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Analysis of Customer Data from Cash Register:

The Case of the Coffee Shop

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Declaration:

I hereby declare that I am the sole author of the thesis entitled “Analysis of Customer Data from Cash Register: The Case of the Coffee Shop “. I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

In Prague on April 26, 2019

Signature

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Introduction

The main objective of this Bachelor Thesis is to analyze costs and profitability of different menu items in order to set the course of further improvements and business plan adjustments. First of all, it is important to know the strong and weak points of each business. Only after that, the company could take an advantage of the strong points and improve the ones that could be slowing down the business (in other words losing money).

In the Theoretical part, the first chapter is an introduction to the Third-Wave-Coffee-Shop trend. A trend which is currently setting the way how coffee shops look as well as what people drink and eat all around the world. In the following chapters, I would like to introduce some of the cash register systems which are available for each of the businessmen, who chose the HORECA (Hotel Restaurant Catering) business to be their field of entrepreneurship. The first wave of EET (Elektronická Evidence Tržeb – Electronic Registration of Sales) in the Czech Republic started in 2016 and the third wave is still yet to come. That's why EET is a very current topic for many of the Czech businessmen.

In the last part of Theoretical part, I would like to write about some Café / Restaurant Management theory. About what's important and what is not if anyone's planning to open a restaurant and how does the restaurant management work.

The practical part is mostly going to be about the cost analysis, profitability and monthly revenues analysis. First two chapters consist of revenues analysis, how these revenues developed over the past two years and what could be done in order to get even better results. In the third chapter, I'm going to write more about the company, how it started, and how the revenues developed within two years of the business running. Every business keeps a statistic about the quantity of particular items sold and I would like to analyze this statistic in order to know which products did the best, as well as and which products should the company consider getting rid of.

The third and the fourth chapters consist of ABC analysis of the company's monthly revenues and costs, and the fifth chapter analyzes optimization of employees' working hours. After the analyses, there is a part about the recommendations and improvements which could be done so our company achieves better revenues.

The main target of this thesis is to help our company with costs reduction, the improvement of marketing, and maximization of revenues. This thesis should set a defined pattern for future analyses done by our company.

THEORETICAL PART

1 The Boom of Third Wave Coffee Shops

The earliest evidence of coffee drinking appears on the Arabian Peninsula during the 15th century, however some say its primal origin can be traced to Ethiopia. Two centuries later, coffee gained its popularity across Europe. By 1650, over 300 coffee houses had opened in London. Coffee gained its popularity in the New World (Pre-United States) in 1773, after the Boston Tea Party. High taxes on tea were levied and coffee was its best alternative. In 1770's Dutch found the way how to plant coffee on the islands of Java and Sumatra, which later gave birth to another type of coffee plant – the Robusta. By the end of the 18th century, coffee plants spread across the Caribbean, as well as across the Central and South America.¹ Prague's first coffee house is believed to be the one that used to be located inside The House at the Golden Snake, located on the corner of Liliová and Kaprova streets in Prague 1.²

In the modern history of coffee drinking, there are often recognized three waves of coffee production with the fourth one yet to come. The first wave is often linked with mass production and overall popularization of coffee. It started in the early 1800's when the first mass-production-coffee companies quickly became market leaders in the US. The success of Coffee was directly linked to industrialization and overall globalization of global markets. The innovations in processing, vacuum packaging and marketing had allowed the coffee industry to skyrocket into the future, however the taste and quality had been sacrificed. In 1903, instant coffee was invented by Satori Kato, and it has become even more popular after he WW2 (Nestlé had supplied the U.S. military with their Nescafé). However, in the 1970's, American consumers started realizing how unappetizing the coffee was and started looking for something more special.

The second wave of coffee had officially started. New and special roasting styles had been invented with more and more consumers caring about the taste as well as the social experience of drinking quality coffee. The term "specialty coffee" had become widely used among the American, and later on also by European foodies.

¹ ANON., The History of Coffee, NCA [online]. n.d. [cit. 2019-04-25]. Retrieved from: <http://www.ncausa.org/about-coffee/history-of-coffee>

² RACKOVÁ, K. *Kde se nacházela první kavárna v Praze*, Praha Neznámá [online]. 19.8.2016 [cit. 2019-04-25]. Retrieved from: <https://www.prahaneznamazna.cz/prazska-nej/kde-se-nachazela-prvni-kavarna-v-praze/>

This is when the company Starbucks was born. It brought specialty coffee to masses by opening thousands of stores across the States. Starbucks has however been criticized for prioritizing quantity over quality, and for not giving enough care to the origin of their coffee beans.

The use of the term “third wave” of coffee production began in 2002 after an article written by Trish Rothgeb was published on the Roasters Guild website. “With third wave, production and marketing take the back seat, and the product takes center stage.”³ Every customer can basically trace the origin of coffee he or she is about to buy. Roasters purchase their coffee directly from the farmers with (almost) no intermediaries. This type of purchase is called the “Direct trade”. Coffee roasters often tend to market information like the exact location of coffee plantation, the exact person who is responsible for the harvest, and the method of coffee processing which has been used. Packaging often tends to contain the detailed taste description (bitter / fruity body, with the tones of Nutella, honey, and nutmeg...). Therefore, coffee is seen as a top-quality beverage similar to wine. It depends whether the coffee comes from war area, whether the farmers have been paid fairly (the Fair-trade coffee), and whether the production of coffee has or hasn’t harmed the rainforests – especially in South America (the Rainforest alliance). Well trained baristas, seen as the guardians of specialty coffee are the symbol of third wave coffee shops. A good barista should know everything about the origin as well as the processing of the coffee he sells. Third-wave coffee shop baristas often tend to educate customers (don’t you dare putting any sugar or milk in your Filter coffee, you would irrecoverably ruin it!).

But it is not only about the top quality of coffee. The milk that baristas put into your cappuccino or latte should ideally come from an eco-farm. Every third-wave coffee shop should also care about the quality of their lemonades (ideally house-made), pastries, teas (the same emphasis on the top taste and the fair-trade origin), beer (local craft beer), and many other products they sell to their customers. Basically, every product should be the best quality available. If the third wave coffee shops were to stop espousing these principles, they would surely give up themselves.

³ ANON., *The History of First, Second, and Third Wave Coffee*, Craft Beverage Jobs [online]. 17.4.2016 [cit. 2019-04-25]. Dostupné z: <https://www.craftbeveragejobs.com/the-history-of-first-second-and-third-wave-coffee-22315/>

If we take a look at the Czech specialty coffee scene, its origins date back to 2005, when the La Bohème Café coffee roastery was founded by Charles Fleer, an American coffee pioneer residing in Prague. In the fall of 2009, a group of former La Bohème employees, led by Jaroslav Tuček and Jaroslav Hrstka decided to establish their own coffee roastery. They named it the “Doubleshot” company.⁴ In 2012, their company started operating Karlín’s renowned café called the “Můj Šálek Kávy”.⁵ The third way of coffee started spreading among the Czech capital - more entrepreneurs started opening their own specialty coffee shops. Nowadays, we can find hundreds of specialty coffee shops across the whole country. The most renowned ones such as the Ema espresso bar, the One Sip Coffee, the Sólista Espresso bar, the Coffee room (one of the Czech specialty coffee pioneers), and also the Industra, the Monogram espresso bar as well as the Pikola Šumperk successfully teach the masses what the best quality coffee is. There are already some companies which opened more than one or two coffee shops and still managed to keep the high-quality standards (Kavárna co hledá jméno + Vnitroblok, Doubleshot’s Můj Šálek Kávy + Místo + Alza Café, and many others). According to the prazirny.eu website, there is almost a hundred of Czech coffee roasters.

The Czech specialty coffee market is growing rapidly. Almost every day, there is a new coffee place opened and even the older generation is starting to care about the quality of their coffee. Since 2010, the market share of specialty coffee has increased dramatically (from 4% to 15% - compared to United States’ 20%).⁶ However, most of the traditional coffee houses are still satisfied with the lower quality coffee, in exchange for lower purchase prices. At the end of the day, it’s the consumers who decide which type of coffee will succeed. The fourth wave of coffee is still yet to come, let’s see what advantages and disadvantages it brings to consumers.

⁴ ANON., O nás, Doubleshot [online]. [cit. 2019-04-25]. Retrieved from: <https://www.doubleshot.cz/o-nas>

⁵ ANON., 10 otázek pro ... Jaroslava Tučka a Jardu Hrstku, Podnikatel [online]. 4.7.2012 [cit. 2019-04-25]. Retrieved from: <http://www.ipodnikatel.cz/Podnikatelske-pribehy/10-otazek-pro-jaroslava-tucka-a-jardu-hrstku-zakladatele-ceske-prazirny-vyberove-kavy-doubleshot-sro.html>

⁶ REINER, T., *Instantní jim nestačí. Obliba výběrové kávy u Čechů roste*. Novinky [online]. 4.7.2012 [cit. 2019-04-25]. Retrieved from: <https://www.novinky.cz/domaci/483894-instantni-jim-nestaci-obliba-vyberove-kavy-u-zechu-roste.html>

2 Electronic Registration of Sales

2.1 History of EET

Long time before the “Electronic Registration of Sales (in the Czech Republic known as the EET) system has been approved by Czech government, a thorough analysis of similar foreign systems had been done by Czech Ministry of Finance. In 2016, 17 of the European Union countries have already adopted some form of national sales registration. Countries like Italy, Slovakia, Croatia or Sweden have witnessed a sharp increase in companies’ declared revenues (5,2% in Sweden, collected taxes increased by 8.1 billion CZK).

The first political party that came up with the idea similar to today’s EET was the ČSSD party (the Czech Social Democratic party) at the beginning of 1999. The registration of sales was to become a part of ČSSD’s then-planned tax reform. The purpose of the registration was the better control of taxi drivers, marketplace vendors, and surprisingly also prostitutes.⁷ The new government (ODS – the Civic Democratic Party) however rejected the law in 2007, and therefore the mandatory use of the electronic registration of sales was canceled.

The efforts for the system implementation came back to life in 2014.⁸ EET has become the main project of the Finance Minister of the time Andrej Babiš. After many changes and adjustments of the original proposal, EET was finally approved on February 10, 2016. On the same day, the VAT of restaurants was reduced from 21% to 15%.⁹

In November 2016, the trial nonobligatory version of EET has been launched, so entrepreneurs would have an option to test their ability to co-operate with the system. The first wave of EET, obligatory for entrepreneurs providing food and drink, including bars, snack-bars, restaurants, hotels, cafeterias, public houses, canteens and wine bars’ owners started on December 1, 2016.

⁷ KUNSTÁTOVÁ, L., MAREK T., ČSSD připravuje daňovou reformu. iDnes [online]. 4.2.1999 [cit. 2019-04-25]. Retrieved from: https://www.idnes.cz/zpravy/domaci/cssd-pripravuje-danovou-reformu.A_990204_172531_domaci_jpl

⁸ TŮMA, O. Očima expertů: Elektronická evidence tržeb. Past na daňové úniky, nebo na podnikatele?. Peníze [online]. 8.8.2014 [cit. 2019-04-25]. Retrieved from: <https://www.penize.cz/elektronicka-evidence-trzeb-eet/289375-ocima-expertu-elektronicka-evidence-trzeb-past-na-danove-uniky-nebo-na-podnikatele>

⁹ ANON., Babiš vyhrál. Koalice prosadila EET i snížení DPH na jídlo v restauracích. Tiscali [online]. 10.2.2016 [cit. 2019-04-25]. Retrieved from: <https://zpravy.tiscali.cz/babis-vyhral-koalice-prosadila-eet-i-snizeni-dph-na-jidlo-v-restauracich-271378>

The first wave forced tens of thousands of entrepreneurs (the first wave applied to 50,000¹⁰ entrepreneurs) into buying a cash register suitable for the on-line registration of sales. This created a tremendous opportunity for cash register vendors, within a few months, there have been hundreds of cash-register-selling companies established.

The second wave of EET started on March 1, 2017. It was obligatory for the following subjects of entrepreneurship:

- Motorized vehicles dealers
- Motorized vehicle parts dealers
- Motorcycle dealers
- Wholesalers
- Retailers¹¹

The second wave of EET was also the largest wave of EET so far. Approximately 250,000 entrepreneurs were obliged to start with on-line registration of their sales. Supermarket chains such as Kaufland and Albert had to invest hundreds of thousands, or even millions of Czech Crowns into EET-compatible cash register systems.¹²

The Czech government was initially planning to launch the third wave on March 1, 2018, and the fourth wave on June 1, 2018, however these launches have been rejected and later on postponed by the Czech Constitutional Court. The third and the fourth wave will involve the remaining 350,000 of Czech entrepreneurs (various craftspeople, accountants, doctors, attorneys, and many others).¹³ It is still unclear when are the third and the fourth waves going to start, some sources have mentioned the year of 2020. The Civic Democratic and the TOP 09 parties have suggested the cancellation of the upcoming waves, however the Chamber of Deputies dismissed these attempts.¹⁴

¹⁰ANON. *První vlna EET se týká 50 tisíc podnikatelů. Zatím se jich přihlásila desetina.* Novinky [online]. 27.9.2016 [cit. 2019-04-25]. Retrieved from: <https://www.novinky.cz/kariera/415893-prvni-vlna-eet-se-tyka-50-tisic-podnikatelu-zatim-se-jich-prihlasila-desetina.html>

¹¹ANON. *EET (elektronická evidence tržeb).* Podnikatel [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://www.podnikatel.cz/pruvodce/elektronicka-evidence-trzeb/eet/>

¹²VLKOVÁ, J. *Druhá vlna EET startuje za pět dní, většina obchodníků ale připravena není.* iDnes [online]. 24.2.2017 [cit. 2019-04-25]. Retrieved from: https://www.idnes.cz/ekonomika/domaci/eet-druha-vlna-start-brezen.A170223_203207_ekonomika_bur

¹³SVOBODA, J. *Rozšíření EET se zpozdí nejméně o rok.* Novinky [online]. 20.2.2018 [cit. 2019-04-25]. Retrieved from: <https://www.novinky.cz/ekonomika/463882-rozsireni-eet-se-zpozdi-nejmene-o-rok.html>

¹⁴VAVERKOVÁ, K. *Sliby a plány neplatí, další vlna EET je v nedohlednu.* Echo24 [online]. 16.10.2018 [cit. 2019-04-25]. Retrieved from: <https://echo24.cz/a/STBJQ/sliby-a-plany-neplati-dalsi-vlna-eet-je-v-nedohlednu>

Amongst the equipment needed for the entrepreneur's successful participation in EET belong cash register devices - both hardware and software, for example smartphones, iPads, notebooks, PCs, etc., plus the internet connection.¹⁵ Every entrepreneur is then obliged to register his business through the form, submitted to the governmental electronic data box. After that, he receives a certificate which is then inserted into the cash register software. Based on the certificate, the cash register software creates a report about each sale and sends it automatically to the tax office (as long as the system is connected to the internet). Obligatory details which have to be indicated on each receipt, issued by the entrepreneur are the following:

- a) The FIK code (the fiscal identification code)
- b) Cash register identification
- c) Identification of the establishment
- d) Receipt number
- e) Time and Date
- f) Exact amount of revenue collected by the business
- g) VAT identification number
- h) Information whether the sale has been filed in a normal or a simplified mode

Entrepreneurs are obliged to file a sales report no later than 48 hours after the completion of the individual sale.¹⁶

Criticism of EET – according to the Czech Association of Entrepreneurs and Managers, the launch of the similar sales registration in Croatia forced approximately 20,000 of Croatian entrepreneurs to go close their businesses.¹⁷

Critics also mentioned that the amount of taxes collected by the state wouldn't rise, because of the unnecessary restaurants' VAT decrease. The truth is, the amount of taxes collected by the state rose by 1.5 percent in 2017, which is far from the amount estimated by the Ministry of Finance and by the current prime minister Andrej Babiš.

