

Liz and Michael, along with their advisors and friends, assessed the capital required for starting a restaurant. They agreed that Liz and Michael had sufficient funds to use as start-up capital for the new venture.

Tom, a family friend employed as a marketing consultant, felt that their business model would be well suited for their location. They had their eye on a strip mall location that was vacant and could be suitable for a small family restaurant. They contacted the local real estate agent, Anne Marie Simmons, to ask about its rental cost, availability, and size. Liz and Michael visited the location with Anne Marie. The agent said that the store housed a diner for three years before it closed. She speculated that the diner might not have been able to compete against the fast-food franchises in the area. The agent also believed that the owners did not have the proper financial and marketing plan to be successful.

Liz studied the store's floor plan and dimensions. The store had floor space to accommodate about 50 diners as well as a full kitchen operation and storage areas. The strip mall location had plenty of parking as well as access on a major road. The gas, plumbing, and electrical infrastructure were in good working order. The décor and kitchen appliances need to be purchased as well as all restaurant fixtures (pans, dishes, flatware, etc.) if they signed a lease to occupy the restaurant.

In order to be efficient and leverage their individual skills, Liz and Michael segregated the various research tasks necessary to compile business projections and forecasts. Michael focused his attention on the front-house operations, sales, and marketing plan while Liz analyzed the kitchen operations, inventory, and menu planning. Each of them compiled forecasts for the startup and operational costs in their areas of specialty. These costs included the labor, materials, food, utilities, rent, and other necessary costs. These forecasts would be the foundation of their business, financial, and operations plan.

## ■ Creating the Business Plan

Michael continued to work with Tom on the marketing and promotion of the restaurant. Their first thought was to gather sales, customer, and meal data from the previous owner. To protect the anonymity of the new owners, Michael asked Anne Marie to contact the previous owner. She provided three years of weekly data on the number of meals and tables served. Unfortunately, the previous owner could not or did not want to provide any

sales data. Michael entered 164 weeks of data into a simple Excel spreadsheet to review. The spreadsheet contained three data points: week ending date (Sunday), total checks, and total meals served. Michael and Tom reviewed the spreadsheet to attempt to find some relevant information for their marketing and forecasting projections.

The diner had been open seven days a week. However, the data Michael received was not broken down by the day of the week. Therefore, the data could not be used to analyze daily traffic and sales, but only to analyze weekly trends without information on daily traffic and sales.

Tom coached Michael on how to analyze the data through a "rough" first glance. He separated the data into three spreadsheet tabs by year, where the first row of weekly data was the first week in the calendar year. He added a column that calculated the average meals per check. Then, to gain an understanding of the restaurant's customer load, he ranked both the number of meals and checks within the year. These values provided a basic sense of the high and low weeks for the previous restaurant. He then sorted each of the three calendar years by the meal count (descending with the highest ranking first).

The lack of daily data limited the depth of analysis that could be completed. Tom looked at the hardcopy of three years of data side by side. After reviewing the three years of data, Tom pointed out that their weekly data showed only one clear trend: Some weeks showed lower sales than the other periods. Upon further analysis, it appeared that they were holiday periods (Thanksgiving and Christmas weeks) as well as some summer weeks. Without the daily data, it was impossible to determine the distribution or trending of customer sales.

Liz completed another tour of the restaurant location. The kitchen was equipped with an operational walk-in refrigerator, exhaust fan, several tables, and shelving units. She assembled a tentative new floor plan for the kitchen and food preparation area. From the floor plan, she compiled a cost estimate listing the appliances and fixtures still needed for the kitchen.

In addition to seating about 50 people comfortably with 15 tables, Michael believes that a bar can be built to seat an additional 10 patrons. He created estimates for dining room and bar equipment, furniture and fixtures, including all labor installation costs.

Tom helped them create a spreadsheet using various factors to estimate the weekly sales. They used some of the previous owner's data to calculate the seasonal and weekly trends. With the menu that