



# OPENING A RESTAURANT

**Points to consider when drafting a Business Plan for a new restaurant opening.**

**Sources of Information**

*The following publications provide excellent information about the industry:*

- Nation's Restaurant News  
*Lebhar-Friedman Publication*
- The Restaurant Planning Guide  
*Upstart Publishing Company*
- Restaurant Management  
*Prentiss Hall*
- The Restaurant  
*John Wiley & Sons.*

**Site Selection Criteria**

*Representative points to be considered:*

- Demographics
- Competition
- Activity generators
- Demand for concept
- Zoning Ordinances & Variances
- Signage, Visibility and Accessibility

**The Restaurant Facility**

*Representative points to be considered:*

- Availability of licenses and permits
- Condition of the space & past history
- Cost of renovations
- Utilities – gas, water, electric, etc.
- Workable Layout and Design
- Rent, lease terms & R.E. Taxes

**Buying a Restaurant**

*Documents to be requested:*

- Copy of the Lease
- Tax Returns for 3 years
- Financial Statements for 3 years
- Complete Equipment List
- Latest Health Inspector's Report

**Valuing an Existing Restaurant**

*These factors determine the value:*

- The potential for sales growth
- The potential for cash flow growth
- The condition of LHImp & FFEq.
- The length of the lease – 10 year minimum
- Base rent as a percent of sales

**The Professional Team**

*Select professionals with experience:*

- Attorney
- Accountant
- Contractor

**Lease Negotiations**

*A partial checklist of salient points:*

- Have lease reviewed by an attorney
- Length of the lease – 10 years +
- Base rent at Industry Average
- Scope of Landlord/Tenant Improvements
- Right of Assignment
- Condition of space at delivery
- Options to extend
- Extent of Personal Guarantee

**Unit Level Economics**

*Representative operating expenses:*

• <b>Sales</b>	<b>100%</b>
• Cost of Goods	32%
• Payroll Cost	32%
• Other Expenses	20%
• <u>Rent</u>	<u>6%</u>
• <u>Cash Flow</u>	<u>10%</u>

**Restaurant Concepts**

*The concept needs to be well defined:*

• Fine Dining	Ruth's Chris, Capital Grill
• Casual Dining	Applebees, Chili's
• Family Dining	Friendly's, Denny's
• Fast Food	McDonalds, Wendy's
• Quick Casual	Panera, Baja Fresh
• Bars, Pubs	Bennigan's, Houlihan's
• Coffee	Dunkin Donuts, Starbucks
• Other	Ice cream, Deli, Pizza, etc

**Target Food and Beverage Costs**

*Percentage will vary based on concept:*

• Food	29% - 32%
• Beer	22% - 25%
• Wine	29% - 32%
• Liquor	22% - 25%

**Business Plan Outline**

*Samples available on the Internet:*

- Executive Summary
- Company/Concept Description
- Industry Analysis
- Products and Services
- Target Market
- The Competition
- Market/Sales Strategies
- Operations
- Management & Organization
- Long Term Development/Exit Strategy
- Financial Data & Projections

**For Further Information:**

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- [Restaurant Appraisals](#)
- [Restaurant Brokerage](#)
- [Restaurant Consulting](#)

This information is provided to assist you in the preparation of a Business Plan and is for discussion purposes only. The ratios, percentages and outlines may not apply to a specific concept. You are encouraged to obtain professional advice from an attorney, accountant and other consultants.