How To Start A Restaurant – The Basics

Starting a new or acquiring an existing restaurant is an enormous undertaking. There are several steps you must take in order to begin the venture, and to have a successful opening. Months and months of careful planning are essential.

Defining the Restaurant Concept

The restaurant concept or theme is essentially the image you want to convey to the public. But before you can even begin the process you must decide on the concept. During the early stages, some of the specifics of the restaurant concept will be tentative. However, once you have identified a potential location and worked through some of the financial and operational issues, you may need to make modification to the concept. Nevertheless, it is still necessary to develop a working idea of the restaurant concept so that you can begin determining the requirements for starting the operation.

Many of the decisions that must be made when starting a restaurant will be driven by your initial decision about the restaurant's concept. Defining the concept includes determining the operations:

1.Menu

2. Atmosphere

3. Prices

4. Target customers

The Menu

Although the concept is more than just the food served to most observers, the menu is the shortcut way to describe

the concept. It certainly is the most important element to consider when developing a potential restaurant's concept.

At the early stages, it is not necessary to determine a precise menu or recipes, however, a general idea of the menu is necessary so that the restaurateur can evaluate the following:

1. Potential competitors. The number of restaurants offering similar menus will be an important aspect of selecting a location.

2. Sources of supply. This is especially important if the proposed menu requires special or hard to find ingredients.

How To Start A Restaurant – The Basics

3. Equipment or layout requirements. Kitchen equipment needs will vary depending on the concept. For example, the equipment required to serve Mexican food differs substantially from the requirements of a steakhouse.

4. Special personnel skills. Some menu items must be prepared by specially skilled kitchen personnel.

The Atmosphere

A restaurant's atmosphere, such as formal or casual, is another important element of the overall concept that must be considered when making start-up decisions. Some of the issues related to atmosphere include:

1. Design elements. Typically, atmosphere is reflected throughout a restaurant by its furnishings, china, glassware, servers' uniforms, and menu style. Accordingly, the atmosphere may dictate the type and expense of various items.

2. Special personnel skills. In some cases, the atmosphere may dictate that employees with special skills must be hired. For example, you may need special servers to serve some items that require table side preparation.

In most cases, the specific decisions relating to restaurant atmosphere, such as furniture or china purchases, can be deferred until after the site is selected. However, the intended design of the operation may have a bearing when considering the suitability of a potential site, which we will discuss later.

Prices

A restaurant's price structure is affected by its menu and its atmosphere. Generally, however, specific prices are not considered until the restaurant has established the final menu.

Target Customers

A restaurant's choices in menu, atmosphere, and prices are generally made with the objective of attracting a specific type of customer, such as young families, young professionals, or senior citizens.

Other factors related to concept include:

Level of service.

a. Full table service restaurants, in which servers are employed to take and deliver orders.

b. No table service restaurants, which do not employ servers. In these establishments customers place and pick up their own orders, and often bus their own tables.

The planned level of service will affect the decisions made in starting a restaurant in the following area.

How To Start A Restaurant – The Basics

a. Restaurant layout. When selecting a site, the level of service will affect the way the restaurant is configured.

b. Staffing levels. The level of service will affect the number and type of employees hired.

Menu Range

In most cases, a restaurant offering a full range of menu items will require a much larger kitchen area to prepare all of the items. It is important to determine if the kitchen and storeroom areas are adequate for the planned menu range.

Determining a Location

One of the most important steps in starting a restaurant is selecting a proper location. Determining a location is much more than just signing a lease. Extensive search must be done to identify your potential customers, employees and your competitors. What considerations should you be looking for in a site? I believe the four to be:

1. Customer base

2. Competition

3. Personnel availability

4. Site characteristics

Customer Base

The area in which a restaurant can draw its customers will vary greatly. Many people will travel a great distance to eat at a restaurant that is a local institution, whereas a lunch operation in an office building may only draw customers from an area no bigger than a city block. When evaluating the customer base, although it is important to understand the total number of people in an area, it is even more important to identify the number of potential customers.