¹⁵ ANON. *Vybavení pro evidování tržeb*. eTrzby [online]. n.d. [cit. 2019-04-25]. Retrieved from: <http://www.etrzby.cz/cs/vybaveni-pro-evidovani-trzeb>

¹⁶ ANON. *Zákon č. 112/2016 Sb. Zákony pro lidi* [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://www.zakonyprolidi.cz/cs/2016-112#p20>

¹⁷ BÁBEK, R. *Jak se stokrát opakovaná lež (o EET) má stát pravdou*. APM [online]. n.d. [cit. 2019-04-25]. Retrieved from: <http://www.asociacepm.cz/aktuality/jak-se-stokrat-opakovana-lez-o-eet-ma-stat-pravdou-138.html>

Within the first two months of EET, 104 restaurants had gone out of business, however at the same time more than 350 restaurants had opened. At the same time, according to Mr. Babiš, revenues declared by entrepreneurs under EET had doubled their value.¹⁸

When it comes to dishonest businesses, fines tend to be very moderate. According to the most recent research, done by the novinky.cz news portal, the highest fine ever collected was 400,000 CZK. However, the average fines were usually much lower, around 10 thousand CZK. The tax office issued about 12,950 fines for the total of 128.3 million CZK. Critics have complained about some of the disproportionate fines, meted out as a punishment for those entrepreneurs, disobeying the Electronic Registration of Sales obligation. For example, one of the business owners had to pay the 15,000 CZK fine for not reporting the 15 CZK revenue he made from the sale of a single Tic Tac package.¹⁹

2.2 Cash registers' market leaders

The launch of EET itself brought many business opportunities for all kinds of entrepreneurs. Some of the specialized companies had already existed, however most of the cash register manufacturers and sellers started their businesses because they saw the new law as a way how to make fast money within a short period of time. Someone had to deliver those 300,000 EET compatible cash registers. Nowadays, there are tens of cash register suppliers.

The most notable companies would definitely be:

1. O2 Czech Republic a.s. ("ekasa" & "ekasa premium")
2. Vodafone Czech Republic a.s. ("ePokladna Standard" & "ePokladna Komplet")
3. T-Mobile Czech Republic a.s. ("Kalkulačka" & "Tablet")
4. Dotykačka ČR s.r.o. ("Mobilní" & "Univerzální" & "Kompletní")
5. Storyous.com s.r.o.
6. AWIS Holding a.s. ("Pexeso", "AWIS gastro easy", "AWIS obchod easy")

¹⁸ HORÁČEK, F. *Od startu EET vzniklo víc hospod než zaniklo, uvedlo ministerstvo*. iDnes [online]. 19.1.2017 [cit. 2019-04-25]. Retrieved from: https://www.idnes.cz/ekonomika/domaci/blizi-se-eet-pro-dalsi-az-ctvrt-milionu-podnikatelu.A170119_100441_ekonomika_fih

¹⁹ MORÁVEK, D. *Rekordní pokuta u #EET, podnikatel musí zaplatit 270 tisíc Kč za falešné účtenky*. Podnikatel [online]. 9.7.2018 [cit. 2019-04-25]. Retrieved from: <https://www.podnikatel.cz/clanky/rekordni-pokuta-u-eet-podnikatel-musi-zaplatit-270-tisic-kc-za-falesne-uctenky/>

7. Smart software s.r.o. ("Markeeta mini/profi/kompakt")

There is no exact information about each company's market share available on the internet, manufacturers only keep their internal statistics. If we take a look at traditional cash register manufacturers, one of them would surely be AWIS. The company declares that it has operated since 1992.²⁰ This would make them not only the oldest cash register manufacturer in the Czech Republic, but also one of the oldest Czech companies. Another company which had started its operations in the previous century would be Smart Software s.r.o., founded in 1998.²¹ Storyous was founded in 2011 as one of the promising Czech startups and Dotykačka followed in 2014. Other companies such as the Czech telecommunications giants (O2, Vodafone, and T-Mobile), as well as companies like EET1, EET plus, and many others, only took a chance to seize an opportunity of fast profit. This is the reason why many of the hardware and software providers had closed their businesses within the first year of EET's launch.

The exact same scenario had happened in 2009 in Croatia. "At the start of the country's own Electronic Registration of Sales in 2013, there had been more than 320 cash register suppliers. Nowadays, there are less than a hundred providers, however the top 8 basically controls the whole market with a 90% market share."²²

²⁰ ANON. *O společnosti AWIS*. AWIS [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://www.registracni-pokladna.cz/spolecnost-obchod/>

²¹ ANON. *Smart software s.r.o.* Obchodní rejstřík [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://rejstrik.penize.cz/25292498-smart-software-s-r-o>

²² KLIČKA, J. *Je to křáp! Hospodští po týdnu mění kasy, přišla i první udání*. Deník [online]. 8.12.2016 [cit. 2019-04-25]. Retrieved from: <https://www.denik.cz/ekonomika/je-to-krap-hospodsti-po-tydnu-meni-kasy-prisla-i-prvni-udani-20161207.html>

2.3 Types & Prices of Cash Registers Available on the Market

Table 1: Prices of Cash Registers Hardware and Software

Company name	Hardware price (VAT included)	License - monthly price (VAT included)	Card-payment terminal included	Internet connection included in the price
T-Mobile ²³	4471 CZK – 8137 CZK	236 CZK – 593 CZK	YES	YES
O2 eKasa ²⁴	6044 CZK – 18144 CZK	0 CZK - 499 CZK	YES (0.99% per transaction)	YES
Vodafone ²⁵	No hardware available	180 CZK – 420 CZK	NO	NO
Dotykačka ²⁶	4732 CZK – 11052 CZK	273 CZK - 413 CZK	NO	NO
Storyous ²⁷	prices from 4000	prices from 472 CZK	NO	NO
AWIS ²⁸	5595 CZK – 26499 CZK	0 CZK – 850 CZK (or one-time fee of 12900 CZK)	NO	NO

Sources: ANON. Jednoduché EET řešení pro každého. T-Mobile [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://www.t-mobile.cz/podnikatele-firmy/eet>
 ANON. Telefony a zařízení. O2 [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://www.o2.cz/osobni/492311-ekasa/>
 ANON. EET – Elektronická evidence tržeb. Vodafone [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://www.vodafone.cz/podnikatele/specialni-sluzby/epokladna/>
 ANON. Pokladní systémy. Dotykačka [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://www.dotykacka.cz/pokladni-system-pro-restaurace/>
 ANON. Storyous Premium LTE. Mall [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://www.mall.cz/pokladny-e-trzby/storyous-pokladni-system-stredni-start>
 ANON. Ceník pro gastro AWIS. AWIS [online]. n.d. [cit. 2019-04-26]. Retrieved from: <https://www.registracni-pokladna.cz/cenik-gastro/>

As we can see, there are many different categories of cash registers available on the market. Each entrepreneur can decide which type of cash register is his company looking for, the market is evidently almost saturated, so there seems to be no issue with the choice of the right device.

²³ ANON. Jednoduché EET řešení pro každého. T-Mobile [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://www.t-mobile.cz/podnikatele-firmy/eet>

²⁴ ANON. Telefony a zařízení. O2 [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://www.o2.cz/osobni/492311-ekasa/>

²⁵ ANON. EET – Elektronická evidence tržeb. Vodafone [online]. n.d. [cit. 2019-04-25]. Retrieved from:

<https://www.vodafone.cz/podnikatele/specialni-sluzby/epokladna/>

²⁶ ANON. Pokladní systémy. Dotykačka [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://www.dotykacka.cz/pokladni-system-pro-restaurace/>

²⁷ ANON. Storyous Premium LTE. Mall [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://www.mall.cz/pokladny-e-trzby/storyous-pokladni-system-stredni-start>

²⁸ ANON. Ceník pro gastro AWIS. AWIS [online]. n.d. [cit. 2019-04-26]. Dostupné z: <https://www.registracni-pokladna.cz/cenik-gastro/>

2.4 AWIS Cash Register

After the months of decision-making process, our company had agreed to choose the AWIS Holding company as a provider and a supplier of our cash register hardware and software. It had been a hard task to decide between Storyous, Dotykačka, and AWIS. Every product is unique, and every product has various pros and cons.

Storyous is a relatively new Czech startup with wealthy investors standing behind the company (Storyous is a part of the Rockaway Capital investment fund). This company possesses a tremendous potential in terms of new technologies development and work optimization. However, after several meetings with Storyous' salesmen, we have decided to choose another software and hardware supplier. The main reason was, that the hardware was developed primarily for smaller cafés and food stands. The only hardware sold by Storyous at the time were small tablets, utterly impractical for a café with 60+ seats. The next stop had been Dotykačka's headquarters, located in a walking distance to Anděl metro station. After seeing the functions of the cash register, we had been impressed by the software. Hardware, however hadn't matched our expectations. Furthermore, the monthly fee had been a red flag for us. Finally, we had arranged a meeting with the AWIS sales representative and we had later on chosen the company as a supplier of our cash register hardware and software. This is what we had bought: 2 pc. POS OSC Cash register (one for 21,900 CZK – VAT excl.), 2 pc. thermal printer, Smart-UPS power protection, Cash drawer, Windows 7 Home premium, Cash register software AWIS Gastro Profi (1 license for 12,900 CZK – Vat excl.), Cash register office license – on-line administration (1 license for 2,900 CZK – VAT excl.).

Why had we chosen AWIS? Let's have a look at the description of functions that we find practical.

1. A convenient map of tables

AWIS Cash register license contains a map of tables which has been set in advance by the company's software specialists. "Restaurant managers and owners will appreciate the unique option of a several-story-map of tables creation, as well as the possible table segmentation." The software facilitates each server's work by making the orientation within a restaurant easier.

2. Helpful accounting tool

The AWIS cash registers also contain a list of received and issued invoices. The software is capable of submitting the EET report. Therefore, our accountants don't have to worry so much about the extra work and they can focus on the important tasks.

3. Warehouse management

This tool makes restaurants manager's job easier. It helps them with keeping an eye on the inventory. Each time a menu item is sold, the software automatically deducts the raw materials needed for production of the particular product. The warehouse management is available on-line therefore the system makes it easier for managers to buy new inventory without having to personally check the warehouse. This tool also helps to prevent the thievery among employees. With the combination of warehouse management and security cameras, managers no longer have to worry about stocks mysteriously disappearing from the company's warehouse.

4. Complete sales statistics

Statistics help the business owners to decide whether should they invest more time into promotion of the particular product or whether should the product be delisted. Statistics also help to determine which server managed to make the most sales and which server was the least active. Based on that, servers might receive any kind of motivational bonuses.

5. Register of employees

The software is a solution for the workforce management. It combines scheduling, performance, employee communication and absence management. If a shift needs to be covered, manager is able to find any part-time worker's telephone number easily.

6. Easy manipulation with bills

It happens frequently, a customer chooses a place to sit in the back of the restaurant and in ten minutes he changes his mind and moves to another table. Because of that, servers need to move this customer's bill to a new table. AWIS cash register is capable of that. Among the other functions we value the most would definitely be the option of bill separation between a group of customers. Every shift leader is also capable of granting discounts. Every server possesses different access rights to the system, only the shift leaders are able to provide both discounts for regular customers and employees.

7. On-line accessibility

No matter where the owner is, he can easily access the cash register through the online platform. Therefore, he is able to check the sales statistics, the inventory stock and many other functions that the system is capable of.²⁹

²⁹ ANON. *Funkce pokladny AWIS Gastro*. AWIS [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://www.registracni-pokladna.cz/funkce-pokladny-awis-gastro/>

3 Restaurant / Coffee Shop Management

3.1 Human Resources Management

In the restaurant business, everything stands and falls on the quality of services. If a company fails to find passionate and trustworthy employees, it won't probably succeed in the gastronomy industry. For restaurant owners and their HR managers is essential to find responsible staff member, employing irresponsible personnel can lead to food poisoning of customers. It can also lead to costly lawsuits and fines from various Public Health offices.³⁰

To find a good employee, business owners need to either find a good HR manager, or be a good HR manager themselves. Hiring a human resources manager (either full time or outsourcing one) could help the business owners to avoid paying unnecessary expenses connected to staff recruitment. There are a few ways how to identify a good human resources specialist. HR personnel should always have a deep knowledge of laws concerning the industry they work in. During their careers, they are most probably going to hire and fire people and in order to execute this kind of job flawlessly, they should know the Labor Code very well. A good human resources specialist should always try to gain some experience from the field of industry they work in, so they can perfectly understand the problems and woes of the company's staff.

