knowing potential customers and what their needs are, what they buy, how much, how often and why planning is a significant part of the business. And it is highly recommended to do the market research before starting the actual business (Teachamantofish.org.uk 2008, 10). Gattis also agrees that the market analysis should reflect an entrepreneur understands the market. In this section should be analyzed all the data about the size of the target market, trends, competition, and customers should be included (Gattis 2010, 33). The key to success is to define the target market well and as Abrams says the target market should be definable, reasonable, adequately big and accessible (Abrams 2007, 43).

#### ***2.2.4.1 Analysis of industry***

In the analysis of industry is described the general industry in which a company will compete with other companies. Then the main trends in the industry and how the economy influences the business should be also considered. Apart from that, the target market in which the company will operate should be defined too (Gattis 2010, 37).

#### ***2.2.4.2 Analysis of competition***

In the analysis of competition it is important to list direct and indirect competitors and to a short analysis of them. At least their company name, location and a brief description of their products or services should be integrated. If possible, a list of competitors' strengths and weaknesses can be also included and analyze the location of the competitors (Gattis 2010, 38).

#### ***2.2.4.3 Analysis of customer***

In the analysis of customer needs to be defined who they are, where they live, work and associate. The profile of customers will differ regarding if the business is done in the business-to-business environment or business-to-customer environment. The more detailed analysis of customers is, the easier is to correctly target them in the marketing plan. Fotr claims that an entrepreneur should focus on finding out what people buy, why they buy it, what are their motives, what are the customers, when they buy it and where (Fotr 1999, 28). As a follow-up to mentioned factors and others attributes like age, gender, income, and education can be developed marketing plan later on (Missouribusiness.net, 2017).

### 2.2.5 Marketing plan

A marketing plan is about choosing the right marketing strategies that will help the company to achieve its overall goals (Kotler and Armstrong 2016, 80). Some people think marketing is only about selling and advertising. However, selling and advertising is only a part of the whole marketing process. Nowadays, marketing is not only about telling and selling products but it is about satisfying customers' needs and building relationships. Marketing can be understood as the process by which companies engage customers, build strong profitable relationships with them and create a certain customer value in order to receive value from customers in return (Armstrong, Kotler and Opresnik 2017, 32-33).

As Gattis claims, marketing plan brings together all the research, discussion, pondering and calculating that a person has done and uses that information to advertise his/her business in a way that target customers know about the business, its supply and are captivated to buy the products and services (Gattis 2010, 45). If a business wants to survive among other competitors it has to have customers which are vital for the business. That is why a marketing plan which helps with getting those customers is so important. Marketing plan needs to be carefully and thoughtfully designed and according to Abrams below points should be included.

- How to make customers aware of a product or service.
- The company's message which motivates customers to purchase a product or service.
- Particular ways used for delivering that message (Abrams 2014, 158).

Determining the market position of a product reveals the position of a product among other competitive products in the market. The objective of a company is to achieve not only a certain awareness of a product but also distinguishing it from its competition. When determining the market position an entrepreneur shall follow given steps:

- Identify possible competitive advantages based on which the market position can be built up.
- Choosing the optimal competitive advantage which is important for a consumer, is in accordance with company's message and has a certain advantage which is different and better compared to the competition.

- Selecting effective way of communication and promotion of mentioned advantage (Srpková 2011, 22-23).

### **2.2.5.1 Marketing mix**

After setting up a general marketing strategy, a company can start planning one of the basic concepts in marketing – the marketing mix. Kotler and Armstrong stated: “The marketing mix is the set of tactical marketing tools that the firm blends to produce the response it wants in the target market.” It basically consists of everything that company can do to influence the demand for its product (Kotler and Armstrong 2016, 78). The traditional and most known marketing mix consists of following 4 tools also known as 4Ps: Product, price, place, and promotion.

#### **1. Product**

Those are all the products or product lines a company offers to satisfy customers’ needs. This part concerns about the quality, design, package, features and brand name of the product. It describes what the actual product is and how it is different from others.

#### **2. Price**

Basically, the price is the amount of money that customers must pay in order to receive the product. The whole pricing strategy, list price, discounts and payment terms shall be analyzed. Creating the right pricing strategy is very complicated and it is significantly influenced by the factors like costs, demand, competition and product lifecycle.

#### **3. Place**

Place covers all the activities which lead to making the product available to target customers. An entrepreneur needs to determine who will deliver the products, where the product will be sold and how it will reach the customers. The choice of distribution channel highly influences the pricing and advertising of the product.

#### **4. Promotion**

The final component of the basic communication mix is promotion which is probably the most visible part from all of them. With the help of promotion, people may learn the information, features, quality and advantages of the product. By well-chosen communication, the demand for the product might be highly influenced and entrepreneur needs to choose which channels incorporate into a marketing strategy. The basic promotion mix which needs to be picked up for advertising the product consists of following channels:



- Advertisement - paid and impersonal way of communication through various mediums.
- Sales promotion – coupons, bonuses, samples, loyalty programs, contests, discounts, presents.
- Public relations – relationship to all market subjects such as newspaper reporters.
- Personal selling – direct dialog between seller and buyer.
- Direct marketing - communication via cell phones, emails, flier, catalogs (Srpková 2011, 23-26; Gattis 2010, 48-49).

### 2.2.5.2 *SWOT analysis*

SWOT analysis is a technique for identifying not only strengths and weaknesses of the organization but also the opportunities and threats present in the market (Team FME 2013, 6-8). The overall purpose of SWOT analysis is to find out the key internal and external factors which strongly influence a given company (Gattis 2010, 40).

Strengths and weaknesses stand for internal factors over which a company has a certain control and affect it from the inside. On the other hand, the opportunities and threats are factors over which a company has no control and affect it from the outside. The first letters of all the mentioned words create the acronym SWOT (Team FME 2013, 6-8).

	<b>Helpful</b>	<b>Harmful</b>
<b>Internal factors</b>	Strengths	Weaknesses
<b>External factors</b>	Opportunities	Threats

Table 2: *SWOT analysis (Adapted from Team FME 2013, 6)*

### 2.2.6 Financial plan

Financial plan transforms the previous parts of the business plan into numbers and proves its feasibility from the economic point of view. The financial plan usually consists of costs, revenues, cash flow, profit and loss statement, balance sheet and break-even point (Srpková 2011, 28). The goal of the financial plan is to secure necessary finance for a realization of the project and also to be financially sustainable on a long-term basis (Červený 2014, 152). Srpková divides the needed finances into 4 basic groups:

- Finances needed for commencing the business.
- Finances needed for acquisition of fixed assets.
- Finances needed for acquisition of current assets.
- Finances needed for financing of operating costs

According to Srpková there are several ways of financing a business. However, the sufficient amount of one's own funds is the easiest situation. Especially at the beginning with no entrepreneurship experience, it is difficult to get a loan for realizing the business project. Therefore if beginning entrepreneurs do not have sufficient funds for commencing the business, they frequently have recourse to families or friends. In case that the business idea is interesting and perspective it is an opportunity to connect with an investor who might help with funding it (Srpková 2011, 144).

## II. ANALYSIS

### 3 TITLE PAGE

## A business plan for a Tea Room in Zlín

**Name of the company:** Čavárna

**Legal form:** Self-employment

**Place of the company:** Zlín

**Registered capital:** 375 000

**Name of the founder:** Robert Galia

**Telephone:** +420 726 876 945

**Email:** galia@gmail.com

## 4 EXECUTIVE SUMMARY

### **Description of the company and competitive advantage**

The tea room called Čavárna will be located in the center of Zlín. The main objective is to provide a place for people who want to stop from everyday stress for a while, have a tea or coffee and hookah. Nowadays a lot of people are constantly in a hurry and under pressure. That is the reason why it is even more important to have a break and relax. The big advantage will be teas of excellent quality and also offer of high-quality Italian coffee. Another big advantage of the tea room will be special hookahs made only from a glass. This type of hookahs will provide visitors unique and priceless experience. Whereas typical tea rooms are usually hidden dark places, Čavárna will be slightly different. There will be an opportunity to sit on a terrace or on the other hand there will be no Wi-Fi connection provided to customers. The reason is simple. Čavárna wants to support people talk and listen to each other and not to stare into mobile phones.

### **Description of the market**

The tea room will be located in the center of Zlín, more specifically in the Svit area. This location was chosen for its great potential in the future and low competition. The owner knows the local market because he lives there and therefore knows that Zlín is a student city who will often represent the target customer.

### **Competition**

There are three direct competitors in Zlín who offer the same services, meaning serving teas and hookahs. Nevertheless, two of them are located on the exact opposite side of Zlín and the third one is situated near Peace Square. All of the competitors are oriented into typical oriental style which makes them all the same.

