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RUNNING YOUR OWN RESTAURANT

IT'S POSSIBLE FOR you to own and operate your own restaurant. You can be the boss, make the decisions, and take responsibility for failure or success. But before considering the idea, you must realize that owning a restaurant is extremely hard work. The venture will consume all of your time—including evenings, weekends, and holidays—and, at least in the beginning, it will be very expensive.

If you have seriously considered these facts, believe in the reality of them, realize there is absolutely no guarantee of success, and still want to own and operate your own restaurant, congratulations. You may have made a very rewarding and lucrative decision. Here are some things you should do to avoid common downfalls and help ensure success.

Gain Restaurant Experience Elsewhere

If you have never worked in someone else's restaurant, you are not ready to start one of your own. A special personality is needed to run a restaurant. Previous work in someone else's restaurant is an excellent—and a very inexpensive—way to gain restaurant expertise, learn from others' mistakes, and find out if you possess the basic ingredient for successful ownership: the right kind of personality.

Choose a Good Location

A restaurant owner must find property that complements the restaurant's layout and operation. Therefore, it is necessary to consider the following basic questions before choosing a specific site:

- What kind of food will be served?
- What is the general price range of food items?
- What type of service (fast-food, self-service, cafeteria, counter, table service) will be offered?
- What specific menu items will be served?
- What kind of atmosphere is desired?
- Who is the anticipated clientele?
- What cooking methods will be used?
- What size staff is necessary?
- What kind of inventory is required?
- What hours will the restaurant operate?
- What are the projected sales?
- What amount of food should be prepared on-site?

Market Study

Adequate market research can help the prospective owner determine whether his or her ideas match the needs of the locale. A good market study will reveal who the potential customers are, what percentage of the population they represent, and the competition that exists. It also will help determine the business traffic patterns by hours of the day, days of the week, and weekday versus weekend. This knowledge will help the prospective owner supply the needs of customers and compete with existing restaurants. It will also be a big help when seeking funding from a financial institution.

The U.S. Census of Population provides demographic profiles, income levels, and housing patterns by geographic segments, right down to city blocks. The local chamber of commerce and the National Restaurant Association information service and library in Washington, D.C., have additional market research data.

Selecting a Specific Site

Location is perhaps the most deciding factor for a restaurant's success. Leave no stone unturned in scrutinizing the proper site. Ask yourself the following questions:

- Can the site be seen from the street?
- Are parking arrangements available?
- What types of businesses are nearby?
- Do taxicabs and/or buses come by the area?
- What are the peak hours of traffic?
- Are there plans for growth in the area?
- How many households are in the area?

Sources of helpful information include the Department of Commerce, the Small Business Association, real estate agencies, restaurant consultants, accountants, bankers, and insurance agents.

Researching Codes, Ordinances, and Permits

Learn everything possible about the laws covering restaurant businesses in the area. This will reduce the possibility of being shut down or slapped with heavy fines after the restaurant opens. Some common codes include fire, health, parking, occupancy, garbage, sewage, and loading zone.

In addition, a number of licenses are necessary before opening a restaurant. Some states require a business license or a sales tax license. A fictitious name license or DBAS (doing business as . . .) may be needed if the restaurant is operated under a name different from the owner's. If alcoholic beverages are on the menu, a liquor and beer and wine license is needed.

Organize Your Restaurant

A well-organized restaurant will help ensure success because it will be well run and equipped to handle any unforeseen circumstances. From the appearance of the space, both indoors and out, to the items on the menu, there are a variety of important factors to consider when you set up your restaurant. However, perhaps the two most important are the items you offer your patrons to eat and how your kitchen is equipped to handle the preparation of them.

Planning the Menu

Planning the menu means deciding what items to offer and what price to ask. Restaurants that offer a limited menu and still do a

high volume of business will be the most profitable. However, a limited menu sometimes restricts the restaurant's appeal and image.

Many new operations have failed because of overpricing. A general rule often used in the restaurant industry is that a menu price should not be more than double or triple the wholesale food cost.

