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Business plan for opening a Dunkin' Donuts franchise restaurant in Prague

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D e c l a r a t i o n o f A u t h e n t i c i t y

I hereby declare the Bachelor's Thesis presented herein is my own work, of fully and specifically acknowledged wherever adapted from other sources. This work has not been published or submitted elsewhere for the requirement of a degree program

Prague,

Signature

Acknowledgment

I would like to express my sincere gratitude to my supervisor Ing. Blanka Habrmanová for the continuous support of the Bachelor's Thesis, her valuable opinion, comments and patience. Her professional guidance helped me during the whole process of work on the Thesis, serving a constant source of my motivation.

Title of the Bachelor's Thesis:

Business plan for opening a Dunkin' Donuts franchise restaurant in Prague

Abstract:

The Bachelor's Thesis specializes in the business planning for Dunkin' Donuts company entering the franchise market of the Czech Republic.

The theoretical part covers various aspects of business. It gives a clear representation of the factors that are needed for a business to be successful. The part also reveals business planning theory, highlights business planning's importance and the way of use.

In the analytical part the reader may find a detailed overview of the Czech Republic's market opportunities for launching a restaurant business, legislation specifications, location recommendations, industry and market analysis and financial plan and other relevant information. The Thesis aims to show veridical opportunities and threats of running a Dunkin' Donuts franchise restaurant in Prague, evaluating its perspectives.

Key words:

Entrepreneurship, business plan, restaurant, Dunkin' Donuts, marketing plan, financial plan

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1. Introduction

I have chosen this topic because I am very interested in entrepreneurship and would like to run my own business in future. I consider an option of launching a Dunkin' Donuts franchise restaurant to be very perspective and promising.

The Dunkin' Donuts company is represented by more than 12.000 restaurants in 45 countries, it is a famous and well-respected worldwide organization, mainly specializing in the production and sale of high-quality baked goods and coffee.

The goal of the Thesis is to provide the reader with an exact and accurate business plan for starting a Dunkin' Donuts franchise restaurant in Prague, Czech Republic.

Getting acquainted with this Thesis may help prospective entrepreneurs to evaluate the feasibility of running a Dunkin' Donuts franchise shop in the capital of Czech Republic. Moreover, it may help potential investors to estimate the risks and decide on financing the business project.

The Thesis starts with a deep theoretical background of business and business plan concept, its structure and role. The theoretical part is followed by an analytical one, which begins with a detailed company description and an executive summary. Afterwards, the reader may find various thorough analyses covering every aspect of the market, industry, competition, finance and potential perspectives.

2. Literature research

2.1 Introduction to business

2.1.1 *Business definition*

Business can be defined as an organized effort of people to sell and produce, for a profit, various goods and services satisfying the needs of the society. The overall term business itself can be referred to the various efforts within an industry or society (Pride, Hughes and Kapoor, 2011).

At the same time, business can also be defined in terms of law. In this instance business is usually characterized through the prism of legal and property parameters. Thus, the law of Czech Republic has its own proper definition of business, which is stated in the Commercial code no. 513/1991.

The business can be defined in several ways according to the Czech law (Wipo.int, 2017). Thus, the business can be described as:

1. A systematic operation

Business should not function only when an entrepreneur is willing to work. It should operate on a regular basis, even if that means seasonal occasions.

2. A process, which is performed independently

An entrepreneur should be an independent in terms of employment. This feature opposes business to other types of employment, for example to employment contracts.

3. An activity conducting a trade with the purpose of profit

The trade can be represented by manufacturing, craft or any commercial activity. Moreover, any business should meet all the conditions listed in the Act No. 455/1991 Coll. On Trades, which is also known as the Trade Act.

4. An act performed by an entrepreneur at his/her own responsibility

Businesses vary in terms of liability. Thus, legal entities are liable for their obligations with all their property. However, a member of a general commercial partnership is liable for the partnership's obligations with all his/her property.

Moreover, every entrepreneur bears the risk and is liable for law violation, faulty output, performance delay, any damage caused to an employee or a customer, and other incidents.

2.1.2 The structure of a successful business

Although every business is unique and specializes in different fields, there are three criteria that should be met to make any business successful (Pride, Hughes and Kapoor, 2011). The criteria are:

Organization

An organized business is a business that successfully manages combining four types of resources: *financial*, *human*, *informational* and *material* (Pride, Hughes and Kapoor, 2011).

Human resources are represented by employees, furnishing their labor to the business in return for salaries.

Material resources are the raw material used in the process of manufacture. For example, a bakery café needs eggs, butter, milk, sugar, flavor and other ingredients to produce doughnuts.

Financial resources are the money that is needed to purchase materials, pay wages and keep the business functioning

Informational resources are the resources that inform the management of a company how efficiently other resources are combined and used.

Customer needs satisfaction

The final objective of every company should be its customer needs' satisfaction. As a matter of fact, people do not purchase products just to own them. However, people buy products and services to satisfy their needs (Pride, Hughes and Kapoor, 2011).

It should be pointed out, that when a business loses sight of its customers' needs, it may face severe consequences (Pride, Hughes and Kapoor, 2011).

Profitability

Providing its customers with products or services a business receives sales revenue. Afterwards, the business should pay out various expenses that are involved in business operations. Consequently, if the company's sales revenues exceed its expenses, the company is earning a profit.

Profit is not only a reward for business owners, but also often a source of reinvestment and business development. (Pride, Hughes and Kapoor, 2008)

2.2 Business plan

2.2.1 Business plan definition

Business plan is a declaration that is written to analyze and describe a certain business. It gives detailed future short-term and long-term projections and covers financial aspects of running a business in a specific market (McKeever, 2007).

By Showing the advantages of a product, service or business, and consequently, their efficiency, competitiveness and profitability, the business plan provides a reader with the answer to whether it worth the investments or not (McKeever, 2007).

2.2.2 Importance and use of a business plan

A business plan is the basis of establishment and further growth of a startup. It is of the most important tools that new companies use for raising capital. Therefore, a successful business plan is “investor ready”.

The plan answers all the concerns and confusions that may arise from the potential contributors’ sides. The “investor ready” business plan demonstrates that an entrepreneur is an expert in the field and has a clear vision of future business activities (Vcgate.com, 2017).

Investors’ concerns covered by business plans typically include:

Management

Investors are concerned with the management of the project, therefore a good business plan demonstrates the entrepreneur’s passion, dedication and knowledge to the business (Vcgate.com, 2017).

Customers

Expressing a complete understanding of the customer base, its desires and needs is very important for a business plan as far as it is a necessary condition for a successful marketing strategy (Vcgate.com, 2017).

Marketing

The issue of competitive advantage is crucial for investors. A good business plan expresses the conceptual value of the project, explaining how and why the startup is going to capture the market and beat the competitors (Vcgate.com, 2017).

Finance

A well-organized business plan represents a detailed overview of potential expenses, revenues and profit, helping the investors to evaluate the project in terms of finance (Vcgate.com, 2017).

2.3 Business plan structure

2.3.1 Executive Summary

The summary is the first point of the business plan to be read. It represents an overview of a business, market, strategy, competitive advantages and perspective financial issues (Magloff, 2017).

One of the main purposes of the executive summary is make a synopsis of the key points of the business plan, explain the main features of the business, and therefore, allow the readers to save their time (Magloff, 2017).

Secondly, for many angel investors, banks, venture capitalists and other potential investors the executive summary is the only part of a business plan to be read. Therefore, the summary is used to capture the readers' attention, induce them to further reading the rest of the business plan. The executive not only includes business' opportunities and financial perspectives, but also such things like a sense of energy and enthusiasm, respectively (Magloff, 2017).

2.3.2 Company description

The company description is another crucial element of a business plan. The section follows the executive summary in the outline. It gives the reader a deeper understanding of the company.

The chapter is represented by the company's historical overview, its philosophy, mission, values, and corporate structure. Moreover, it covers the range of products for sale and services provided (Entrepreneur, 2006).

2.3.3 Location

Choosing a location is important in many business industries, however it has a significant importance for restaurants. Wrong location is considered as one of the main reasons of restaurants' failures.

Location is generally described as a certain geographic point or place, combining target customer segment's psychographic and demographical features. The perfect location should combine a continuous traffic's stream, convenient parking facilities, be close to target market and other businesses (Kotler and Armstrong, 2014).

Therefore, there are several aspects to be considered when choosing a location (Entrepreneur Media, Inc., 2015):

Accessibility and foot traffic

Accessibility defines how easy or difficult it is for the costumers, employees and suppliers to reach the company's point of sale. It consists mainly of the analysis of the transport channels that can be found nearby and parking facilities.

Foot traffic defines how many potential customers are passing by the point of sale. Some business, which require confidentiality are not located in high-traffic areas. However, there also are markets, which fully depend on the traffic.

Competition

The presence of competitors nearby is the second important factor of choosing a business' location. The big number of customers is good for some markets, as far as it allows a firm to catch the overflow from its competitors. However, it also likely to become a big issue, making it much more difficult to attract customers, if the competitors' brands are stronger.

Infrastructure

The location must provide the business with a fully access to the electricity, water, air conditioning and telecommunication services to meet its and its customers' needs.

Legislation

Every state has obligatory legislation conditions for various business' places. Thus, the place conditions for a business dealing with production and the one dealing with sales only differ.

Price

Finally, price is the last factor to be considered. Rent and utilities have a significant importance when analyzing the company's profitability and expenses.

2.3.4 Market and industry analysis

The market and industry analysis follows the company description section. It provides a detailed overview of the industry, in which a specific business is specializing in. It includes the analysis of the industry itself, the state, competition.

Moreover, it provides the reader with clarity of how an entrepreneur intends to use all the frameworks and potential opportunities, overcome weaknesses and threats, which were obtained during the market and industry analysis (Fontinelle, 2016).

2.3.4.1 SWOT analysis

SWOT analysis is one of the techniques of strategic analysis. It is used worldwide by many various companies for analyzing both current and perspective positions of the business. Moreover, it is also a convenient tool for identifying future trends, which may be relevant for the business.

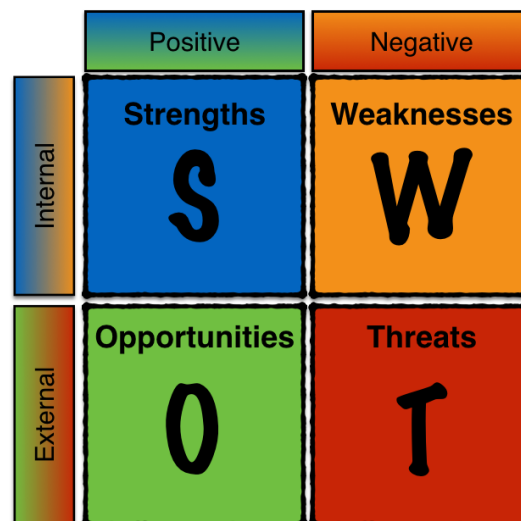
Each letter of the analysis' name has a clarifying meaning. "S" stands for strengths, "W" for weaknesses, "O" for opportunities and "T" for threats. Although the structure of the SWOT analysis is not very complex, it has a deeper unobvious meaning.

Strengths and weaknesses are considered to be internal factors. The internal factors are focused on the inner side of the business.

However, the two other factors: opportunities and threats are dealing with the external, or in other words, with the company's environmental issues.

That is the reason why another widely known name of the SWOT analysis is the Internal and External analysis (Team FME, 2013).

Figure 1: SWOT Matrix



Source: Kotler and Armstrong, 2010

The overall goal of the SWOT analysis is to examine both the internal and the external factors that either help or resist achieving the set goals of the business. The clarity reached through the analysis allows entrepreneurs to match strengths to opportunities, convert threats and weaknesses to strengths and opportunities, which is very beneficial for businesses (Team FME, 2013).

2.3.4.2 PESTEL analysis

It is extremely important for a company to understand the environment, where it operates in order to adapt to and change with it. The environment, in this context, consists not only of the physical environment, but also includes the political, economic, social, technological, environmental and legal environments, which are also known as factors.

However, the confident awareness of operation environment can not influence any of the factors as a rule, nevertheless they may have a significant impact on any business on the market (Kotler and Armstrong, 2014).

The understanding of the operating environment even more significant during the past decades, when the world has faced the economic crisis and businesses' ability of adapting to new changes became a so called «litmus test», which prognoses the business' future positions (Team FME, 2013).

The majority of changes in any of the factors do not happen quickly as a rule. In fact, the changes are usually quite slow and time requiring processes, which makes them seem not so important and not so dangerous for an unskilled entrepreneur.

This process is also called a boiled frog syndrome (Armstrong and Schultz, 1993). The boiled frog syndrome, in terms of environment and business, can be characterized by situations when a company quickly reacts to fast changes in the environment, however it may even not notice slow changes, which may lead to deadly outcomes, respectively.

2.3.4.3 Porter's five forces analysis

Porter's five forces analysis is a widely-used industry analysis' framework. It represents a co. It includes several aspects or forces of the economic environment and competition structure: rivalry among existing competitors, threat of potential new entrants, threat of substitutes, bargaining power of suppliers and bargaining power of buyers (Wilkinson, 2017).