Staff meetings, trainings and courses as well as company parties play an important role not only in bringing the company staff together. Every team member should undergo various training and courses, and these are usually provided by the human resources specialists. Their job is either organizing trainings led by themselves or finding relevant trainings from the third-party providers.

Given the current Czech labor market situation, most companies often experience labor shortages. Extremely low level of unemployment³¹ forces companies to either lower their staff standards or to pay more money for both recruitment and employees' wages.

³⁰ REYNOLDS, M. *Importance of Human Resources to the Food Industry*. Chron [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://smallbusiness.chron.com/importance-human-resources-food-industry-60456.html>

³¹ ANON. *Nezaměstnanost v ČR, vývoj, rok 2019 - 5 let*. Kurzy.cz [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://www.kurzy.cz/makroekonomika/nezamestnanost/>

After finding a good human resources specialist, the search for the first employees might begin. HR specialists might choose from an almost unlimited variety of sourcing tools, depending only on their budget. Let's have a closer look at the ones which are the most commonly used.

1. Creating an ad on specialized recruiting websites

Companies could simply go to any of the specialized websites like Jobs.cz, Jenprace.cz, Prace.cz, etc. – there are hundreds of different recruiting websites. And each one of them has its own specific conditions and fees for an ad creation. Some of these websites work for free, however in most cases companies are usually obliged to pay various fees which could go up to 20,000 CZK for a single ad.³²

In order to create a successful recruitment ad, HR specialists tend to get creative. It is essential create an accurate headline, the ad has to include precise job description, and under no circumstances should the company lie and exaggerate. The successful recruitment ads are often very short, but apt. Human resources should take enough time to create an unorthodox ad, because people looking for a job are usually very tired of reading recruitment ads which look all the same.

2. Social media

There are many ways how to find new employees through Facebook. Companies can create a recruitment post and post it on their Facebook profile and simply wait, or they can pay any amount of money according to their budget and Facebook will promote the post. By doing so, posts get a better reach and companies can target users through specific advanced demographic, social, behavioral, and physiographic criteria. Another form of Facebook recruitment is posting the created ad (a post) into various Facebook groups specialized for job offers. By doing so, companies lose their chance to improve targeting. For example, if they chose to post their ad into a group which is called "Jobs in Prague", they are only able to target job-seekers based on their location.

Instagram is becoming more and more popular among HR specialists, because they are able to use hashtags as a sort of a search engine. If someone frequently hashtags their photos under the #webdeveloper hashtag, companies looking for web developers are able to find and contact him easily.³³

³² ANON. *Ceník*. Jobs.cz [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://firmy.jobs.cz/cenik/>

³³ TEGZE, J. *Jak hledat zaměstnance v 21. století: techniky moderního recruitmentu*. Praha: Grada, 2019. (p.145). ISBN 978-80-271-0551-9.

Other social media websites such as LinkedIn are very popular among companies looking for new higher management employees and specialists, however in among the Czech gastronomy HR specialists, LinkedIn is not very widely used.

3. Traditional media ads

Some restaurants are in desperate need of new employees and after failing to find someone through ads and social media posts, they are willing to pay high fees for billboard ads, radio ads, and in extreme cases even for magazine and TV ads. From traditional media options, newspaper ads tend to be very reasonably priced and ads can get an interesting reach.

3.2 Restaurant Organizational Structure

Organizational structure defines a specific hierarchy within an organization. "A successful organizational structure defines each employee's job and how it fits within the overall system" Managers use the organizational structure to define the shape of the company, it helps them to reduce costs, to improve efficiency and to boost productivity within the company as the structure makes clear, which employee is the best pick for completing any specific task. The larger the company or organization, the more complex organizational structure it uses. Corporations with thousands of employees would more like use the multidivisional structure.³⁴ Enormous corporations such as Beiersdorf AG (the manufacturer of Nivea) usually structure their organization based on product each division sell (there would be a specific division for shower gels, for cosmetics, for shampoos, etc.).

As in every other business, also in restaurant business the organizational structure depends on the size of a company. A typical restaurant with only one branch would use a very simple organizational structure. The reason is simple, there are not so many employees needed and most of the tasks are generally managed by a business owner. Having a simple organizational structure enables a business owner to hold the entire company tight in his hands.

³⁴KENTON, W. *Organizational Structure*. Investopedia [online]. 12.4.2019 [cit. 2019-04-25]. Retrieved from: <https://www.investopedia.com/terms/o/organizational-structure.asp>

It usually saves a lot of time, because all of the decisions are approved by one person and employees don't have to wait for a decision to get approved by the board of directors somewhere in Milwaukee, Wisconsin. The owner, however gets often flooded with loads of work and employees have to wait until their demands and requirements can be fulfilled.³⁵

Our company is structured in the following way: there are two business owners, one of them takes care of all of the paperwork and human resources, the other one dedicates his time to marketing and finance. Both of them work together on managerial decision-making, setting both short-time and long-time goals and implementing new ideas.

Then there's the operating manager, which has to make sure all of the ideas and orders the owners might have get to staff. The operating manager takes care of all the trainings, helps with the introduction of new menus, takes care of the warehouse management, organizes shifts, and makes sure that all of the things run smoothly.

Under the operating manager, there would be two shift leaders (typically baristas – one on each shift). Their job is to take care of their shift and if some kind of a less important decision making has to be done promptly, and both of the owners, as well as the operating manager are gone, they would be the person whose decision have to be respected by other employees.

3.3 Restaurant marketing

Social media marketing rules the world and it is no different in a restaurant business. Restaurants don't hesitate to invest immense amounts of money into their social media profiles. Restaurant managers either hire specialized social media agencies, or photographers which capture the restaurant life and then post it to Facebook and Instagram. "72% of people on Facebook made a restaurant decision based on the images and comments by other users." Every restaurant that tries to move with the times should create a social media account and give it a proper care.³⁶ By posting food and staff pictures, restaurants are able to promote their brand, to engage customers and to promote new menu items.

³⁵ QUAIN, S. *Simple Organizational Structure*. Chron [online]. 25.1.2019 [cit. 2019-04-25]. Retrieved from: <https://smallbusiness.chron.com/simple-organizational-structure-63451.html>

³⁶ ANON. *How Social Media Is A Perfect Marketing Tool For Restaurants*. Sociobliss [online]. 12.2.2019 [cit. 2019-04-25]. Retrieved from: <https://sociobliss.com/social-media-for-restaurants/>

Another form of social media marketing is a cooperation with influencers. Restaurants often tend to give their foods and beverages for free to social media influencers in exchange for many different kinds of social media promotion. This is one of the most effective marketing strategies, because by doing so, companies can reach even hundreds of thousands of potential customers without paying for promotion. It is very important to choose the right influencer, otherwise this type of marketing could also damage a restaurant's reputation.

With the rising popularity of mobile apps, some startups have started developing different kinds loyalty-program apps. These apps are able to produce push notifications for example by showing the "buy four coffees, the fifth one is on us" notification on user's smartphone screen.

Having a SEO optimized website is one of the musts for every restaurant. Without that, customers are unable to find the restaurant's website on Google. Many restaurants hire third-party providers which specialize in SEO optimization and PPC (pay-per-click) marketing.³⁷

User review sites such as TripAdvisor, Foursquare, Zomato, Yelp, and others help the restaurant owners by providing a feedback which comes directly from their customers. Such websites usually offer various forms of advertisements for restaurants. Restaurant owners can generally pick their favorite reviews and highlight them, or they can simply pay for a promotion of their company's profile.³⁸

3.4 Profitability Analysis (ABC analysis)

One of the keys to restaurant's success is keeping a menu as short as possible. All of us have probably seen restaurants with 20-page menus, selling everything from Czech cuisine, pizza, sushi and burgers. Having a huge quantity of items on a restaurant's menu equals problems with food storage, problems with the food freshness and longer preparation of dishes. It's on the owner to decide whether is the menu item worth to be kept or whether they should consider delisting the particular item from their food menu. This is when the profitability analysis comes in handy.

³⁷ ANON. *Optimalizace pro vyhledávače*. SEOconsult [online]. n.d. [cit. 2019-04-25]. Retrieved from: https://www.seoconsult.cz/sluzby/optimalizace-pro-vyhledavace?gclid=CjwKCAjwy7vIBRACEiwAZvdx9vzk5CtZFx2P0JPejPxvkDIG4114iTbtdmnRWearVRP2E6zHc67H8xoCCYAQAQvD_BwE

³⁸ BROWN, K. *Top 27 Creative Restaurant Marketing Ideas*. Fit Small Business [online]. 26.2.2019 [cit. 2019-04-25]. Retrieved from: <https://fitsmallbusiness.com/restaurant-marketing-ideas/>

The profitability analysis helps with “identifying the products that are with the highest influence on the overall costs of inventory in a given company.” ABC analysis helps to identify three groups of products (A, B, and C) and tells the restaurant manager which items should be kept in inventory.³⁹

The key of performing a successful ABC analysis is a thorough inventory (sales, cost, etc.) categorization. Inventory (or sales, costs, etc.) can be categorized into three groups:

“**A**” category items = the most valuable items which often create majority of the revenues. It’s often 10-20% of the inventory which is crucial for the company’s decision-making. Creates 80% of total revenues.

“**B**” category items = less valuable items, usually 35% of the inventory, this category creates approximately 15% of total revenues.

“**C**” category items = non-valuable items, usually 60% of the inventory, create only 5% of total revenues. This inventory is often provided on demand.

“Similar or the same as ABC analysis is 80/20 rule that is also known as the Pareto Principle. This rule tells us that 80% of the results should eventually come from 20% of our efforts to get these results. For example, if we translate this into sales terms, 80% of our sales income will come from only 20% of our customers.”⁴⁰

The main objectives of ABC analysis would be the following:

1. Change of the organizational structure (change of the storage layout, etc.)
2. Reduction (Optimization) of stock
3. Reduction (Optimization) of costs
4. Improvement of supply and logistics management
5. Improvement of product quality⁴¹

³⁹ JAKUBÍKOVÁ, D. *Strategický marketing: strategie a trendy*. 2., rozš. vyd. Praha: Grada, 2013. Expert (Grada). (p.151-152). ISBN 978-80-247-4670-8.

⁴⁰ SUTEVSKI, D. *IMPROVE YOUR BUSINESS PERFORMANCES WITH ABC ANALYSIS OR 80/20 RULE*. Entrepreneurship in a box [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://www.entrepreneurshipinbox.com/147/abc-analysis-or-8020-rule/>

⁴¹ CIGÁNEKOVÁ, M. *ABC Analýza*. IPA [online]. 30.11.2007 [cit. 2019-04-25]. Retrieved from: <https://www.ipaczech.cz/cz/ipa-slovník/abc-analyza>

4 Management of Costs

4.1 Conception of Costs

Conception of costs can be seen from two perspectives – from the financial accounting perspective and from the management accounting perspective. Financial accounting is essential for the external control of the company, either for the tax office, for the investors, and even for the broad public. On the other hand, almost every manager's decision-making takes costs into consideration, therefore the management accounting perspective is essential for the internal control of the company. First of all, managers need to compare the amount of costs and the amount of revenues, and only after that the appropriate conclusions can be drawn. Managers mainly work with the variable, fixed, opportunity, relevant, explicit, and implicit costs.

4.2 Classification of Costs

In financial accounting, costs are sorted by nature and by function. To sort costs by nature consists of determining what type of inventory, equipment or workforce has been used (procedure, operation) in order to keep the business running. Whether has the money been spent on depreciation of buildings, machinery and equipment, whether has it been spent on labor costs, financial costs (insurance, fees), use of raw material, or for example on services (logistics, rent, etc.).⁴²

There are two types of costs sorted by function. The first one tells us who is responsible for the cost and what is the place of the origin of the cost. The second one determines what was the money used for.

Classification of costs is a bit divergent in managerial accounting. The main groups of cost would be total costs, fixed costs, variable costs, and marginal costs. Total costs are the whole costs, spent on the total amount of production.

⁴² DVOŘÁKOVÁ, D. *Základy účetnictví*. 1. vyd. Praha: Wolter Kluwer, 2010. (p. 308). ISBN 978-80-7357-544-1. S. 100-105.

Marginal costs are costs caused by unit rise of production. Fixed costs are the costs that cannot be changed anymore, and variable costs could change based on managerial decision-making.

Table 2: Relations Between Different Categories of Costs

Quantity of products manufactured	Total costs CZK	Fixed costs CZK	Variable costs CZK	Average unit cost CZK	Marginal Costs CZK
0	200	200	-	-	-
1	209	200	9	9	9
2	217	200	17	8	8
3	224	200	24	7	7
4	230	200	30	6	6
5	238	200	38	8	8

Source⁴³: SYNEK, Miloslav. *Manažerská ekonomika* (p.85). ISBN 978-80-247-3494-1.

4.3 Budgeting

Budgeting is a tool companies use for planning their long term, as well as their short-term spending of resources. It is an important part of every company's financial success. Multi-national corporations would not be successful if they haven't been using budgeting since forever, it basically forces all levels of management to think ahead. Budgeting helps to prevent companies from running out of money, it helps them to track all of their expenses, and it enables them to plan for the future projects. If a recession occurs, companies have to find a method of cutting their expenses to the bone and narrowing their budgets.

The most commonly used types of budgets are the **operating budget**, the **responsibility budget**, the **capital budget**, and the **master budget**. The **operating budget** consists of all costs and revenues which a company uses for its monthly or yearly functioning.

