

## So You Want To Open a Restaurant ?

Everyone at one time or another has wanted to open a restaurant at some point in their life. We all have a passion for food and an even greater passion for eating. Food and eating are synonymous with entertainment. Everyone wants to show people their own recipes and see how people will react to them. We want to put on a show for people and get paid for it in the process. The natural progression is to bring those recipes and that flair to the paying public. This can only mean one thing - Opening your own restaurant. As wonderful as this idea is, there are some real world considerations to take into account, before you jump in and take the plunge.

Many people have the experience of working in a restaurant or bar and think that is enough to know to open their own business. Well to be honest with you, it is not. While it is priceless knowledge to have, it does not prepare you for the actual opening of a business, including legal documentation, incorporation, lease or purchase negotiations, equipment purchasing, concept and design, insurance, staffing, food purveyors, advertising and public relations and more.

It is these details that no employer is willing to show their employees especially the hourly line worker. This knowledge must be gained on your own. It is also these details that will put you that much further ahead of the competition and make opening your own restaurant that much more pleasurable and profitable.

Owning a foodservice establishment is great fun but also great work, there is much risk but also much reward. You will face the highest highs and also lots of lows but in the end, if all goes well, it can be extremely

financially and emotionally rewarding.

**1. What is your concept?** Simply because you are reading this you probably have a concept in mind - a corner pizzeria - an Irish pub - an upscale Brazilian Steakhouse - a down-home BBQ joint - a trendy lounge with a celebrity clientele, a Neighborhood Bistro with American Regional cuisine - these are all completely different yet equally viable concepts. Almost any idea can be a successful concept if it is thought through and executed properly.

**2. How much money do you really have?** This means how much liquid cash you personally have access to. This means savings accounts, checking accounts, CD's, bonds, mutual funds, inheritance, generous family and friends, mattress money and even grandma's piggy bank.

If you do not have enough money on your own, you will probably need a loan, so establish a good relationship with a bank. Generally smaller banks are better banks to deal with, because they are usually friendlier to small businesses. Set up a business checking account with them and try to get them to commit to a line of credit for your business that you can borrow against if you have to. A bank may not give you all the funding that you require, but they may be willing to give you a certain amount. Unfortunately, banks are not very willing to lend money to an upstart restaurant. That is the nature of the beast.

Unless you have this money yourself, and are not afraid to spend it, or are lucky enough to get a loan, you might have to consider taking on an equity partner who can provide additional

financing. This is how most restaurant ventures are capitalized. Just be sure that your potential partners have the same goals in mind that you do. If you do decide to have partners, have your partnership agreement drawn up by a competent attorney. Be sure to detail all of the duties of each partner and how much they are putting into the venture and how potential profits will be allocated. A partnership agreement should leave nothing out. Make sure it defines the roles of spouses and the potential death of a partner. Most importantly, define the exit strategies of your partners and yourself. Make sure it is well defined how one should leave the partnership if it is to dissolve.

### **3. Do you have a team together?**

One of the most essential aspects to opening your restaurant is your 'team' of support personnel. This team is comprised of lawyers, real estate agents, architects/designers, construction team, accountants, chefs and working partners.

### **4. Did you form a corporation yet?**

Before you lay out one dollar of your hard earned money for anything, it is well advised to have your attorney form a corporation to operate under. Forming a corporation will give you personal legal protection against lawsuits. In addition, forming a corporation gives legitimacy to your business.

### **5. A commercial bank account.**

Once you have your corporation formed, you will want to open a commercial bank account. You will need your corporate ID number to get this type of account. Any local bank will be able to offer you commercial services but it is often desirable to use the bank where you do your personal banking if you have a good relationship with your banker.

If you have approached a bank for a loan to start the business you will almost always want to bank with them as they will generally look more favorably on someone they are doing a regular ongoing business with. If you have already opened your account with a bank, and not gotten a loan, it may be easier if you have your commercial account already set up. Remember the more business you bring to the bank, the more they can and will do for you.

