

# ***Start and Run a Restaurant Business***

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# Contents

<b>Introduction</b>	xv
<b>Part I: Evaluating Your Dream</b>	1
<b>1 Before You Start</b>	5
1. The restaurateur as entrepreneur and entertainer	5
2. The menu	6
3. Trends	6
4. Types of restaurants	7
4.1 The gourmet- or fine-dining room	7
4.2 The family, mid-size, casual restaurant	8
4.3 The quick-service or fast-food restaurant	8
4.4 Social and contract caterers	9
<b>2 The Structure of Your Business</b>	11
1. The sole proprietorship	11
1.1 Advantages	11
1.2 Disadvantages	12
2. The partnership	12
2.1 Advantages	12
2.2 Disadvantages	13
3. The corporation	14
3.1 Advantages	14
3.2 Disadvantages	15
4. Franchising	15
5. Building your team	17

<b>3</b>	<b>The Business Plan: Feasibility Study</b>	19
1.	The business plan: An overview	19
2.	The feasibility study	21
2.1	Target area analysis	23
2.2	Population profile	23
2.3	Economic profile	24
2.4	Competition analysis	25
2.5	Industry and tourism profile	27
2.6	Cultural, recreational, and sporting events	27
2.7	The real estate marketplace	27
3.	Pre-opening marketing strategy	29
<b>4</b>	<b>The Financial Plan</b>	31
1.	The capital budget	32
1.1	Hard costs	32
1.2	Soft costs	35
2.	Investment plan	37
3.	Financial statements	38
3.1	The income statement	38
3.2	The break-even analysis	43
3.3	The balance sheet	44
3.4	The cash-flow analysis	44
4.	Resources	45
	<b>Part II: Start-Up</b>	47
<b>5</b>	<b>Start-Up Practicalities</b>	51
1.	Naming your restaurant	51
1.1	Your own tastes	51
1.2	Marketing implications	51
1.3	Copyright	52
2.	Registering your business	52
2.1	In the United States	52
2.2	In Canada	53
3.	Trademarks	53

4.	Obtaining licenses and permits	53
5.	Insurance	54
<b>6</b>	<b>Choosing Your Restaurant's Location</b>	<b>57</b>
1.	Finding the fit	57
2.	Downtown versus suburban	58
2.1	Suburban	58
2.2	Downtown/City	59
3.	Freestanding versus mall location	59
4.	Zoning	60
5.	Leasing versus purchasing	60
<b>7</b>	<b>Design and Renovation</b>	<b>65</b>
1.	Building your dream	65
2.	What designers can do for you	66
3.	Design	66
4.	Décor	67
5.	Designing without a designer	68
6.	A word about renovation	69
<b>8</b>	<b>Equipment and Furnishings</b>	<b>71</b>
1.	Equipment	71
1.1	Sourcing equipment	72
1.2	New versus used equipment	72
1.3	Buy versus lease equipment	73
1.4	Kitchen equipment	73
1.5	Front-of-the-house equipment	74
2.	Furnishings	75
2.1	Tables	75
2.2	Chairs	75
2.3	Other furnishings	78
2.4	Kitchen/bar small wares	78
2.5	Dinnerware (china, flatware, glassware, linen)	79
<b>9</b>	<b>Your Employees</b>	<b>85</b>
1.	Job analysis, job description, and job specifications	85
2.	Recruitment	86

3.	Selection	88
4.	Orientation and training	91
5.	Policy and procedure manuals	91
6.	Reward and discipline	95
7.	Performance appraisals	95
8.	Pay scales	96
9.	Management communications	96
9.1	Log books and incident and accident reports	96
9.2	Managers' meetings	100
<b>Part III: Managing Your Operation</b>		<b>103</b>
<b>10</b>	<b>Your Menu</b>	<b>107</b>
1.	Types of menus	107
2.	Menu pricing	108
3.	Menu design and development	109
4.	Developing a wine list	112
4.1	Wine pricing	113
4.2	Designing your wine list	113
4.3	Resource guide	115
<b>11</b>	<b>The Art of Service</b>	<b>117</b>
1.	Keeping customers satisfied	117
2.	Service styles	118
3.	Front-of-the-house considerations	119
4.	Dealing with difficult customers	120
<b>12</b>	<b>Marketing</b>	<b>123</b>
1.	Ongoing marketing strategies	124
1.1	Advertising	124
1.2	Sales	126
1.3	Merchandising	126
1.4	Public relations	127
1.5	Promotions	127
2.	Professionals, and what they have to offer	128
2.1	Sourcing the pros	129