⁴³ SYNEK, Miloslav. *Manažerská ekonomika*. 5., aktualiz. a dopl. vyd. Praha: Grada, 2011. Expert (Grada). (p. 85) ISBN 978-80-247-3494-1.

It sets a goal the management expects to achieve. The operating budget is usually made up of 5 main components: 1. Revenue, 2. Variable costs, 3. Fixed costs, 4. Non-cash expenses, 5. Non-operating expenses.⁴⁴

The **capital budget** is created when the upper management decides what the amount of potential investments in the upcoming financial year is going to be. It helps to determine which projects should the capital be invested in and which projects are the least interesting in terms of revenue generation. Capital budgeting is most frequently done by using one of the following analyses: Throughput analysis, the DFC analysis, and the Payback analysis.⁴⁵

The **responsibility** budget is often prepared by company's top management and is used "to track the responsibilities of each department manager."⁴⁶

Finally, **the master budget** consists of two parts. A) a planned operating budget and B) a financial budget. "The planned operating budget helps to plan future earnings and results in a projected income statement. The financial budget helps management plan the financing of assets and results in a projected balance sheet."⁴⁷

Most companies usually start the budgeting process from six months up to a few years before the start of the financial year.

4.4 Cost Control

Cost control is the process of distinguishing and reducing costs and therefore increasing profits. "A business owner compares actual results with the budgeted expectations and if actual costs are higher than planned, management takes action."⁴⁸ In order to analyze and identify the company's unnecessary costs, managers often hire consultants that help them to determine which of the specific costs could be avoided.

⁴⁴ ANON. *What is an operating budget?*. Corporate Finance Institute [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://corporatefinanceinstitute.com/resources/templates/excel-modeling/operating-budget/>

⁴⁵ KENTON, W. *Capital Budgeting*. Investopedia [online]. 1.5.2018 [cit. 2019-04-25]. Retrieved from: <https://www.investopedia.com/terms/c/capitalbudgeting.asp>

⁴⁶ ANON. *What is a Responsibility Accounting Budget?*. My Accounting Course [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://www.myaccountingcourse.com/accounting-dictionary/responsibility-accounting-budget>

⁴⁷ ANON. *Introduction to Budgeting and Budgeting Processes*. Lumen Managerial Accounting [online]. n.d. [cit. 2019-04-25]. Retrieved from: <https://courses.lumenlearning.com/managacct/chapter/introduction-to-budgeting-and-budgeting-processes/>

⁴⁸ KENTON, W. *Cost Control*. Investopedia [online]. 9.4.2019 [cit. 2019-04-25]. Retrieved from: <https://www.investopedia.com/terms/c/cost-control.asp>

After identifying the preventable costs, managers could choose from many different kinds of cost minimization. Among the most important cost minimization tools are the following.

1. Outsourcing

Hiring a third-party service provider / goods manufacturer in order to cut costs and in some cases also to improve the quality of products. It is often less expensive to hire a third-party provider than hire a full-time employee. Examples: a) it is usually cheaper to hire an accounting company for businesses with less than 20 employees, than hiring a full-time accountant, b) some cafés tend to buy cakes from someone else rather than having to pay their own pastry chefs, etc.

2. Offshoring

Offshoring is obtaining goods or services from a foreign country by founding a subsidiary company, or by hiring a foreign third-party provider. Companies tend to re-locate some parts of their business activities into a different part of the world, typically in order to reduce their tax and labor costs. The most frequent is the outsourcing of call centers and IT helplines from English-speaking countries to India and Pakistan. Companies also tend take advantage of certain tax reliefs in some of the foreign countries.⁴⁹

3. Insourcing

Integration of services originally provided by third-party providers and suppliers back to the company. If a company grows to a certain level of services consumption, it often starts to make a better sense to, for example, hire an in-house accountant as the labor costs could be lower than paying the third-party accounting company.

4. Franchising

Franchising is typical for restaurant business and retail. Running a multi-location restaurant could pose a serious risk for the mother company. In order to minimize costs and to maximize growth, companies tend to issue franchise licenses. "A franchise is a type of license that a party (franchisee) acquires to allow them to have access to a business's (the franchiser) proprietary knowledge, processes, and trademarks in order to allow the party to sell a product or provide a service under the business's name."⁵⁰

⁴⁹ GLENN, J. *Offshoring vs. Outsourcing*. Business Dictionary [online]. n.d. [cit. 2019-04-25]. Retrieved from: <http://www.businessdictionary.com/article/1090/offshoring-vs-outsourcing-d1412/>

⁵⁰ KENTON, W. *Franchise*. Investopedia [online]. 14.12.2017 [cit. 2019-04-25]. Retrieved from: <https://www.investopedia.com/terms/f/franchise.asp>

4.5 Cost Calculation

There are many different types of the cost calculation. For the purpose of this thesis, I have decided to use the ABC method of the cost calculation. "Activity-based costing (ABC) is an accounting method that identifies and assigns costs to overhead activities and then assigns those costs to products." ABC costing sorts costs by activity. "ABC alters the nature of several indirect costs, making costs previously considered indirect - such as depreciation, inspection, or power - traceable to certain activities."⁵¹

⁵¹ KENTON, W. *Activity-Based Costing (ABC)*. Investopedia [online]. 18.2.2019 [cit. 2019-04-25]. Retrieved from: <https://www.investopedia.com/terms/a/abc.asp>

Practical Part

5 Company Introduction

Our story began on July 14, 2016. This was the day when the company Cream Café s.r.o. (Czech version of limited liability company) was founded by me and my mother. Prior the date mentioned above, we had already visited many authorities to get our papers and licenses right. The most important one at the time was the trade bureau. At the trade bureau, we've gotten our new company licenses for tenancy, bakery, confectionery, manufacture and resell of fermented alcohol; manufacture, trade and services, and restaurant services. Then we needed to deal with hygienic supervisory in Prague. There is a specific law in the Czech Republic, which the beginning entrepreneurs eager to open their first restaurant / café / bar, etc. need to obey. Because of the existence of this law, not everyone can simply open their food industry business. Businessmen either need to have a diploma from the culinary school or at least a two-years of experience in the food industry. If you don't have any of it, you need to hire someone who does and have them officially listed as a person who's responsible for premises operation. Neither of us had any previous experience from the food industry, but luckily our father's friend had both the culinary school diploma and many years of food industry experience. This is why we hired her immediately as a sort of a restaurant manager / chief confectioner. After this, we had to open our first business account in one of the Czech banks, where we later sent the funding capital of our new company.

We already had the space for our café, our family owned a nice house located in the historical center of Prague, on the quay of river Vltava, something that seemed like a perfect spot for a similar business. This is why we haven't done any market research before opening, we've already known that this was the place we were looking for. With no offices around the building, our main customers were going to be the students from the two universities, neighboring our future café, as well crowds of tourists, wandering along the Vltava river bank. As our main product, we chose to serve specialty coffee, roasted in the Czech Republic. That's why we partnered with the Czech Republic's most renowned coffee roasters. Highest quality of our products always was (and will always be) the main standard for us. It took us seven more months of reconstruction, construction, and rebuilding before we could finally open.

Meanwhile, we had to choose and buy all of the necessary equipment like coffee machine, cash register, and kitchen equipment. A month before opening, we started to seek for our potential employees. Within a month, we managed to hire two baristas, four waiters and two cooks.

The opening was set for February 14, 2017 – which was the Valentine's day by a coincidence. The offer of our food and drinks was very simple at the beginning. Coffee, tea and other beverages were a must, however other things like breakfasts, brunch menu and lunch offer, which could be found in nearly every third-wave café, were missing. The only food, customers could buy from us at the time was the soup of the day, a couple of sandwiches and of course a broad variety of cakes, prepared daily by our manager.

Me and my mother didn't have any experience from the restaurant industry, so we trusted our manager with things like staff training and workplace organization. Later, we found out how big of a mistake this decision was. After opening, the word spread out surprisingly quickly (we didn't use any marketing before the opening, we wanted to open quietly and let the staff get used to their new workplace). Only two weeks after our not-so-grand opening, our café was absolutely full of customers, wanting to see the new Instagram-friendly place in town. With the people, queuing for a table in the newly-opened cafeteria, our poorly trained, unprofessional staff had hard times keeping the customers, desperate for a cup of coffee, happy. This resolved in a couple of harsh reviews from unsatisfied customers. (For competitive reasons, all of our revenues have been multiplied by using a confidential coefficient. All of the following numbers are for illustrative purposes only).

After such a bad experience, it was time to move on and come up with something new. In mid-March 2017, we started making breakfasts. And our revenues started to rise at a high pace. In February 2017, our average daily revenues were **25,705.4 CZK**. After the introduction of our breakfast menu, average daily revenues grew to **33,108.7 CZK** in March 2017, and to **42,809.0 CZK** in April 2017.

The following months (the whole summer for the record) were a bit disappointing and our average revenues stopped growing. See the table below:

Table 3: Average Daily Revenues (February 2017 – August 2017).

Month	Average daily rev.
February	25,705 CZK
March	33,109 CZK
April	42,809 CZK
May	34,925 CZK
June	29,552 CZK
July	29,566 CZK
August	31,322 CZK

Source: Data from the company's cash register

Later, we've found out that most of the cafés try to make as much money as possible during the winter and the summer is the usual low season. Our café was still pretty unknown by the locals and tourists had no idea about us among the world-known cafés, located in our area. Our main season starts in September. All of the locals start returning from vacations, students from neighboring universities start coming back to school and the weather starts getting colder. We increased the prices of beverages for the first time, however we still managed to keep our prices well below our competition from the next door. We've spent the long summer days thinking, what could we do in order to even improve our performance from the first three months after our opening.

This is when we came up with an idea to test the daily lunch menu. This kind of menu is very popular among Czech workers and students, so we thought why not give it a shot. The daily menu usually consisted of two choices of meat dishes and one vegetarian / vegan dish, every day different. The prices were set to be affordable for both students and workers in search of a quick and healthy lunch. We also maintained the tradition of making a soup of the day. A few weeks in, and our daily revenues started growing. Average daily revenues were the following: **38,212.8 CZK** in September, **47,075.8 CZK** in October, and **49,132.5 CZK** in November. Although our revenues increased, our variable costs grew a lot quicker. Every day, we had to pre-cook tens of portions of each meal and if the food didn't sell, it meant a significant loss for us. Having to buy a broad variety of ingredients in order to keep meals more interesting increased our variable costs, too.

It was the beginning of December 2017, when we stopped offering the daily lunch menu. And our variable costs lowered immediately. The last month of 2017 brought some very nice numbers in terms of revenues. Even though we kept the café closed for two days (December 25 and December 26). On December 24, we gave our staff a day off, we kept the café open and we engaged the whole family into serving coffee and breakfast for our customers. We did the same thing on December 31, keeping the café open until 12 A.M. and it enormously paid off. This means, the end of the year brought a lot of positive energy into our veins. The average daily revenue of December 2017 was **48,059.9 CZK**.

Table 4: Average Daily Revenues (September 2017 – December 2017).

Month	Average daily rev.
September	38,213 CZK
October	47,076 CZK
November	49,133 CZK
December	48,060 CZK

Source: Data from the company's cash register

Even though our project with daily lunch menus wasn't as successful as we'd wished, it taught us one important thing. Food is (apart from coffee) an essential product and it brings the most revenues to businesses. This is why, at the beginning of 2018, we started talking about our next large project – the afternoon a la carte menu. We already had a sort of a tapas menu, which consisted of products such as waffles, pickled camembert cheese, ham and cheese tapas, or warm Prague ham. But we knew this wasn't enough. Even our customers kept telling us that we should also consider adding some real food into our offer.

The first month of 2018 was very calm. However, even though the rush wasn't as overwhelming as in December, we still managed to collect some nice revenues – more exactly, in average it was **30.464 CZK**. We celebrated our first birthday In February, giving away some complementary proseccos and coffee discounts. It was the first month that we could've compared with the previous year. And the difference was as clear as day. Compared to 25,705,4 CZK from the previous year, our average revenue ended up being **54,180 CZK** (111% more than the previous year).

During the previous month, we had been working hard on making our a lá carte menu happen. This is why we had invited one of Prague's most famous chefs, to help us with the preparation. He started working in the middle of March and helped us with everything. The price calculations, recipes, menu items, and even the kitchen inventory had to be reworked/rebuilt. We had to rebuild our kitchen for lower hundreds of thousands of Czech Crowns, in order to increase the comfort of our chefs and in order to create more space for faster preparation of meals. At the end of the month (March 22), we were able to officially launch our first afternoon menu, consisting of around 20 items – including variety of salads, appetizers and pasta.

The has launch happened to be successful and our revenues increased to **55,703 CZK** (+ 68%, compared to 33,108,7 CZK from March 2017) and to **54,756 CZK** in April (+ 28%, compared to 42,809 CZK in April 2017). This, of course increased our costs dramatically. We had to hire more waiters, more chefs and a cleaning lady. In total, we already had 14 employees. In May 2017, we needed to replace many of the a lá carte menu items. Meals like Gin-marinated Smoked Salmon and Pâté de Foie Gras were way too out of our concept and pricey (ingredients were too expensive, and this made the price too high). We added more pasta, some of the seasonal menu items like burgers, salads with watermelon, strawberries or asparagus. We kept constantly changing and improving our menu. In May, we also finally installed branded window awnings, so or customers could find us more easily. At the end of the month, our average daily revenues were **49,860 CZK**, a slight decrease from the previous month, however our main season was over, so the decrease was expected (and the average daily revenues were still more than 15.000 CZK higher than the previous year, in percentage it was + 43%).

Table 5: Average Daily Revenues (January 2018 – May 2018).