Temporary Population

Potential customers include both full-time residents and the temporary population. The temporary population is made up of people who live elsewhere and visit, or work, in the area. This can be an important source of restaurant customers. However, it is important to note the source of the temporary population. Office workers, rather than factory workers are typically a better source of customers. Check with the local chamber of commerce; most likely they can provide you with data to help you quantify the size and nature of temporary populations.

The more that is known about the potential customers, the better chance there is of establishing a restaurant that will appeal to a larger audience. This can be done by analyzing census and other data available online or from the local chambers of commerce. Observation of the traffic patterns at other restaurants in the area can also help in identifying potential customers.

How To Start A Restaurant – The Basics

Restaurant Statistics

Each year, restaurant business magazines publish statistics that indicate the potential of restaurants in various major metropolitan areas. The two statistical measures are the restaurant activity index and the restaurant growth index.

a. Restaurant Activity Index (RAI). This measures the tendency of the population in the area to eat out. An RAI of 100 means that the willingness to eat out is the same as the national average. An RAI of less than 100 indicates a less than average tendency to eat out.

b. Restaurant Growth Index (RGI). This measures the relationship of restaurant supply and demand. An RGI of 100 indicates an adequate number of restaurants relative to demand. An RGI of less than 100 is a situation where supply exceeds demand. Conversely, an RGI greater than 100 indicates that the area could support additional restaurants.

One major problem with these statistics is that they encompass entire metropolitan areas. They are not particularly useful when trying to determine a specific neighborhood location. Therefore, it is sometimes necessary to conduct some informal research to gauge the potential of a new restaurant in a specific area.

One of the most effective ways to evaluate the potential for a new restaurant site is to consider the competition. Since it is unlikely that existing owners or managers will talk about their operation to a potential competitor, you must accomplish this task by observation. This involves:

a. Identifying all the restaurants in the immediate area and estimating the total number of seats.

b. Identifying the "like competitors" (i.e., those restaurants identified in "a.") that have a similar menu prices, concepts, or target audiences.

c. Narrowing the like competitors down to five restaurants that are considered to be direct competition. This is usually done based on one or more of the following factors:

Reputation

Similarity of concepts

Similarity of menu prices

Proximity to the proposed location.

How To Start A Restaurant – The Basics

You will also need to document the following information for each direct competitor you identify:

a. Concept

b. If liquor is sold

c. Menu price range

d. Distance from proposed location

e. Visibility compared to proposed location

f. Accessibility compared to proposed location

g. Hours

h. Observed percentage of capacity at: 1) Breakfast, 2) Lunch and 3) Dinner

Generally, the most effective way to obtain this information is by visiting each of the identified competitors.

Personnel Availability

An owner considering an additional or new operation should ensure that there is a sufficient number of willing workers available. In many locations, this is not a major consideration since there will be many people who are willing to work in restaurants. However, in some parts of the country, restaurant workers are in very short supply.

Site Characteristics

Once you have determined that the area you have selected has enough potential customers to be successful, the first step is to evaluate the proposed site. Site selection cannot be overemphasized. Countless restaurants have failed because of unsuitable locations. Two of the most important aspects of selecting a site are:

a. Visibility. In short, being able to see the restaurant will motivate many potential customers to try it. This is especially important when starting a new operation. A restaurant located in an out-of-the-way location loses a ready source of free advertising in its visibility to pedestrians and motorists passing by.

b. Accessibility. Although visibility is an important aspect of developing public interest in a restaurant, its accessibility will often determine if the customer actually dines there. Although customers may be able to see a restaurant, they may not even try to get there if access appears difficult.

Visibility and accessibility are usually considered together. The following are some factors to consider when evaluating a potential site's visibility and accessibility.

How To Start A Restaurant – The Basics

a. Convenience. This is the measure of the site's proximity to potential customers. Some of these sources

include:

1. Residential areas.

2. Shopping centers.

3. Educational facilities.

4. Recreational areas.

5. Central business district.

6. Industrial centers.

7. Mass transportation stops.

8. Freeway exits.

b. Traffic Count. This is primarily a measure of visibility that involves measuring the number of pedestrians and cars that pass by the site. The speed of passing cars should also be considered. Unless the restaurant is visible for some distance, driving by at speeds greater than 35 to 40 miles per hour may not be able to react in time to actually stop at the restaurant (although this can be overcome by having easy access and strategic placement of advertisements).

