



12 Steps to starting a Restaurant

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If you want to start a restaurant, there's no better time. The U.S. restaurant industry is thriving, with estimated 2016 sales of \$783 billion, according to the [National Restaurant Association \(NRA\)](#). The more than [1 million restaurants in the United States](#) account for 10 percent of the nation's overall workforce, and 90 percent of them are small businesses with fewer than 50 employees.

How can you make your new restaurant stand out from the crowd? Follow these 12 steps.

1. Choose your concept

Within the basic categories of restaurants – fast food or quick-service restaurants, casual restaurants or fine dining establishments – there are innumerable variations. Your choice of concept will be shaped by your interests, target market and budget, as well as current culinary trends.

Italian is by far the most popular cuisine in the U.S., according to the [NRA](#) and [Zagat](#). Close behind are Mexican, Chinese, American and seafood restaurants. Other popular restaurant trends for 2016, according to the NRA, include locally sourced meats, seafood and produce; natural ingredients and minimally processed food; farm-to-table cuisine; ethnic condiments and spices; sustainable foods and healthful children's meals.

Not every concept will work in every community. Research your market to determine if there's a demand for the type of restaurant you want to start. If you have your heart set on an upscale French restaurant, but your area is mostly working-class families with young children, for instance, there's probably not a big enough market to support your concept. Also consider the local competition and what they aren't offering that you could provide.

Your budget restricts your concept to some extent. If you're on a tight budget, consider a limited-service concept, such as a breakfast café open in the mornings and early afternoons, or a sandwich shop open at lunchtime. If you have more capital, you have more options.

2. Research your target market

Carefully research your target market. Ask yourself:

- Who are your desired customers? What are their demographics (household income, disposable income, age, marital status, location, occupation, etc.)?
- Where do they currently go out to eat (in other words, what restaurants are your competitors)? How often do they go out to eat?
- How will you differentiate your business from the restaurants they're currently patronizing?
- What prices are they willing to pay?
- Is there a sufficient customer base to support your concept, both now and in the future?

Free resources for market research include [Pew Research Center](#), [American FactFinder](#), [U.S. Census Bureau](#) and [Nielsen MyBestSegments](#).

3. Plan your restaurant design and layout

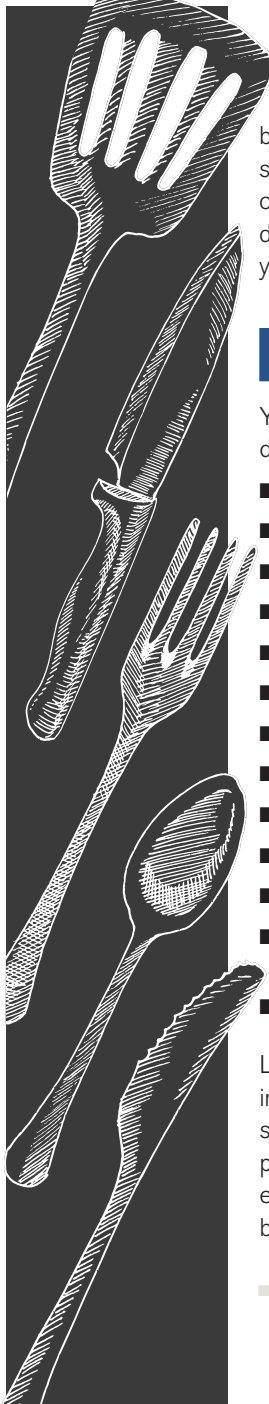
Once your concept is established, start planning your restaurant space. In addition to the main dining area, you'll need room for:

- Kitchen/food preparation and staging
- Staff area (for breaks and meals)
- Restrooms
- Waiting area for customers
- Food and beverage storage
- Storage for dishware, silver, linens, etc.
- Bar if desired
- Outdoor patio if desired

If you want to offer takeout, delivery or curbside pickup, factor in space for those needs, including short-term parking space near the restaurant.

ELBOW ROOM

In the dining area, a general rule of thumb is to allow 12 square feet per person. For example, in order to seat 50 people, you will need 600 square feet of dining area (50X12=600).



While the majority of your space will be used for the dining area (known as front of house), you also need adequate kitchen and storage space (known as back of house). In general, you'll want to allow about 35 percent of the overall space for kitchen/storage/production. The more efficiently this space is organized, the more room you have for dining. For maximum flexibility, design a dining space you can reconfigure if needed--for instance, by using small tables you can put together to make larger tables.