### **Financial plan**

The total amount of money needed for setting up the business is 375 000 CZK. The initial costs associated with the foundation will be covered from the owner's savings. Based on the calculations of total costs and different profit scenarios in the financial plan, the Čavárna is feasible and can be profitable.

## 5 DESCRIPTION OF THE BUSINESS

Whereas typical tea rooms are usually hidden dark places, Čavárna will be slightly different. It will be more open and welcoming for everybody, even for the people that would have never thought of visiting tea room ever. Therefore an owner decided to go against the tide and incorporate an opportunity to sit on a terrace so that passer-byes can see how customers are smoking the hookahs outside and making the smoke. Another brave step is that there will be no wi-fi connection provided to customers. The reason is simple. People often stare into their mobiles instead of talking and Čavárna wants to support people talk and listen to each other.

### 5.1 Legal form

Čavárna is owned by natural person Robert Galia who meets all the requirements needed for obtaining a trade license and running a business – legal capacity, clean record and being at least 18 years old. The last condition is to have or name a person who has a professional competence needed for running this kind of business. As the owner does not meet this condition a one another person must be named. The responsible person will be Kateřina Potočková who has a vocational certificate from the gastronomy and 2 years' experience in the catering industry.

### 5.2 Location and size

The tea room will be located in the center of Zlín. The exact location is not secured yet as the business is still in a planning phase. The Zlín town was chosen because an owner lives there and knows well the local market. The centre of Zlín is of course usually the busiest part of the town also thanks to a lot of students who study at Tomas Bata University. In regard to size, a premise could have up to 150 square meters so that there is enough space for customers, bar, and storeroom. The tea room could be located in the “Svit area” because this part of Zlín is being continuously developed. Svit area is full of former factories which belonged to Tomáš Baťa and the center, public services and other shops move there and it slowly becomes a heart of town. Besides, that new department store called Fabrika will come into existence in the following years and with more than 50 000 square meters it will be the biggest in Zlín region. Fabrika should be full of offices and shops and this will attract actions and people to the Svit which will probably become the busiest area of Zlín.

### 5.3 Mission statement

Nowadays plenty of people is in a hurry and under constant pressure. They often have this feeling they are behind schedule and think they do not manage anything. Therefore it is more than important to be able to stop for a while and have a rest and Čavárna will be exactly the place which will make this possible. The tea room will be primarily focused on providing quality tea and hookahs in relaxing place. The main goal is to offer people a place, where they can have a break from everyday stress. Čavárna will be the right place for people who want to chat with their friends and have fun while having a great tea and smoking hookah which will help them to take mind off things.

### 5.4 Opening hours

Since the tea rooms are mostly visited in the late afternoon or rather during the evenings Čavárna will be open every day from three o'clock until midnight including Saturday and Sunday. People usually go to tea rooms after work or school or at the weekend when they can afford to spend there more time. Especially when visitors plan to smoke a hookah with other friends they are able to spend there even 2 or 3 hours. They do not usually come for a few minutes but to chill out and chat for a long time.

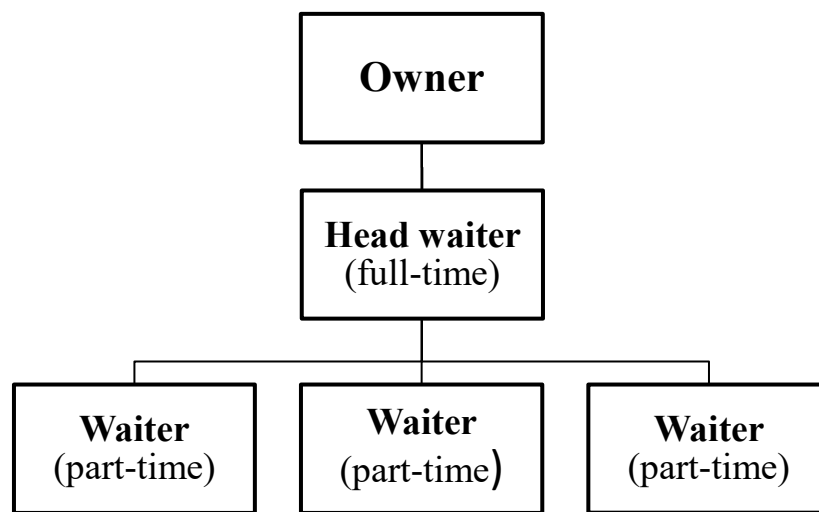
Opening hours	
<b>Monday - Friday</b>	15:00 – 0:00
<b>Saturday - Sunday</b>	15:00 – 0:00

*Tables 3: Opening hours (own creation)*

### 5.5 Business organization

The Čavárna will consist of 1 owner, 1 full-time employee and 4 part-time workers. The owner will take care of flawless operation, supplying the goods, promotion, and finances. There will always be the head waiter who will take care of the bar plus one of the four part-time workers. The full-time waiter will be the head waiter and will co-ordinate always the one part-time workers who will have the shift. The part-time workers will be primarily students who will change with each other and plan the shifts according to their time or school schedules. According to market research, respondents do not prioritize professional personnel as much as the quality of teas or hookahs. That is also a reason why owner decided to employ only one professional waitress as a full time and rather give an opportunity to ambitious students. Students, who drink tea, are enthusiastic, interested in

tea culture and will enjoy the work are more important for the owner than experienced person but unpleasant. This, of course, does not mean the staff will be poor however the number one priority will be high-quality goods which will be served by very friendly and kind waiting staff. Thanks to that they can make their communication skills better, learn how to deal with customers and colleagues. Those are an important experience which they can benefit a lot in the future careers and live altogether. The basic organization structure is displayed below.



*Tables 4: Business organization (own creation)*

## 5.6 Products and services

Čavárna will focus primarily on providing traditional hookahs, teas, fruit lemonades and other non-alcoholic drinks. The main specialty will be quality hookahs with many different flavors of tobacco. The all key products and activities which will be present in the Čavárna are listed below.

### 5.6.1 Teas

The tea will be together with the hookahs the main product which will be served in the tea room. It should convince the potential customers to come repeatedly. Therefore the owner really made efforts to find the right and verified supplier who will deliver high quality and delicious tea. After all a supplier Spolek milců čaje s. r. o. was chosen for many reasons. The company is more than twenty years old and the tea they offer is first-class. That is also because in the beginning the owners traveled through exotic countries and personally looked for the right distributors who will offer them fresh, high-quality tea with the same



consistency. Customers will have the option to choose from around 20 various types of tea. The menu will consist of green, yellow, white and black teas that come from China, Japan or India. The teas will be served in a thematic jug so that it keeps the tea hot for a long time. The great advantage is that the teas can be usually refilled and infused even for three times. Eventually, even the first-class tea with unique taste and beneficial effects, costs as much as the poor-quality tea served in an ordinary bar.

### **5.6.2 Hookahs**

Besides coffee, customers will have the opportunity to have a hookah. Smoking hookah is a great additional activity which helps people ease and relax. Čavárna will offer 10 hookahs altogether and customers will have the opportunity to choose from more different types. The most likely biggest attraction will be hookahs made all from a glass. Čavárna will be the only tea room in Zlín offering glass hookahs and the unique experience that visitors get from smoking it could definitely attract more visitors who will be eager to see the smoke and bubbles inside the hookah.

Customers can choose from 15 various combinations of flavored tobacco or Beamer ice drops. Beamer ice drops are made from flavored gelatine and they will be prepared for those who do not want to inhale nicotine that is contained in tobacco.

### **5.6.3 Juice**

Juice is made from 100 % fruit and vegetable and it comes from town Lhenice. The juice is pure and natural and 1 liter of juice is pressed from 1.4 kilograms of fruit and vegetable. Juice is additive-free, sugar-free, it is not concentrated and it is free from preservatives. The only thing that juice contains is only natural pressed fruit and vegetable and thanks to careful processing method it keeps the great taste and majority of vitamins. Customers will be able to choose from several kinds.

### **5.6.4 Coffee**

Based on the market research which is listed in the appendices, the owner decided to include coffee in the menu too. Coffee of the Arabica species will be supplied by local supplier Radek Zvonek who imports excellent fresh coffee right from the roasting plant in Italy. The coffee will not be the main product but those who are more of a coffee person will not be limited as well.

## 6 MARKET ANALYSIS

The market analysis consists of analyzing the general industry, target market, customer, and competition. Besides that, a research in the form of the online questionnaire was carried out. The research helped the owner gain valuable data which means he now better understands the potential market and customers.