Month	Average daily rev.
January	45,696 CZK
February	54,180 CZK
March	55,703 CZK
April	54,756 CZK
May	49,860 CZK

Source: Data from the company's cash register

From June 2018, until August 2018, we again experienced something that we call the low season. Many people seem to rather enjoy a picnic in the park than the visit of a café. Even though the café is air-conditioned, and it serves ice-cold lemonades, coffee and a variety of ice cream. At least, we had enough time to make some much needed repairs and staff trainings. Our revenues slightly increased to **54,580.5 CZK** in June, only to plunge to **43,345.5 CZK** in July. Compared to average daily revenues in June and July 2017, the increase was still very positive. In fact, our revenues increased by 84% in June and by 51% in July (from 29,552.3 CZK, and from 29,565.5 CZK). Thorough the months, we continued expanding and improving our a lá carte menu, however revenues from our brunch menu were still slightly outbalancing our a lá carte menu revenues.

Table 6: Average Daily Revenues (June 2018 – August 2018).

Month	Average daily rev.
June	54,581 CZK
July	43,346 CZK
August	51,116 CZK

Source: Data from the company's cash register

In August, we increased the prices of our lemonades, tea and other beverages for the second time (and also for the last time so far). Our average revenues increased to **51,115.5 CZK**. We saw an almost 40% increase in our average revenues compared to the previous year. Our high season started a bit sooner than we expected. We finished our staff trainings, some of our staff changed, but fortunately all of our employees were feeling happy and prepared for the chaos that we knew was about to begin in September. And then it began. September was the first month when we managed to hit 40+ thousand in our daily average revenues. The exact number was **61,368 CZK**. Almost + 61%, compared to the previous year (revenues from September 2017 averaged at 38,212.8 CZK).

We though that in terms of average daily revenues, we will have a hard time improving the number from September. We changed the menu again, got rid of items which were selling the least and we optimized our costs. This time, we added burgers to our special menu.

When October ended, our average daily revenues got up to **73,995 CZK**. (51% more than October 2017). And in November, our revenues rocketed to **81,360 CZK** per day (+ 66%, compared to 49,132.5 CZK in November 2017). During the month, we celebrated the change of our all-time highest daily revenue for three times.

The last month of 2018 brought some very positive numbers as well, and with absolutely lowered costs (our café was closed at December 25 and December 26), we managed to collect **79,517 CZK** every day (+ 65%, compared to 48,059.9 CZK in December 2017). This year, we prepared a special New Year's Eve menu and kept the café open until 2 A.M. Fortunately, all of our effort paid off tremendously.

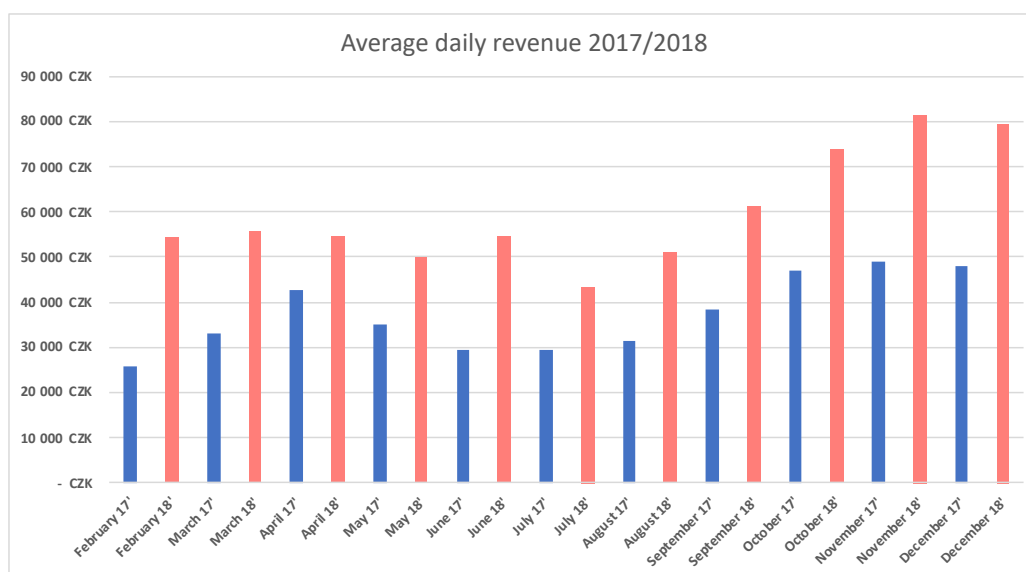
Table 7: Average Daily Revenues (September 2018 – December 2018).

Month	Average daily rev.
September	61,368 CZK
October	73,995 CZK
November	81,360 CZK
December	79,517 CZK

Source: Data from the company's cash register

To sum up the first two years of our café's existence, we need to take a look at four figures. 1. Average daily costs in 2017, 2. Average daily costs in 2018, 3. Average daily revenues in 2017, and 4. Average daily revenues in 2018 (for costs, see the chapter 2.4 Cost Analysis). Our daily average revenues in 2017 were **34.816 CZK**. Our average daily revenues in 2018 increased to **58,790 CZK**.

Graph 1: Average Daily Revenues 2017–2018.



Source: Data from the company's cash register

The last table shows by how many percent the revenues changed between the years 2017 and 2018. In average, we managed to increase our revenues by 67% within one year.

Table 8: 2018 Monthly Percentage Difference of Revenues

Month	Percental increase
February	111%
March	68%
April	28%
May	43%
June	84%
July	51%
August	40%
September	61%
October	51%
November	66%
December	65%

Source: Data from the company's cash register

The last table of this chapter shows by how much we had managed to increase our revenues within one year.

5.1 Development of monthly revenues

Like many other cash register systems, AWIS creates statistics of quantity of items sold each month. We use these statistics once a month to decide which products should we promote more, which products should we add, and which should we discontinue selling. It helps us with keeping the menu short and simple, as well as it helps us with costs reduction. One of the common problems of unsuccessful restaurants is having a 100+ item food menu. Keeping all of ingredients, essential for the meal preparation, fresh is almost impossible, even if you run a large, busy restaurant in the city center. That is the reason why the most renowned restaurants try to keep very short menus consisting of only a few items. Keeping a short menu also cuts the meal preparation time. It would be impossible to deliver the food in time, if our chefs had to prepare eighty different types of meals for every hundred customers.

Although we knew the importance of data, we only started with this type of statistic in January 2018, eleven months after opening. We had some kind of a statistic since October 17', however this statistic consisted only from quantity of food sold, we didn't know the number of beverages sold. At the time, keeping this kind of a statistic wasn't that important for us, as the number of different items sold in our café wasn't very high and we simply knew when the product wasn't selling enough.

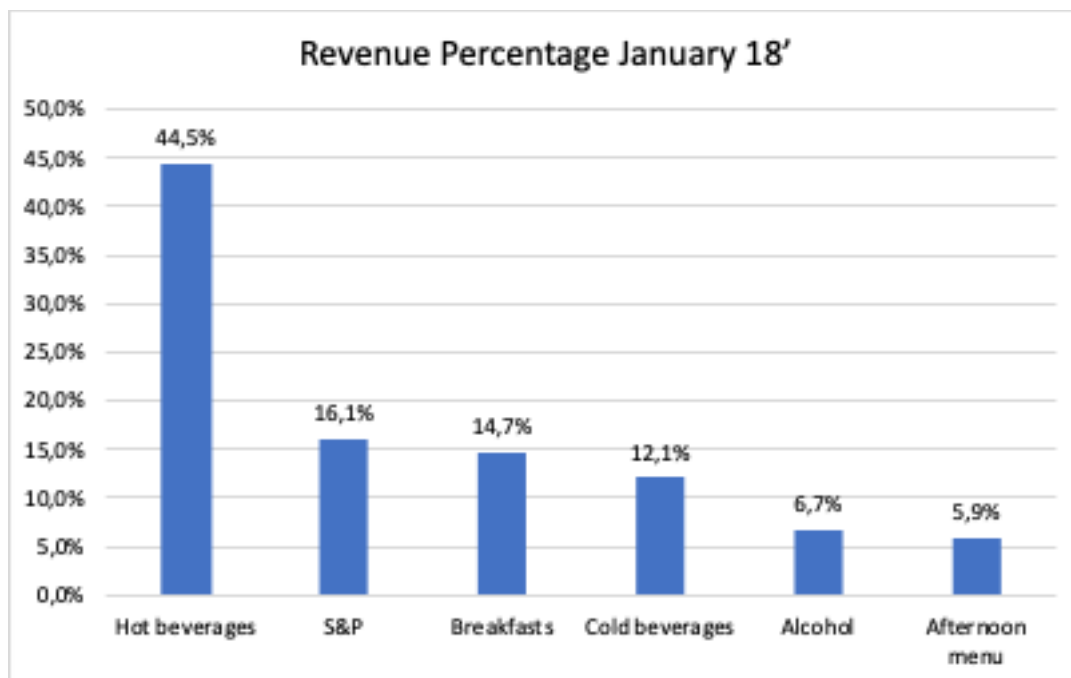
For the purpose of our internal statistics, we divided our menu items into fifteen different groups. Sandwiches, Pastries, Coffee, Beer, Wine, Tea, Soups, Hot Chocolate, Water, Lemonades, Fresh Juices, Mixed Drinks, Other Beverages, Breakfast, and Afternoon Menu. For the purpose of this thesis, I merged some of the groups into the six following groups: Sandwiches & Pastries, Hot Beverages, Cold Beverages, Alcohol, Breakfast, and Afternoon Menu. Catering is a group, which is not contained in every month's statistic, because simply during some months there were many caterings, during some months there were none.

When we first started making our statistics, in January 2018, we didn't have a proper Afternoon Menu yet. It was still under development and we were only selling a few items. In this chapter, I would like to demonstrate how the percentage of different groups of items sold changed. I am going to use graphs and tables to show which of the groups had the largest percentage at the beginning and which of the groups had the largest percentage at the end of the year.

Graphs, which I am going to use, will show the percentage of revenues we make on each of the selected groups, tables will show us how many percent is that from the total quantity of items sold. (For competitive reasons, all of our statistics have been multiplied by using a confidential coefficient. All of the following numbers are for illustrative purposes only).

Total quantity of products sold during January 18' was 13.332. In January 2018, **16,1%** of our revenues came from the sale of Sandwiches & Pastries. We sold 2564 S&Ps. Sale of alcoholic beverages created only **6,7%** of our revenues, as we managed to sell only 1133 items. Coffee and other hot beverages created **44,5%** of our total monthly revenue, we sold 6003 items. In January 2018, we also sold 2287 items from the 'Cold Beverages' group. This group created **12,1%** of our total revenues and also. And at last the food. Breakfasts accounted for **14,7%** of our total monthly revenues, with the number of 805 items sold. As I mentioned above, back then, Afternoon Menu created only a small portion of our revenues (**5,9%**). We managed to sell only 540 Afternoon Our beverages-to-food ratio was 61,2:38,8.

Graph 2: Revenue Percentage January 2018

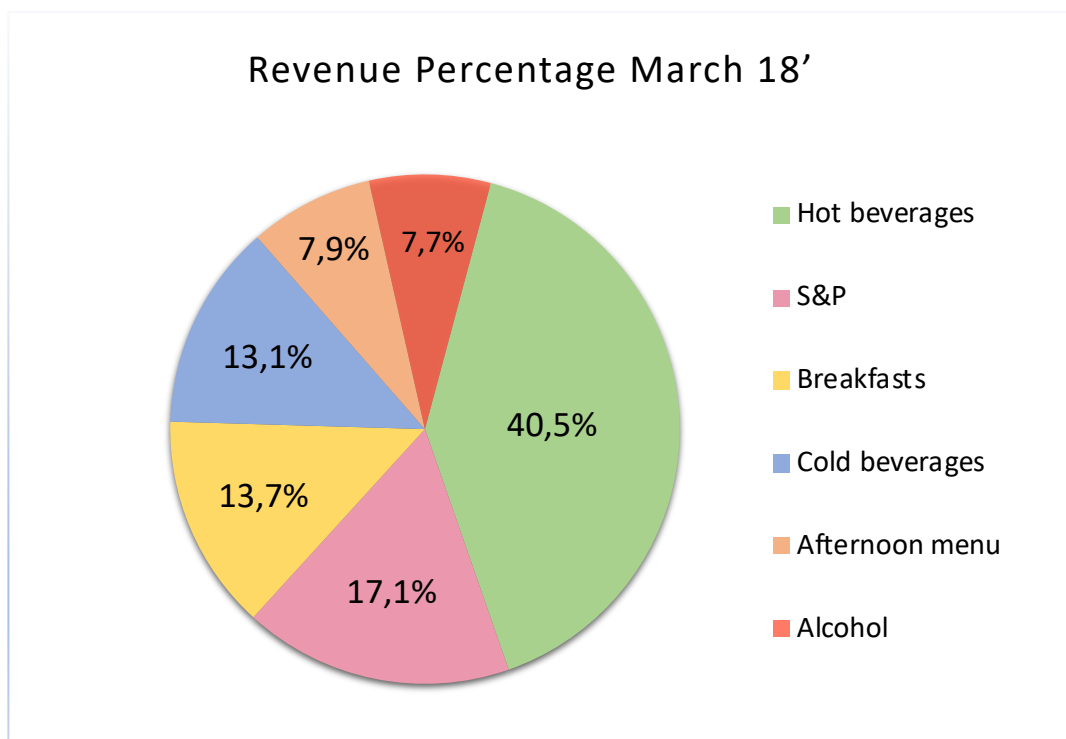


Source: Data from the company's cash register

March 2018 was the most significant month for our company, because in cooperation with one of Prague's most renowned chefs, we finally introduced a proper Afternoon a lá carte menu. However, this happened on March 22 and it didn't affect our revenues significantly. It took a few months until our customers fully discovered the quality of our meals.