The concept of the analysis requires a separate examination of every aspects in order to identify the degree of the present competition. The stronger the forces are, the bigger the competition is and vice versa, respectively (Wilkinson, 2017).

The analysis helps to determine whether the industry and market is attractive for business, since the competitive environment has a significant impact on the company's performance (Wilkinson, 2017).

Rivalry among existing companies

The level of the rivalry among existing companies determines how much companies within an industry put pressure on each other. If the pressure is high, the industry is considered to be competitive and the available profit potential may be decreased.

However, if the rivalry among existing competitors is low, the industry is less competitive and the profit potential for the market players may be increased (Morrison, 2011).

The first factor to be considered, when discussing the rivalry among existing companies is whether the market has a developed competition, when many different companies are strong enough to compete, or there are just one or two large companies that control the market, which leads to a low competition level as far as small firms are not likely to have enough resources and capacity to compete with the monopolists (Morrison, 2011).

Secondly, when evaluating competition between existing rivals the market size and current market situation should be considered. The smaller the market is, the more challenging it is to attract customers. At the same time the worse the current market situation is, the more difficult it is to attract new customers. The mentioned conditions clearly lead to an increase of competition. Respectively, the bigger the market is and the better trends can be observed, the better it is for the rivals and the lower the competition may be (Morrison, 2011).

The third important factor is represented by the exit barriers. The exit barriers are the obstacles an entrepreneur may face when trying to leave the business. Such barriers may be significant investments in equipment or high fixed costs, for example. When exit barriers are high some businesses may continue to operate, though their products or services are completely not profitable (Team FME, 2013).

Lastly, the third fact that should be stated is product differentiation. Low product differentiation, or in other words a situation when competing firms have relatively similar products, generally leads to low switching costs for consumers, which makes it much more complex for companies to keep their customers and especially attract new customers. (Morrison, 2011).

Threat of potential new entrants

The threat of potential new entrants analyzes how challenging it is for new firms to enter the market or in other words it analyzes the entree barriers. Thus, if the number of entry barriers is high or the barriers are extremely challenging, the number of entrepreneurs willing to enter the market would be lower than it could be if the situation was reverse: a few or zero entry barriers present or entry barriers that could be easily manageable (Morrison, 2011).

The first entry barrier to be considered is the cost of entering the market. Significant costs make entering a new market more challenging as far as it is very demanding from the point of view of capital and resources and not every entrepreneur is able to afford high costs. However, many entrepreneurs would be attracted by low entry costs due to lower amount of investments and financial risks' minimization (Hooley et al., 2011).

Secondly, the threat of new potential entrants depends on the market saturation. If the current companies that are present on the market do not fully satisfy all the customers' needs it is a significant advantage for the entrepreneurs considering entering the market as far as it will be less challenging for them to attract customers avoiding additional competition (Hooley et al., 2011).

The third factor that should be pointed out, when analyzing the threat of new potential entrants is the market diversity. If the companies that are currently present on the market offer relatively similar portfolio of products, that is a beneficial advantage for the potential entrants as far as it may clearly show the segment of the market that is not occupied. However, if the present competitors offer different products it may become a serious obstacle for a firm that is planning to enter the market. There will not be enough stimuli for the customers to buy the products of exactly this firm if they are the same as the other companies may offer (Hooley et al., 2011).

The last factor to be considered is the current policy of existing on the market companies. If the existing companies have an aggressive strategy towards new market entrants and they are likely to react to any new entrants' activities, it may have a significant impact on the number of entrepreneurs willing to enter the market discouraging them. At the same time if the reaction of the existing on the market competitors is not probable then it may be beneficial for the new potential entrants (Hooley et al., 2011).

Threat of substitutes

Substitute goods are goods which, being a result of changed conditions, may replace each other in consumption or use (Nicholson, 1998).

In markets, where different substitutes can be easily found and used, buyers have power because if their expectations are not met, they are able to choose a substitute product. However, the selling parties have the power in other markets, where there is a demand for a concrete product and there are no substitutes (Morrison, 2011).

Bargaining power of suppliers

If there a lot of suppliers offering similar or same products, a supplier's position can be defined as a weak one towards the buyers. The buyer can choose any of them, and the suppliers are competing each other. At the same time, when a market situation is reverse and there is just one or a few suppliers of a specific product, they have power over the buyer, since he or she is highly interested in getting the product, which can hardly be purchased anywhere else (Morrison, 2011).

Suppliers' bargaining power can have a significant influence on the prices of products and the whole business concept in general, depending on demand, supply and the availability of substitutes (Morrison, 2011).

The first factor to be considered when discussing bargaining power of suppliers is the cost of switching suppliers. The higher the switching costs are, the more power does a supplier have. For example, the supplier may change the conditions of cooperation with the buyer, making it less beneficial for the buyer and more profitable for him or herself, and at the same time the buyer will still cooperate with the supplier, because the cooperation is still cheaper than the switching costs (Morrison, 2011).

The second crucial point is the price elasticity of the products that the buyer buys from the supplier. If the price elasticity is high, then a price change of the manufactured products will have a significant impact on the amount of products that the supplier sells. Which means that the supplier does not have much power in such a situation, because any change in price and quantity sold will have a tremendous impact on sales and profit.

At the same time, if the price elasticity is low, then the price change of the supplier's products will not lead to a big change in the quantity of products sold. Which means that the supplier is able to dictate his or her terms of cooperation to the buyer, change the price of the product and influence the market, having high bargaining power (Kotler and Armstrong, 2014).

Lastly, another important factor is the cost of the supplier's production. If the supplier has low production costs, he or she can operate with different range of margin and, respectively, is more flexible to market changes. In this case, the supplier has high bargaining power. For example, during an economic downturn, when the demand is low, the supplier

cuts the price of the product and still makes profits, because the production costs are still lower than the selling price (Hooley et al., 2011).

Bargaining power of buyers

Compared to the bargaining power of suppliers, if the number of buyers willing to purchase a product is higher than the number of the suppliers offering the product, then the bargaining power of the buyers is considered to be low, and vice versa, respectively.

The first factor, which affects the bargaining power of buyers is the availability of finding alternative sources of supply (Hooley et al., 2011). If it is easy to find a similar product somewhere else, the bargaining power of buyers is high, since they make the decision of choosing the suppliers.

Secondly, the switching costs should be considered as well. If the switching costs for the buyers are low, then it is not difficult for them to change the suppliers, since they do not have to pay anything for that. Therefore, in this case the buyers are in power (Hooley et al., 2011).

Finally, the bargaining power of buyers also depends on the number of buyers interested in the product. If there are just a few buyers willing to purchase the product, then the suppliers are supposed to be very interested in them, since the transactions between the parties are the source of the suppliers' income (Hooley et al., 2011). Respectively, in this case the buyers have high bargaining power.

2.3.4.4 Competitive analysis

The competitive analysis is the part of a business plan assessing the difference between a company's performance and the performance of its competitors. It specializes in examination and detection of the features and facts causing the difference (Business Dictionary, 2017).

The purpose of the analysis is to provide an overview of the company's competitors acting in the same market, describe them, define their key strengths and weaknesses, give the understanding of their strategies and values (Entrepreneur Media, Inc., 2006).

Moreover, the competitive analysis gives the reader a clear vision of how the business is different from the competitors, what are its distinct advantages and what can be considered as potential threats and vulnerabilities (Entrepreneur Media, Inc., 2006).

From the traditional theoretical point of view, competitors may be divided into two main categories (Entrepreneur Media, Inc., 2006) :

Direct competitors

Direct competitors are the competitors specializing in the offer of the same products and services that a business does, targeting similar customers, using similar promotional tactics and satisfying same customer needs.

Indirect competitors

Indirect competitors are the companies offering alternative products and services, though they are still targeting the same group of customers as direct competitors are, and tending to satisfy the same customer needs. Indirect competitors are also known as substitutes.

2.3.5 Marketing plan

Marketing plan represents a part of a business plan, which defines the marketing goals of a company, a course of concrete actions that should be done to achieve the goals, and provides guidelines used to evaluate and track these goals (Chernev, 2014).

Having a marketing plan is beneficial for any company. It provides clear direction to marketing objectives not only for the management of a company, but also to other employees, which makes business operations even more successful. Following a marketing plan every member of staff can easily evaluate a current business position and actively participate in reaching the company's goals. Therefore, marketing plan helps to avoid cases of misunderstanding, uncertainty and helps to synchronize resources of a firm (Chernev, 2014).

2.3.5.1 Segmentation, targeting and positioning

Successful business does not focus everyone. It sells products and services to a specific group or groups of customers. In fact, there are no products that may appeal to every single customer that can be found in the market, despite the fact the product is incredible and unique. Being aware of who is likely to buy the product and marketing the product to these specific potential customers significantly increases the business' chances of success (Team FME, 2016).

STP is a model, which allows entrepreneurs to define who their customers are. The model includes three concepts: segmentation, targeting and positioning, respectively. Segmenting the market, targeting the right group of customers and positioning the product

correctly broadens horizons and opens new perspectives for the business. Moreover, STP serves as a platform for the marketing mix (Team FME, 2016).

Figure 2: STP model



Source: Kotler and Armstrong, 2009

Segmentation

Segmentation is the basic and therefore, the first level of the STP model. It is an essential condition for building sustainable long-term customer relations, with the help of continuous purposeful marketing and communication, creating a customer base of loyal people, the people who will help the business to grow through years. Its main goal is the creation of the increase of customer satisfaction and, therefore prospective profit of businesses (Kotler and Armstrong, 2014).

Segmentation is conducted through several aspects that can be used to describe the customers of a specific market. The aspects can be divided into demographic, behavioral, geographic and psychographic. Therefore, their constituents can be age, gender, level of education, annual income, brand loyalty, desired benefits, lifestyle, region and other (Kotler and Armstrong, 2014).

Targeting

Targeting is the second level of the STP model. The data gathered and identified through the segmentation is used in the targeting to define, which of the segments the company should focus its marketing strategy at. Therefore, it can be stated, that targeting is based on the segmentation (Kotler and Armstrong, 2014).

Positioning

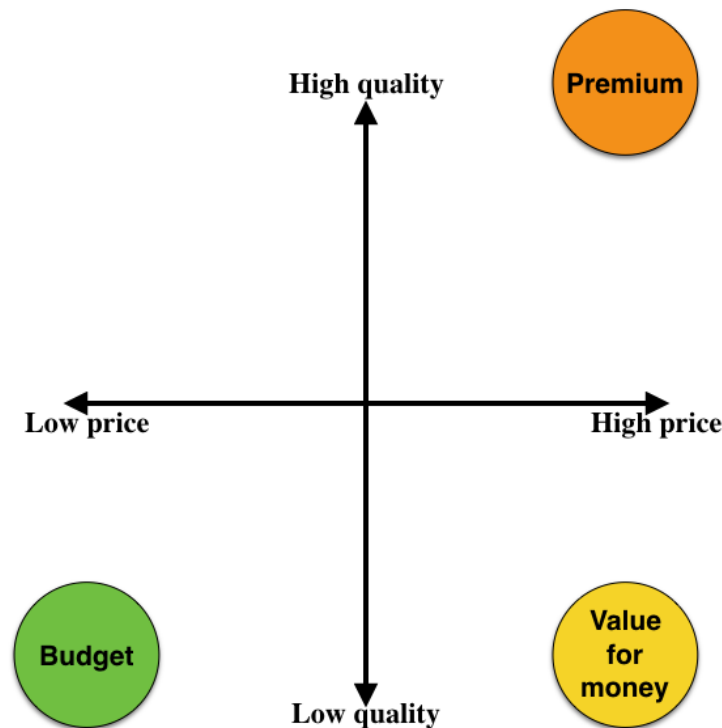
The final step of the STP model is called positioning. The main goal of the positioning is the establishment of such a value proposition, which is the most customer oriented (Kotler and Armstrong, 2014).

Considering positioning it is important to define the product's associations. Therefore, the points-of-difference, or POD, and points-of-parity, or POP, are used. The points of parity are the features the business shares with other firms, but the points of difference allow to define what unique and beneficial elements the business has, respectively.

The POD and POP allow the business to reach a balanced mix of key features, which are similar to those of its competitors, and at the same time the attributes, that make the business unique (Kotler and Armstrong, 2014).

Finally, considering the positioning of a firm, it is highly recommended to create a positioning map. The positioning map allows to analyze the current competitors positioning, plot the company's offering against those of its competitors and select an overall positioning strategy. Moreover, it is a useful tool for the pricing strategy's building (Kotler and Armstrong, 2014).

Figure 3: Positioning map



Source: Kotler and Armstrong, 2009

2.3.5.2 Marketing mix

Marketing mix is one of the most famous marketing concepts worldwide. It is represented by a set of marketing tools, which are used when a company is trying to achieve a set of concrete goals, operating in a target market.

According to the marketing mix, marketing issues belong to four variables: *product*, *price*, *place* and *promotion*.

Following the concept of the marketing mix, a company should get the best response from the target market, if the variables are mixed in an optimal proportion.