3.	Building your marketing base	130
3.1	A loyal customer is free advertising	130
3.2	The role of service in marketing	132
4.	Increasing sales by using the five “Ps” of marketing	132
4.1	Product	133
4.2	Place	133
4.3	People	133
4.4	Price	133
4.5	Promotions	133
5.	The restaurant critic: Friend or foe?	134
6.	Web opportunities	134
<b>13</b>	<b>Cost Control</b>	<b>137</b>
1.	Keep control systems simple	137
2.	Standard recipes	140
3.	Standard purchase specifications	143
4.	Supplier selection	143
5.	Purchasing	144
6.	Par stocks	146
7.	Receiving	146
8.	Storage	147
9.	Perpetual inventories	148
10.	Issuing	151
11.	Service area control	151
12.	Cash control	153
12.1	Cashing out	153
12.2	Daily sales reconciliation	154
12.3	Floats	154
13.	Till procedures	157
13.1	Pulling the till	157
13.2	Spotters	158
13.3	Skims	158
13.4	Counterfeit money	158

<b>14 Bars and Pubs</b>	159
1. Responsible service of alcohol	160
2. Handling difficult situations	160
3. Bar service and products	162
3.1 Bar service	162
3.2 Bar products	162
4. Bar equipment and small wares	164
4.1 Bar equipment	164
4.2 Small wares	165
4.3 Disposable goods	166
4.4 Bar condiments and juices	166
4.5 Garnishes	166
5. Glassware	166
6. Control Systems	167
6.1 Mechanical controls	168
7. Entertainment	169
8. Advertising and Promotion	170
8.1 Advertising	170
8.2 Promotional strategies	171
8.3 Public relations	173
<b>Conclusion</b>	177
<b>Bibliography</b>	179
<b>Checklists</b>	
1 Business plan checklist	22
2 Market feasibility study checklist	28
3 POS system	76
4 Hiring/interview checklist	90
5 Orientation procedures	92
6 Floor training checklist	93
7 Analyze your readiness to start and run your restaurant or bar	175

## **Samples**

1	Construction budget cost summary	34
2	Equipment list (Generic)	36
3	Income statement	39
4	Kitchen small wares	80
5	Job description	87
6	Job specifications	88
7	Job ad	89
8	Performance appraisal	97
9	Meeting agenda	101
10	Standard recipe	141
11	Food cost form	142
12	Purchase order	145
13	Inventory	149
14	Perpetual inventory/bin card	150
15	Server cash-out sheet	155
16	Bartender's summary	156

## **Worksheet**

1	Competition analysis	26
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# *Chapter 1*

## **BEFORE YOU START**



Starting a restaurant involves many decisions. A prospective restaurateur must consider both the concept and the business aspect of his or her new venture. This chapter briefly highlights some important areas to think about before developing your plan for your new operation.

### **1. *The Restaurateur as Entrepreneur and Entertainer***

The successful restaurateur is a combination of entrepreneur (or businessperson) and entertainer (at times, even a magician). Your success depends on your ability to entertain your customer in your personalized theater. A restaurant or pub is simply a retail business

that has been decorated and staffed to fit a specific production, as in a theater. Your menu is your script, your employees are your players, and your ability to balance finances determines the success or failure of your season. Predicting which of the latest trends will keep your customers coming back when there are so many restaurants competing for their time and money is theater at its best. Your customers act on a daily basis as your critics, and you are wise to listen carefully to their comments. Survey your customers while they are dining in your operation; often they will provide you with valuable tips on ways to improve your operation. You can trust plates returning from customer tables, and even the garbage can be an indicator of success or failure. If customers are dissatisfied with their meal and tell you, you have a chance to make

corrections and keep them as patrons. Continue to operate without making changes and you run the risk not only of losing your loyal customers, but also of them telling their friends about their negative experience with your establishment.