### **6. Selecting a location.**

As the old saying goes, "The most important thing in business is LOCATION, LOCATION, LOCATION." Truer words have never been spoken. How many times have you seen a restaurant with lousy food and food and lousy service be a booming success, just because they have a great location? Furthermore, more often than not, you will find fabulous restaurants with great food, outstanding service and a great concept, fail miserably, because they were hampered by a bad location. The best way to find good locations are by driving around, looking in the local papers and by working with a competent commercial realtor who has experience with restaurants. In addition, there are restaurant business brokers listed in the yellow pages under restaurants. Some other things to consider when selecting a location are whether or not it is a tourist area with only sporadic seasonal traffic. If this is the case, you must consider what you will do when the tourists leave. Will there be enough business to sustain you for the rest of the year? Furthermore, your restaurant will be subject to weather and holiday fluctuations. Restaurants are affected by the

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winter holiday season, summer vacations, spring break, tax time, Mother's day, Valentines day, sporting events, political events, New Years Eve and many other unknowns that will surprise you and always keep you guessing. What defines a great location differs from area to area. There are a few factors that generally define a winning location no matter what area or concept you have. They are as follows:

- Locate near a dense population.
- Easy access from the street.
- Adequate amounts of parking spaces.
- Access to gas hookups and 220 volt electric capacity.
- Good street visibility and signage.
- Near other complimentary businesses.
- Population and Demographics.
- How many other restaurants are near the location?
- Can you afford the location you desire?
- Is the location allowed by the town to be a restaurant?
- Is the landlord amiable to a restaurant?

**7. Do I rent or buy?** Once you have found a suitable location, you must determine if the space is for sale or for lease. If you have the money and the opportunity to buy the building, in most cases it is highly recommended that you purchase the location. In the long run, it is always better to own the real estate. This will obviously be much more expensive in the short term, but it will give you a much better chance to have a successful business in the long run. Banks will be more willing to lend money for a real estate purchase than for a restaurant start-up, so do not be afraid to pursue the sale of a building if it is available.

The most common option for securing a location is to lease space from a landlord. Most locations in shopping

centers, strip malls and downtown in cities are leased locations. Rarely do these types of real estate come up for sale and when they do they are usually very expensive. However, don't be fooled into thinking that it will be easy to lease a good space just because there is a sign on a window that says, "Space For Rent." It may be for rent, but you soon find out there are many strings attached.

**8. How do I go about building and construction?** Once you have secured a location, you can now start on the long journey to building your dream. This will require a construction team, architects, designers, equipment suppliers, permits, variances and lots of sweat equity.

Before one hammer is taken out of a tool belt, you should have a firm idea of what your concept will be from the concept, menu items, color palette, equipment and furnishings. In order to start the process, get a floor plan drawing of the current layout of the space. Take some time and lay out where things will go such as the kitchen, dining room, storage area, office, restroom and prep area. If it was an existing restaurant that had a good layout previously, then you are ahead of the game. The space may just need some minor cosmetic changes to the layout to suit your needs.

**9. What equipment do I need / where do I get it?** Now that you have your plans finalized and your construction team working, you are going to have to start buying your equipment. Every restaurant has different needs as far as equipment goes. For example, an ice cream scoop shop may not have a need for a pasta maker and a pizza restaurant probably won't need a soft ice cream

machine.

In addition to the concept, the size of your kitchen will determine what type and size equipment you will need. No matter what style of food you serve, some items are a necessity for every restaurant. These include storage shelving, stainless steel prep tables, 3 compartment wash sinks, refrigerators and freezers. These and many other items come in a variety of sizes and styles and one or the other may be the best for your layout. For example stoves come in everything from one single burner up to 16 burner ranges. The preparation of your menu and size of your kitchen will work hand in hand to ultimately dictate what you need.

Restaurant equipment can not be purchased at most home appliance stores. You will need to find a restaurant supply house that deals in commercial equipment. Most of these supply stores will have an in house designer who will look at your building and your menu to help you narrow down your equipment needs. If you are inexperienced in this type of specification, work with this designer as they can save you lots of headaches in the long run. You may also attend auctions, ebay or other sellers to find what you need.