### 6.1 Market research

An important part of the market analysis was a market research. The research was done in the form of questionnaire via online service from Google. The aim of the market research was to find out what kind of tea room they would prefer, what appearance they would appreciate, what should be part of the tea room and other helpful information. The author also found out important factors such as how often people visit tea rooms and how much money they are willing to spend in a tea room. These results will mainly help to understand what people want and with the marketing activities. The research was conducted from 5<sup>th</sup> to 20<sup>th</sup> April and it was filled in by 190 respondents. The questionnaire itself consisted of 11 closed-ended questions that can be all found in the appendices.

The first question was supposed to find out how old the respondents are. The result was that more than 90 % of them are in the age from 19 to 27.

The next question concerned how often the respondents visit tea room. 62 % of them answered they go to tea room once a year or less. On the other hand, 7.4 % of respondents visit tea room once a month or more.

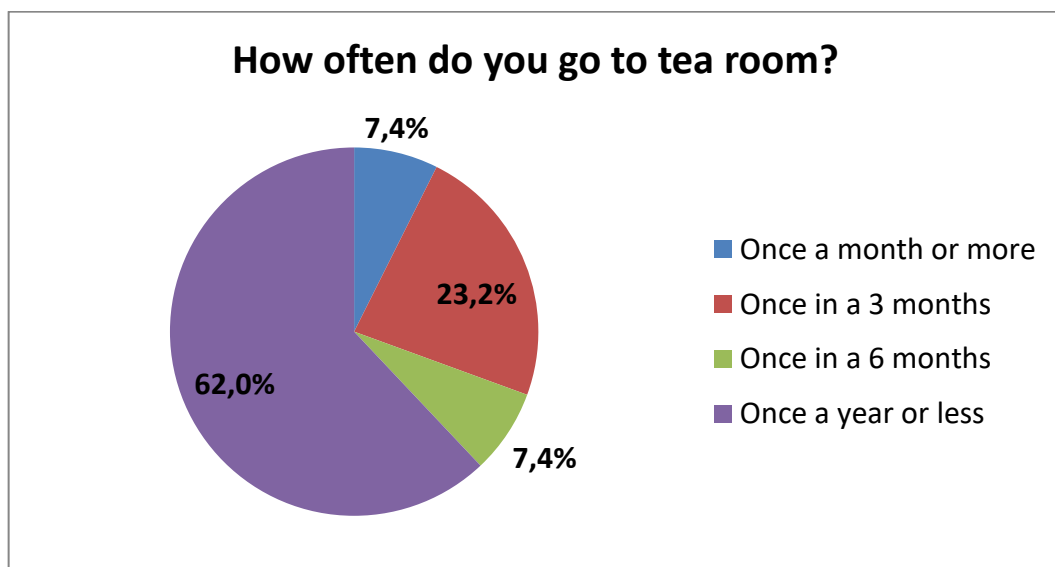
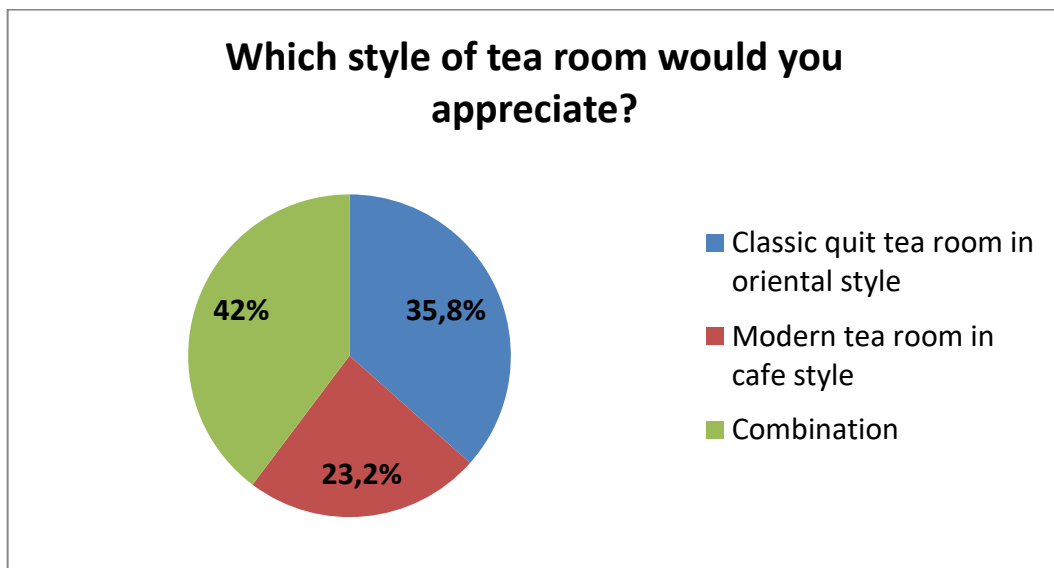


Figure 1: How often do you go to tea room? (own creation)

In the next question, the owner wanted to find out what kind of tea room would people like. He tried to discover whether there is possible interest in a slightly different style of tea room which is more similar to café or not. 42 % of respondents are interested in a tea room which would be more similar to café, more precisely a combination of the calm tea room and a place which is more open like a café. That was also proven in another related question in which 62 % of respondents answered they would appreciate an offer of coffee on the menu.



*Figure 2: Which style of tea room would you appreciate? (own creation)*

Another important question was concerning whether the people would take advantage of an opportunity to sit on the outside terrace. 79 % of respondents answered positively and this result shows that people would obviously like to have an opportunity to sit on the terrace. This corresponds to the owners' vision to have a tea room which will be more noticeable in comparison to standard tea rooms which are usually a bit hidden.

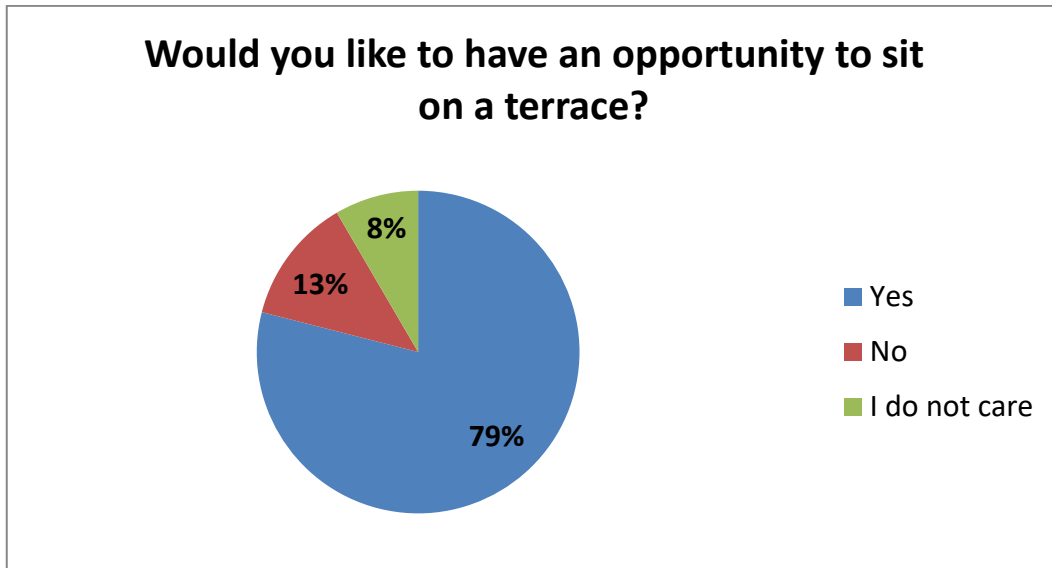


Figure 3: Would you like to have an opportunity to sit on a terrace? (own creation)

One of the questions was also related to activities which respondents might appreciate to be included in the tea room. The most of them would like to have an opportunity to try degustation of teas. Therefore an owner decided to focus primarily on this activity which will be part of the marketing steps. Nevertheless, there is evident interest in all of them and that is a reason why it is worth to include at least the parlor games (board games) and opportunity to read books. This choice was right after degustation of teas the second most favorite.