## 2. The Menu

The menu is the most important document you will ever prepare. The following are only a few of the reasons your menu is crucial to your success:

- ☞ It describes your dream to your potential customers.
- ☞ It highly influences your location selection and marketing plan.
- ☞ It clearly influences your décor plan.
- ☞ It influences the design and layout of your kitchen and restaurant.
- ☞ It determines who your customers will be and influences your employee selection.
- ☞ It is a starting point for developing your pro forma income statement.

Everything, including your choice of partners and staff, is built around your choice of menu items.

If, for instance, your specialty will be the best Buffalo wings in town, your menu then necessitates a deep-fat fryer, an exhaust system, and a fire-extinguishing system in your kitchen. A casual décor usually complements such a menu, and your restaurant should be located near a family population base. Your employees' skill level will be less important than it would be if you have a more sophisticated menu. You will probably have a fast

turnover of customers and a low check average. One simple decision influences a great deal of your dream.

Before you look for partners to invest in your operation, prepare a draft menu for discussion. Place items on that menu only if they are within your personal capacity to prepare. Co-author Brian Cooper, in all his years of operating his own restaurants, only put items on a menu that in a pinch — or in a snowstorm or whenever his cook gave him an ultimatum — he could prepare himself until a replacement could be hired and trained.

(For more about menus, see Chapter 10, "Your Menu.")

## 3. Trends

It is important for you to differentiate between trends and fads. At the time of writing this book, there has been a trend toward light and healthy foods and away from deep-fried foods and heavy sauces. These trends take years to develop, and some will become part of the food culture for decades. Many restaurants, however, have bucked these trends, to their great success. On the one hand, your ability to anticipate or initiate these trends will lead you to fame and fortune. Fads, on the other hand, are short term and disappear quickly once they saturate the market or when the public tires of them. The current fad of sandwich wraps in quick-service restaurants may or may not become a trend, depending on customer support. It is critical to recognize whether your new idea is a trend-setter or merely a fad that will come and go within a season.

The restaurant business is constantly looking for new ways to draw in customers, and is

therefore always changing and evolving with the trends of the day. For example, today's customer would not be impressed with the "nouveau cuisine" offerings of the 1980s. Fusion was the word in the 1990s, when we saw a strong Asian influence blending with North American or Californian cuisine. This decade took multiculturalism from the streets and neighborhoods to the table. This movement is still reflected in today's menu offerings, and customers are demanding true ethnic cuisines and indigenous ingredients. They are clamoring for authentic food that represents its country's fare and flavors. Malaysian, Vietnamese, and Taiwanese menus are growing more popular than before as this trend increases.

Another trend that continues to grow as our population ages is "heart smart" menu offerings. Health food is no longer an alternative cuisine, offered only in "veggie" restaurants. Customers are demanding menu choices that are not only delicious, but are also low in both saturated fat and cholesterol and are healthy. Organic foods are now becoming mainstream as more people demand that food producers and those preparing foods act responsibly.

We have also seen a shift in where the food is prepared. The trend has been to take the kitchen out of the back of the house and bring it to center stage. Chefs are now celebrities, and the customer wants to be part of the action, often sitting at tables in full view of the kitchen. To be successful in this industry you will have to be continually prepared to grow, stay current with your clientele, and have fun!

## **4. Types of Restaurants**

There are dozens of restaurant concepts from which you can choose in planning your dream.

It is unlikely that any one concept will meet all the goals you have in mind, but try choosing the one from those mentioned below that most closely describes your operation and work with it throughout this guide. We have purposely limited the kinds of restaurants discussed here to a few general types, but with careful research, experience, and a lot of perspiration — and even some luck — you will develop a unique style of operation that fits your vision and strengths.

### **4.1 The gourmet- or fine-dining room**

This restaurant is best described as a formal dining room, usually with tablecloths and linen napkins (hence the term "white-tablecloth operation," which is sometimes used to describe this sort of restaurant). These restaurants were often found in hotels, where the higher costs of operating can be absorbed into a larger operating budget. The prices tend to be high; the customer turnover, low.