In addition to location, the physical design (physical attributes) of the site should also be evaluated. This includes:

a. Physical suitability. The physical layout of the site must be suitable for the envisioned restaurant concept. If another unit of an existing concept is being opened, it is preferable to have the new unit the same size and configuration as the other units. This helps lower the costs of finishing out the space, since many of the design decisions and specifications can be carried over from previous experience.

b. Parking facilities. Adequate parking facilities are an important consideration for almost all restaurants. Unless you are locating a restaurant downtown, adequate parking should be available for both customers and employees.

c. Adequacy of utilities. The ability to obtain electric, gas, water, and waste disposal services is also important.

d. Municipal services. The adequacy of police and fire protection, as well as sanitation services, must be considered. These services have an effect on the restaurant's ability to attract customers and employees and may also affect the restaurant's insurance rates.

e. Zoning considerations. Although appropriate zoning is a concern for any business, restaurants may face additional requirements. This is especially true if the restaurant plans to serve liquor.

Once a site for a new restaurant has been selected, the restaurateur must determine how to secure its use. For most new restaurants, this will entail the negotiation and execution of a lease. A commercial real estate lease will probably be the single largest legal and financial commitment that a restaurant will have. Since restaurateurs do not often have the knowledge or the bargaining leverage necessary to ensure that the best possible lease terms are obtained, they usually need good legal and business advice.

The following are some of the more important features of a lease agreement:

a. Term. The length of the lease should be consistent with the plans and objectives of the new restaurant.

b. Flexibility. The following questions may be asked to determine whether the lease provides the restaurateur with the necessary flexibility.

1. What are the renewal provisions?

2. If additional space is not available when needed, and relocation is necessary, can the tenant sublease?

3. If subleasing is allowed, are there any restrictions?

c. Cost. A gross lease excludes taxes, insurance, and repairs while a net lease passes some or all of these expenses to a tenant. If escalation clauses are included in the contract, the lessee should have a through understanding of how increases are calculated. It should also be clear who pays for improvements and what aspects of the cost are negotiable.

d. Tenant common expenses. When space is rented in locations where common areas are shared with other tenants, such as in shopping centers and malls, each tenant is often responsible for a portion of common expenses. These costs can be significant and should be carefully considered.

e. Exposures. Two major exposures that usually can be mitigated to some degree are (1) the risk of bankruptcy or insolvency on the part of the landlord and (2) the risk of rental to undesirable tenants at the same location. Financial condition of the landlord generally can be verified and then a relatively narrow limit on undesirable tenants (e.g., competitors or unsavory businesses) can be negotiated.

The high failure rate experienced by new restaurants means that, in most parts of the country, there are usually a number of vacant restaurants available for lease. Many failed restaurant locations are reopened by new owners who think they can succeed with their own concept. However, all too often, the new operator fails because the negatives of the location can't be overcome. Available locations, often fully equipped, presents an opportunity to the careful operator. The following are some of the advantages and disadvantages of converting a vacant restaurant into a new one.

How To Start A Restaurant – The Basics

Advantages:

• Rent concessions.

In many cases, landlords are willing to offer attractive rates to another restaurant to occupy the empty space.

• Fixtures and equipment.

Often, the proposed site includes a fully equipped kitchen as well as the fixtures in the dining area. At the very least, the site will usually have a useable floor plan in place for food preparation and serving. This can be beneficial because the less work that a new operator has to do to prepare the site, the lower the start-up costs will be.

• Reducing potential competition.

The possibility of rent concessions and the availability of an equipped site may lure potential competitors who might not otherwise have the financial resources to open a restaurant. Therefore, leasing a former restaurant site may improve a restaurateur's changes of success by keeping out one more competitor.

Disadvantages:

• Suspect location.