Therefore, it can be stated that the main function of the marketing mix is to influence the demand for companies' products within a target market by using an optimal mix of four variables. Which afterwards leads to the increase of sales and profit maximization (Kotler and Armstrong, 2014).

Figure 4: The four P's of the marketing Mix



Source: Kotler and Armstrong, 2009

Product

Product is a good or a service that represents value, satisfies customers' needs (Kotler and Armstrong, 2014). It can be divided into two groups of attributes:

- o Tangible — size, color, material, weights, smell, shape and other
- o Intangible — warranty, service, brand image, returns and other

Considering the product's part of the marketing mix it is important to realize, which need the product meet. There are three main categories of need (Kotler and Armstrong, 2014):

1. **Core** — the main benefits that customers may get from a product, the reason why the purchase was made
2. **Actual** — the additional benefits and features differentiating the product and developing the unique selling proposition
3. **Augmented** — the further benefits customer may get, staying loyal to a brand

Price

Price is the amount a customer is willing to pay for a specific product or service. Adjusting price to product will have a significant impact on promotion and place as well profit margins, demand and supply (Kotler and Armstrong, 2014).

Promotion

Promotion is the process of informing customers about the rest three elements of the marketing mix, improve the brand, attract new customers, lure clients from competitors and increase the demand for the products.

There are two main promotional strategies used nowadays. They are pull and push strategies (Powell, 2017).

1. Push strategy

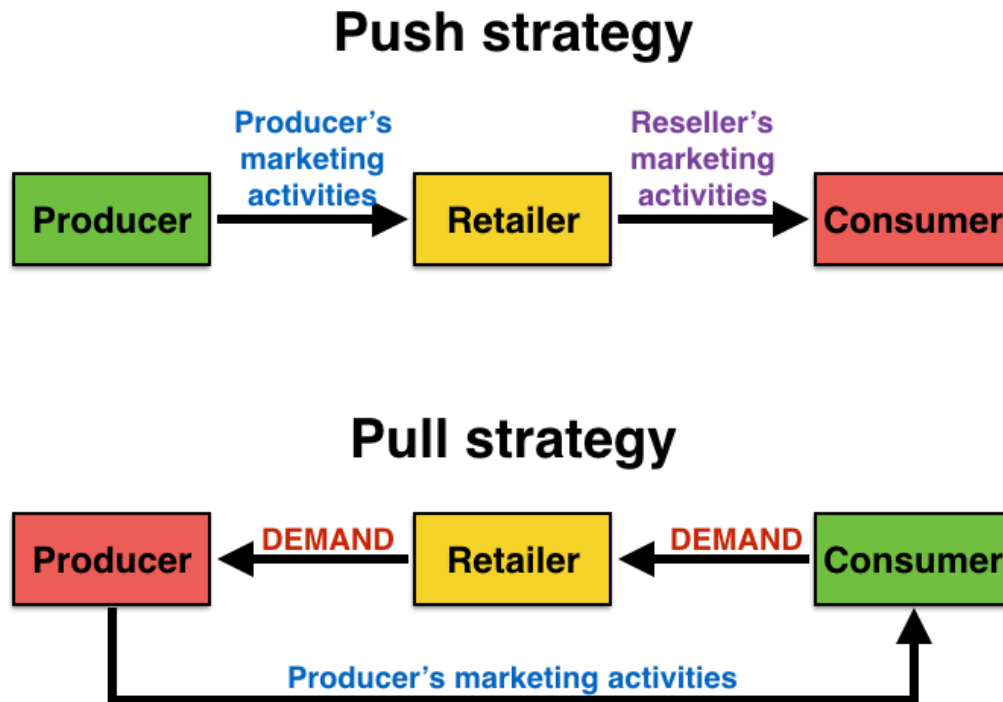
Push strategy implies placing the product in front of the customer using various types of advertisement, it makes sure that the customer is aware of the product. In other words, push strategy is the process of taking the product to the customer.

The push concept is considered to be a very useful for products of low value and impulse buy items. The push marketing may have a significant impact on short-term sales and it is especially beneficial when a business has already established relationship with customers (Kotler and Armstrong, 2014).

2. Pull strategy

The opposite the push marketing strategy is the pull one. The pull strategy is focused on pulling the customers towards the product. Therefore, in other words, the strategy stimulates the demand for the product and motivated the customers to seek for it. Pull concept focuses on building long-term relationship with customers and improving brand loyalty (Kotler and Armstrong, 2014).

Figure 5 Push and Pull promotional strategies

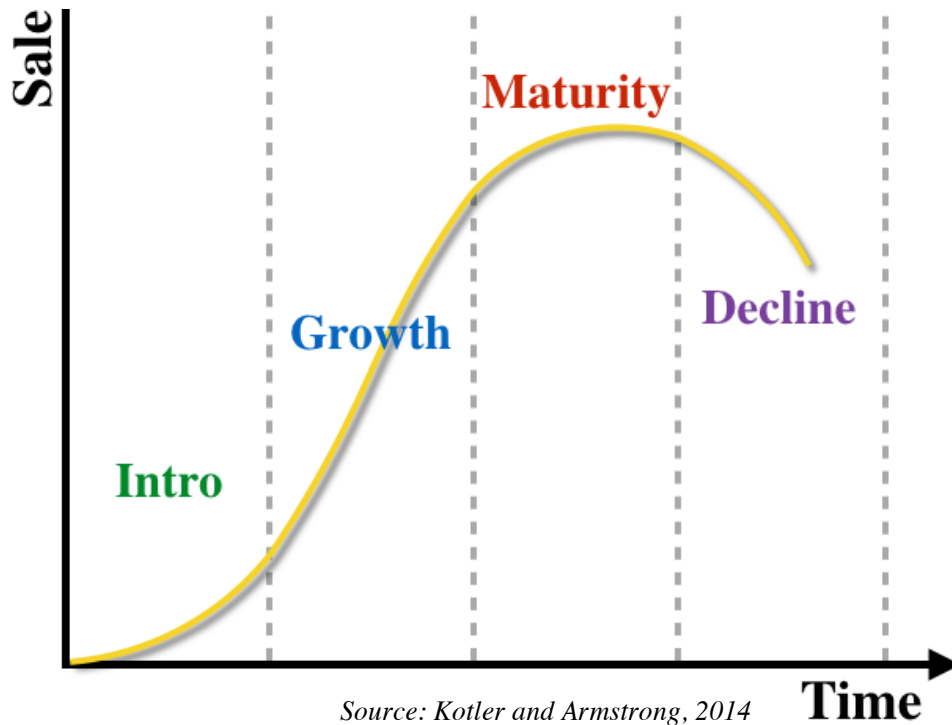


Source: Kotler and Armstrong, 2014

Nowadays various businesses may focus on different strategies, depending on the firms' product and specialization. However, many marketing scientists believe, that to get the maximum return from the market, companies should use both strategies in an optimal mix and proportion (Powell, 2017).

There also is another very important factor to be considered, when working on the promotional plan and the marketing mix, except the strategies. This factor is the current state of the product according to the product life cycle curve:

Figure 6: Product life cycle



The product life cycle curve is the historical overview of the product's sales. It consists of four segments: when the product was introduced, when it started becoming more and more popular and sales increased, when the sales reached the maximum point or the peak, and finally, when the product started falling from the peak until it disappeared.

Therefore, every level of the product life cycle curve requires different promotional tactics and tools being used (Kotler and Armstrong, 2014).

Place

In the marketing mix place defines the process of the product's delivery from a producer to final customers. The main part of the process is the distribution channels' optimization — a strategy defining, where the customers will find the product. The place sub-level of the mix also defines the need of cooperation with various intermediaries to deliver the product to the customer (Kotler and Armstrong, 2014).

2.3.6 Financial plan

Financial plan is the last analytical part of a business plan, but at the same time it is often the most important one. The Financial plan allows the entrepreneur to realize how profitable the business will be in future, what investments are needed, what expenses and

revenues the business will have, and what will become with the business in several years in terms of finance (McKeever, 2007). The financial forecasting is used in two ways:

Firstly, the entrepreneur uses the financial planning data to make corrections of the entire plan. According to the information collected during the financial planning, the entrepreneur makes corrections of the business strategy, product portfolio, makes important decisions regarding the future operational processes and the whole business concept in order to find a balance between the expenses and revenues (McKeever, 2007).

Secondly, a well-organized financial plan is a key method of getting the investments, since the financial part is considered as the most important for the majority of investors. Therefore, the financial plan is considered as a foundation of any business plan (McKeever, 2007).

3. Dunkin' Donuts business plan

3.1 Executive summary

Dunkin' Donuts is a famous worldwide American franchise business, specializing in the production and sale of coffee beverages and baked goods. With 62 years of history, valuable experience and more than 12.000 restaurants all over the world, Dunkin' Donuts is considered as one of the absolute market leaders in the industry.

The deep economic and marketing analyses conducted in the business plan proved, that entering the market of Prague, Dunkin' Donuts is likely to succeed and beat the competitors.

Offering high-quality products for lower prices than the ones of its competitors has always been the main feature of the company. However, it will become an extremely significant advantage considering the Czech Republic, since the country is a price-sensitive region.

Financial forecasts include three various scenarios: from the pessimistic to the most desired one. According to the highest probability scenario, the business will be able to pay off just slightly more than two years after the launching, generating a stable healthy profit of 103.000 CZK per month, which will serve a good foundation for expansion of the business and opening new Dunkin' Donuts stores in Prague and other cities of the Czech Republic.

3.2 Company description

The History of Dunkin' Donuts

Dunkin' Donuts is an American global coffeehouse and doughnut chain of catering. Its story goes back to the year of 1948, when a thirty-two-year-old citizen of the United States of America William Rosenberg opened a small doughnut and coffee restaurant called «Open Kettle» in Quincy, Massachusetts.

The business was quite successful: during the next 2 years Mr. Rosenberg was selling premium coffee for ten cents and doughnuts for five cents per piece. However, in the year of 1950 after a brainstorming session he decided to change the name of the cafe to a widely known today Dunkin' Donuts (Dunkin' Donuts, 2017).

Mr. Rosenberg once said that his goal of running a doughnut and coffee restaurant, which can be called the company's first mission statement, was:

”to make and serve the freshest, most delicious coffee and doughnuts quickly and courteously in modern, well-merchandised stores”, and even today «Dunkin’ Donuts» restaurants all over the world adhere to this philosophy and concept (Dunkin' Donuts, 2015).

Today’s mission statement of the company is:
”to deliver high quality food and beverages quickly, affordably and conveniently in a welcoming environment”. Although it is different, it still shares common values with the company’s initial mission. (Dunkin' Donuts, 2015).

In 2007, the company has set its new mantra which is still actual today. The mantra has 2 divisions: a primary one and a secondary one. The primary mantra is: ”America runs on Dunkin’”, however as far as Dunkin’ Donuts is an international franchise, it can not use mantra connected to the USA only.

That is why 2 secondary mantras, which are: ”Keeps you Runnin’ ” and ” Gets you Runnin’ ” are used worldwide (Dunkin' Donuts, 2015).

William Rosenber can be called one the pioneers of franchising indeed since he believed that franchising is a business industry’s engine of progress. Moreover, he successfully managed to implement his ideas in life.

Just five years after the first Dunkin’ Donuts restaurant was founded in 1955, a franchise legacy of Dunkin’ Donuts was established. 10 years later the total number of restaurants reached 100 (Dunkin' Donuts, 2017).

The franchise business model helped Dunkin’ Donuts to grow exponentially, capture new markets and expand worldwide. Nowadays Dunkin’ Donuts is considered one of the biggest baked goods and coffee restaurant chains worldwide, with more than 3 million customers daily, who are served in over 12.000 restaurants in more than 45 countries all over the world. To be more exact there are more than 8.500 Dunkin’ Donuts cafes in the United States of America and more than 3.200 of those in 44 other countries worldwide (Dunkin' Donuts, 2015).

Company division

In March 2006 Dunkin' Donuts Incorporated was renamed to Dunkin' Donuts LLC. Dunkin' Donuts LLC is a subsidiary of Dunkin' Brands, Inc; which is its parent company, respectively.

Dunkin' Brands has more than 19.000 shops in over 60 countries all over the world. It is considered one of the world’s leaders in franchising of fast service restaurants serving baked goods, ice cream, coffee beverages. In the end of 2016 the portfolio of Dunkin' Brands included 12.250 Dunkin' Donuts (8.800 located in the United States of America and 3.450 in other countries) and 7.820 Baskin-Robbins restaurants (2.535 located in the US and 5285

outside the country). The headquarters of Dunkin' Brands, as well as the headquarters of Dunkin' Donuts, is located at Canton, Massachusetts (Dunkin' Donuts, 2015).

Generally, Dunkin' Brands works in four segments (Dunkin' Donuts, 2015):

1. Baskin-Robbins — U.S.

Baskin-Robbins U.S. segment is dealing with the service of ice cream, it also sells and develops a various range of other frozen treats made of ice cream like cakes, cones, frozen beverages and sundaes. Historically Baskin-Robbins has 31 different flavor which corresponds to the number of days in months, meaning that the company offers each flavor for each day of the months, respectively. The formats of the cafes include free standing restaurants and end-caps. Moreover, it has other types of shops mainly consisting of small full-service cafes and self-serve shops at the same time.