The entire meal is a performance event that can take several hours. Location is not usually the key to the restaurant's success, since customers will often go out of their way to come to such a destination restaurant. Service is provided by a well-trained wait staff professional, who is skilled in building a high guest check. The wait staff are, in effect, commissioned salespeople paid a gratuity based on a percentage of the total bill presented at the end of the performance. The ability to merchandise that profitable appetizer, the second cocktail or bottle of fine wine, that sinfully rich dessert, specialty coffee, or after-dinner beverage will turn a fine meal into a profitable feast. The artistic features are provided by a well-known chef, who leaves his or her imprint on the restaurant's menu.

Care must be taken so that when your chef leaves, you don't lose your clientele to his or her new location.

We do not recommend that you choose a fine-dining concept for your first venture into the restaurant industry, unless you have had extensive hands-on experience, in both the front and back of the house, in several well-run fine-dining operations. In most cases these restaurants are chef driven, and the chef would have some ownership. Costs are very high. These establishments rely heavily on the business-expense-account and special-occasion diners, and a visit to such a restaurant often serves the customer as an evening's entertainment.

#### **4.2 *The family, mid-size, casual restaurant (also known as the bistro or grill)***

These restaurants lend themselves to owner operation and will rely on the local population for support. There has been a growth in the number of this kind of restaurant, as people eat out more frequently due to longer working hours, dual-career families, and higher incomes. Providing food and service at a family restaurant doesn't require as much of a performance on the part of you and your staff as the fine-dining experience would, but you will want to get to know your customers personally and make them feel at home.

Family restaurants share characteristics with both the quick-service restaurant (discussed below) and the fine-dining restaurant (discussed above). You will need to design a menu that aids the customers in quickly making choices from a list of profitable items, assisted by a friendly and helpful server, who again is a commissioned salesperson. Usually

you want to encourage adults to order alcoholic beverages and family members to order highly profitable desserts. At the same time, you do not want to make your guests so comfortable that they will stay so long as to prevent you from re-using the table for enthusiastic waiting guests.

Your challenge is to find ways to distinguish your concept from the similar operations in your marketplace. Here is where the design, ambiance, and quality of both food and service can be used to do just that. The owner's personality can be an important factor in making this difference.

#### **4.3 *The quick-service or fast-food restaurant***

This style of restaurant usually features paper napkins and little or no service. The food is often purchased frozen and fully prepared so that the menu items can be quickly cooked and served. The skill level of the cooks will be minimal, and therefore the labor costs can be kept down. The average checks are much lower than in other types of restaurants, and revenue must be generated by high turnover. The style of service is minimal so that a fast turnover of customers will be possible. Most quick-service restaurants feature take-out and/or delivery.

Here, location is key to success. Locating even a donut or bagel shop on the wrong side of the street or highway can doom an otherwise excellent concept.

Specialization in a quick-service restaurant is important. You want to present a small, targeted menu that encourages customers to make up their minds, eat, and vacate the premises as quickly as possible, making way

for new, eagerly waiting clients. Many fast-service restaurants fail because of the addition of unneeded and unprofitable items that are not compatible with the original concept.

#### **4.4 Social and contract caterers**

Although not dealt with specifically in this book, social and contract caterers are a major part of the restaurant industry. Whether located in a small or large hotel, a school, a hospital, or a retirement home, they form part of a fast-growing industry. Many family, quick-service, and fine-dining restaurants find that adding home, wedding, or business catering allows them finally to be profitable. In the slow periods between breakfast, lunch, and dinner, highly skilled and expensive employees

are underused. Preparing for a large catering contract provides additional, much-needed revenue, and also provides management and staff with variety in their daily routine.

One of Brian Cooper's most successful restaurant friends had a business located in a large office tower. He found that catering to office parties and boardrooms became the most successful and profitable part of his business. Another friend found that preparing specialty (take-home) meals and featuring them in a local supermarket became so successful that a separate facility was needed to produce sufficient take-home items. In a situation like this one, however, you must always take care that the supermarket doesn't decide that it can open its own deli and cut you out.