The reason that the restaurant site is available may be that the location was so suspect and its chances of success were crippled from the start. Occupying such a site should be done with great caution. The owner choosing to do so should develop a plan of action for overcoming the location problems. Some tactics might include marketing, more visible signs, valet parking, and increased security. A full demographic study should be completed before signing the lease. It has been my experience that visibility and access plays an important role in the chances of success for any restaurant.

• Public memory.

Some restaurants fail because the food or the service is especially bad. In some extreme cases, incidents of food poisoning or health code violations may have caused the operation's failure. The public tends to remember such incidents and may regard any successor operation with suspicion. A poor public perception may be very difficult, if not impossible to overcome. In order to change public perception you will be required to allocate a considerable amount of funds toward local store marketing.

• Design difficulties.

Sometimes a restaurant fails due to flaws in the restaurant's design; causing higher than necessary labor costs to cook and serve meals. A restaurant looking to convert an existing site should be carefulnot to inherit someone else's problems. Also, a restaurant design that is suitable for one concept may

not be suitable for another. For example, the preparation areas of an oriental restaurant will have a substantially different layout than those of a steak house. Therefore, it is important that a restaurateur consider how the existing layout can be adapted to the planned concept. I would recommend calling in a design consultant to analyze what layout changes would be necessary.

Restaurant Fixtures and Equipment

Whether an existing restaurant is purchased, or a new operation takes over a previously occupied space, some or all of the fixtures and equipment may be offered for sale to the new owner. Regardless of the concept, many of the fixtures and equipment found in a typical restaurant are common to all restaurants. For example, some concepts may require that a certain style of furniture be used or that the kitchen include certain specialized equipment. But the need for much of the higher cost kitchen equipment, such as refrigerators, freezers, and stoves, is common to virtually all restaurants. Ordinarily, the new operator should evaluate the suitability of the fixtures and equipment by:

a. Obtaining (or compiling) a complete list of the available furniture and equipment.

b. Noting the age and condition of each item.

c. Identifying any equipment that is unusable or unsuitable for the new operation.

d. Determining if any of the fixtures and equipment is leased.

Starting a new restaurant is not cheap. In fact, the cost of building and outfitting a free-standing, full service restaurant can easily exceed $1.50 million (not including land costs).

Converting an existing restaurant site, therefore, can result in large savings. However, you should approach any conversion with caution. There are reasons why restaurants fail, and understanding those reasons is critical. With this in mind, taking on a former restaurant site may not be a good bargain if the costs of overcoming the flaws are too high.

Operating Considerations

There are literally dozens of steps that must be completed after deciding on the restaurant concept and determining where to locate it, before it is ready to open. These considerations are divided into the following categories:

a. Administrative matters.

b. Accounting and control systems.

c. Marketing and promotion.

d. Purchasing and inventory.

How To Start A Restaurant – The Basics

e. Hiring personnel.

f. Fixed asset acquisition.

Adopting an Operating Plan…

The time from the original decision to open a restaurant to the actual opening can stretch for many months. Failure to consider a step early enough in the process could impact the success of the opening. For example, in some cases, a liquor license may only be obtained after negotiations with the local municipality which can last for several months.

If the application is not started in time, the operations may not have a liquor license in place by opening day. Accordingly, it is imperative that the restaurateur adopt a plan that includes a timetable to ensure that the operation's opening is successful.

<u>Administrative Matters.</u>

Like any start-up business, a new restaurant must address a variety of administrative matters. Some of the more important issues include:

a. Restaurant name.

b. Form of entity.

c. Permits and licenses.

d. Insurance coverage.

The restaurant name. In most cases, the restaurant name is determined when the restaurateur decides on the restaurant concept. However, before ordering signs and menus, the owner should register the name and determine that no other entity has the rights to that name. A restaurant that inadvertently uses a name that has been reserved by another entity could be forced to incur the expense of changing signs, menus, and any other feature in the restaurant that carried that name. Also, any marketing efforts that focused on building name recognition for the restaurant would be wasted if the name is changed. Trade names are generally registered with the state agency that handles incorporations. In most cases, an attorney should be consulted to register the name.