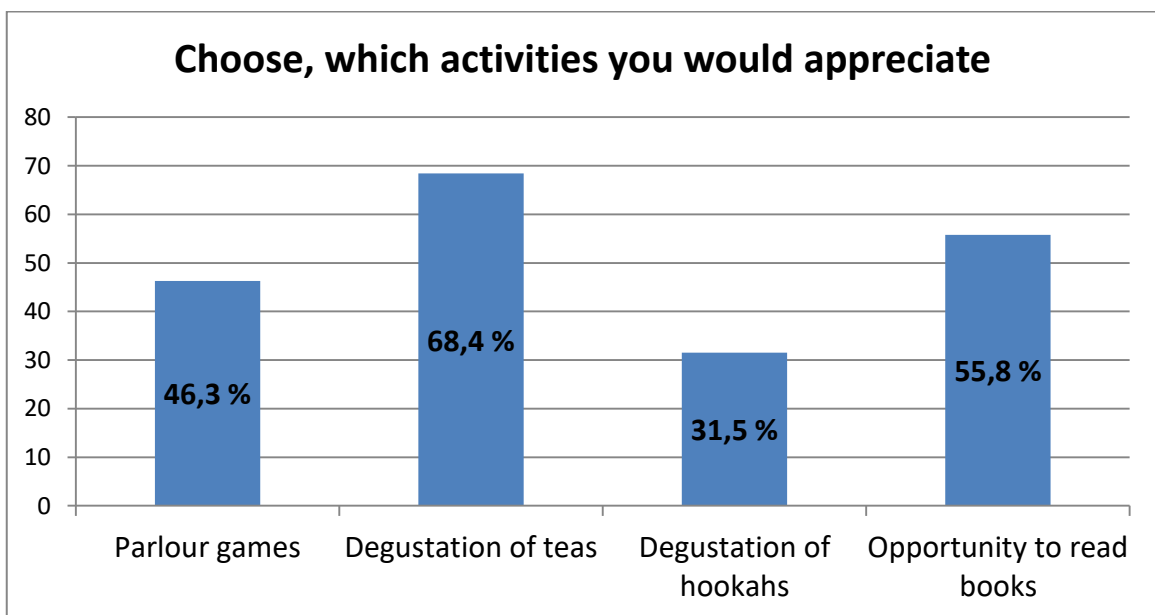
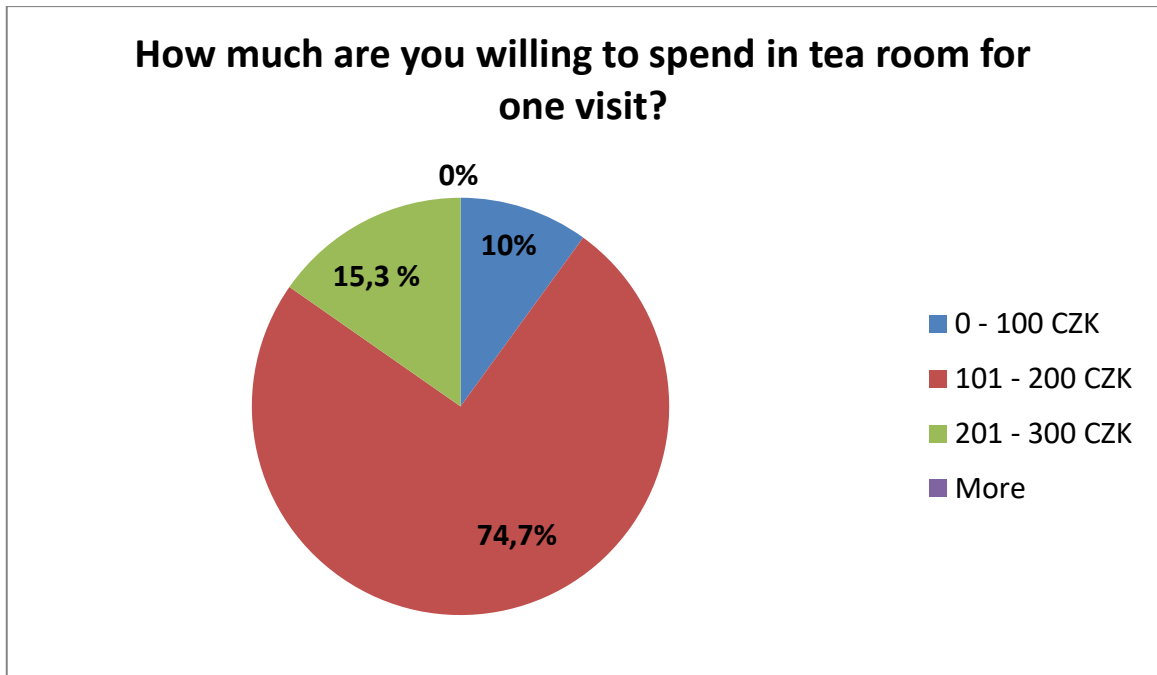


Figure 4: Choose, which activities you would appreciate (own creation)

The last question but one of the most important was related to the amount of money that are respondents willing to spend in a tea room. The respondents had 4 options and as it is visible from the chart below, the majority of respondents, answered they are willing to spend from 101 CZK to 200 CZK. This result is important for the calculation of revenues in the financial plan.



*Figure 5: How much are you willing to spend in tea room for one visit?*

*(own creation)*

## 6.2 Analysis of industry

Tea, in general, is a drink with thousand year's old history and people drink it for two thousand years at a minimum. The tea is immediately after water, second most consumed drink on earth which signals its importance. Regarding Czech people and drinking a tea, they become pickier and often choose high-quality loose tea rather than tea of lower quality (Roklen24.cz 2016). According to research that conducted Ipsos agency for Jacobs Douwe Egberts company, 90 % of people in the Czech Republic, have a tea regularly at average five times a week and in winter even 2 cups of tea a day. Czechs obviously like drinking tea and especially younger generation is willing to pay for high-quality tea which is full of healthy substances rather than the ones of poorer quality (Ceskenovinky.eu 2016).

### 6.3 Target market and customer

The tea room will be situated in the center of county town Zlín. An owner decided to operate in this market because as he lives in the city he knows better the environment and understands the local market well. According to Czech Statistical Office, in Zlín lives around 75 000 citizens and maybe even more importantly Zlín is student's town to which comes around 10 000 students every academic year. Due to an influx of students, the city is coming alive and they are often the ones who go to the city to socialize, have a fun and a rest from stressful lectures and exams (Czso.cz, 2016).

The target customers will be all people who want to relax from stressful everyday life. It will be mainly young people from twenty to thirty years old who with a few other friends wants to chill out, chat while smoking shisha and enjoying the taste of high-quality tea or coffee. However, the tea room will be available also for people who do not necessarily need to smoke shisha. The problem often is that some people might be a bit scared to go to a classic hidden tea room. Therefore an owner decided to make the tea room slightly different than in typical oriental style, so it is more welcoming for passer-byes.

### 6.4 Analysis of competition

There are three direct competitors in Zlín, which are called tea room and several cafés or other bars. However, two of the tea rooms, "Dobrá čajovna" and "Moja Čajovna" are located quite far from the center and only one of the three called "Čajovna a kavárna Zena" is located in the center close to Peace Square. All of the three tea rooms are rather on one side of the town in direction of Vizovice town. That is why an owner wants to focus on the other side of town known as Svit area. In this area is only one competitor and that is a coffee bar called "Továrna". The more detailed analysis of those four mentioned competitors will be provided below.

#### 6.4.1 Továrna

In Továrna, they do not focus on providing a calm place with hookahs and therefore it is competitor only in terms of being also a place where you can sit and have a drink. Nevertheless, Továrna is the only similarly oriented place in Svit area where people do not go eat but rather have a drink. They offer coffee, lemonades, tea, desserts and other alcoholic or non-alcoholic drinks. The interior is modern and cozy and visitors can make a

use of outside seating during summer. They also often make events for customers or arrange live playing bands which are their quite strong competitive advantages.

#### **6.4.2 Dobrá čajovna**

Dobrá čajovna is typical oriental tea room which is located on Tř. T. Bati 3225, Zlín. That is quite a bit far from the center and a passer-by might hardly even notice there is some tea room. Dobrá čajovna is a part of franchise concept and first tea room was founded in the center of Prague in 1992. Currently, the network consists of more than 20 branches not only in the Czech Republic but also in Slovakia, Poland, Hungary or USA. On the one hand, it can benefit from the long-term tradition, a well-known name which recognizes even people from other Czech or non-Czech cities. But to run a franchise of this kind, an entrepreneur has to invest 1 000 000 CZK at the beginning (Ipodnikatel.cz 2011). An owner is limited has to also follow certain regulations which are given by the owners of the franchise concept. The limitations might reside in the same assortment of goods and design. Dobrá čajovna takes pride mainly in the large selection of high-quality teas which are most of the time combined with average hookahs. If visitors want, they can have a small snack. Apart from that, Dobrá čajovna arranges individual group lectures about teas which take place outside the opening hours (Cajovna-zlin.cz). The personnel is professional and very kind.

#### **6.4.3 Moja čajovna**

Tea room Moja čajovna is located in Štefánikova 3316, Zlín which is basically on the opposite street approximately 5 minutes far from Dobrá čajovna. These two tea rooms mainly compete with each other due to the similar location. The interior is designed in a classic oriental style. Except for traditional teas and hookahs, they also offer coffee or hot drinks. The prices are lower which is at the expense of average quality of teas. This is a bit compensated by very kind personnel (Moja-cajovna.cz).