A well-thought-out menu can serve as a guide for ordering, purchasing, and estimating income. A menu also will help determine the layout of the kitchen, the level of skill the staff needs, the level of service necessary, the amount of storage space needed, and what special equipment must be purchased.

Planning the Kitchen

The kitchen is a very important part of any restaurant, and careful planning of the kitchen can help ensure smooth operation. A good kitchen plan includes the following:

- Ample workspace for food preparation
- Adequate space to pass food from the cooks to the food servers
- Sufficient aisle space for food servers to deliver the food to the patrons
- A cleanup center for washing dishes and disposing of garbage
- A separate area for inventory delivery
- An area for storage of foodstuffs and linens
- Proper ventilation and lighting
- Reliable equipment that is easy to maintain, clean, and repair

Establish a Solid Business

Many people find the business side of owning their own restaurant, including the legal and financial aspects, among the most daunting

of the many things one must consider before starting a business. However, with the proper research and education you should be able to establish a solid business. Securing adequate financing, banking on the reliability of an established franchise, and using the expertise of lawyers are just a few ways to ensure success.

Secure Adequate Financing

One of the major causes of restaurant failure is insufficient financing. Don't underestimate common start-up costs. These costs can include wiring, plumbing, painting, labor, materials, kitchen fixtures and equipment, furniture, an initial lease deposit or down payment on property, remodeling or improvements, license payments, utility and insurance deposits, initial food inventory, initial advertising, and consultant fees for experts such as lawyers, accountants, publicists, kitchen designers, and menu designers.

Consider Franchise Opportunities

A restaurant franchised by reputable chains has an 80 percent survival rate, compared to the 20 percent survival rate of other restaurants. Therefore, many first-time restaurateurs prefer to go this route. In recent years, it has become increasingly difficult to break into the franchise business, but it can be done.

Franchising is a form of licensing by which the owner or the franchiser obtains distribution through affiliated dealers called the franchisees. Franchise agreements call for the parent company to give an independent businessperson rights to a successful restaurant concept and trademark as well as assistance in organizing, training, merchandising, and management. The franchisee pays the company a franchise fee and monthly royalties for these rights and assistance.

Franchisers look for people who are eager to become independent operators but who will conform to guidelines from company headquarters. Before becoming a franchisee, one should carefully investigate the backgrounds and current business practices of the franchiser. A reputable franchise company should provide the following:

- A site—usually a freestanding building that is leased to the franchisee
- Exclusive territorial rights
- Any exclusively developed equipment
- Licensed use of trademark, inventory system, exclusive recipes, and techniques
- Training courses and operations manuals
- Continuing operations assistance for a specified percentage of gross sales
- Inspections by company supervisors who will evaluate the operation
- Equipment, suppliers, and advertising

Hire a Lawyer

A lawyer is a safeguard to ensure that the franchisee's interests are protected. Remember, the cost of legal advice at the outset will always be less than the cost of later representation to solve problems that could have been avoided in the beginning.

Part of the lawyer's job includes ascertaining the length of contract, royalty charges, fixed charges, purchasing requirements, quotas, arbitration privileges, contract termination, and how the company can terminate the franchisee.

Build a Good Staff

No company or business succeeds with the merits of just one person alone, and nowhere is this more evident than in the restaurant industry. Operating a restaurant is not a one-person show. A good staff is critical to success.

Recruiting, interviewing, hiring, and training the proper people can be a time-consuming and nerve-racking process, but time well invested in the beginning will pay off substantially in the end.

Paying Employees

According to the National Restaurant Association, restaurants covered by the federal minimum wage law, which is also known as the Fair Labor Standards Act (FLSA), must pay hourly employees at least \$5.15 an hour and tipped employees a cash wage or at least \$2.13 an hour. However, you may be required to pay a rate higher than that. States may set their own wage rates, and when they do, employers who are covered by the FLSA must pay whichever rate, state or federal, that is most favorable to the employee. Before you establish your wage rates, you should seek the counsel of an attorney.

A General Business Education Is Useful

It is not necessary to have an advanced degree or even a high school diploma to work in the restaurant industry, but a college education makes it easier to move up the career ladder quickly and achieve your professional and financial goals. A general business degree will help greatly in running your own restaurant.