4. Plan for equipment and supplies

You may need specialized equipment, such as a wood-burning pizza oven, depending on your concept. However, every restaurant needs:

- Refrigeration unit
- Stove/oven/grill
- Dishwasher
- Icemaker
- Cookware/utensils
- Bar equipment (beer taps, refrigerators, ice bins)
- Tables/chairs/booths
- Sound system for music
- Flooring
- Wall decor/window coverings
- Lighting
- Glassware, dishware, silverware, linens (or paper/plastic equivalents for a quick-serve or casual restaurant)
- Staff uniforms

WORTH THE PRICE

Commercial grade dishware, glassware, cookware, linens and furniture cost more than consumer versions because they're made to withstand hard to use in a restaurant environment. Don't skimp on these necessities.

Leasing may make more financial sense than buying, especially if the lease includes maintenance on the equipment. In general, equipment that has a short lifespan or is frequently updated should be leased. You can save big by purchasing used equipment, furniture and cookware. Find used restaurant equipment on eBay or by searching for used equipment or going-out-of-business sales near you.

5. Figure out your staffing needs

You'll need two types of employees. The front-of-house staff interacts with customers in the dining area and includes hosts, servers, bussers, bartenders and bar backs. The back-of-house staff does not interact with customers and includes chefs, line cooks and prep cooks. You should also hire a manager or other second-in-command. Eventually, you'll need a manager to run day-to-day operations, so you can focus on long-term growth.

Hire your most important employees first; then fill lesser roles. For example, hire your chef and manager before your line cook and servers, so the former can train the latter.

Employee turnover in the restaurant industry is high. To attract and keep good workers, set wages commensurate with the going rate in your area for similar jobs. Be sure you understand state wage and hour laws, especially regarding tipped employees.

Find out more about [wage and hour laws](#).

6. Set a budget

With your concept in place, set a budget and create a financial plan. Estimate startup costs, including rent, furniture and equipment, staffing, insurance, food and liquor. Pad the budget by about 20 percent to cover unexpected costs. Have enough money to cover costs for six months after opening, when business will be slow.

Budget for insurance to protect your startup investment, including property insurance, liability insurance in case a customer is injured on the property and workers' compensation insurance.

Restaurants are notorious for a high failure rate, often due to inadequate capital. Budget carefully, and your startup won't fall victim to a lack of funds.

7. Look for a location

Once you know what type of space you need, work with a commercial realtor to identify locations near your target market. Ask:

- Is the location zoned for the type of restaurant you want to operate?



- What other businesses are in the area? Are there competitors that may hurt your business or complementary businesses that will help attract diners to your restaurant?
- What restaurant previously used the space? Did it succeed or fail? Why did the previous tenants leave?
- Is the location easily accessible to your target market? Is it close to major freeways, highways and roads? Is it visible from the street to both foot and automobile traffic?
 - Is there plentiful parking for customers and employees? Are there limits on parking (such as paid parking only, or a 1-hour limit on meters)? Make sure parking is available at the right time of day. A dinner restaurant will struggle in a residential area where street parking is filled by homeowners after 5 p.m.
- What is the condition of the building and what buildouts, remodeling or other changes are needed? Is the infrastructure (plumbing, HVAC, electrical) in good shape? Research local foodservice and health code regulations in advance to determine whether the health department will require major changes to the property to meet codes.

Once you find a promising location, review the lease carefully with your attorney. Make sure you understand what your rent covers, such as maintenance of common areas, utilities or security services.

8. Write a business plan

Starting a restaurant is expensive, and a well-written business plan is vital to getting financing for your dream by convincing lenders or investors you're on track to succeed. Your business plan explains:

- Your restaurant concept and what makes it unique
- Your target market and sales and marketing plan to reach them
- Your management team's previous experience
- How your restaurant will operate

LEASE LENGTH

Aim for a one- to two-year lease. It gives you enough time to get your restaurant off the ground, without locking you into a long commitment if you decide to close or move the business.

- Financial plan, including sales forecasts, cash flow projections and other estimates

A business plan also helps you operate day-to-day. Running a restaurant is a numbers game that requires knowing how many customers per day you need to break even, your profit margin per menu item, your cost of goods sold and other financial benchmarks. Crafting a business plan helps you figure this out.