#### **6.4.4 Zena**

Tea room Zena was founded in 2006 and can be found right in the center of Zlín on tř. Tomáše Bati 4008. It is oriented in Syrian oriental style and except teas from eastern countries and Himalayas and hookahs, they also offer coffee, hot chocolate, beer, wine, snack, and lemonades. They do not offer many kinds of tea because of a high range of all other products mentioned above. What can be an interesting advantage is that they

regularly make events with belly dancers. The interior is average and the personnel is accommodating (cajovnazena.cz).

## 6.5 Suppliers

The supplier of tea will be the Czech company Spolek Milců čaje s. r. o which is a direct supplier of teas from Asian countries. Teas from this company are known for their high quality also because the founders were personally traveling to the tea plantations and degusted the teas until they found the ones which decided to import. The wholesaler called SHANTI & Co. s. r. o. will provide all products concerning hookahs such as hookahs itself, coals, tobacco, beamer ice drops or hookah flame. The Radek Zvonek will provide high-quality coffee right from the Italien plantation. A snack consisting of crisps, nuts, and pretzels will be supplied by company Krajčí plus s. r. o. Another supplier will be Karel Gregora who focuses on 100% juices which are made only from fresh fruit and vegetable. Refreshing drinks from these juices full of vitamins will be offered especially during summer.

The curtains, blankets, and pillows will be ordered from Matějovský a.s. and Textil Zítka will take care of hand woven tailor-made carpets which will be very soft. Great Tea Garden s. r. o will supply all tea sets, incense sticks and all things related to tea. The seating groups, sitting bags, and pillows will be purchased from ONNET SHOP s. r. o. and chairs and tables will supply the company Ateliér Dako s. r. o. And joiner Jaroslav Galia will make tailored wooden loft which will make more space for customers, partition wall and counter. EET cashier, laptop, coffee machine, other equipment, and devices will be ordered from Alza and the internet connection will provide T-mobile. All the suppliers are listed in the table below.

Supplier	Product
<b>Spolek Milců čaje s. r. o</b>	Tea
<b>Radek Zvonek</b>	Coffee
<b>Krajčí plus s. r. o.</b>	Snack
<b>SHANTI &amp; Co. s. r. o.</b>	Hookahs, tobacco, live coals etc.
<b>Karel Gregora</b>	Fruit juice
<b>Matějovský a.s.</b>	Curtains, blankets, pillows



<b>Textil Zítka</b>	Hand woven carpets
<b>Great Tea Garden s. r. o</b>	Tea sets and tea equipment
<b>ONNET SHOP s. r. o.</b>	Sitting bags
<b>Ateliér Dako s. r. o.</b>	Chairs and tables
<b>Jaroslav Galia</b>	Wooden loft
<b>Alza.cz a. s.</b>	Sanitary goods
	EET cashier
	Coffee machine
	Fridge, kettle etc.
<b>T-Mobile Czech Republic a. s.</b>	Internet connection

Table 5: Suppliers (own creation)

## **7 MARKETING PLAN**

The marketing plan is an important part of this business plan which will decide how many visitors will come and how profitable the business will be. It does not matter how the product or service is but when people do not know about it, they will just not come and the business is not profitable. Therefore effective marketing plan is a significant part of this business plan in order to have profit. It includes marketing mix which consists of four basic factors: Product, price, place, and promotion.

### **7.1 Product**

As for the tea room, the most important product of the Čavárna will be serving high-quality teas and hookahs. The teas with the emphasis on quality and originality with the hookahs will be basically the main enticement. According to market research, the respondents also usually prioritized large selection and quality of teas. Besides, the additional activities such as degustation of teas, board games or the opportunity to sit on the terrace are going to be way how to become different and maybe attractive for people. The particular products and activities are described in more detail in the chapter 5.5 Products and services.

### **7.2 Price**

The prices of products will be inspired from the prices of the competition. The owner will compare the usual prices for the similar products and then set the prices accordingly in order to be able to compete. Nevertheless, the owner decided to make the pricing strategy as simple as possible so that it is easy to choose. He desires to avoid the cases people are influenced by price. Therefore e.g. every tea could cost the same price so that people choose the tea just according the description and variety.

### **7.3 Place**

As was already described in more detail in the chapter 5.2 Location and size, the exact location is still not determined. However, the owner would like to focus on the center of Zlín and preferably on “Svit area”. The owner will rent premises in which will be already performed a building inspection thus will be appropriate for running a tea room. It must have separate restrooms, kitchenette, storeroom, a source of drinkable water and sanitary facilities for employees. The place needs to be appropriate for having a tea room according to owner’s vision. Especially it must be appropriate for having a terrace and building a wooden loft.

## **7.4 Promotion**

The promotion is a key part of the business. It is important to build common awareness even before the opening so that the people know about it. However promoting needs to be done continuously all the time because as the owner realizes it is hard to penetrate the market and attract new customers and keep them. In this section will be described the tools and activities which Čavárna will implement in order to gain more customers. And the promotion will begin approximately a month before opening.

### **7.4.1 Facebook**

Facebook is an extremely popular platform on which a lot of businesses have at least their profile. A lot of people spend quite a lot of time on Facebook and therefore Čavárna will have also its own Facebook page. The Facebook profile basic information about the location, opening hours, events, products and contact information. There will be information about also activities or events that will take place in Čavárna. Interesting contents such as photos and videos will be regularly posted on the Facebook page. In order to reach more potential customers who live in Zlín the paid advertisement will be used as well. The paid advertisement will be used mainly at the beginning to let people know there is a new tea room or when there will be an interesting event taking place.

### **7.4.2 Website**

The website will be created by an owner who and the will be really simple. People will be able to find there all information about the tea room, contact details, opening hours, menu and also a map so people can find the location. The web page will contain also professional photos of the tea room and other material uploaded gradually. The web page will be also added to a particular catalogs where visitors evaluate and share their experience with any similar enterprises.

### **7.4.3 Word of mouth**

Word of mouth marketing is usually one of the most effective ones. The difference is that it is not the business itself but people are the ones who can promote it. Čavárna will serve high-quality tea, high-quality hookahs, and create so positive environment that the people will more likely share their experience and tell it to others. Owner believes that when customers will have a great experience with the tea room, they will just recommend it to their friends who might come in the future.

#### **7.4.4 Leaflets and outside board**

The leaflets will be used at the beginning when tea room will be new. It will contain information about new tea room, where it is located and it will promote the opportunity to smoke from hookahs made of glass and experience how the real tea tastes like. The leaflets will be placed mainly in all buildings of Tomas Bata University. There will be also placed an outside board which will show passer-byes that there is a tea room.

#### **7.4.5 Loyalty card**

The loyal cards will be great for the people who are regular customers and Čavárna through them wants to thank them. This means that customers can have a card on which they will collect stamps for every ordered tea or hookah. As soon as the customer collects 10 stamps, he or she will get the 10th tea or hookah for free. This could result in a playful form of marketing and higher retention of customers who might crave for the free item.

### **7.5 SWOT analysis**

Part of the marketing plan is also a SWOT which helps to analyze internal strengths and weaknesses and external opportunities and threats of Čavárna.

The biggest strength is to have high-quality tea from proven supplier who always provides fresh and excellent tea from all over the world. The next advantage will be hookahs made from glass that no one else has in Zlín. This will be a good attraction for people that the can smoke and enjoy the unique experience. The degustation of teas arranged for the public will be also something untraditional. All this experience will be possible in a cozy relaxing place with wooden loft or on the outside terrace.

The opportunities are e.g. ability to expand to other cities in case the business will be really profitable and successful. Another opportunity is to broaden the menu with more teas or even different goods if there will be a demand. The last opportunity could be that people will be more and more stressed and therefore will need to relax.

On the other hand biggest weakness is that the tea room will be totally new in the market where already 3 direct competitors are. Besides the owner is young and has no experience with running such business. And when people will want to eat, there will be only a small snack and a proper meal will not be provided.

In regard to threats, there are few situations that can arise. The suppliers can rapidly increase prices which will reflect on the prices of the tea room. Or the prices for rent rapidly increase or the owner of the premise can rent the place to someone else. Or

economic crisis could strike and people will have no money and mood to go to any place including tea room. The summer season can be also a threat because people will less likely come to have a tea or smoke hookah. Lastly, the competitors are always a threat as they can react and offer better service, products or events.

	<b>S - Strengths</b>	<b>W - Weaknesses</b>
<b>Internal factors</b>	High-quality tea Glass hookahs Degustation Relaxing cozy place Wooden loft Terrace	New on the market No meal offer Low experienced owner
	<b>O - Opportunities</b>	<b>T - Threats</b>
<b>External factors</b>	Broaden the menu Ability to Expand People will be more stressed	Increasing prices Economic crisis Competitors Summer season

Table 6: SWOT analysis of Čavárna (own creation)

## 8 FINANCIAL PLAN

The financial plan is important for calculating all the costs and finances needed for setting up the business. The whole financial plan consists of start-up balance sheet, initial costs for reconstruction, needed equipment and inventory for the beginning. Furthermore, this chapter includes operating monthly expenses counting salaries. In the end of financial plan are also calculated possible revenues and potential profit.