Form of entity. The owner will also have to consider the advantages and disadvantages of the various forms of entity that can be chosen. Restaurants typically choose one of the following forms of entity:

a. Proprietorship

b. General partnership

c. Limited partnership

d. Corporation (either S corporation or C corporation)

How To Start A Restaurant – The Basics

Once the form of entity is decided, the restaurant can apply for the identification numbers, including the Employers Identification Number (EIN) from the Internal Revenue Service. The restaurant must also obtain certain permits and licenses that are unique to their operations including:

a. Health permit

b. Liquor license

c. Music copyright license.

The requirements for health permits vary substantially between jurisdictions, with some areas being stricter than others. Virtually all health permits are granted only after the restaurant passes a health inspection. Therefore, it is important to understand the local requirements early in the process to ensure that any planned kitchen or dining room configuration will be in accordance with the local health department rules. The local restaurant association can often provide information about required permits and licenses.

A word about music copyrights. If the restaurant plans to play live or recorded music (including music played on a iPod), it must obtain a copyright license from the appropriate music licensing agency. The two primary agencies are the American Society of Composers, Authors & Publishers (ASCAP) and Broadcast Music, Inc. (BMI).

Insurance Coverage. Restaurants typically have a significant amount invested in their facilities. Accordingly, the restaurateur should arrange for appropriate insurance coverage. Some of the common coverage includes:

a. Liquor liability.

b. General liability.

c. Worker's compensation.

d. Fire.

e. Business interruption.

f. Burglary.

g. Glass breakage.

h. Contents.

i. Sprinkler damage.

j. Key person.

How To Start A Restaurant – The Basics

k. Fidelity.

l. Employee benefits (life, health, disability).

This step is typically accomplished by consulting with the restaurant's insurance agent.

<u>Accounting and Control Systems</u>

A restaurateur can expect to incur substantial costs as part of preparing a restaurant for opening. Accordingly, it is important to establish an accounting and control system early in the process to ensure that expenses are properly tracked. Establishing an account system includes the following steps:

a) Adopt a chart of accounts and general ledger.

b) Establish banking relationships and cash handling procedures.

c) Designate persons responsible for cashier function.

d) Adopt a weekly profit and loss report and other forms.

e) Assign responsibility for preparation of reports.

Adopt a Chart of Accounts and General Ledger. What must be decided is whether or not the restaurant will employ a bookkeeper to maintain the ledger and accounting records. Many restaurants choose to have their CPA write up the monthly transactions and update the ledger.

Establish Banking Relationships and Cash Handling Procedures. While the restaurant is preparing for opening, it will be necessary to pay contractors and other parties, such as suppliers and employees involved in the remodeling. Therefore, most restaurateurs will establish a banking relationship early in the start-up process.

Designate Persons Responsible for Cashier Function. It will be necessary to make certain cash disbursements as the start-up phase progresses. In many cases, the owner personally writes those checks. In other cases, especially if the owner is not always present, he or she may delegate the authority to pay start-up expenses. Although the restaurant has not opened, the restaurant should determine how the cashier function will be handled. A restaurant can have a central cashier or have a server that acts as a cashier. That decision may affect the restaurant's layout and personnel hiring decisions.

Adopt Weekly Profit and Loss Report and Other Forms. Although it is not strictly necessary to adopt a weekly profit and loss format until the restaurant is ready to open, a restaurateur should have an idea of the type of information that he or she wants from such a form before the point of sale system is ordered.

Assign Responsibility for Preparation of Reports. Although preparation of the weekly profit and loss report (and its

related forms) will not occur until after the restaurant has opened, the owner should decide who will be responsible for preparing the various reports prior to opening. By assigning this responsibility early, the owner is able to establish the work flow for information, and determine if the restaurant's information needs will impact the level of staff needed or the type of point of sales system to install.