Check out [free sample restaurant business plans](#).

9. Get business licenses and permits

Obtaining licenses and permits can be time-consuming, especially if you plan to sell beer, wine or liquor, so allow plenty of time to complete this step. Contact state and local government offices for specific requirements. Among the licenses and permits you may need:

- **BUSINESS LICENSE** – required by a state to open any type of business
- **EMPLOYER IDENTIFICATION NUMBER (EIN)** – tax ID number the IRS issues to any business with employees. [Apply here](#).
- **CERTIFICATE OF OCCUPANCY** – Cities may require this certification to prove your building is constructed and maintained according to codes.
- **FOOD SERVICE LICENSE** – City or county health departments require this license to ensure your business complies with food service safety regulations.
- **LIQUOR LICENSE** - You'll need both a federal and a local license from your city to serve alcohol.
- **SIGN PERMIT** - Each city has regulations for outdoor signage, including location, size and lighting.

Get information about licenses and permits at the [SBA website](#).

10. Plan the menu

Work with your chef to plan your menu items, focusing on making your food stand out from the competition. A good chef knows how to craft a



menu that works for your concept and your market. You don't have to offer dozens of dishes—in fact, most customers actually prefer limited menus, so they aren't overwhelmed by choices. A carefully edited menu also keeps food costs down and your kitchen systems streamlined.

After selecting menu items, set prices, write descriptions and design the menu. Creating restaurant menus is both an art and a science, so don't skimp on this step. Hire a copywriter and graphic designer with experience in menus. They can help you create tantalizing descriptions, graphics that reflect your brand and a layout that draws the eye to your most profitable dishes.

11. Choose your technology tools

The proper technology tools make running your restaurant much easier. These include:

- Inventory tracking/ordering software
- Accounting/payroll software
- Employee scheduling/time tracking software
- Online reservations app
- Payment card processing software and point-of-sale (POS) system

Touch-screen POS systems tailored for the bar and restaurant industry save time, speed order-taking and help with inventory control. Many restaurants accept mobile payments using smartphones or tablets. With the payment industry changing rapidly, it pays to get the most up-to-date POS system you can afford.

Visit [BuyerZone](#), [Capterra](#) and [SoftwareAdvice](#) to search for reviews and ratings of restaurant software and POS systems.

12. Plan for marketing and advertising

Build buzz about your new restaurant pre-opening by following these steps:

- Create a [business website](#) that's mobile-friendly (most people looking for restaurants are searching on the go) and prominently displays your hours,

location and phone number. If you offer takeout, order pickup or delivery, customers should be able to easily place orders on a mobile device. If you take reservations, allow customers to make reservations online using tools such as [OpenTable](#), [DineTime](#) or [Nextable](#).

- Optimize your website for search using the keywords customers are most likely to use when they search for what you serve, whether that's pizza or sushi. Since search engine rankings are critical to attracting new customers, consider enlisting [expert SEO help](#).
- List your restaurant on local search directories, as well as restaurant-oriented rating and review sites such as Yelp. Post essential information, such as location, hours, phone number, a link to your website and photos of your restaurant and menu items.
- Use [social media marketing](#). People love to share new restaurants with their friends, so having a presence on Facebook, Twitter, Instagram or Pinterest can really boost your profile. Encourage customers to follow you on social media, then post updates about specials, new menu items and mouthwatering photos to bring them in the door.
- Prepare [print marketing materials](#) and [promotional products](#). From business cards and menus, to posters and table tents featuring special menu items, every restaurant needs print marketing materials. Promotional items like mugs, tumblers, magnets or pens with your restaurant logo also help spread the word.
- Publicize your new restaurant in the community well before your grand opening. Contact local media, bloggers and food reviewers; send grand-opening information to local event listings. Consider hosting pre-opening events, such as a special dinner for local media, catering for a local business for free, or participating in a local "Taste of" event.

Whether you open with a big splash or hold a "soft opening" to work out the kinks in your operations, following these 12 steps will ensure your new restaurant is a sizzling success. ●

RESTAURANT RESOURCES

- [National Restaurant Association](#)
- [Restaurant News](#)
- [Nation's Restaurant News](#)
- [Restaurant Business](#)
- [QSR Magazine](#)
- [FSR Magazine](#)
- [State Liquor License Agencies List](#)
- [State Restaurant Associations](#)

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