### 8.1 Start-up balance sheet

The start-up balance sheet shows the financial status of the company. It describes the businesses' total assets and total equity and liabilities at the beginning. The owner will invest 375 000 CZK from his own savings. This sum of money will comprise the registered capital needed for initial expenditures.

<b>Balance sheet (CZK)</b>			
<b>Assets</b>		<b>Liabilities and Equity</b>	
<b>Long-term assets</b>	0	<b>Equity</b>	375 000
		Registered capital	375 000
<b>Current assets</b>	375 000	<b>Current liabilities</b>	0
Inventory	0		
Cash	0		
Bank account	375 000		
<b>Total assets</b>	<b>375 000</b>	<b>Total equity and liabilities</b>	<b>375 000</b>

*Table 7: Balance sheet (own creation)*

### 8.2 Initial costs

Even though owner will rent premises that are already appropriate for conducting a business similar to a tea room, they must be adjusted to his vision. The basic part of the tea room is to build a counter for the employees. The whole premises will be painted and decorated accordingly so that the place is maximally cozy and hospitable. As some of the respondents suggested in the questionnaire, they would like to have more privacy so that they do not hear the conversation of other people. Therefore an owner decided to slightly divide the rooms by low partition walls or make a separated place where hookahs would

not be smoked. If the premises make it possible, the biggest advantage will be tailored wooden loft. Customers could sit either on the second floor or under it. This layout would make the tea room different and original from the competition. As it can be visible in the tables below, a great deal of registered capital will be used for reconstruction, equipment, and initial inventory. Specifically, 97 000 CZK in total will cover possible expenses for reconstruction.

<b>Reconstruction (CZK)</b>	
Counter	18 000
Partition walls	14 000
Painting and decoration	15 000
Wooden loft	50 000
<b>Total</b>	<b>97 000</b>

*Table 8: Reconstruction (own creation)*

Next important step is to buy all the equipment and facilities needed for the successful running of the tea room. The biggest expenses will be for a coffee machine, fridge, dishes, carpets, tables and chairs, and hookahs. The overall costs for equipment, promotion, and others costs are calculated on 180 120 CZK.

<b>Equipment and other costs (CZK)</b>	
Coffee machine	20 000
Kettles	1 500
Fridge	7 500
Kitchen equipment	5 000
Dishes	20 000
Tables and chairs	20 000
Sitting bags	6 000
Pillows, curtains	2 000
Carpets	17 000
EET cashier	5 000

Laptop	10 000
Mobile phone	2 000
Shoe cabinet	2 000
Furniture	10 000
First-aid kit and extinguisher	1120
Hookah flames	1 000
Hookahs	40 000
Promotion	10 000
<b>Total</b>	<b>180 120</b>

*Table 9: Equipment and other costs (own creation)*

The last important part of initial costs is purchasing initial inventory. This will include primarily a basic inventory of teas, coffee, juices, snack and inventory needed for hookahs. Those are primarily several kinds of tobacco, live coals and Ice drops which are a healthy alternative to tobacco.

<b>Initial inventory (CZK)</b>	
Teas	18 000
Coffee	2 000
Juices	2 400
Snack	3 000
Tobacco	5 000
Ice drops	2 000
Live coals	1 600
<b>Total</b>	<b>34 000</b>

*Table 10: Initial inventory (own creation)*



### 8.3 Operating costs

Another important step is to assess operating costs which are fixed. They are paid regularly on the monthly basis and primarily include expenses for rent and energy. Besides, an entrepreneur needs to pay for promotion, telephone, internet and salaries for employees which are analyzed in the next chapter in more detail. The inventory which includes tobacco, live coals, teas, coffee, drinks needs to be also regularly ordered depending on the actual situation and demand. The roughly estimate for replenishing stock every month in the case of realistic variation is 15 000 CZK. The operating costs will differ according to actual demand and consumption, and again in realistic variation, the overall operating costs per month are estimated on 43 000 CZK.

<b>Operating costs (per month in CZK)</b>			
<b>Fixed costs</b>			
Rent	20 000		
Energy	5 000		
Promotion	2 500		
Telephone	250		
Internet	250		
<b>Variable costs</b>			
	<b>Optimistic</b>	<b>Realistic</b>	<b>Pessimistic</b>
Inventory	20 000	15 000	10 000
<b>Total</b>	<b>48 000</b>	<b>43 000</b>	<b>38 000</b>

*Table 11: Operating costs (own creation)*

### 8.4 Salaries

Furthermore, salaries are a big expense which needs to be included in the regular running expenses. As was already mentioned earlier in the chapter business organization, the tea room will have one full-time employee and 3 other part-time workers. The gross wage of a full-time employee will be 18 000 CZK per month and the part-time workers' salary will be 3 920 CZK per month. In regard to tips, the employees can keep them as it is a bonus for their service. The owner has to calculate also with the social and health insurance that needs to be paid for the full-time employee. On the other hand, there is need to pay social

and health insurance for part-time workers because they will be students and will not earn more than 10 000 CZK. The costs for salaries are estimated on 35 880 altogether.

<b>Salaries (per month in CZK)</b>				
<b>Type of job</b>	<b>Gross wage</b>	<b>Social insurance (25 %)</b>	<b>Health insurance (9 %)</b>	<b>Super-gross wage</b>
Full-time	18 000	4 500	1 620	24 120
Part-time	11 760	0	0	11 760
<b>Total</b>	<b>29 760</b>	<b>4 500</b>	<b>1 620</b>	<b>35 880</b>

*Table 12: Salaries (own creation)*

### 8.5 Total costs

The table listed below summarizes all the costs that will be needed for the beginning and monthly costs. The initial costs which cover reconstruction, all the equipment, and initial inventory are assessed on 311 120 CZK. The monthly costs consist of fixed costs and variable costs. Fixed costs are represented by salaries, rent, energy, promotion, internet and telephone. Those need to be paid in the same amount no matter what the revenues are. On the other hand, variable costs are represented by inventory which differs depending on the production and demand. In the first month are in every case zero variable costs for inventory because they are already included in the initial inventory. In overall, total costs associated with foundation and the first month of running a business are 375 000 CZK. Then, the operating costs needed every month are estimated on 78 880 CZK in the case of realistic variation.

<b>Total costs (CZK)</b>			
<b>Initial costs (one-time)</b>	<b>311 120</b>		
Reconstruction	97 000		
Equipment	180 120		
Initial inventory	34 000		
<b>Operating costs (monthly)</b>	1 <sup>st</sup> month	2 <sup>nd</sup> month	3 <sup>rd</sup> month
Fixed costs	63 880	63 880	63 880

Variable costs - Optimistic	0	20 000	20 000
Variable costs - Realistic	0	15 000	15 000
Variable costs - Pessimistic	0	10 000	10 000
Total costs - Optimistic	<b>375 000</b>	<b>83 880</b>	<b>83 880</b>
Total costs - Realistic	<b>375 000</b>	<b>78 880</b>	<b>78 880</b>
Total costs - Pessimistic	<b>375 000</b>	<b>73 880</b>	<b>73 880</b>

Table 13: Total costs (own creation)

## 8.6 Revenues

The revenues will be based on the supposed number of customers that could visit the tea room and on the average spending. The average and realistic spending will be calculated from what respondents answered in the questionnaire. An owner decided to be moderate in the calculations and therefore was always used the lowest amount of money from the given scale. It is reasonable to calculate with lower revenues. The final average amount of money that could spend one customer is 111 CZK.

- In the first option, 19 respondents choose they are willing to spend from 0 to 100 CZK. In the calculations was therefore used an average sum of the scale and that is 50 CZK.
- In the second option, 142 respondents answered they are willing to spend from 101 to 200 CZK. In calculations was used the lowest option and that is 101 CZK.
- The last option, that they are willing to spend from 201 to 300 CZK choose 29 respondents. In the calculations was again used the lowest option and that is 201 CZK.

Average spending (per one visitor in CZK)		
Amount of money	Number of respondents	Total
50	19	950
101	142	14 342
201	29	5 829
<b>21 121 / 190 = 111 CZK</b>	<b>190</b>	<b>21 121</b>

Table 14: Average spending (own creation)

After calculating average possible spending per one customer, revenues can be calculated. They are calculated from three different variations – optimistic, realistic and pessimistic. The amount of average spending stays always the same whereas the number of customers differs depending on a given variation and the assumed number of customers.