<u>Marketing and Promotion</u>

Some strategies that you may want to consider is the opening of a new restaurant include:

a. Print Advertising.

b. Radio and TV advertising.

c. Direct mail.

d. Neighborhood fliers.

e. Coupon programs.

f. Public relations.

g. Special banners and signs on the restaurant.

h. Special meals or promotions.

i. Pre-opening meals served for selected parties (such as charitable groups or reporters).

j. Social Media

The level of promotion that will be necessary to publicize a newly-opened restaurant will depend, to a large extent, on the restaurant's location and its reputation. A restaurant that is located on a corner at the intersection of two busy

streets may only need to place a "Now Open" banner on the building to attract customers. Similarly, an established restaurant that is opening at another location will not need to work as hard at name recognition, since the operation's name is familiar with the dinning public. A restaurant that is not well known or well located will have to develop a budget and marketing plan to alert the public to the fact that the restaurant is now open.

Once the site has been determined, the restaurateur should evaluate the menu and determine its effect on purchasing and inventory requirements. This usually requires that you:

a. Finalized the menu.

b. Establish a recipe file.

c. Price the menu.

d. Place initial food and beverage orders.

Finalize the menu. Typically, when determining the restaurant concept, the preliminary menu is confined to the entrees that the proposed operation plans to serve. For example, a steak house concept might formulate a preliminary menu based on the types of steaks to be served and the planned cooking method. As the restaurant prepares for opening, it is necessary to round out the preliminary menu by deciding on the specifics of the menu, including:

a) Appetizers

b) Salads

c) Entrees

d) Desserts

e) Non-alcoholic beverages

f) Beer, wine, and liquor selections

Once the menu is finalized, the restaurateur can develop the recipes that will be used for each item.

Establish a Recipe File. A recipe file is an important part of establishing portion standards. As you prepare for the opening, one of the most important tasks is to develop recipes for each menu item. Generally, there are a variety of different ways to prepare a menu item. The chef often goes through a process of testing and refining recipes until he or she settles on the recipe that will be included in the file. Obviously, the primary objective of the testing phase is to develop a recipe that will taste good to the public. However, there are two other important objectives.

a) Develop preparation standards. A recipe will not be suitable if it cannot be prepared efficiently in the kitchen. Therefore, for that reason the chef should set standards for the length of time needed to prepare the entrée. For example, a restaurant might set a standard of 4 minutes to prepare a lunch item and 12 minutes to prepare a dinner item. By setting a preparation standard, the chef can identify overly complex recipes that require simplification. If the revised item cannot meet the preparation standard, it should be dropped from the menu.

b) Develop portion standards. Once the recipe if finalized, portion standards can be developed. Setting standard portions permits you to accurately price the menu and determine initial inventory needs.

The bar manager should also develop a recipe file for all alcoholic beverages included in the bar menu.

Purchasing and Inventory

How To Start A Restaurant – The Basics

The process of pricing the menu is no different for a start-up restaurant than for an established operation. The restaurateur determines the portion cost of each item, and calculates the menu price using one of the approved methods for menu pricing. Unlike an established restaurant, a start-up operator will have no direct knowledge of the target customers' price resistance, and runs a risk of setting its menu prices too high. In such a situation, the initial patrons may not come back, and additionally, they may complain about the prices to their friends. However, if the start-up restaurant's menu prices are in line with the prices of near-by restaurants, price resistance is generally not a major problem.

Once you have established the prices, the menus can be ordered. Depending on the style selected, printing a menu can take up to two months. Accordingly, you should take printing time into account to ensure your menus are ready for opening day.

In most start-up situation you should consider the amount of inventory needed for pre-opening testing. The preopening testing phase allows the kitchen staff and the servers to work together in ordering, preparing and delivering actual meals. It is an important part of preparing a restaurant for opening because this phase often identifies bottlenecks or rough spots in the operation that require fixing or fine tuning before opening day.

Pre-opening testing can also be made a part of the marketing and promotion program by inviting parties, such as newspaper reporters or charitable organizations, to the restaurant. However, if the public is served as part of the preopening phase, all business and health permits should be in order.

Make sure you complete a physical inventory of all food and beverage inventories on the night before the restaurant opens. Doing so provides a starting point that allows you to track food costs accurately from day one.