2. Baskin-Robbins — International

On December 31, 2016 Baskin-Robbins International included a manufacturing network consisting of 14 facilities. The Organization utilizes facilities belonging to a dairy company Dean Food for producing ice cream items, then Baskin-Robbins International buys them and distributes to various international markets where it operates.

3. Dunkin' Donuts — U.S.

Dunkin' Donuts U.S. segment works using the concept of quick service restaurants with main specialization of service in doughnut, bagel, sandwich and coffee categories for serving. Dunkin' Donuts U.S. uses such point of product distribution like traditional cafes consisting of in-line, end-cap, stand-alone cafes and gas stations, as well as alternative points of distribution like self-/full-service kiosks in office buildings, airports, colleges, hospitals, supermarkets.

4. Dunkin' Donuts — International

Dunkin' Donuts International is represented by franchise businesses and it provides customers with almost the same list of goods and services as Dunkin' Donuts U.S. segment does.

The segments united in Dunkin' Brands share a common stock, which is abbreviated as DNKN. The company stock prices' analysis for a one year period from April 2016 till April 2017 showed that the company's market situation has almost always been constantly improving.

By May 12, 2017 the closing NASDAQ price of DNKN was equal to 56.13 \$. That means that the stock market price of Dunkin' Brands has increased by 23,7% after a year:

from 45.13 \$ on May 12, 2016 to 56.13 \$ on May 12, 2017, respectively (Yahoo finance, 2017).

Product and service evolution

As it was mentioned before in the year of 1950 William Rosenberg's primary business idea was running a doughnut store, however a few years later after a successful start of the shop it became clear that many customers enjoyed dunking doughnuts into their coffee. That served a push to the development of coffee products, which has been improved for over 50 years and is still improved today. (Dunkin' Donuts, 2017).

The combination of coffee and doughnuts became a truly business card and a symbol of Dunkin' Donuts. Even 50 years ago people were coming back for more experience with coffee which inspired the management of the company to make the offer of the best quality coffee, which can be generally found on the market of the country (Dunkin' Donuts, 2017).

This year Dunkin' Donuts has celebrated its 62 Birthday and after a quick glance at the stores' menu it becomes clear that the idea of serving the finest coffee is still prevailing. Moreover, absolutely the same pattern can be observed with doughnuts produced and sold by the company (Dunkin' Donuts, 2015).

Today in comparison to the year of 1950 the menu of Dunkin' Donuts restaurants has been largely expanded with a variety of food and beverage options in order to meet the needs of all customers during the whole day (Dunkin' Donuts, 2015).

Diversification of goods

Overall, the company offers more than 1000 different products consisting not only of coffee and doughnuts, but also of other hot drinks, tea, frozen and iced beverages, bagel and muffin categories, different baked goods, sandwiches and wraps (Dunkin' Donuts, 2017).

The products of the company can be divided into two main groups according to the channels of their distribution. The groups are catering products and retail products.

Catering products

The catering products are the products that may be found on the menu of Dunkin' Donuts' restaurants in different countries all over the world. The official menu of an average Dunkin' Donuts shop includes:

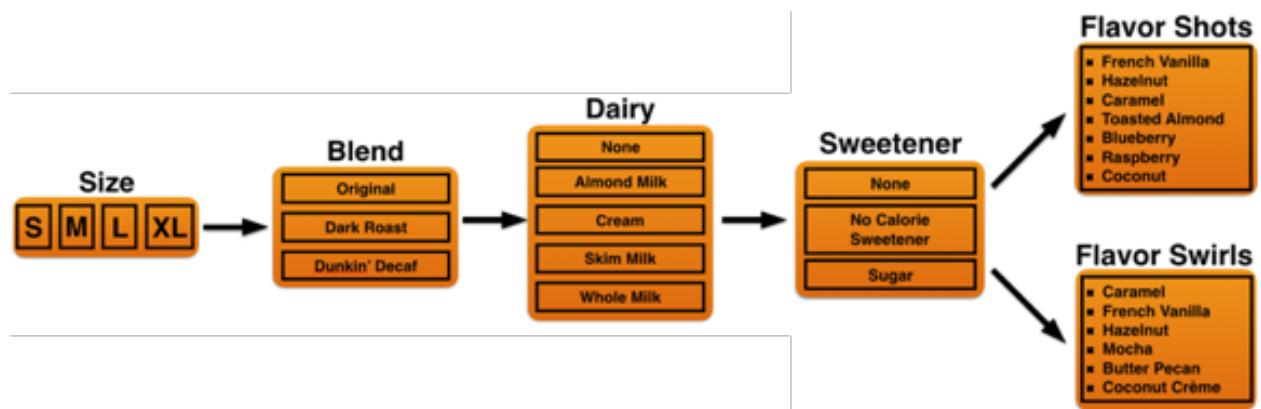
- o 9 categories of hot drinks:
 - Coffee (2340 variations)

- Americano (6 variations)
- Latte (702 variations)
- Macchiato (72 variations)
- Espresso (8 variations)
- Capuccino (12 variations)
- Hot chocolate (140 variations)
- Tea (15 variations)
- Vanilla Chai (3 variations)

That means that there is a total of 3298 variations of hot drinks served by the company. The large number of variations is due to diverse sizes, sweeteners, dairy products, blend of the coffee and flavors a customer can select when ordering a drink (Dunkin' Donuts, 2017).

A flowchart below illustrates a process of selection one of the 2340 variations of a standard coffee and explains the multiplicity of the variations:

Figure 7: The process of ordering a coffee



Source: Author

- 7 categories of iced drinks:
 - Sweet & Salted Cold brew (6 variations)
 - Cold brew (12 variations)
 - Iced coffee (1755 variations due to only 3 sizes available)
 - Iced latte (702 variations)
 - Iced macchiato (72 variations)
 - Iced tea & Fruited iced tea (84 variations)

Using the numbers above it can be expressed that there are 2631 variations of iced drinks in Dunkin' Donuts. Iced drinks are almost a complete reversed representation of the drinks listed in «hot drinks» category with some minor exceptions (Dunkin' Donuts, 2017).

- 4 categories of frozen drinks:

- Coolatta (18 variations)
- Frozen coffee coolatta (99 variations)
- Frozen hot chocolate (24 variations)
- Strawberry banana smoothie (3 variations)

Thereby, there are 144 frozen drinks which vary from coffee- till yoghurt-based beverages.

- 2 categories of doughnuts:
 - Doughnuts (116 items)
 - Munchkins — Doughnut Holes (14 items)

Thus, it can be stated that there the maximum variance of doughnuts in a Dunkin' Donuts shop can reach 130, which should likely be enough to satisfy almost any customer (Dunkin' Donuts, 2017).

- 2 categories of sandwiches and wraps:
 - Breakfast available all day long (11 items: 7 of which have 6 bread options, 1 item has 5 bread options, 1 item has 7 possible options of stuffing)
 - Sandwiches (10 items: 2 of which have 6 bread options, 1 item has 8 bread options, 1 item has 2 possible options of stuffing)

Summing up the data provided above, it can be inferred, that the total number of items in the category of sandwiches and wraps is equal to 21, however the number of the items' variations is equal to 56 for breakfasts' category and 28 for that one of sandwiches (Dunkin' Donuts, 2017).

- 5 categories of Bakery & Snacks:
 - Sandwiches (10 items: 2 of which have 6 bread options, 1 item has 8 bread options, 1 item has 2 possible options of stuffing)
 - Bagels and cream cheese spread (40 variations)
 - Hash browns
 - Oatmeal (2 variations)
 - Other Bakery (6 variations)

- “Healthy” foods

Dunkin' Donuts' menu has a special section with products, which are reduced in calories, saturated fats, fats, sodium and sugar at least by 25%, comparing them to other appropriate reference products or to the base products. Some of them may also contain nutritionally beneficial nutrients or ingredients. Such products are marked on the menu with

a special logo «DDSMART» (Dunkin' Donuts, 2017).

For example, one of the products in «sandwiches and wraps» category is a «wake-up wrap». The «wake-up wrap» has 7 possible options of stuffing:

- Angus steak and cheese
- Veggie egg white
- Sausage, egg and cheese
- Bacon, egg and cheese
- Turkey sausage, egg and cheese
- Ham, egg and cheese
- Egg and cheese

However, only 3 of them are marked with «DDSMART» logo: Turkey Sausage, Egg & Cheese; Ham, Egg & Cheese; Egg & Cheese. That means that they are considered a healthier choice.

Retail products

Another category of the company's products is a so called «Brew at home» category, which Dunkin' Donuts produces with its partner J.M. Smucker company. «Brew at home» products are also known as the products of «DunkinAtHome» product line.

The category includes 7 types of packaged ground coffee, 5 types of packaged tea and 6 types of coffee creamers (Dunkin' Donuts, 2017).

Moreover, the category includes 4 types (8 variations) of «K-cups Pods», which represent disposable coffee capsules that are used in a special coffee machine «Keurig K-Cup brewing system», which may be purchased individually and installed at customers' homes.

The company also sells souvenir cups and mugs which can be purchased in many Dunkin' Donuts' restaurants worldwide (Dunkin' Donuts, 2017).

All the products of «Brew at home» category as well Dunkin' Donuts' souvenir cups and mugs, can be purchased online from the company's official web-site. However, the majority of the products may also be found in many retailers all over the United States of America and some other countries. (Dunkin' Donuts, 2017).

3.3 Location

Dunkin' Donuts is operating in the market of fast food with the specialization mainly in coffee and partially in baked goods. Therefore, since the business is focuses on the direct sales to the end-customers, the location plays a significant role in the company's business.

The author believes that the company should launch its first shop in the very center of Prague, as close to the busy metro stations like Mustek, Muzeum, Staroměstské náměstí or I.P. Pavlova as possible due to the high foot traffic, accessibility, healthy competition, developed infrastructure and fair prices.

However, during the two months of the Thesis' preparation there were no worthy rent advertisement in the mentioned above locations published on the Internet, which would be the most suitable variants for the Dunkin' Donuts in terms of location itself, area and prices.

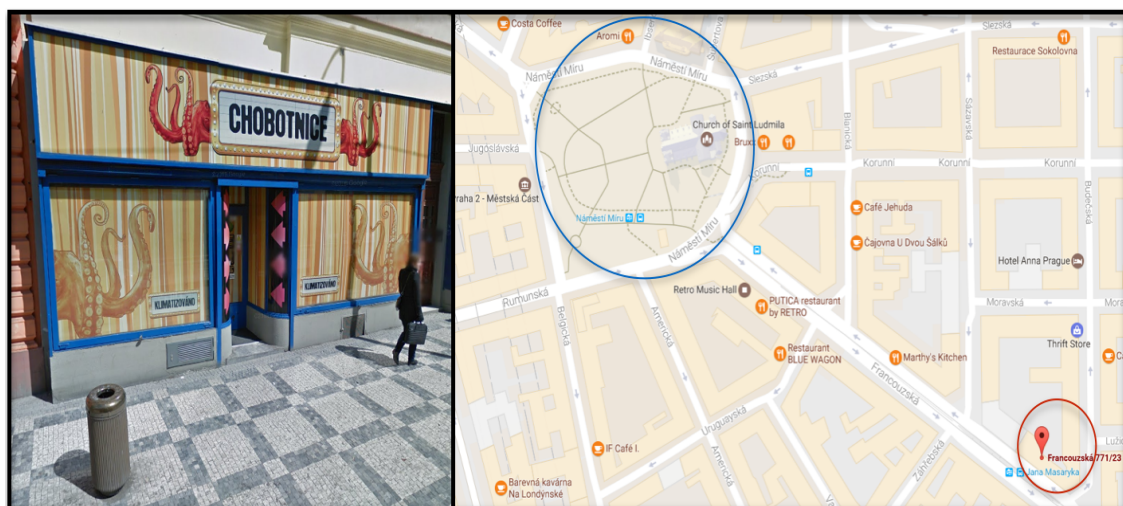
Therefore, the author has chosen one of the best options of all the available to show an example of the location's analysis.

One of such location's example is a situated at Francouzská street, 771/23. It is located just 300 meters or one tram station from the Náměstí Míru.

There used to be the Chobotnice café at the location before, and the location itself is in excellent condition due to a recent renovation. The area of the place is equal to 100 square meters, separated into two equal parts of 50 square meters, respectively: one part is the kitchen and storage area, the second one is the customer area.

The location has several customer toilets as well as one for the employees. It also has air-conditioning, special storage areas, new kitchen utensils and equipment.

Figure 8: Suggested location



Source: Author

Accessibility and foot traffic

Francouzská street, 771/23 is situated right in Prague's heart. As mentioned before, it is just 5 minutes walking or one station by tram from the Náměstí Míru, which makes it quite easy both for the customers and employees to reach the shop.

In terms of suppliers the suggested location also has good accessibility since the area is not overloaded with traffic jams, therefore it is likely to simplify the process of supply. Therefore, the location has high accessibility.