Total quantity of products sold during March 18' was 16.746. We managed to sell 3126 S&Ps, creating **17,1%** of our total revenues. In March, Alcohol was our weakest category, with only 1483 drinks sold, this time it meant **7,7%** of our revenues. We also managed to sell the record number of 7417 Hot Beverages, **40,5%** of our revenues and number one category in terms of revenues generation. 2991 was the total number of Cold Beverages sold last March (**13,1%** of total revenues). 1101 Breakfasts was the all-time highest number and it brought us **13,7%** of total revenues. And finally, we saw a slight increase in the share of revenues, gained from the Afternoon Menu sales. 631 meals sold (**7,9%** of total monthly revenues). Our beverages-to-food ratio in March 18' ended up being 61,2:38,8.

Graph 3: Revenue Percentage March 2018

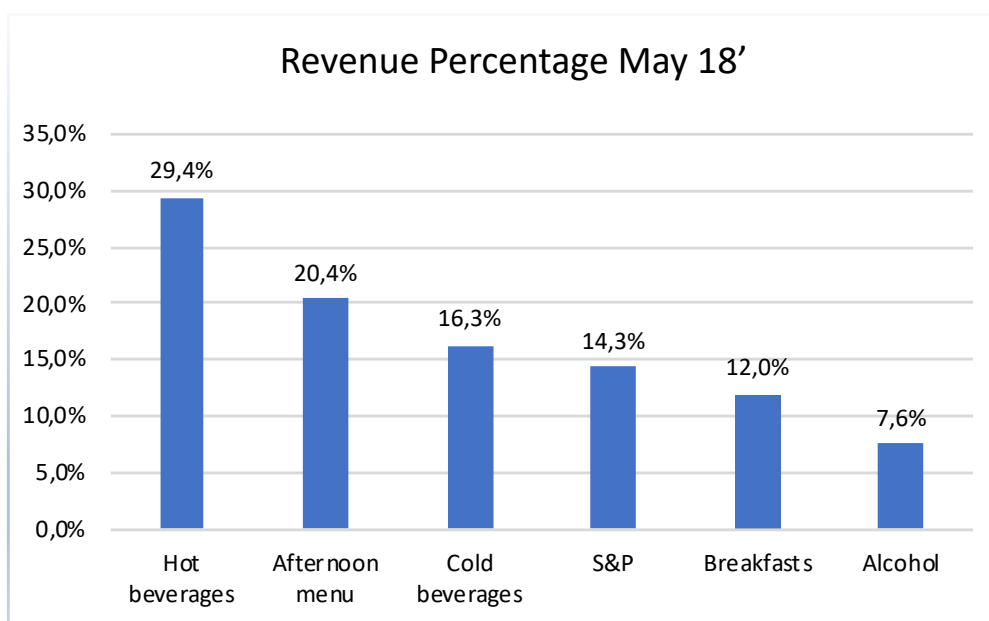


Source: Data from the company's cash register

Total quantity of products sold during May 18' was 14.499.

Sandwiches & Pastries made **14,3%** of our total revenues. We sold 2441 items, belonging to this group. Alcohol had a share of **7,6%**. This time, we managed to sell only 1205 alcoholic drinks. With weather getting nicer and nicer, share of Hot Beverages in our revenues decreased by eleven percent to **29,4%**. We sold 5248 hot drinks during May 18'. **16,3%** of our revenues came from the sale of Cold Beverages. This meant a significant increase in cold beverage sales (we sold 3435 cold beverages). 906 breakfasts sold in May were a kind of a disappointment for us, as the share of breakfasts in total revenues dropped to **12%**. What certainly didn't disappoint us were the sales of our Afternoon menu. The percentage increased to **20,4%**, the number of products sold increased to 1263. Our beverages-to-food ratio in May 18' ended up being 53,3:46,7.

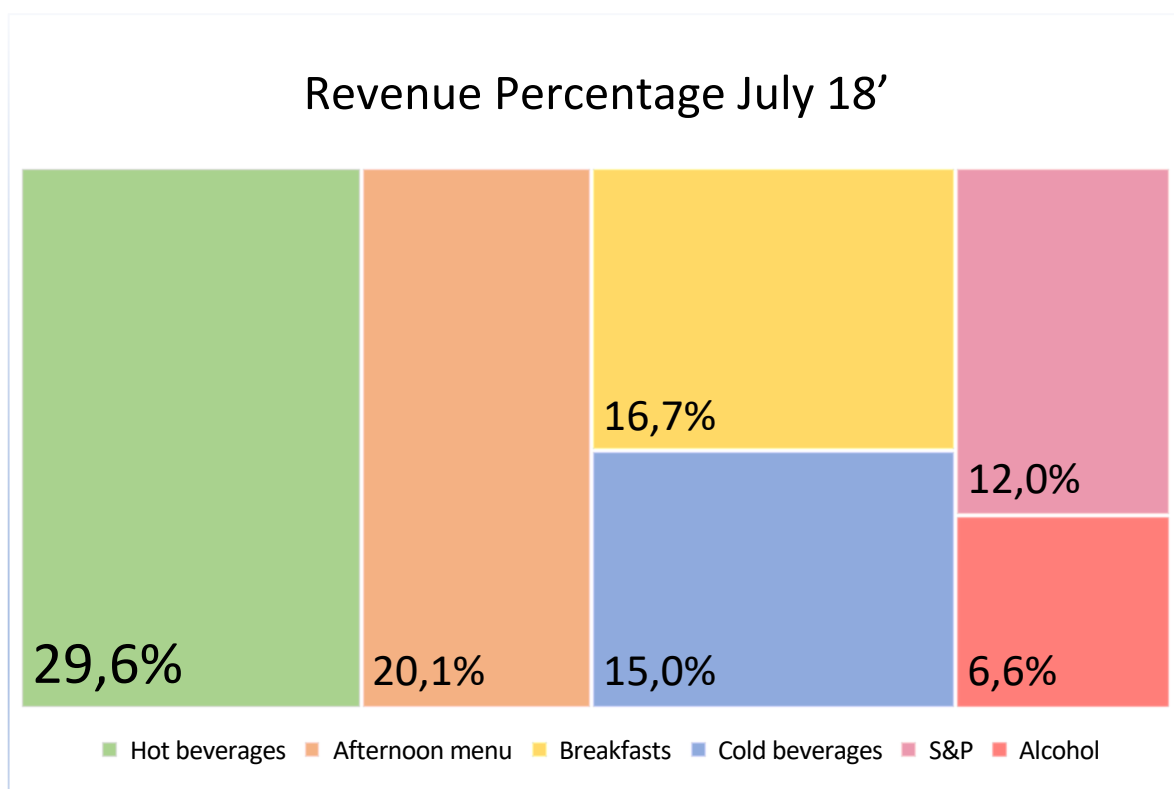
Graph 4: Revenue Percentage May 2018



Source: Data from the company's cash register

Total quantity of products sold during July 18' was 12.182. July 18' - in terms of revenues our weakest month by far, brought us the following numbers. The heat wave was pushing Prague to its' limits all month, while we sold 1852 S&Ps, 875 Alcoholic beverages, 4701 Hot Beverages (this time, not necessarily hot, Iced latte was our bestseller at the time, however we still recognized it as a type of coffee, not a lemonade. Therefore, it's categorized as a Hot Beverage), 2596 Cold Beverages, 1004 Breakfasts, and 1154 Afternoon-menu meals. S&P generated **12,0%** of our revenues. Alcohol generated **6,6%** of our revenues, Hot Beverages created **29,6%** of the company's revenues, Cold Beverages created **15,0%** of our revenues, Breakfasts generated **16,7%** of total revenues, and finally, Afternoon menu created **20,1%** of total revenues. Our beverages-to-food ratio in July 18' ended up being the closest in our history: 51,1:48,9.

Graph 5: Revenue Percentage July 2018

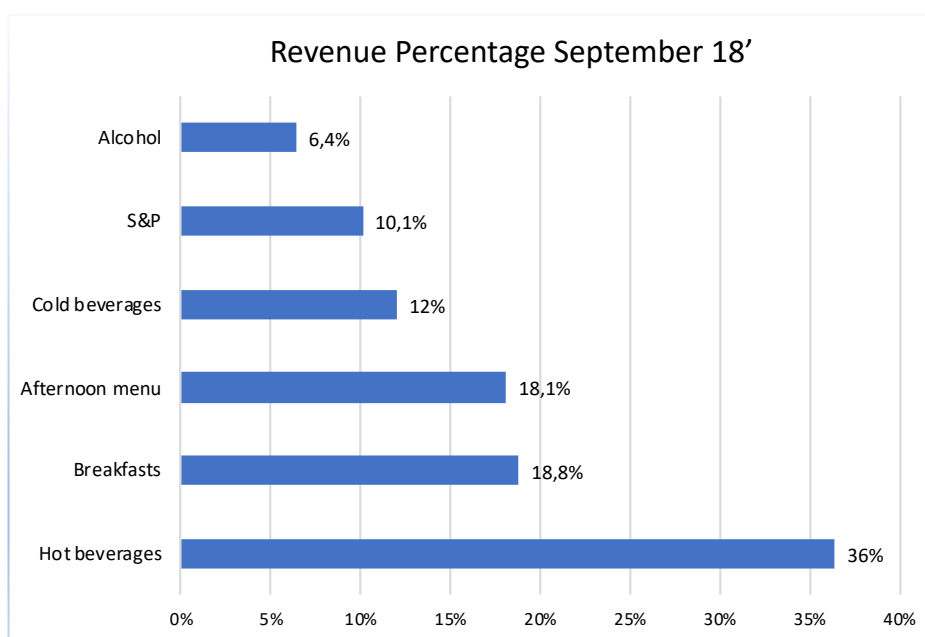


Source: Data from the company's cash register

After two months of lower revenues, our customers finally started coming back from their vacations in September. Our high season was about to start, and we were ready like never before. With our updated Breakfast and Afternoon menus, our chances of selling more food than ever were high. Total quantity of products sold during September 18' was 15.603.

Let's start with our Sandwiches & Pastries sales. This category made us **10,1%** of our total September revenues, as we sold 2795 S&Ps. Alcohol generated **6,4%** of total revenues (875 drinks sold). This number made us a little bit concerned, because alcohol sales in similar businesses tend to be higher than ours. However, right now it would be impossible for us to sell tap beer, as it would require one extra person for each shift to handle beer tapping. Our revenues from Cold Beverages started shrinking slowly (**12,0%** in September 18'), however, we expected this, as the outside temperature started getting lower. In total, we sold 2795 Cold Beverages. Autumn was coming. And the weather changes brought an instant increase of our Hot Beverages sales. 6624 Coffees, Teas and Hot Chocolates sold also meant **34,6%** of our revenues. Our second best-selling products category of September 18' was the Breakfasts category. It had generated **18,8%** of our total revenues, after 1184 items had been sold that month. Afternoon menu generated **18,1%** of total month's revenues and we managed to sell 1330 meals. Our beverages-to-food ratio in September 18' ended up being 53:47.

Graph 6: Revenue Percentage September 2018



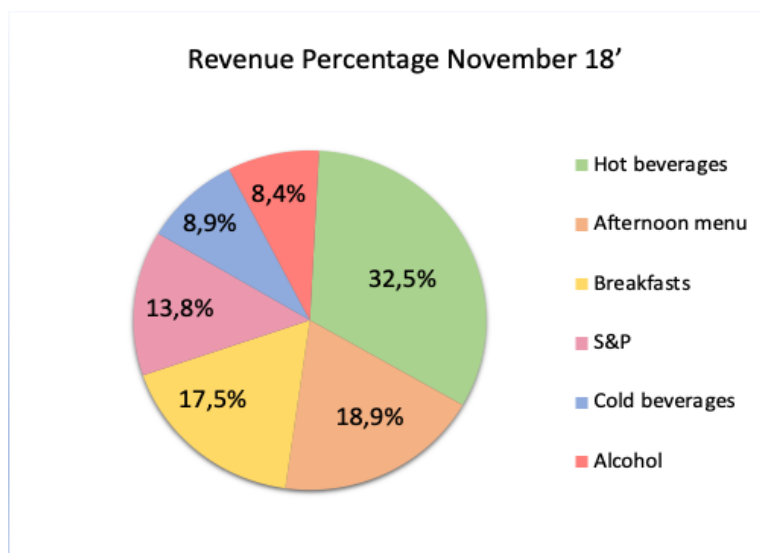
Source: Data from the company's cash register

The last month I'd like to analyze is November 2018. Last November was our strongest month of the year, in terms of revenues collection. There were a few special occasions which boosted our revenues, for example the St. Martin's Day and an Anniversary of Velvet Revolution, which is usually strongly celebrated nearby to our place. It is also a month in which we make the most of our caterings and private banquets.

Total quantity of products sold during November 18' was 20.343. First category of products – the Sandwiches & Pastries category had a share of **13,8%**. We sold 3447 S&Ps. Then comes the Alcohol, which generated an outstanding total of **8,4%**. Mainly because of the St. Martin's Day weekend, we sold 2131 of our alcoholic beverages (mainly wine, of course), however Alcohol still remained number 6 in terms of revenue generation. Sale of Cold Beverages created only **8,9%** of the café's revenues, after we managed to sell only 2834. Lemonades, Fresh Juices, and other products from our selection of Cold Drinks. **32,5%** of the company's monthly revenues were generated by sale of Hot Beverages, as we managed to sell an outstanding number of Coffee, Teas, and Hot Chocolates (8642). Breakfast sales were strong in November, creating **17,5%** of total monthly revenues (1396 breakfasts sold in November 18'). Afternoon menu was the second most important group of products for us in November 18', we managed to sell 1893 meals, and by doing so, we gained **18,9%** of our total month's revenues. Our beverages-to-food ratio in November 18' ended up being 49,8:50,2 for the first time.

November 18' was officially the first month in our company's history, during which we managed to sell more food than beverages.

Graph 7: Revenue Percentage November 2018



Source: Data from the company's cash register

In total, we sold 106,632 products during the months analyzed above. Quantity of Hot and Cold Beverages sold changed seasonally, whereas quantity of food sold changed, as more and more of our customers wanted to taste something from our cuisine, while the word started spreading.