Hiring Personnel

Although the basic considerations for hiring restaurant employees in a start-up situation are the same as for established operations, the task is complicated by the fact that an entire staff must be hires at once. The steps that are typically followed when initially hiring personnel include:

a. Identify required staffing levels.

b. Develop procedures to ensure that:

• Job application process is in accordance with the ADA

• Forms I-9 are obtained for all employees.

c. Develop job descriptions for all employees.

d. Develop a job application form.

e. Develop personnel policies and adopt a pay scale for all positions.

How To Start A Restaurant – The Basics

f. Place ads and signs to inform potential employees that the restaurant is hiring.

g. Interview and select employees.

h. Schedule training and orientation sessions before opening date.

i. Prepare the schedule for opening week.

Required Staffing Levels

Staffing levels can be efficiently determined using the Labor Staffing Chart, which provides a pictorial representation of the restaurant's personnel needs. One difficulty facing a manager completing this form for a start-up operation is that he or she will have to guess as to which days or periods will be busy or slow. Accordingly, the initial decision about staffing levels should be monitored and corrected, if necessary, after the restaurant opens.

You should also consider the need to hire a few employees to help with setting up the restaurant. One or two employees hired two to four weeks prior to opening can often be helpful in performing tasks such as:

a. Setting up the store room and bar area.

b. Cleaning and testing equipment.

c. Storing china, glassware, silverware, and linen.

Training and Orientation

In an established restaurant, a new employee can be quickly trained and oriented by pairing him or her up with an experienced employee who can show the new employee the restaurant's procedures. In a start-up situation, on the other hand, it is necessary to initially train all employees before the restaurant opens. Some of the difficulty in the initial training phase can be overcome in hiring employees with previous restaurant experience. Employees with prior experience understand their basic job, (i.e., server, cook, etc.) and need only be taught the special procedures or equipment that makes your restaurant unique.

As I noted earlier, many restaurants conduct a pre-opening testing phase in which the servers and kitchen staff practice processing meals, as well as working with each other. This is a very efficient way to work any kinks out of the restaurant's system. Although, if it goes too long, it can prove to be very expensive, since the employees are earning wages while no revenues are being generated. A way to control the expense of pre-opening testing to limit it to a few days or evenings before opening. Another method is to designate a core group of employees who will be on the payroll for pre-opening training. These core employees would be responsible for training the other employees once the restaurant opens.

How To Start A Restaurant – The Basics

As a practical matter, most patrons allow a new establishment a few weeks to refine their procedures. Therefore, although it would be nice to have the staff performing flawlessly on opening day, it probably will not happen. You should attempt to strike a balance that provides as much training as financially possible.

Opening Week Schedule

One of the ingredients to the success of a new restaurant is adequate scheduling of staff. However, it is not always possible to predict opening demand with certainty. Therefore, many operators elect to schedule their opening week staff levels on the heavy side to ensure that there will be enough people to adequately serve customers. This is probably necessary if the restaurant only trained a core group of employees in the pre-opening testing phase. In such a case, the other employees can be training during the opening week. One major pitfall to scheduling so many employees is that it can hamper your operation. You must look for balance.

Financial Considerations

The expense of starting a restaurant, coupled with the high failure rate associated with new restaurants, dictates a very careful evaluation of the financial aspects of any restaurant start-up or acquisition. Banks and other lenders are traditionally very wary of lending money to beginning restaurateurs. Consequently, the owner's capital, as well as that of his or her family or friends is frequently at risk. If the restaurant is not properly capitalized from the beginning it may fail because it is often not possible to obtain loans to tide it over until the operation gets established.

My recommendation to anyone considering starting a restaurant is to complete the following:

a. Carefully evaluate the financial feasibility of your restaurant

b. Project your total capital needs

c. Project your operating results

d. Assess operating results

e. Determine worst case scenario.

d. Get the proper assistance from the experts

Starting a new restaurant venture is an enormous undertaking. Please feel free to contact us at 866-903-5875 if you have any questions, or if we can provide additional assistance.

How To Start A Restaurant – The Basics