From the foot traffic's point of view the location is quite ambiguous. On one hand, the Church of Saint Ludmila is situated right on the Náměstí Míru and it is considered as a popular attraction where a lot of local people and tourists walk.

Moreover, the place is located right in front of the Jana Masaryka tram stop, which may have a positive impact on the number of customers due to the large number of people waiting for trams nearby.

At the same time, there are no other criteria, which would positively influence the foot traffic of the location. The place is not directly observed from the Náměstí Míru and therefore it will require the customers being aware of the restaurant's location beforehand. Moreover, there also are no parking places nearby.

Therefore, the location's food traffic be considered as moderate.

Competition

There are not so many direct competitors within an easy reach. The major part of them are relatively small coffee shops: La Bohème Café, Kavárna Šlágr, Barevná kavárna, IF Café and Monolok café, which are located within 300 meters from the Náměstí Míru, respectively.

Moreover, there are many other restaurants also offering some deserts and coffee drinks, which can be defined as indirect competitors.

Due to a strong brand name, reach experience and strategic marketing campaign Dunkin' Donuts is likely to partially steal both indirect and direct competitors' customers.

However, there also are several big players at the location too. There are two stores of Costa Coffee nearby. They are situated right next to the Náměstí Míru and therefore, their position is relatively better than the one of Dunkin' Donuts.

Moreover, there is a McDonald's store as well as one of the Starbucks stores located right at the I.P. Pavlova station. Though, I.P. Pavlova station is 650 meters from the Náměstí Míru, it may still be enough to influence some of the customers when they are deciding on which café to visit. This factor means that Dunkin' Donuts will have to use quite an aggressive marketing strategy, especially when opening the business.

Therefore, in terms of competition the suggested location can be considered as moderate.

Infrastructure

The location has a fully access to the electricity, water and telecommunication services. It also has air conditioning (Bezrealitky.cz, 2017).

Therefore, the suggested location has a developed infrastructure

Legislation

Discussing the issue of legislation, it is important to remember that the location was already used a restaurant. Moreover, in the advertisement the landlord confirms that the place has already met all the needed conditions for producing, serving and selling food (Bezrealitky.cz, 2017).

Thus, for example the cooking area has the required minimum of 2.6 square meters of floor area for one employee working. The place has a good ventilation ensuring air exchange, eliminating condensation and dust deposits, moreover, the location has air conditioning. The same can be said about heating and illumination. The restaurant also has all the sanitation conditions met, like for example the required number of toilets, as it was mentioned before.

Price

Finally, the landlord asks for the rent 36.000 CZK monthly signing the lease for five years. Moreover, he/she requires the additional one-time fee of 580.000 CZK for the recent renovation and excellent condition of the place, air-conditioning, utensils and equipment.

The author considers the price quite fair. However, the five-year lease agreement increases the exit barriers and, therefore, the risks because of the penalties for breaking the agreement if the entrepreneur decides to leave the market within the five years.

3.4 Market and industry analysis

3.4.1 SWOT analysis

Strengths

1. Big and respectful company

Dunkin' Donuts is one of the biggest coffee and bakery restaurant chains in the world with more than 12.000 restaurants in over 30 states worldwide. This fact may be used by an

entrepreneur in different business aspects. For example, it may be beneficial during negotiations with suppliers, as far as Dunkin' Donuts perspective market expansion and long-term business activities are beneficial for the suppliers in terms of income.

2. Rich experience

Becoming a part of the company's franchise network will guarantee the access to the rich and unique experience of Dunkin' Donuts, which has been collected worldwide since the year of 1948, when the company was founded.

Possessing such information is a key to saving a plenty of time and capital resources in successful starting, running and further expansion of the business.

3. Brand awareness

As it was mentioned in the first point, there is a significant number of Dunkin' Donuts' restaurants all over the world. The consequence of this fact is expressed by a strong and famous brand name. It is very likely become a strong advantage in terms of a marketing campaign and may partially help to cut marketing expenses.

4. High-quality of products

Dunkin' Donuts is famous for its products' high quality. This particular fact makes the company one of the market leaders in the industry (Dunkin' Donuts, 2015).

Producing products of the same quality in Prague, as in other cities where Dunkin' Donuts restaurants can be found, can become a strong advantage for the startup by attracting customers and beating the market.

5. Diverse product portfolio

As mentioned before, a Dunkin' Donuts restaurant may have up to 1000 completely different items on menu, which should be enough to satisfy any customer (Dunkin' Donuts, 2017).

Weaknesses

1. Pricing strategy

Starting a Dunkin' Donuts restaurant in Prague it may be more difficult to beat the competitors comparing to other countries because of the company products' prices. One of the key features of Dunkin' Donuts worldwide is an affordable price policy.

However, Czech Republic is a price sensitive region (Tomek, Stríteský and Tahal, 2013).

Some of potential Czech consumers apparently may not be willing to pay 3 US dollars, or approximately 80 Czech crowns, for a coffee, which is considered to be cheap in the United States of America (Fast Food Menu Prices, 2017).

Moreover, any shifts in a pricing strategy of any franchise Dunkin' Donuts restaurant will mean a deviation from the company's general values and even mission statement (Dunkin' Donuts, 2015).

2. Unhealthy products

One of the essential parts of Dunkin' Donuts product portfolio, as mentioned before, is the category of baked good. The majority of its products are not considered as healthy food, though Dunkin' Donuts has a healthy «DDSMART» menu it still may be not enough.

Opportunities

1. Growing market

The market segment of coffee restaurants in Czech Republic is still growing, though it is not a new one. Moreover, the doughnut market is relatively new for the country, which is especially good for the entrepreneurs, who are willing to launch a Dunkin' Donuts restaurant in Prague. These facts obviously can be considered as future opportunities, opening new business perspectives.

2. Few doughnut-oriented competitors

The main competitors of Dunkin' Donuts are mainly specialized in coffee and some baked good, but not in doughnuts. Those of the competitors, who are specializing in Doughnuts are not as big, famous and experienced as Dunkin' Donuts. This fact leads to a conclusion that an entrepreneur, who is launching a Dunkin' Donuts restaurant in Prague apparently has a lot of advantages. Moreover, the further business expansion is likely to have many potential opportunities due to relatively weak competition in this specific field.

3. Digitalization

The current trends of digitalization are likely to have a strong positive influence on Dunkin' Donuts in future.

Firstly, the company will be able to expand the channels of distribution by using online sales. Moreover, Digitalization is very useful when marketing strategy is considered, because it opens new marketing opportunities and makes it possible to use new marketing platforms.

Secondly, Dunkin' Donuts will be able to cooperate with online-oriented parties. Such parties may be, for example, online delivery services. Another interesting fact about it is that such a cooperation is beneficial for both participants, which makes organizational issues much easier.

4. Coffee trend

Though beating the market using low prices is difficult in the circumstances of Czech Republic, the survey conducted by a British company Normans Media showed, that Czech citizens are ready to pay more for high-quality. This fact means that Dunkin' Donuts franchise has many growth opportunities without breaking the company's mission. Moreover, they proved that there is a growing coffee trend in Czech Republic (Coffee in the Czech Republic, 2017).

5. Growing economy

The current economic situation in the Czech Republic is stable and very promising, which makes the concept of launching a business in the country tempting for business (European Commission, 2016).

6. Growing population

Another important factor is the Czech Republic's number of inhabitants. According to the survey, Czech population has been constantly and slowly growing over the past 20 years (Worldometers.info, 2017).

It opens new horizons for businesses as far as the bigger the populations is, the more potential customers can be attracted.

Threats

1. Competition

Starting a Dunkin' Donuts franchise restaurant in Prague, strong and well-established direct competition may become one of the main threats. For example, such companies like Starbucks or Costa Coffee have been operating in Prague for quite a long time. They have strong brand names, expanded chains of restaurants, faithful customers and other strength that are likely to threaten Dunkin' Donuts.

2. Substitutes

The products of Dunkin' Donuts have plenty of potential substitutes, and therefore the can easily be substituted. Doughnuts and other baked goods produced by the company can be generally substituted by snacks and many other items from the baked goods' category.

Respectively, Dunkin' Donuts coffee can be substituted by a coffee brewed at home or the one that was purchased in a coffee machine, for example. At the same time, depending on the purpose of a purchase, coffee can be substituted by other hot drinks or energy drinks, or in some cases, even by water.

Moreover, the same pattern can be observed with all the products that may be found on Dunkin' Donuts' menu.

3. Healthy way of life consumer trend

There can be observed a healthy way of living trend in Czech Republic. Everyday more and more people start doing sports, giving up bad habits and caring about the quality and of food they eat (Sekot, 2011).

As it was mentioned before, Dunkin' Donuts' food items are mainly represented by relatively unhealthy baked products. If the trend will develop, Dunkin Donuts' may face considerable difficulties in market expansion and attracting customers, if the company's strategy and product portfolio remain the same.

3.4.2 PESTEL Analysis

Political factors

Political situation in the Czech Republic is stable and suitable for running a Dunkin' Donuts franchise restaurant. The country is considered to be highly liberal and democratic. There still may be found bureaucracy and corruption in the Czech Republic, especially at high levels of business or politics. But at the same time it should not be considered as an obstacle for the business as far SMEs dealing with gastronomy share nothing with higher instances as a rule.

The Country is also in good both political and economic relationship with the United States of America where the headquarters of the company is located which can be confidently considered as an advantage for starting a Dunkin' Donuts franchise business in Prague.

Moreover, political stability is an important factor influencing tourism. The city of Prague is one of the world's capitals of tourism, which is a significant advantage for a worldwide famous restaurant chain as Dunkin' Donuts as far as it broadens the segment of potential customers (Prague.tv, 2017).

Economic factors

The economic conditions of a country always affect consumer expenses. The deplorable economic situation is likely to affect gastronomy business and customers' willingness of eating out instead of cooking at home.

However, the worldwide policy of Dunkin' Donuts as well as Dunkin' Brands is delivering high quality products at affordable price, which makes the company slightly less affected to the economic downturns in comparison to other gastronomy markets.

The restaurant business is also quite volatile to tax laws' changes regarding what amount of revenue should be paid for taxes.

The Czech Republic is a member of European Union which simplifies the process of raw material supply from other European countries in the light of the absence of borders, customs and other obstructing authorities.

However, at the same time one of the weak sides of the current situation for the business is that the Czech Republic is not a part of the European monetary union, which may lead to losses connected to currency exchange if there are any supplies from other European countries. In this case the business is volatile to exchange rates fluctuations and to commodity prices increases.

At the same time the country's average salary is higher comparing with the average salaries of other Easter European countries, which definitely is a disadvantage for an entrepreneur (Ec.europa.eu, 2017).

Social factors

The social factor that worldwide concerns Dunkin' Donuts firstly is the company's strategy of appealing to various social and demographic groups of customers. It gives the company a large advantage comparing to many competitors because the long-term success of business may be measured by the ability of meeting the demand of different customers.

The company is appealing to costumers of different gender, age, race and income groups, which is very important, when discussing the Czech Republic due to the fact that its population is considered to be quite price sensitive (Tomek, Stříteský and Tahal, 2013).

Another fact to be pointed out in the paragraph is that there currently can be observed a developing and becoming more popular trend of healthy way of life in Europe and the Czech Republic is not an exception. As far as one of the main products of Dunkin' Donuts are doughnuts the company may face long-term difficulties according to the pattern due to the fact the doughnuts as well as some other company's baked goods are not considered to be healthy food.

At the same time, Dunkin' Donuts has developed a special healthy menu line «DDSMART», which is beneficial for the market, however the strategy of the business on Czech market requires its further development and expansion.

Technological factors

In XXI century technologies play a leading role even when considering gastronomy market. From the technological point of view all the equipment for bakery, doughnuts and drinks' production is the same in all the restaurants of Dunkin' Donuts chain worldwide. The headquarters has a strict policy for its franchisees regarding equipment used since the quality of products' sold depend on the equipment. The franchise policy requires direct supplies of the most modern equipment from the headquarters (or a local stock if there is one nearby) and following its commands regarding equipment's usage.

The second technological factor to be mentioned is that Dunkin' Donuts provides its costumers with free wireless internet connection. The modern website allows customers to find the product they will like quickly, check the composition of products, keep in touch with Dunkin' Donuts' events and promotions.

Lastly, Prague's marketing strategy for Dunkin' Donuts includes online marketing as well as collaboration with electronic shops and delivery services like damejidlo.cz and other.

Environmental factors

The worldwide spreading environmental friendly trend can be observed in the Czech Republic. People become more concerned about nature and tend to consume environmental friendly products (Eea.europa.eu, 2015).

Dunkin' Donuts has a very extended CSR policy, which is an advantage for the company working on the market of the Czech Republic and is likely to add value to the company in long-term (Dunkin' Brands' Corporate Social Responsibility Report, 2014).

Legal factors

The first thing to be pointed about when discussing legal aspect of the operational environment is the minimum wage in a country. In the Czech Republic, the official minimum wage is equal to 11.000 Czech crowns or 412 Euro (Wageindicator.org, 2016).