Graph 8: Yearly Change of the Café's Revenues

Month	Hot beverages	Cold beverages	Alcohol	S&P	Breakfasts	Afternoon menu
January	44,5%	12,1%	6,7%	16,1%	14,7%	5,9%
March	40,5%	13,1%	7,7%	17,1%	13,7%	7,90%
May	29,4%	16,3%	7,6%	14,3%	12%	20,4%
July	29,6%	15,0%	6,6%	12%	16,7%	20,1%
September	36%	18,1%	6,4%	18,8%	12%	10,10%
November	32,5%	8,9%	8,4%	13,8%	17,5%	18,9%

Source: Data from the company's cash register

In the final table above, it is clearly visible how the Revenues Percentage changed over the past year. Quantity of products sold from our most important category, Hot Beverages, increased, however we managed to decrease our dependency on one product group by developing and then improving our Afternoon and Breakfast menus. By continuing with Food-Menu improvement, selling food could soon become our main source of revenues.

6 Pareto Analysis and Workflow Optimization

6.1 Pareto Analysis of Revenues

Pareto analysis of revenues should help our company to understand what groups of products generate the most money. I will now use the same categories as in previous analyses. That means I will analyze Hot beverages, Sandwiches and pastries, Cold beverages, Afternoon menu, Breakfasts, and Alcohol.

In total, I'm going to perform two Pareto analyses of revenues. The first one is for January 2018 and the second one is for July 2018. I have chosen to analyze January and July 18', because these are the months which had brought a lot of differences into our statistics. We had started our afternoon menu in March 2018. In January 2018, there was practically no Afternoon Menu. As the reader of this thesis might have noticed in chapter 5.2, the percentage of total revenues made from the sales of Afternoon menu had skyrocketed in July 2018.

The following table shows distribution of our company's costs between different groups which I have mentioned above.

Table 9: Categories of Revenues

		Revenue in CZK	Cumulative revenue	Percentage of revenue	Cumulative %
A	Hot beverages	568 042 Kč	568 042 Kč	44,5%	44,5%
A	Sandwiches and pastries	205 517 Kč	773 559 Kč	16,1%	60,6%
A	Breakfasts	187 646 Kč	961 205 Kč	14,7%	75,3%
B	Cold beverages	154 457 Kč	1 115 662 Kč	12,1%	87,4%
B	Alcohol	82 526 Kč	1 198 188 Kč	6,7%	94,1%
C	Afternoon menu	75 314 Kč	1 273 502 Kč	5,9%	100,0%
	total	1 273 502 Kč		100,00%	

Source: Data from company's cash register

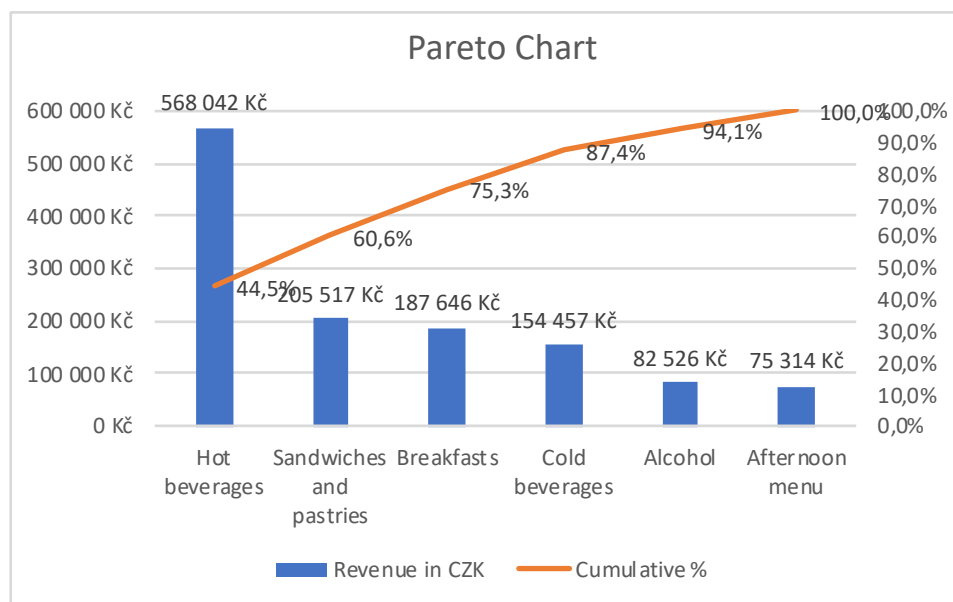
January 2018 - Group "A" had consists of hot beverages, sandwiches and pastries, and breakfasts. Group "A" is the most important group in terms of revenue creation. Total revenues of 961,205 CZK had been generated by sale of group "A" products.

The second most important group – group "B" consists of cold beverages and alcohol. Total revenues of 236,983 CZK had been generated by sale of group "B" products.

The least important group of products is the group “C”. Total revenues of just 75,314 CZK had been generated by sale of group “C” – afternoon menu products.

I will now reflect the results of Pareto analysis into the following graph.

Graph 9: Pareto Analysis of Revenues in January 2018



Source: Data from company's cash register

Exactly 75,3% of our total revenues in January 2018 had been generated by the sale of group “A” products. Another 18,8% of our total revenues in July 2018 had been generated by the sale of group “B” products. The remaining 5,9% of our total revenues in July 2018 had been generated by the sale of group “C” products.

To highlight the accomplishments, we had done by launching the average menu, I will now perform the second analysis. This time, the analysis will be done on July 2018 revenues.

Table 10: Categories of Revenues

		Revenue in CZK	Cumulative revenue	Percentage of revenue	Cumulative %
A	Hot beverages	397 738 Kč	397 738 Kč	29,6%	29,6%
A	Afternoon menu	270 086 Kč	667 824 Kč	20,1%	49,7%
A	Breakfasts	224 400 Kč	892 223 Kč	16,7%	66,4%
B	Cold Beverages	201 557 Kč	1 093 780 Kč	15,0%	81,4%
B	Sandwiches & Pastries	161 245 Kč	1 255 025 Kč	12,0%	93,4%
C	Alcohol	88 685 Kč	1 343 710 Kč	6,6%	100,0%
	total	1 343 710 Kč		100,00%	

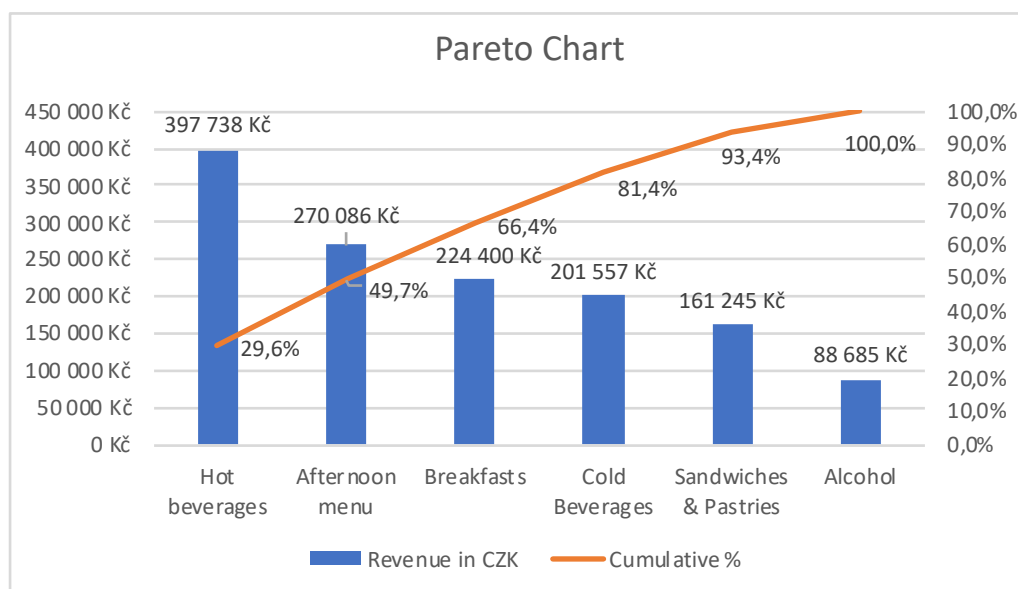
Source: Data from company's cash register

July 2018 - Group “A” consists of hot beverages, afternoon menu and breakfasts. Group “A” is the most important group in terms of revenue creation. Total revenues of 892,223 CZK had been generated by sale of group “A” products.

The second most important group – group “B” consists of cold beverages and sandwiches + pastries. Total revenues of 362,802 CZK had been generated by sale of group “B” products.

The least important group of products is the group “C”. Total revenues of 88.685 CZK had been generated by sale of group “C” products.

Graph 10: Pareto Analysis of Revenues in July 2018



Source: data from the cash register

Exactly 66,4% of our total revenues in July 2018 had been generated by the sale of group “A” products. Another 27% of our total revenues in July 2018 had been generated by the sale of group “B” products. The last 6,6% of our total revenues in July 2018 had been generated by the sale of group “C” products.

In conclusion, the Pareto analysis between January 2018 and July 2018 had changed dramatically. The implementation of a new afternoon menu had changed the composition of all of the groups I had analyzed in this chapter. This seems to be a good sign, because the afternoon menu is more profitable than for example sandwiches and pastries.

6.2 Pareto analysis of Costs

To analyze our company's costs, I have chosen the Pareto method analysis. The analysis should clearly show what are the highest expenses, and for which type of services could our company spend or invest more money. First of all, I will divide expenses into six different groups. All of the following numbers are for illustrative purposes only. For competitive reasons, I have used our real costs and multiplied them by a confidential coefficient.

1. Wages

In times of recession, the first expense managers are often trying to minimize is the cost of salaries. It is usually one of the highest expenses, every restaurant has to pay every month. During the previous two years, had to raise staff's wages by 21%, otherwise we wouldn't be able to compete with other restaurants.

There are five different types of wages that we pay to our employees - based on the type of contract they work under and also based on the type of work they do. Staff positions are divided to: operations manager, shift leaders, cooks, servers, and a cleaner. Our employees also receive different wages based on their contract. It means that full-time employees would have a different wage than part-time employees.

2. Raw materials

The raw materials group consists of food and drinks we have to buy from our suppliers in order to produce a finished product. Raw materials are divided based on their usage. We usually differentiate whether we're going to use those materials in the kitchen or behind the bar (for example to make a cappuccino). Among the inventory with highest turnover (the raw materials we purchase the most often) are lemonades, milk, coffee, cakes, fruits and vegetables.

3. Rent

Our café is located in the city center area where rents tend to be the highest. According to an analysis done by the Cushman & Wakefield consultant company, the average yearly rent for a square meter in the nearby street of Pařížská would approximately be 71,032 CZK.⁵² Our rent is much lower than this average, however it certainly isn't a negligible expense.

4. Services

Services expenses group consists of electricity charges, water and sewer charges, of heating charges in winter, and of air conditioning charges in summer. In 2018, we paid 4.243 CZK for 1 kilowatt-hour. In the same year, we also paid 87.39 CZK for a cubic meter of water.⁵³

5. Marketing

Our company's marketing expenses of 2018 originated in collaboration with influencers, we paid a third-party supplier of our social media content, we also paid for Facebook and Instagram promotion, as well as Google ads, ads on review sites, for one sponsored event (Mercedes-Benz Prague fashion week) and finally also for a small portion of newspaper and magazine ads.

6. Other costs

Other costs group is the last group of expenses which consists of every expense we paid apart from marketing, services, wages, rent, and raw materials. It could for example be the cost of thorough kitchen cleaning provided by a third-party supplier, flowers and decoration of our café, etc.

⁵² ANON. *CZECH REPUBLIC MAKES IT INTO THE TOP 20 WORLD'S MOST EXPENSIVE RETAIL STREETS FOR THE FIRST TIME. HONG KONG'S CAUSEWAY BAY RETURNS TO THE TOP.* Cushman & Wakefield [online]. 14.11.2018 [cit. 2019-04-26]. Retrieved from: <http://www.cushmanwakefield.cz/en-gb/news/2018/11/main-streets-across-the-world-2018>

⁵³ HAMALČÍKOVÁ, K. *Cena za kubík vody 2018: Velký přehled vodného a stočného ve 200 českých měst.* Elektrina.cz [online]. 17.1.2018 [cit. 2019-04-26]. Retrieved from: <https://www.elektrina.cz/kubik-vody-kolik-stoji-vodne-stocne-2018>

The following table shows the distribution of our company's costs between the groups mentioned above. Following data are taken from January, March, May, July, September, and November 2018. I have added our total costs from these months and made a monthly average, which is available in the table below.

