Restaurant Market Analysis

Developing a business plan for an existing business or conducting a feasibility study for a new venture requires a thorough analysis of market conditions. Market conditions in your area have a significant impact on the profitability of your restaurant. The strength of the local market affects how many customers you will serve and the menu prices that you can charge. This guidebook will help you analyze your market so that you can gauge the potential of your existing or proposed operation and make more informed operating and investment decisions.

On the pages that follow are a series of checklists to help you collect and analyze information as part of a restaurant market analysis. The checklists, tailored to the restaurant industry, will serve as a learning tool to help you understand the many market factors that influence your profitability.

Types of Questions Answered

By conducting a market analysis, you will be able to answer questions such as:

- What trends are emerging in the food service industry?
- What are the strengths and weaknesses of my competition?
- Is my location suitable?
- Does my concept fill a niche in the market?
- What is the potential number of customers I can serve per year?

Applications

This guidebook will provide you with an industry-specific market analysis format that can be used in a feasibility study, business plan or marketing plan. The following will help analyze the market potential of an existing operation, an expansion or a new development.

Market Analysis Components

- Industry Trends
- Location and Facility
- Area Characterisitcs
- Competition
- Knowing Your Customer
- Projected Sales

Existing operators can use a market analysis to identify opportunities to improve sales. The analysis can provide valuable information on market conditions to help in forecasting and budgeting. It also provides a foundation for an effective marketing plan.

Prospective operators can use a market analysis to project sales volume for a new restaurant venture. The analysis can provide essential information required in a business plan or feasibility study. Through careful analysis of the market, the risks of a business investment can be lessened.

Using your market analysis findings, you can estimate the financial potential of your venture by creating financial projections. If you are a prospective restaurateur, these projections will help you determine if your venture is feasible. Software for developing restaurant financial projections is available through the University of Wisconsin-Extension, Center for Community Economic Development.

Conducting Your Analysis

The sections that follow include data collection checklists and worksheets. While the section on projection sales should be the final step, the other sections can be completed in any order. Remember that your efforts in studying the market will provide you with information to make better, more informed decisions.