**10. Where do I buy food and goods?** Shopping for your daily supplies for a restaurant is an ongoing challenge of prices, selection, delivery and efficiency. It is not cost effective to shop for the supplies that you need at your local supermarket. The quantity that you will need just won't be available and it will most likely be more expensive if you had to shop at a supermarket for your supplies. Look in your yellow pages

for restaurant supply houses, wholesale produce, meat, dairy and dry goods suppliers. Set up a meeting with one of their sales representatives and see what services and prices they offer. Be sure to ask about minimum order requirements and delivery charges. You may be using a few different suppliers for different goods. Don't be afraid to ask for a better price on items, because if you don't ask, they won't offer it. If you buy in mass quantities, you may be able to get a discount as well. In addition, find out if there is a cash and carry restaurant supply in your area. These supply houses can be cost effective ways to find exactly what you need. It is a good thing to have a utility truck or van for picking up supplies as most items will be packed in bulk form and won't fit in a car. Even if the supply house is miles away, it is a wise idea to familiarize yourself with how to get there and what items they carry.

**11. Hiring employees.** At the same time as you are working on your construction and menu you must think about hiring employees. If you have never had employees of your own be prepared, they may be your best asset but also the source of your worst headaches. To accurately assess how many people you will need, break down all of the functions which must be accomplished and then figure out who will do these tasks. For example starting at the front of the house you may need one or more of each of the following:

- Hostess' or maitre'd
- Waiters and waitresses

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- Bartender
- Coat check person
- Bussers
- Porters
- Food runners
- Chefs / cooks
- Prep or Sous chefs
- Dishwasher
- Manager

Hiring the right people is absolutely crucial to make your business successful, and it is much easier if you get along with the people you hire. You may place an ad in the local paper and schedule personal interviews with the potential employees. You can assess a lot in a short time and make a determination if a person will be a good fit on your team. Many human resources problems can be solved at the hiring door so learn how to deal with people.

## 12. Am I a friend of the town?

This may seem like a strange question, but it is an important one that can factor into the success of your operation as a whole. Being a "friend of the town" means being active in the community's business affairs, as well as being social to all other local businesses, supporting the local police and fire departments and supporting a charitable town cause or two. Even though town officials and committees are supposed to be non partial, they can be very one sided and picky when it comes to new businesses.

A difficult town planning board has more power than you may realize. They can be the final deciding factor as to your décor, parking, hours of operation and even signage and name. It is a wise decision to be extra friendly to anyone who serves

on the planning boards or local officials of your chosen community. In addition, it is always wise to make a small donation to the local police and fire departments. They can be your best customers and some of your best word of mouth advertising. Furthermore, police officers and firemen and other civil servants are generally some of the nicest people you will come across.

**13. Opening the doors.** When everything is finished and the construction crews have gone home, the permits are on the wall, the kitchen is ready to roll and the employees are ready to take orders, take a deep breath and congratulate yourself, because you are almost ready. There are just a few more things to do before you open those doors to the all knowing and judgmental people that we call customers. First of all, there are a few questions that you must ask yourself.

- *Will you have enough supplies to last the first few opening days?*
- *Do you have enough cash in the register in order to make change?*
- *Do you have all your banking in order, and are you set up to take credit cards?*
- *Do you have your proper permits displayed such as health, Tax ID, town permits?*
- *Do you have extra employees on staff for the first few days?*
- *Do your employees have their proper uniforms?*
- *Is your kitchen staff familiar with the recipes and can they take multiple orders?*
- *Have you invited the local press?*
- *Do you have some background music and lighting to create ambience?*
- *Are you ready for a long night?*

*A full 55 page startup guide with financials and much more detailed information may be purchased for \$25 by emailing the author at [Chrisharamis@aol.com](mailto:Chrisharamis@aol.com) or calling 973-872-1880.*