Secondly, another legal issue to be considered is the implementation of «Hazard Analysis and Critical Control Points» system or HACCP. The system develops a systematic approach to potential health and operational hazards that may happen in a specific business. It allows to control physical, chemical and activities and factors that may influence food and therefore reduce food's safety.

The system's successful implementation is crucial since it may not only prevent potential health claims and risks, but also protect the company from potential losses as well. The author assumes that the smartest way of HACCP's implementation probably is outsourcing, since there are enough companies specializing in HACCP's on the Czech market, they may conduct operational analysis, develop a system of critical points, specify steps to correct and prevent various hazards.

There also is a list of regulations and laws that should be taken into consideration when a person is willing to run a gastronomy business in the country. Thus, for instance 21 paragraph of the act № 455/1991 Coll. on Trades or «Trade Act» states that an entrepreneur willing to open a restaurant in the Czech Republic should have competence which can be proved by:

- Secondary education certificate (in the relevant field of education or vocational training subjects in a relevant field)
- Higher vocational education (in the relevant field of education)
- Higher education (in the relevant field of study programs and study fields)

At the same time, there is a list of exceptions stated in 22 paragraph if the entrepreneur does not have a proper education (Legislative authority of the Czech Republic, 1991). The documents can be substituted for example by:

- The experience of 6 years in the field
- Vocational certificates of «chef-waiter», «waiter/waitress» or «chef»
- Certificate of graduation in a high school or grammar school graduation certificate with a one year experience in the field
- Certificate of higher education with a one year experience in the field

There also are additional requirements that should be considered (REGULATION No 852/2004 of the European Parliament and of the Council, 2004), for example:

- Decree № 137/2004 Coll. about food services' hygienic requirements and the principles of operational and personal hygiene when dealing with epidemiologically important actions
- European Community's regulation about foodstuffs' № 852/2004

Another important document is the Decree №137/2004 (HACCP, 2016). In paragraphs 11,12, 13 and 14 the decree states that:

- The place of convenience for customers should be separated from the one for employees
- The place of convenience should include a foyer with wash-basin with both cold and hot water
- A restaurant should provide a washing and a dressing room for employees
- There should be at least one toilet seat installed in bathroom for 10 women.
- Additional toilet seat should be installed for every additional groups consisting of 20 women that may be in a restaurant at the same time.
- considering men costumers, there should be installed one urinal and one toilet seat for every 10 men costumers, every additional group of men costumers requires the installation of one urinal and one toilet seat, respectively.

Entrepreneurs willing to run a gastronomy business in the Czech Republic should consider many other documents having different scopes, like for example Decree № 258/2000 Public Health Protection, Decree № 602/2006 and amending Decree № 137/2004.

3.4.3 Porter's 5 Forces Analysis

Rivalry among existing companies

The first factor to be mentioned in rivalry among existing companies is competition. Considering the market of coffee and bakery-oriented companies in the Czech Republic it becomes clear that there is no monopoly over it. There are many companies operating in the market, which are both direct and indirect competitors for Dunkin' Donuts. They both may be gastronomy businesses, dealing with coffee and bakery products like Starbucks, Costa Coffee or McDonald's and local retailers, which have a big variation of bakery products in their portfolio.

Nevertheless, these companies as mentioned before, do not control the market: there are many other small local companies focusing on coffee and bakery products as well.

Secondly, Prague is the capital of the country with more than 1.335.000 inhabitants, which makes it the biggest city and the biggest local market, respectively. However due to a large number of strong competitors this fact does not decrease the level of competition (Worldometers.info, 2017)

A straight analysis of the number of newly opened doughnut and coffee cafes in the city of Prague and interest of its inhabitants in doughnuts expressed via the author's surveys both clearly show that the trend is much more active today than it used to be in previous years and decades, which lead to the increase of competition.

The third key issue that should be mentioned, is that the exit barriers for Dunkin' Donuts direct competitors are considered to be high. The reason for that are various relatively small fixed costs, contract closure costs, the risk of loss of the investments in non-transferable assets like equipment and other parameters.

However, due their nature and the field of activity, such businesses will not manage to survive for a long time working with getting no profit. Therefore, though the exit barriers and costs are quite high, the smaller firms facing difficulties, are rather likely to leave the business in a short term.

Lastly, comparing the product portfolio of existing companies with their main competitors, which operate in the same field as Dunkin' Donuts does, it becomes clear the companies have very similar items for sale, especially in the terms of beverages. However, a

bonus for Dunkin' Donuts company is its partial focus on baked goods and doughnuts especially since the market of doughnuts is relatively new for the Czech Republic.

Threat of potential new entrants

Firstly, analyzing the official franchise agreement of Dunkin' Donuts and assuming the franchisee costs of other major coffee shops represented in Prague are relatively the same, it can be confidently stated the entry costs are quite high. This factor means that it the market is quite challenging to enter if an entrepreneur plans to get a significant share of the market.

As far as the market of coffee and bakery is not a new one for the city of Prague and at the same time it has been developing and growing quite stable, the companies offer different products and services, it can be inferred that the firms almost fully satisfy the customers' needs.

However, Dunkin' Donuts offers a special range of products, if compared to existing companies on Czech market, which may allow the company to meet the needs not only of the customers that are satisfied with current market's product portfolio, but also the potential customers.

Another important issue in terms of the threat of potential new entrants is that the main competitors of Dunkin' Donuts on the Czech market offer relatively similar products, though there are many of them.

This fact leads to the conclusion of a low market diversity and low entry barriers from the point of view of market diversity. However as mentioned before the companies currently represented on the market have a wide range of products, which means that there are just a few potential products that can be successfully added to a current product portfolio, which obviously is a problem for the potential market entrants.

Finally, Dunkin' Donuts' direct competitors on Czech market can be characterized as coffee shops and fast food restaurants. They have strong brand names and identities, they also have already cheap and qualitative products and other significant advantages, however they do not have a various range of aggressive tools influencing fresh market entrants due to their nature. One of these not numerous tools is product prices' reduction. However, the industry of coffee and fast catering implies low prices of products which has a significant impact on the strategy of price reduction, making it not so productive, which is an advantage for the potential market entrants.

Threat of substitutes

As mentioned before, the two main products of Dunkin' Donuts are coffee and baked goods (doughnuts). These products have various substitutes:

- Coffee and coffee drinks

The substitutes of coffee can be divided into categories according to the purpose of purchase:

- Coffee brew at home, instant coffee, coffee purchased from coffee machines
- Hot drinks (tea, mate, grog, hot lemonade, punch and other)
- Energy drinks
- Baked goods (doughnuts)

The products of this category can be substituted literally by any snack (for example by waffles or chocolate bars), other baked products or even a casual meal, such as a breakfast omelet, for example.

That leads to a clear conclusion that for Dunkin' Donuts threat of substitutes is very high and should be considered as one of the most significant obstacles considered in the company's business strategy.

Bargaining power of suppliers

Firstly, the products that Dunkin' Donuts needs for the production are not considered to be difficult of approach. Basically, all the ingredients the company needs for the bakery's production are milk, eggs, butter, sugar, salt, flour and some other products, which are supplied by sufficient number of companies in Czech Republic and can easily be accessible.

However, the costs of switching suppliers can be considered as high when a business is just starting to operate or it faces a recession and doesn't generate enough profit.

The challenge is that due to the official franchise contract issued by the headquarters of the company in the United States of America, before a franchisee may start working with a supplier, the supplier should be checked by the headquarters in order to guarantee that the quality of final goods produced by the franchisee will be excellent.

The costs of this procedure vary. However, the estimated average is equal to 1.000 USD approximately, which is paid for checking one supplier, respectively (Dunkin' Donuts Franchise Disclosure Document, 2008).

Secondly, the majority of products that Dunkin' Donuts needs for doing business are considered to be the products with high price elasticity. The change in the price of suppliers' goods will lead to significant changes in the volume of products sold and profit. Which leads to a conclusion, that this specific point does not make the bargaining power of suppliers higher.

The last issue to be pointed out is that due to the fact, that almost all the ingredients supplied to Dunkin' Donuts are produced in extremely high volumes, as flour or sugar for

example, their production costs are quite high. Moreover, this fact is especially important today, when many European suppliers do not have an opportunity to trade with Russian Federation and therefore, the prices and the demand for their products have decreased significantly.

Bargaining power of buyers

The first factor contributing to the bargaining power of buyers is a myriad of alternative sources of getting the products, which are similar to the ones of Dunkin' Donuts'. There are a lot of company's both direct and indirect competitors in Prague, so it is not a problem for customers to purchase a coffee, for example, somewhere else. Which increases the buyers' power, respectively.

Secondly, there are almost no switching costs for the buyers when changing the suppliers. Of course, Dunkin' Donuts' products are slightly cheaper than the product of its competitors, however in many of cases the price difference is not enough to induce the customers to be loyal to Dunkin' Donuts, due to the fact that it deals with low involvement products. Therefore, the buyers are in power.

Finally, there is a significant number of coffee and bakery cafes' customers, which may be interested in different brands and products or willing to try something new, for example. Therefore, this parameter decreases the bargaining power of buyers.

3.4.4 Competitive analysis

Direct competitors

o McDonald's

McDonald's is an American company specializing in fast food catering. It has historically focused on families, making family values-oriented positioning the basis of its promotional strategy. Another key feature of the company are low prices and relatively low quality of products comparing to the ones its competitors (Mcdonalds.cz, 2017).

The company has entered the market of the Czech Republic in 1992, opening the first restaurant in Prague at the Vodičkova street. Nowadays McDonald's is the largest restaurant chain in the country. Moreover, the majority of its restaurants are franchises.

McDonald's has its own branch focusing on deserts, hot and cold coffee drinks, it is called McCafé. It offers 18 hot and cold coffee-based drinks and 17 different deserts (Mcdonalds360.cz, 2017). Therefore, exactly McCafé is considered as the Dunkin' Donuts' competitor.

The first McCafé in the country was opened in 2009. Today there are 54 McCafés the Czech Republic: 21 of them are located in Prague and 33 in other cities of the country.

o **Starbucks**

Starbucks is another American company. Its history goes back to the year of 1971. The business is also represented by a significant number of franchises: one half of the company's restaurants are owned by franchisees (Starbuckscoffee.cz, 2017).

The company mainly focuses on coffee-based beverages (its product portfolio includes more than 30 blends of coffee), however it also deals with fresh food and merchandise items.

Starbucks offers quite qualitative products, however the products' prices are high. It is targeting mainly young professionals with middle and high income who want to feel special and unique (Smallbusiness.chron.com, 2017).

The company has entered the Czech market in 2008 and it currently has 22 stores in Prague, however there are no stores in other cities of the Czech Republic.

The company offers customer loyalty programs (Starbucks card), a mobile application, it also has an extended online community and, as mentioned before, a well-developed merchandise offering seasonal and regular items.

o **Costa coffee**

Costa coffee is a British company that was founded in 1971. The firm offers 18 variations of coffee-based and other beverages, and it also specializes in the production and sale of cold food, deserts and bakery (Costa-coffee.cz, 2017).

The company has entered the Czech Republic in 2006. Today there are 29 stores of Costa Coffee in Prague and 14 in other cities of the Czech Republic, making a total of 43 restaurants (Costa-coffee.cz, 2017).

Costa Coffee and Starbucks have many similarities. Costa coffee's main target group are young professionals. The company also offers a customer loyalty program (Costa Coffee club), its social network communities are also developed.

o **Cross café**

Cross café is the originally Czech chain of restaurants. It was founded in the year of 2007. The firm has 21 stores in the Czech Republic, 6 of which are located in the capital (Crosscafe.cz, 2017).

The company specializes in the production of various beverages and cold food, it offers 7 variations of coffee-based drinks. The products are considered to be the ones of middle quality sold for middle prices (Crosscafe.cz, 2017).

The company has a developing social network community and has launched a customer loyalty program "Cross Konto" and mainly focuses young people, students and teenagers.

- o **Small entrepreneurship specializing in coffee**

There are many small coffee shops in Prague offering almost the same variation of coffee-based beverages as Dunkin' Donuts does. Moreover, many of them offer a big variety of baked goods for sale, which makes them direct competitors for the company.

Indirect competitors

- o **Retailers**

Retailers like Tesco, Albert, Billa and other companies offer various baked goods for sale. For example, a customer may find there even doughnuts.

Moreover, the retailers offer a significant number of beverages for sale, therefore there can be found substitutes for coffee, depending on the initial purpose of the purchase: from caffeine-free bottled beverages with the taste of coffee to energy drinks.

- o **Coffee brewed at home**

For the customers who drink coffee only because of its special flavor the substitutes to the Dunkin' Donuts' coffee is the coffee brewed at home, which has several variations: capsuled, instant and ground coffee.

3.5 Marketing plan

3.5.1 Segmentation, targeting and positioning

Segmentation

The group of the University of Economics in Prague's university have conducted a detailed segmentation of the Czech consumers (Tomek, Stríteský and Tahal, 2013). According to the article, the overall Czech consumers can be divided into 7 groups:

1. Rational (27.3%)

Rational group represents the biggest percentage of the Czech consumers. The rational consumers are relatively balanced in terms of gender – 30% male and 24.7% of overall respondents. They are middle aged and have higher than average income.