<b>Revenues</b>			
Variation	<b>Optimistic</b>	<b>Realistic</b>	<b>Pessimistic</b>
Average spending	111	111	111
Number of customers	40	35	30
Per day	4 440	3 885	3 330
Per month (30 days)	<b>133 200</b>	<b>116 550</b>	<b>99 900</b>

*Table 15: Revenues (own creation)*

## 8.7 Profit

The last important step is to calculate net profit to find out if the business is viable. The total costs and income tax must be deducted from the revenues in order to get net profit. An owner decided to calculate again optimistic, realistic and pessimistic variations which are displayed in the tables below. The net profit in the first month is in every scenario higher because the initial inventory is included in the initial costs.

In the case of optimistic variation, the tea room has to be visited by 40 customers in order to have net profit 41 922 CZK per month. The author does not count with the optimistic variation especially at the beginning. However if the marketing will be successful and people will be satisfied with the service, this could be a milestone for the second year.

<b>Optimistic variation (CZK)</b>			
	1 <sup>st</sup> month	2 <sup>nd</sup> month	3 <sup>rd</sup> month and more
<b>Revenues</b>	133 200	133 200	133 200
<b>Costs</b>	63 880	83 880	83 880
<b>Tax (15 %)</b>	10 398	7 398	7 398
<b>Net profit</b>	<b>58 922</b>	<b>41 922</b>	<b>41 922</b>

*Table 16: Profit – Optimistic variation (own source)*

In the realistic scenario, the tea room has to visit 35 customers a day which is not a lot and it is possible. In the realistic variation, the monthly net profit would be 32 020 CZK. In the realistic version are the costs lower as the variable costs for inventory make 15 000 CZK. The primary goal for the first year is to achieve realistic profit and preferably move to optimistic variation.

<b>Realistic variation (CZK)</b>			
	1 <sup>st</sup> month	2 <sup>nd</sup> month	3 <sup>rd</sup> month and more
<b>Revenues</b>	116 550	116 550	116 550
<b>Costs</b>	63 880	78 880	78 880
<b>Tax (15 %)</b>	7 901	5 651	5 651
<b>Net profit</b>	<b>44 770</b>	<b>32 020</b>	<b>32 020</b>

*Table 17: Profit – Realistic variation (own source)*

In the case of pessimistic variation, the tea room has to visit at least 30 customers a day. Even though the pessimistic variation is still profitable, it is not acceptable on the long-term basis. Because the monthly net profit 22 117 CZK would cover only his salary. The owner could not create any financial reserve or invest more money to the development of the tea room.

<b>Pessimistic variation (CZK)</b>			
	1 <sup>st</sup> month	2 <sup>nd</sup> month	3 <sup>rd</sup> month and more
<b>Revenues</b>	99 900	99 900	99 900
<b>Costs</b>	63 880	73 880	73 880
<b>Tax (15 %)</b>	5 403	3 903	3 903
<b>Net profit</b>	<b>30 617</b>	<b>22 117</b>	<b>22 117</b>

*Table 18: Profit – pessimistic variation (own source)*

The tea room is feasible and even profitable in all calculated variations. However the pessimistic would be very risky and not sustainable in the long term. Therefore an owner has to make secure really good promotion strategies to keep on optimistic strategy as which is the main goal.

## CONCLUSION

The purpose of this bachelor thesis was to make a business plan for a tea room in Zlín. First of all, the theoretical part analyzed all the aspects related to entrepreneurship, entrepreneur, enterprise and forms of businesses in the Czech Republic. Then was described the basic structure of a business plan which corresponds with the structure needed for making a business plan for a particular business in the practical part.

The main goal of this bachelor thesis was to elaborate on the individual parts analyzed in the theoretical part and convert it into the practical part in the form of a business plan. The function of the theoretical part was to make and evaluate the business plan for establishing a tea room in Zlín. The business plan included a description of the business, intended location, main products, competitive advantage, and analysis of competition, marketing plan and financial plan.

The part of the market analysis was a market research which helped an owner to learn what is the most important for the potential customers and what include into the tea room. The research shows that they would appreciate for instance an offer of coffee or an opportunity to sit on the terrace. The information from the questionnaire was also incorporated in the follow-up marketing plan. The last and most difficult part of the business plan was a creation of the financial plan. It contains all possible expenses needed for establishing of a tea room and the calculated total costs are 375 000 CZK. On top of that, the market research helped to determine possible average spending per customer. It assisted with the consequent calculation of potential revenues and final profit.

After creation of the business plan and resulting possible monthly profit primarily in the case of realistic variation, it can be assumed the business is viable and can be profitable. Though as in every other business and the tea room is not an exception, it will be hard to attract customers, achieve desired profit and be successful in the long term.

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**LIST OF ABBREVIATIONS**

v. o. s.	veřejná obchodní společnost
veř. obch. spol.	veřejná obchodní společnost
k. s.	komanditní společnost
kom. spol.	komanditní společnost
spol. s r. o.	společnost s ručením omezeným
s. r. o.	společnost s ručením omezeným
a. s.	akciová společnost
CZK	Czech Koruna
E.g.	For example

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## APPENDICES

- P I The questionnaire
- P II The results of the questionnaire

## APPENDIX P I: THE QUESTIONNAIRE

# Průzkum trhu pro založení nové Čajovny ve Zlíně

Jmenuji se Robert Galia a jsem studentem Univerzity Tomáše Bati. Rád bych vás touto cestou požádal o vyplnění krátkého dotazníku v rámci podnikatelského plánu zaměřeného na založení nové čajovny ve Zlíně.

Předem děkuji za Váš čas.

\*Povinné pole

Kolik vám je let? \*

- 15 - 18
- 19 - 27
- 28 - 38
- 39 - 49
- 50 a více

Jak často chodíte do čajovny? \*

- 1x měsíčně nebo častěji
- Asi 1x za čtvrt roku
- Asi 1x za půl roku
- Asi 1x za rok nebo méně

Jaký styl čajovny by se vám líbil? \*

- Klasická klidná čajovna ve východním stylu
- Moderní čajovna v kavárenském stylu
- Kombinace (například spodní patro v kavárenském stylu a druhé patro klasická klidná čajovna)
- Jiné: \_\_\_\_\_

Co z uvedeného je pro vás v čajovně nejdůležitější? \*

- Kvalita a výběr vodních dýmek
- Kvalita a výběr čajů
- Kvalitní a rychlá obsluha

Vyberte, jaké aktivity byste v čajovně uvítali \*

- Společenské hry
- Degustaci čajů
- Degustaci vodních dýmek
- Možnost čtení knížek
- Jiné: \_\_\_\_\_