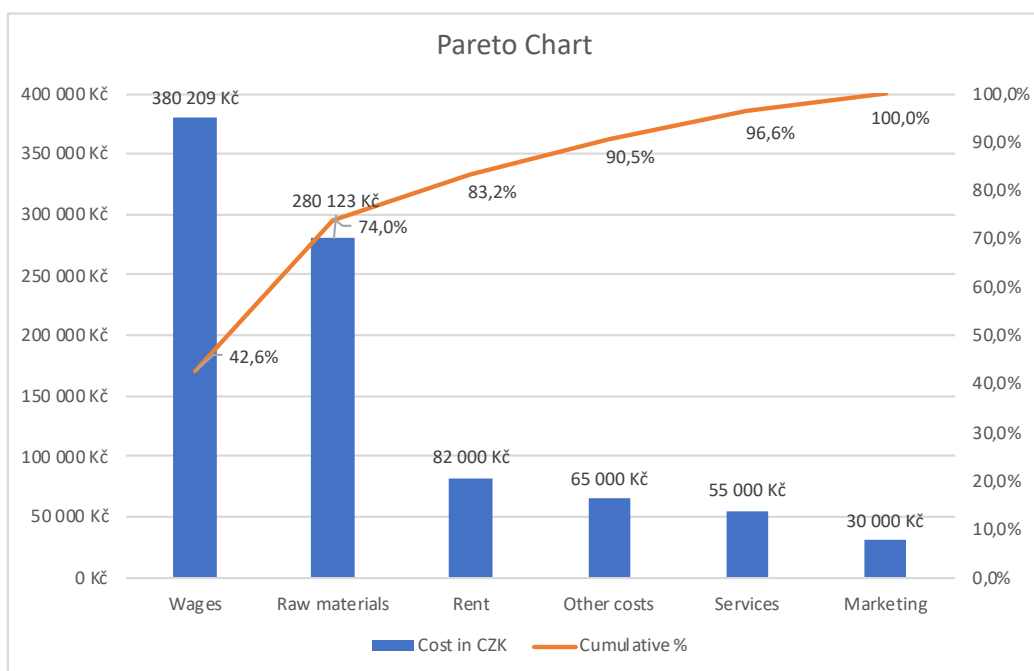
Table 11: Categories of Costs

Group	Group of expenses	Cost in CZK	Cumulative costs	Percentage of costs	Cumulative %
A	Wages	380 209 Kč	380 209 Kč	42,6%	42,6%
A	Raw materials	280 123 Kč	660 332 Kč	31,4%	74,0%
B	Rent	82 000 Kč	742 332 Kč	9,2%	83,2%
B	Other costs	65 000 Kč	807 332 Kč	7,3%	90,5%
C	Services	55 000 Kč	862 332 Kč	6,2%	96,6%
C	Marketing	30 000 Kč	892 332 Kč	3,4%	100,0%
	total	892 332 Kč		100%	

Source: Data from company's cash register

After dividing costs into 6 different categories, I will now proceed to the Pareto analysis itself. The analysis is represented by the following table and graph. I have calculated expenses that were made by our company in 2018, divided those expenses into six different groups, and finally calculated the **average monthly expenses**.

Graph 11: Pareto Analysis of Costs



Source: Data from company's cash register

From the graph above, it is evident that the "A" group consists of wage expenses, raw materials expenses, and the rent expense. Group A contains 72,4% of our average monthly expenses in the total amount of 660,000 CZK.

Group "B" is formed by two groups of expenses – the other costs and the rent expense. In average, we paid 85,000 CZK for other costs and rent per month. Therefore, group "B" represented about 20,5% of our total costs.

Finally, group "C" is formed by services and marketing expenses in the total amount of 65,000 CZK. This group made only about 7,1% of our expenses.

6.2 Staff Workflow Optimization

The previous chapter showed us that wages paid to employees form the largest expense of our company. There are a few possible ways how to reduce the cost. The first one would be hiring part-time employees instead of having 13 full-time employees. Another way how to reduce our cost of wages is finding a smart way how to organize different shifts and therefore keeping our employees as productive as possible.

Currently there are 13 full-time employees working for our company (I will leave our operating manager out, in our company's case, this analysis is only applicable to restaurant staff, such as servers, baristas, cooks and cleaners. In our company, we use the rotating shift schedule. Employees are divided into two groups. Group A works on Monday, Tuesday, Friday, Saturday, and Sunday, group B works on Wednesday and Thursday. The following week it works the opposite way (Wed, Thu for the group A, and Mon, Tue, Fri, Sat, Sun for the group B). This way, employees usually work 15 days a month. Shifts are usually 12 hours long (plus two 30-minute breaks). Every shift consists of one barista (a shift leader), three servers, two cooks, and one cleaner. The café is open Monday – Saturday, from 8 a.m. until 9 p.m., Sunday from 9 a.m. until 8 p.m.

Every day works the same. From the perspective of our **cooks**: they both come to work at 7 a.m. and they spend the first hour preparing the ingredients for breakfast and afternoon menus. One of them spends certain amount of time in the storage, because within the first hour, all of our suppliers arrive with fresh stocks. We usually serve breakfasts from 8 a.m. until 11:30 a.m., and afternoon meals from 11:30 a.m. until 19 p.m.. The last hour of cooks' workday is for them to clean the kitchen, to complete a shopping list for the next day, and to refill their fridges.

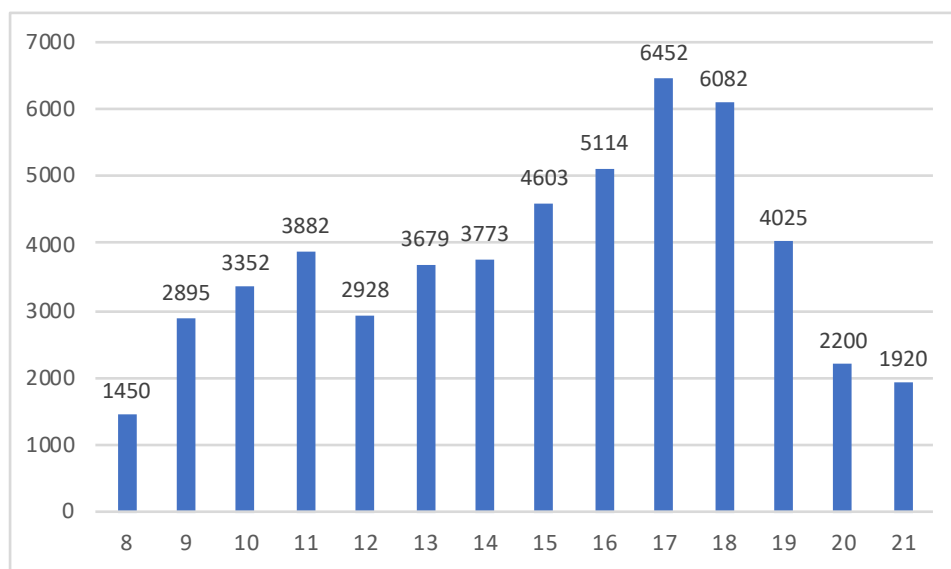
Barista comes to work at 7:30 a.m., prepare the café for opening, and stays until 8:30 p.m. He usually closes the coffee machine at 8 p.m. which leaves our café open for an hour without being able to serve coffee.

Servers are divided into two different groups, then ones which come and leave earlier, and the ones which come and leave later. One server comes to work at 7:30 a.m. together with barista and leaves the work at 8:30 p.m., again together with barista. The remaining two servers come to work at 8:30 a.m., and they leave at 9:30 p.m., after closing the café and counting daily revenues.

Our cleaner works from Monday to Friday from 10:30 a.m. until 21:30 p.m. During weekends, we usually have a part-time cleaner.

In order to optimize the staff working hours, we need to know how busy the café is during the day. Average revenues, divided into hours will help us to understand the whole situation. For the purpose of this analysis, I will now use our statistics from March 2018.

Graph 12: Average Revenues by Hours in CZK



Source: Data from the company's cash register

By checking statistics from our cash register, I have found out that our average revenues on Thursdays in March 2018 were 52,355 CZK. **The graph above shows that 85% of our revenues during our typical March 18' Thursday were made between 10 a.m. and 8 p.m.** Knowing this might help us decide how many of our servers should be present at work during different hours. For the purpose of salaries cost reduction, we would be able to build our shifts differently.

A barista and a server should come to work at 7:30 a.m., and leave at 8:30 p.m. This part of the shift should stay the same, however the second part should change. The second server should come to work at 8:30 a.m. so there is three personnel for the morning rush, and leave at 9:30 p.m. In this system, there would be no need for the 4th full-time worker, as a part-time worker could come to work at 1 p.m. and leave at 8 p.m. There is not so much work between 8 p.m. and 9 p.m. and one person + a cleaner is enough to handle the situation.

Salary expense per one full time server is 99 CZK (salary + health insurance and social insurance), whereas salary expense per one part-time server is only 92 CZK (the real numbers have been multiplied by a certain coefficient for competitive reasons). This could save our company up to 28,950 CZK per month, because this system is applicable to every workday.

From my personal experience, I would also recommend to change the working hours of our cooks. One cook could come to work at 7 a.m. and leave at 8 p.m., the second one could come at 8 a.m. and leave at 8 p.m. While doing so, cooks would still have enough time to prepare all of the ingredients and in addition we could let our customers order from the afternoon menu until 8 p.m., which would generate more profit, because there already is demand between our customers.

6.3 Recommendation for Further Improvements

From the previous chapters and analyses, it is evident, that the company is in a good shape. However, there is always something to be improved. Here is the list of recommendations.

Costs

Salaries expenses clearly post the greatest burden to our budget. By using workflow optimization, we would be able to save up to 28,950 CZK per month (applicable to March).

Switching the whole building to another electricity supplier would decrease our costs from 4.24 CZK down to 3.88 CZK and that would bring us a 0.36 CZK saving on every kwh we consume. By doing so, we could save up to 20,265 CZK per year just on electricity. And that is just a start. Our company needs to go through all expenses and to declare which are the expenses could be avoided.

Reducing the number of suppliers might save some working hours of our operating manager. And not only the operating manager, our cooks have to spend some time from their working hours by running into the warehouse every time any of the suppliers arrives with delivery of fresh stocks. If we obtained all of our raw materials from one or two suppliers, cooks would have more time for the actual work in the kitchen.

Revenues

By analyzing our revenues (see the chapter 5.1), we are now aware of remarkable differences between each month's revenues. Especially in summer, our company has always had problems with attracting customers, and tourists. It would be highly recommended to add any kind of outside seating and to promote it sufficiently. It is also important to find ways how to improve our marketing designated for tourists.

There is a nice unused inner courtyard within our building. We might contact the owners of the building and try to invest some money into revitalization of the courtyard. By doing so, we could add some extra outside seating, and we could also use the space for various food festivals, events, and blogger parties in order to promote our business. Food festivals are more and more popular and if promoted well, they could attract masses of people.

In the same building, there is also a gallery which hosts events for various companies, such as Mastercard, Erste group, and H&M. We should invest money into catering equipment and start providing caterings for such events ourselves. Getting a second-hand coffee machine, and some basic porcelain from Makro is not a major problem. Providing caterings could bring hundreds of thousands of extra revenues and especially in summer, when our revenues are the lowest, it could be a great idea to start wedding caterings.

There is also a possibility of making a second mini-café in the same building. The gallery on the third floor is large in size, and there would be enough room for setting up a pop-up café. This café inside-the-gallery kind of a concept could help us with extra capacity during busy days, because some of our potential customers fail to get a free table during extra busy days like Fridays, Saturdays and Sundays.

We might also invest some money into rebuilding large windows facing the main street. We have noticed that our nearby competition uses windows that could be opened from the inside, and therefore their customers obtain a feeling of sitting outside. This could compensate for our almost non-existing open terrace.

Hiring a firm that specializes in professional lighting of restaurants and shops might improve our summer revenues as well.

Marketing

By using Pareto analysis of costs, we have found out that only 2.5% of our total expenses are related to marketing. According to the U.S. Small Business Association, the number should be relatively higher. "The SBA recommends that small businesses allocate 7 to 8 percent of their expenses for marketing and advertising."⁵⁴ Our advertising spending should be around 80,000 CZK per month. That means it should increase by more than 50%. We should invest more money into promotion of quality coffee and food.

Our café is also lacking a good loyalty program. We only use the "fifth coffee is on us" system and that is not very efficient, however we should also consider adopting some of the 21st century technologies.

⁵⁴ BOYKIN, G. *What Percentage of Gross Revenue Should Be Used for Marketing & Advertising?*. Chron [online]. 1.3.2019 [cit. 2019-04-25]. Retrieved from: <https://smallbusiness.chron.com/percentage-gross-revenue-should-used-marketing-advertising-55928.html>

The whole building needs to improve branding. Many people often perceive the café as a posh place, judging from the location our business is located in and also by the design of the building our café is located in. However, our pricing is far from the “posh category”. We should decide whether we want to be seen as a posh place, and therefore adapt our pricing, or whether we want to be perceived as an affordable place in the middle of the touristy city centre.

Conclusion

The analyses included in this bachelor thesis have made us change some of our managerial approaches. Based on the staff workflow optimization analysis (chapter 6.2), we are going to change our shifts planning and we will try to test it this summer, since the café is not that busy during summer holidays. By doing so, we will have enough time to detect and fix some of the possible difficulties of the new shift system. We are going to change opening hours of our café, on Mondays, we will open earlier, because within the first hours, the café is not able to make enough revenues to cover the costs.

We will also concentrate on reduction of unnecessary costs. With the amount of raw materials our company buys from our suppliers, we will have a relatively strong position in price negotiations. Many of our suppliers are small companies, which are dependant on supplying busy restaurants like ours. We will try to negotiate lower prices and if they refuse to lower our prices, we will start seeking for new suppliers (of course the quality shouldn't reduce based on the price).

The main conclusion of this bachelor thesis is that we need to concentrate much more on marketing and correct budgeting. Our company hasn't had a proper marketing budget and our marketing mix hasn't been set up correctly. We will now concentrate on the following steps: 1. Setting a proper marketing budget, 2. Building a new marketing mix, 3. Trying to build better branding.

We will start concentrating on tourist marketing. Our operating manager will make a list of nearby hotels and we will print pamphlets, and distribute them between the hotels and local tour guides. We will have to include provisions for hotel concierges. The same tactic could work with local AirBnb hosts.

Our marketing targeted on locals (residents of Prague) will also change dramatically. We will start concentrating on holding various types of events in cooperation with bloggers and influencers. Building a stronger brand is one of the most important goals for our company. We have also decided to start intensively marketing the speciality coffee we sell. We will contact our coffee supplier and try to make a special edition of branded coffee for our customers.

Trend of eco-friendliness is on the rise, so we will concentrate on reducing waste produced by our restaurant. We will stop using single-use plastics, and start join the system of reusable coffee cups (the “Otoč kelímek” company connects café owners and provides reusable coffee cups to their customers in exchange for a small fee). After successfully improving our branding, we would like to start selling our own branded coffee cups, branded t-shirts and so on. Our company has been recently contacted by the “Trifft” app developers. This app provides a loyalty system for restaurants and it might help us to improve our loyalty reward system.

We will surely continue with completing analyses similar to those included in this thesis. By knowing how to analyze our sales statistics, we are now able to move our business forward to even better financial results.

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