Rational consumers consider that money is important, but not the most important element of their lives. They beforehand plan their expenditures, however they also can spend money for getting new experience and entertainment with no remorse.

2. Timid (23.5%)

The timid segment has women prevailing over men, however there is no almost no difference in their ages. The typical representatives of this group have higher education, middle and lower income.

The timid consumers believe, that money harms human relationship. They tend to purchase cheap products and services and regret, when they see that a product they have already purchased is on sale now. They also try to save as much money as possible for a rainy day.

3. Scrooge (22.3%)

The scrooge respondents are equal in terms of gender as well as age. These people are representatives of both lower and higher income groups, however there were just few cases of individuals referring to the group of the middle income.

The scrooge consumers care a lot about saving money. Plan especially carefully plan their future expenditures and try to cut their purchases as much as it is possible. They do not enjoy the processes of both earning and spending money.

4. Spender (12.8%)

This consumer segment represents 15% of male and 11% of female Czech citizens. The spenders are mainly young people of both middle and higher income groups. They mainly live in big cities.

The spenders are a complete opposite to the scrooges. These consumers enjoy spending money and sometimes they purchase products and services they are not able to afford. The spenders like to show off and generally do not plan their expenditures.

5. Saint (11.2%)

The so-called saint group of consumers does not have a specific socio-demographic profile as far its representatives are people with various socio-demographic characteristics.

The saint consumers consider money as a gift that should be shared with other people. They fully trust people and believe that the world would be better if money did not exist. The saint also think that it is not preferable, when a person have more money than he/she really needs.

6. Refusing – Money is evil (10.8%)

The respondents of this group were mainly men. The group consists of both young and old citizens of the Czech Republic, however the middle-aged people are usually not members of this specific group. The consumers of this group have lower income and education. They may be found both in large cities and small towns.

The consumers of “money is evil” group consider money as something that makes human lives worse and spoils relationship. Generally, they do not care about money very

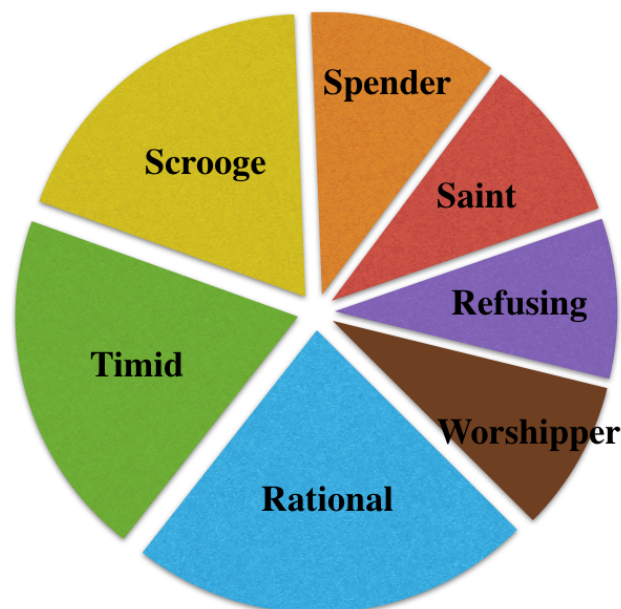
much, they do not enjoy shopping and believe that they need just as much money, as it is necessary for the living.

7. Worshiper – Money is everything (10.2%)

The “money is everything” group mainly consists of young people, having secondary education only and living in large cities mainly. There are no gender differences among them. The representatives of this group are people of various incomes, however there is just a small prevalence of individuals with lower income.

The consumers of this group want to have as much money as it is possible, they dream of getting rich one day. They believe that money brings respect, power and happiness. The “money is everything” consumers buy expensive things to show off, admire rich people.

Figure 9: Customer segmentation



Source: Author

Targeting

Entering the market of the Czech Republic, Dunkin' Donuts should target two market segments. They are the spenders and worshippers.

Both segments are represented mainly by young people, who are open to new experience. They both have a significant part of middle income members, which means that they have enough money to purchase products costing above average.

Of course, the company's products are cheaper than those of its competitors, however they are still quite expensive and the brand itself is worldwide fashionable and fancy. These factors give both segments an opportunity of showing off by purchasing the company's products.

Moreover, their members live in big cities, which is beneficial for Dunkin' Donuts since the first shop should be launched in the capital of the country.

Another beneficial fact is that as far as the representatives of the two segments are mainly youngsters, they are the most active Internet users, which gives a company a great opportunity to attract many customers through a digital marketing campaign, which is considered cheaper than many other marketing channels.

Of course, the spenders and worshippers market segments have differences, nevertheless they are relatively similar. Therefore, launching a marketing campaign, which is focused on both, leads to the risk minimization in case if one of the groups refuses the brand and its products.

Positioning

o Points-of-Parity

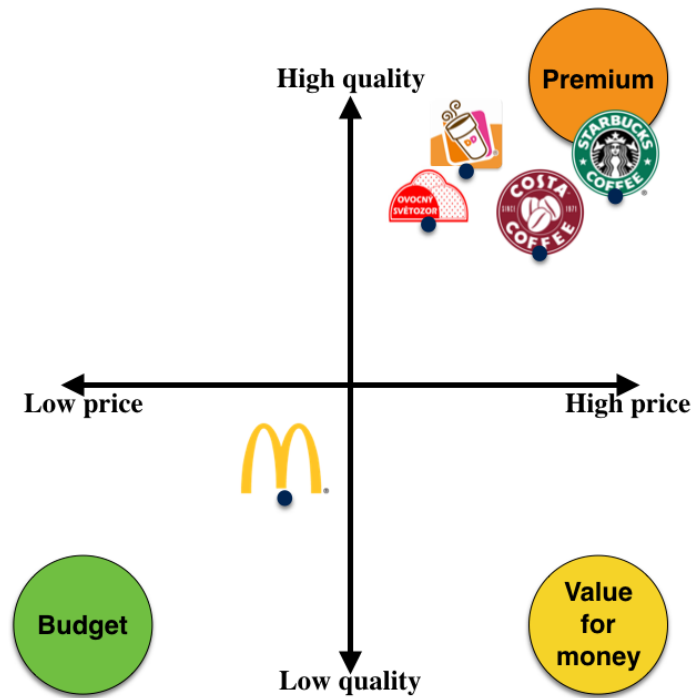
Comparing to its competitors Dunkin' Donuts has many similar products. Moreover, the company generally has many specific features that are common for coffee shops.

o Points-of-difference

POD are extremely important for the Dunkin' Donuts as far as the firm's product and services are in the maturity stage, there are many competitors producing relatively similar products. Dunkin' Donuts' products are cheaper than the products of its competitors, the company has a relatively unique offer of doughnuts and a large variation of beverages.

Finally, the company should be placed in the upper right square of the positioning map. The company produces high-quality products, though quality is quite subjective parameter. Nevertheless, the products of Dunkin' Donuts are cheaper than the products of its competitors, the reflection of that can be found in the positioning map.

Figure 10: Positioning map



Source: Author

3.5.2 Marketing mix

Product

In terms of the three levels of benefits the Prague's Dunkin' Donuts products should provide its customers with the following benefits:

1. Core:

- o Basic need and Treats

The core level of Dunkin' Donuts products' benefits can be divided into two main categories according to the company's main products, respectively. They are the basic need and treats. For some customers, coffee may be a basic need, which is psychologically necessary for their lives. However, the purchase of baked goods and especially doughnuts is rather considered as the way to praise oneself, moreover this scenario can be implemented to coffee as well.

2. Actual:

- o Lower prices comparing to the main competitors
- o Significant variety of products
- o Popular and fancy American brand

- Nice and beautiful products
- Well-designed convenient packaging with an attractive logo
- Wi-Fi access
- Comfortable and cosy atmosphere

3. Augmented:

- Special occasional and seasonal offers, for example a Christmas menu
- The extended system of regular discounts comparing to many competitors
- The opportunity of getting a refund, if a customer was not satisfied
- Various entertaining and educational pieces of material, concerning the company's services, product and food industry on the company's web-site and social media groups.

Entering the Czech market Dunkin' Donuts should keep to its original and core products, which have made the company famous worldwide. Therefore, the company still should be dealing with consumer goods.

A Dunkin' Donuts' regular customer from the USA, being to the Czech Republic for the first time in his/her life and deciding to have a snack at Prague's Dunkin' Donuts store, should leave the shop with a feeling that his favorite variations of coffee and doughnuts were as good as they are in the United States.

However, there are some points to be changed. As mentioned before, there is a healthy trend growing in Europe and the Czech Republic is not an exception. Therefore, the company should focus on the developing healthy items on menu enriching the «DDSMART» menu.

Another key issue is that according to the name of the firm, it would be logically to assume, that doughnuts are the main source of sales. However, the total revenues gained from the sale of the company's doughnuts reached just 17% in 2010, however coffee sales were 64% of the total. Moreover, this gap continues to grow today (Kotler and Armstrong, 2014).

Being aware of the tendency the US Dunkin' Donuts shops started shifting the main product scope of the company from doughnuts and bakery items to coffee.

That is the exact strategy that the Prague's Dunkin' Doughnuts should follow. However, the company still should produce and sell doughnuts since it has become a symbol of the company, as well as there still are many people, who enjoy doughnuts.

Czech Dunkin' Donuts' products should be attractive, delicious, qualitative and healthier than they are now.

Price

Price is on the main differentiating features of Dunkin' Donuts, when the company is compared to its main competitors.

Firstly, according to the mission statement the company specializes in “accessible” product. That is exactly the way of setting the price policy Dunkin' Donuts should follow, when launching a business in Prague. The firm's products should not be cheap, they should be slightly cheaper than the ones of the competitors. Therefore, Dunkin' Donuts can still be defined as a company acting in the premium/luxury market segment.

Secondly, Dunkin' Donuts has a well-developed system of coupons and discounts worldwide. Thankful to this approach many customers are loyal to the brand and are interested in the company.

Applying this strategy to the market of the Czech Republic will help to attract new customers, “steal” clients from the competitors and help the company to become a market leader in the country.

Promotion

Launching a Dunkin' Donuts store in Prague, an entrepreneur should use both push and pull marketing strategies. The tactics will help to maximize the efficiency of promotional activities.

o Push strategy tools

▫ *Advertisements in print media*

The company should place advertisements in newspapers and university magazines like “Studenta”, since it may attract many new costumers. Another beneficial fact is that this type of advertisements is much cheaper than the television or radio one. Moreover, the company's pink and orange logo with a coffee cup on it is well-recognizable and memorable.

▫ *Promotional emails*

Using the collected customers and the emails of people who agreed to receive promotional emails, Dunkin' Donuts should send them direct emails of up-to-date information about the company's events, discounts and other promotional issues.

▫ *Social media advertising*

SMA is a paid products' promotion in social media like Facebook, for example. It also includes the purchase of posts on Twitter. Moreover, the company should post some promotional material directly on its accounts.

- *Search engines marketing*

SEM means purchasing direct advertisement in search engines like Google, using special tools like Google AdWords, where the advertiser may pay for users' clicks, views or his/her content's displays

- *Opinion leaders' advertisement*

Prague's Dunkin' Donuts should purchase advertorial material from the opinion leaders. For example, the company may use online sources to determine the most popular Youtube bloggers targeting Dunkin' Donuts' customers and set an agreement with one of the bloggers, according to which he/she would film a video directly dedicated to the newly opened restaurant.

- **Pull strategy tools**

- *Outdoor and window signage*

The company should install catchy and attractive design elements on the shop's outside surface of windows and walls, which may induce passing by perspective customers to enter the restaurant.

- *Inviting and esthetic product displays inside the restaurant*

After a passing by customer decided to enter the restaurant because of the catchy signage, the tempting inside product' showcases should become the final step in his/her decision purchase process.

- *Discount coupons' street distribution*

The company should distribute coupons offering discounts or free meals if a customer shows the coupon to one of the Dunkin' Donuts' cashiers.

- *Promotion-free emails*

Dunkin' Donuts should send promotion-free email to customers, who subscribed for the news of the company because they like the brand, but do not want to receive the promotional material. Therefore, these emails should not contain any promotion, they should rather be valuable for the readers, for example provide them with some educational or entertaining articles connected to the brand or the food industry in general.

- *Building community on social media*

The company should have groups/pages in Facebook, Instagram and Twitter to form the Dunkin' Donuts community in the Czech Republic. All the groups and the accounts should be updated on daily basis, fulfilled with various products' pictures, videos and other

content. The firm's social media accounts should engage the customers and bring them the value, not the promotional materials only.

▫ *Search engines optimization*

Entering the market of Prague, Dunkin' Donuts should use natural SEO optimization in order to improve its websites' positions in some of the key search inquiries like "donuts Prague", "coffee shop Prague" and "best coffee Prague" for example.

▫ *The usage of products*

Dunkin' Donuts products have an attractive design and a catchy recognizable logo. Therefore, it can be used as a pull marketing tool. The appearance of many products on the streets of the city is likely lead to an increase of customers.