Potěšila by vás možnost venkovního posezení? \*

- Ano
- Ne
- Je mi to jedno

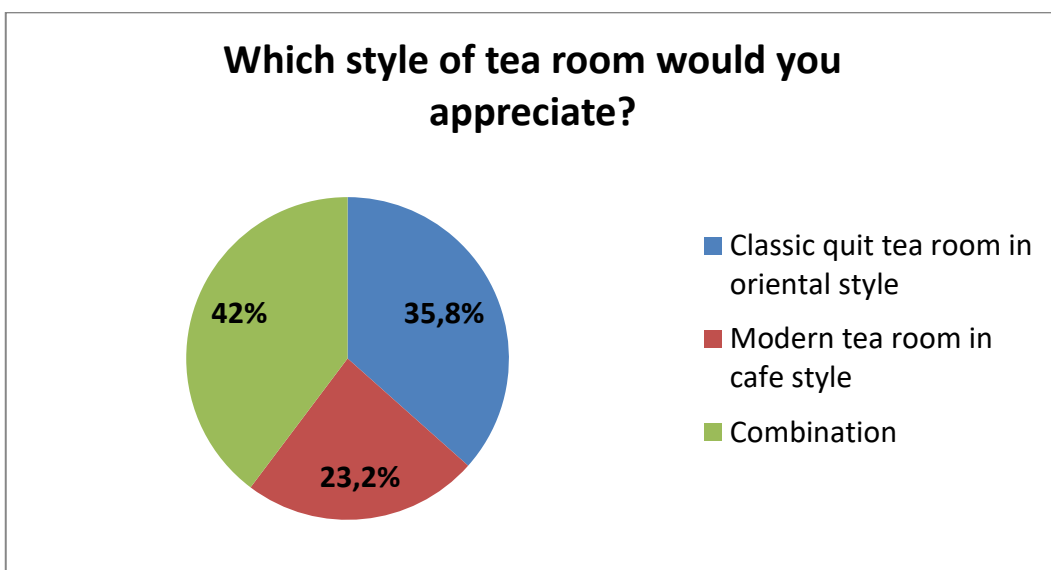
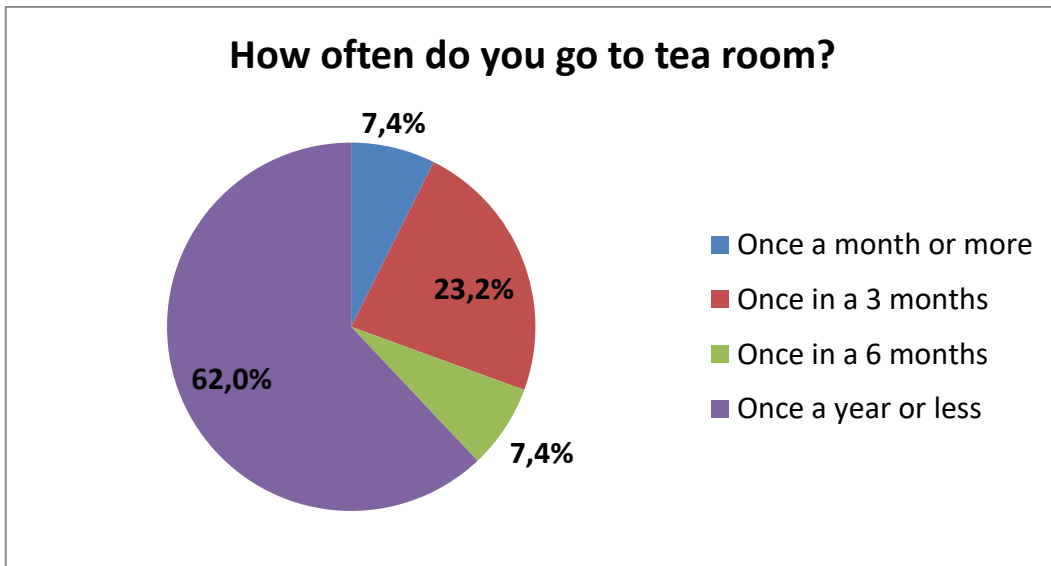
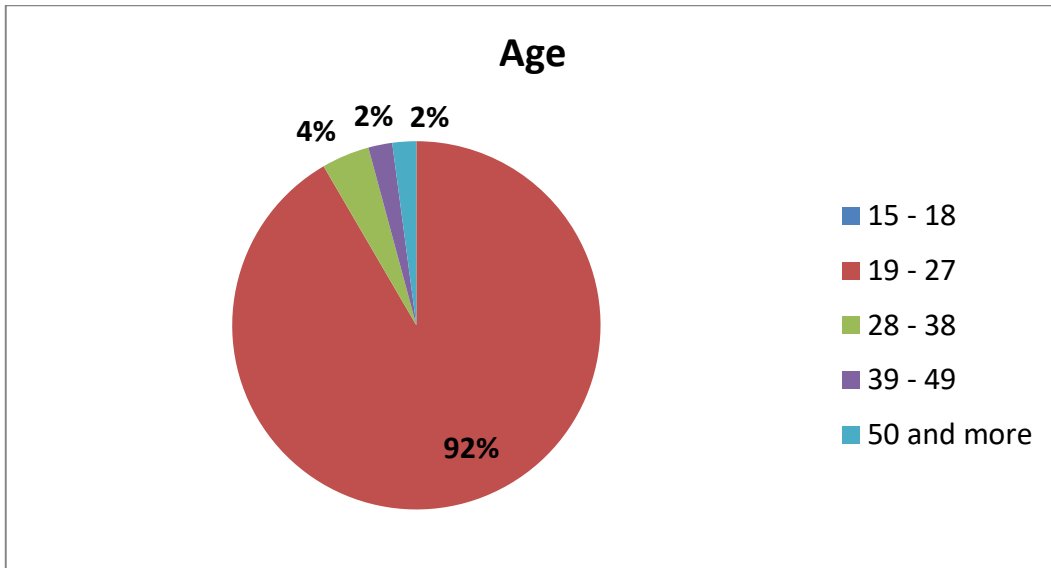
Využili byste nabídku kávy? \*

- Ano
- Ne
- Možná

Kolik jste ochotní utratit za jednu návštěvu čajovny? \*

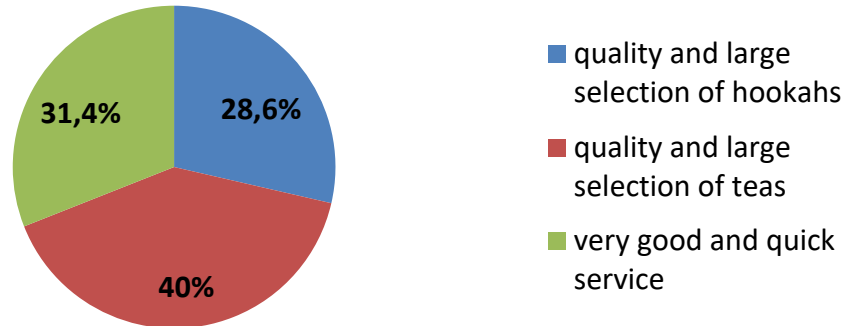
- 0 - 100 Kč
- 101 - 200 Kč
- 201 - 300 Kč
- Více

## APPENDIX P II: THE RESULTS OF THE QUESTIONNAIRE

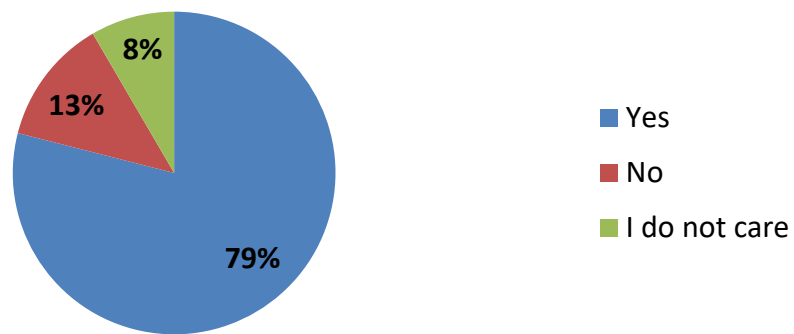




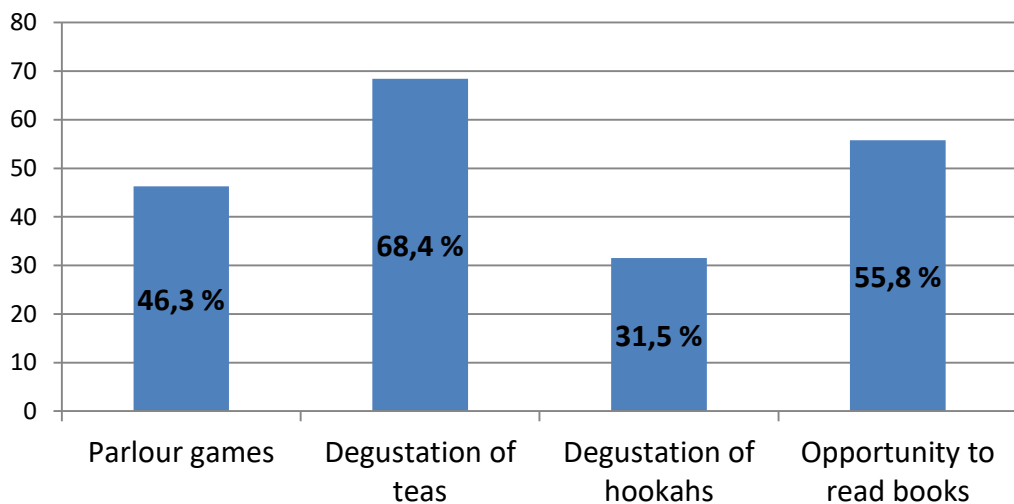
### What is the most important in tea room for you?



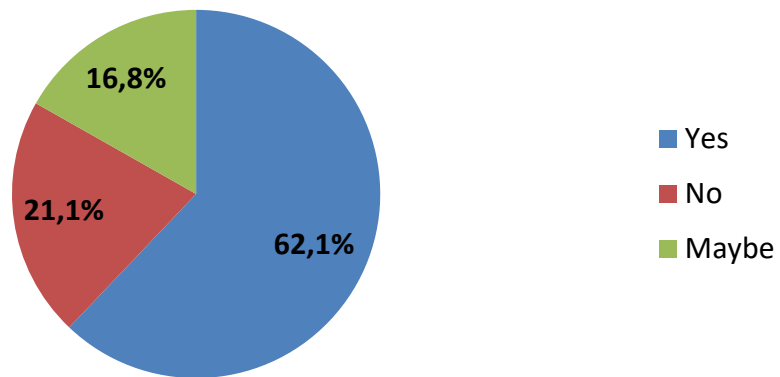
### Would you like to have an opportunity to sit on a terrace?



### Choose, which activities you would appreciate



### Would you appreciate offer of coffee?



### How much are you willing to spend in tea room for one visit?

