10 Common Restaurant Startup Mistakes (and how to avoid them)

In any new business venture good decision-making is vital. Opening a new restaurant requires so many decisions that it's not hard to make some bloopers along the way.

The key is not totally missing the mark on the really important issues that can make or break your chances for success. Here are some of the more important common missteps new owners make in areas that play a big role in how well a new restaurant is likely to do.

1. **Underestimating capital needs.** There are many good new restaurants with excellent prospects for success that simply run out of money. It's common for first time owners in particular, to leave out or inadequately project all the startup costs involved in opening the restaurant. Some of the reasons include construction overruns, change orders, delays, and to be blind-sided by additional costs mandated from local inspectors and building authorities.

   Also, soft costs like permits, liquor licenses, insurance binders and pre-opening payroll are often missed completely or grossly under-budgeted. Unless you've done it before, it's usually advisable to seek some experienced, professional help in identifying and estimating, in detail, startup capital you'll need. Even then, many pros still add a 10%-15% contingency for the host of things that can (and often do) happen to add more cost to the project than you plan on.

2. **Believing you'll start making money on opening day.** The odds are stacked against this happening. Even the best run chain restaurants, who open restaurants for a living, factor into their startup budgets, an allowance for funding operating deficits for up to 2 to 3 months after the restaurant opens.

   It usually takes time to build sales volume to an adequate level. Even if your sales are strong from day 1, food and labor costs are usually sky high for the first several weeks as your managers and staff get acclimated, productive and have the time and energy to focus on anything other than just taking care of who's at the table. In time, most things can be fixed. Run out of money and you're done. Not factoring in an adequate reserve for initial operating deficits is another cause of undercapitalization (see #1 above).

3. **Lack of a clear vision and purpose.** This may sound somewhat vague and intangible but a successful startup requires the coordinated effort of a dedicated staff pulling together in the same direction, united by a common goal. Getting this accomplished requires some leadership skills.

   New operators who either don't have or can't communicate an underlying mission that the staff can rally around will find it difficult to create the kind of climate that supports teamwork, hard work and dedication to excellence that endures through the long hours and sometime chaotic conditions that take place during the startup phase of any new restaurant.

4. **Lack of documented systems, procedures and training manuals.** Restaurant operations involve the ongoing repetition of hundreds and even thousands of divergent tasks by many individuals and groups of individuals. Organization and consistent execution is key to creating a successful restaurant. Franchised restaurants start out with detailed recipes, checklists and procedures to do everything from prepping the lettuce, to cleaning the restrooms to closing out the cashier. In new independent restaurants, it's often making it up as you go.

   There may be nothing to go by other than what's in the owner's head. This makes it more challenging to train employees and execute consistently so customers get a consistent level of service and food quality regardless of who the server is or who's in the kitchen. The longer the restaurant operates without a documented way of doing business, the longer the restaurant stays stuck in the often unorganized and do-what-it-takes and difficult startup phase.

5. **Owner fails to function like an owner.** Instead, the owner functions like just another employee and ends up bussing tables, cooking in the kitchen and doing the books. Obviously this is often a necessity during the startup phase but eventually someone has to manage the business, not just run the restaurant.

   Managing the business includes activities like monitoring cash flow, analyzing the P&L, deciding about next month's marketing activities, evaluating what's working on the menu and other "strategic" functions to position the restaurant for future success. If the owner is constantly training employees or working the line, guess who's managing the business? Nobody.

6. **Having the grand opening on opening day.** You only have to do this once and you learn to wait a month or 2 to declare your grand opening. There are few things worse than getting slammed with more business that you can possibly handle on day one. With so many restaurants, the public's first impression can easily be their last.

   Blow it on opening day and chances are you won't see most of those people again, ever. And they'll tell their friends to stay away too. Soft, quiet openings are the way to go. Get your act together before you tell the world.

7. **Focusing too much on what <u>you</u> like.** What you like doesn't matter, because you are not the customer. What matters is what your customers like. Find out what people in your area want and the price they're willing to pay for it. Go to existing restaurants and find out what people are buying. Take formal or informal surveys,

conduct focus groups, anything to get a sense of what people in your area are hungry for that they currently can't get in your market area and what they're willing to pay for it. Too many new restaurant concepts miss the mark by not analyzing what people want in their local market.

8. **Deciding on a concept, and then finding a location.** Don't marry yourself to a concept. Find a location in a good market with adequate parking, access, visibility and other positive traits, and then determine what the local market wants that it can't get and find a way to satisfy that unfilled desire.

9. **Accepting a secondary location to save on rent.** Don't be too sure that your restaurant is going to be so exceptional that customers will go out of their way to find you. With all the restaurants there are today, chances are they won't. High visibility and convenient access are more critical today than ever. Saving money on rent in a poor location often results in spending all that and more on advertising in an attempt to get noticed and bring in more business.

10. **Trying to appeal to everyone.** You can't and if you try you'll end up with too may items on the menu, an overly complicated kitchen, confused customers and no unique identity in the marketplace. The key to success for today's independents is to identify an unfilled niche in your local market and being laser-beam focused on filling that particular slice of the market. This will give you a much better chance to become really good at

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