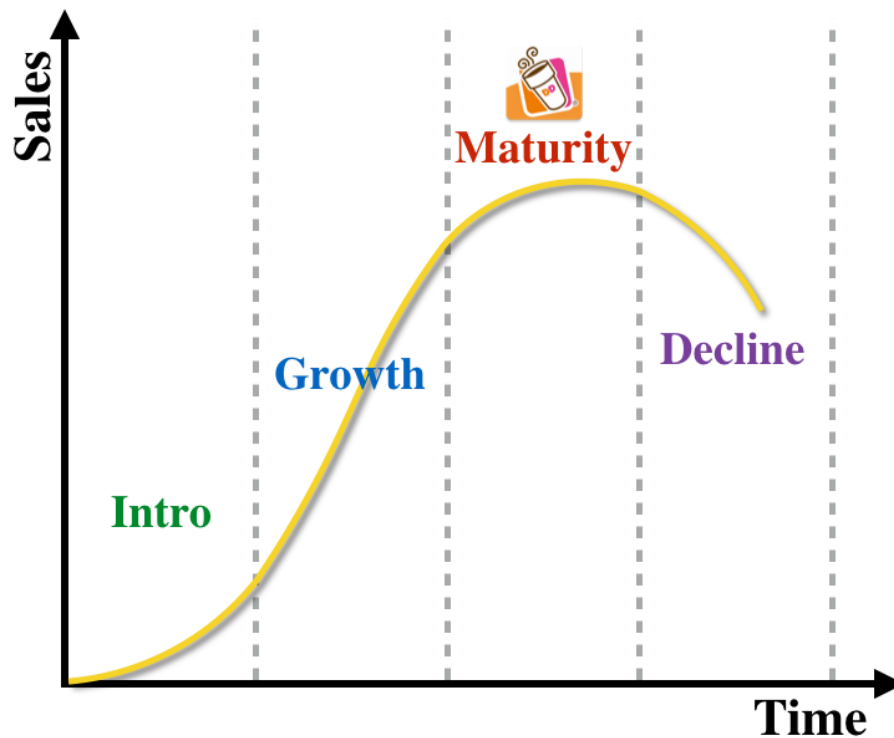
▫ *Opinion leaders' content*

Dunkin' Donuts may set an agreement with the opinion leaders, according to which they will prepare a material, which is not promoting the restaurant, its products and services, but rather expresses the author's personal point of view or shares his/her experience with the audience. Moreover, opinion leader's content may be free, since both parties may be interested in such a material.

As mentioned before, Dunkin' Donuts specializes in the production and sale of bakery products and coffee. Therefore, entering the Czech Republic, Dunkin' Donuts will enter the market of fast food.

Though donuts are considered quite new product for the Czech Republic, the company should not focus on them, as it was stated before. At the same time, the Czech market of fast food has matured and there can be observed a stiff competition, where companies offer relatively same product. Therefore, according to the product life cycle curve, the overall products of the company and the company itself are located at the maturity stage.

Figure 11: Dunkin' Donuts' life cycle curve



Source: Author

Hence, in the promotion the company should stress its product and services' uniqueness. Highlighting the firm's customer benefits, fulfilling their needs will help the business to attract many potential customers and beat the competitors.

The main features of Dunkin' Donuts are obviously its lower product prices than the ones of its competitors, the availability of doughnuts and the broad selection of beverages, as it was mentioned in the product and service description chapter of the Thesis.

Place

As mentioned before, Dunkin' Donuts uses several channels of distribution worldwide. The customers may find its products at the company's stores, retailers and on the Internet, including both the official company's webpage and other web-sites.

However, this strategy is not that good for a business, which is just entering the market. Therefore, the main type of distribution should become a direct one, which implies direct sales to customers at the company's stores. Using this strategy is beneficial not only in terms of product delivery, but also in term of finance because it will help to cut the costs on

intermediaries, retailers. It will also help to avoid lost communication and low product importance risks.

Nevertheless, other placing strategies may be used after the company has earned a customer base, brand loyalty and opened several shops in the city. In this case, after focusing on the inside sales, the company should focus on Internet placing, for example by providing product delivery services, if an order costs more than a specific required amount.

3.6 Financial plan

3.6.1 Estimating customer base

Due to the fact, that Dunkin' Donuts specializes in the direct sales of products to end customers its revenue and respectively, its profit depend on the number of customers visiting the restaurant and the sum of their purchase.

The marketing strategies allowing to increase the number of customers were listed in the marketing mix chapter of the Thesis. However, it is important to understand what are the ways of diagnosing the perspective number of customers the restaurant is going to have on daily basis.

The entrepreneur launching the business may use three ways of calculating the approximate number Dunkin' Donuts' potential daily customers:

1. Street surveys

The entrepreneur may spend a certain number of days completing a street primary research. It is important to note, that the survey should be made right next to the restaurant's suggested location. The survey should represent a list of questions related to Dunkin' Donuts, the willingness to purchase its products and other important issues, which should be addressed to people passing by the restaurant.

2. Observation

As it was mentioned before in the location chapter of the Thesis, there are several company's competitors situated near to the restaurant's location. One of them is Costa Coffee located at Náměstí Míru. Observation requires watching the customers of Costa Coffee, their average purchase prices, number of items purchased and other important details.

3. Online sources

Using online sources is another key way of calculating the approximate number of potential customers. It may include several approaches. For example, as it was mentioned before the restaurant's location is situated right next to Jana Masaryka tram stop. Therefore, there might exist statistical data regarding the average number of passengers who transit the station daily, and a certain minor percentage of them may become the restaurant's occasional visitors.

3.6.2 Potential financial scenarios

The financial plan chapter of the Bachelor's Thesis includes three possible outcomes in terms of finance: optimistic, very optimistic and pessimistic. The extended financial calculations for every month of 2018, 2019 and 2020 may be found in the Appendixes 1.

In order to make it more convenient for the reader, the author describes the optimistic rolling forecasts in a detailed way in this section, however the very optimistic and pessimistic forecasts follow the optimistic one in a shortened form.

3.6.2.1 Optimistic scenario

Revenue

The author suggests dividing the company's revenues into three main groups: the revenue from the sale of *beverages*, the revenue from the sale of *baked goods* (including doughnuts), the revenue from the sale through *home delivery* services (which implies cooperation with such companies as DameJidlo.cz and other).

The optimistic rolling forecast assumes that the Dunkin' Donuts would have the same number of daily customers as other coffee shops located nearby. The assumption requires, for example Costa Coffee Náměstí Míru to serve on average approximately 80 people per day.

Assuming, that 15.000 people are transiting the Jana Masaryka tram station and 0,2% of them decides to enter the Dunkin' Donuts restaurant, leads to the number of 30 occasional customers daily.

Therefore, there can be assumed the total number of **110** customers per day.

Another important financial issue is the average price of a purchase. Selling a medium-sized coffee for 60 Czech crowns and a doughnut for 50 Czech crowns and assuming, that on average a customer buys a combination "a coffee + a doughnut" leads to a conclusion, that the average purchase price is equal to approximately **110 CZK**, which is equal to the total of **12.100 CZK** per day.

Finally, the usage of the external delivery services is a prospective way of profit maximization for the company. Assuming, that the average cost of such services is 40 Czech Crowns, Dunkin' Donuts may still get profit, though the revenue in these specific case drops from 110 CZK to 70 CZK.

The author assumes, that the company is likely to sell 20 standardized above product combinations per day using home delivery services, which is equal to the revenue of **1400** CZK per day.

Expenses

o Initial investments

Unfortunately, the franchise statement for the Czech Republic is currently not available. Therefore, the author decided to transfer the investments from the official US franchise contract using the Big Mac index to the appropriate numbers, that would potentially be suitable for the headquarters of the company, giving a permission of launching a franchise restaurant in Prague.

The Big Mac index itself represents a measure of purchasing power parity between different nations, which is founded on the usage of Big Mac's prices as the benchmark (Investopedia, 2017).

Firstly, the initial fees include franchise fees (40.000 \$) and marketing start-up fees (5.000 \$), making a total of 45.000 \$.

However, using the Big Mac index the number calculated in the US dollars can be transferred to **666.996** Czech crowns (Bigmacindexconverter.com, 2017).

Secondly, other initial fees include the entrepreneur's participation in an obligatory two-week training (360 \$), training literature (65 \$), living and travel costs during the training (5.000 \$), preparation of the contract and other documents (1000 \$), redecoration of the restaurant (20.000\$), partial purchase of the equipment and signs (50.000 \$), uniforms' purchase (400 \$), legal and other fees (up to 2.000 \$), suppliers' overview (3.000\$) (Dunkin' Donuts Franchise Disclosure Document, 2008). Which means other initial fees are equal to 81.825 \$ or **1.987.797** Czech crowns.

Therefore, it can be assumed, that the minimal Total initial fees for running a Dunkin' Donuts franchise restaurant in Prague are equal to **2.654.793** Czech crowns.

o Salaries and benefits

The author suggests hiring 2 employees, who will work on a full-time basis (55.000 CZK including taxes). Moreover, the business will need to outsource the monthly accounting (up to 10.000 CZK)

The audit is conducted by Dunkin' Donuts headquarters, therefore the entrepreneur should not be in charge of it.

o **Rent**

The suggested location's monthly rent is equal to 36.000 CZK, however the landlord requires the additional one-time fee of 580.000 CZK.

o **Utilities**

Utilities may vary. The author assumes that they would be equal to 10.000 CZK per month.

o **Production**

The price of a Dunkin' Donuts' coffee sold for 2 \$ in the United States of America is just 10 cents, which is just 5% of its selling price (Rodrick, 2004).

Therefore, considering the Czech franchise restaurant offering a coffee for 60 CZK, it can be assumed that the production cost may compile up to 10% of the selling price, which is 6 CZK.

Following this assumption, the same approach can be implemented to other products of the company. Therefore, if coffee is sold for 60 CZK and doughnuts for 50 CZK, and the restaurant sells 130 combinations of "a coffee + a doughnut" including inside and home delivery sales, the production costs for 1 day are equal to 780 CZK for coffee beverages and 650 CZK for doughnuts.

o **Promotion and advertising – 41.499 CZK per month + 10.000 (one-time expense):**

- Advertisements in print media – up to **5.000 CZK** per month
- Web-site creation – **10.000 CZK** (one-time expense)
- Internet fees – **499 CZK** per month
- Promotional and Promotion-free emails – up to **2.000 CZK** per month
- Social media advertising – up to **10.000 CZK** per month
- Search engines marketing – up to **5.000 CZK** per month
- Opinion leaders' advertisement – up to **7.000 CZK** per month
- Discount coupon street distribution – up to **5.000 CZK** per month
- Building a company in social media – up to **7.000 CZK** per month
- Search engines optimization – up to **5.000 CZK** per month

o **Office equipment**

Purchase of computers and printing devices – **40.000 CZK** (one-time expense)

- **Office supplies**

Purchase of stationery and similar items – **1000 CZK** per month

- **Franchise fees**

The franchise fees the company should pay to its headquarters every month are equal to **10%** of the company's gross sales

- **Taxes**

According to the Czech legislation the taxes for the restaurant business are equal to **19%**

As it can be observed from the positive scenario in the Appendix 1, after the obtaining the capital investments of 2.000.000 CZK, the business will become profitable in 14 months after its launching, making the cash flow positive. The restaurant will allow the entrepreneur to completely pay off the borrowed capital in 29 months, generating a healthy profit.

3.6.2.2 Very optimistic scenario

In the very optimistic scenario the expenses remain the same, however the amount of investments is 500.000 CZK bigger, making a total of **2.500.000 CZK**.

Another key difference of this scenario is that it assumes slightly bigger number of customers the restaurant manages to attract per day. The assumed in the optimistic scenario number of 110 customers per day was increased to **130** as well as the average number of online purchases, respectively, was increased from 20 to 30.

This very optimistic scenario assumes high level of profitability, according to the forecast the entrepreneur will be able to pay off the loan right after 15 months of work, which is considered to be quite fast.

3.6.2.3 Pessimistic scenario

Pessimistic scenario also assumes the same expenses and requires the investments of 2.000.000 CZK. However, the average number of customers was decreased to 105 and the daily home deliveries also dropped to 15 per day.

Therefore, the terms of payback period increased significantly. In this scenario, the entrepreneur will be able to pay off the loan only after 42 months.

Conclusion

The Bachelor's Thesis' goal of providing the reader with an accurate business plan for starting a Dunkin' Donuts franchise restaurant in Prague, Czech Republic was successfully fulfilled.

The Thesis uses all the necessary theoretical information to form the readers' background of business activities, commerce principles and diverse economic-related analyses, which is a crucial condition for understanding the content.

The analytical part of the thesis describes in details the company and its products; explains what business the company specializes in; proposes a concrete location for the business; analyses the industry, market and competitors; proposes several potential financial outcomes in three-year perspective, which is sufficient to state that starting a Dunkin' Donuts franchise restaurant in Prague is promising and perspective.

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Appendix 1: Financial planning – Rolling Forecasts (CD)