Your Step-By-Step Handbook to

Opening a New Restaurant

toast

Are you considering opening a new restaurant?

Are you hesitating over certain steps of the process as you contemplate the amount of time you'll be devoting to your new business?

As you've likely heard from friends and colleagues, the restaurant industry is hard. You're entering a world of low margins, strict seasonality, unpredictability, late nights, and long hours. But with the right information, the sufficient skills, and a little bit of luck, you can do it. Opening a new restaurant is a giant task, but it's the passion with which new restaurateurs take on this venture that separates them from the rest.

Maybe you want to share your grandmother's best homemade dishes. Maybe you want to introduce a unique restaurant concept to a busy neighborhood. Whatever the reason, you're ready to make your dream a reality. If you really want to open a new restaurant, you need to consider many options, prepare for a bumpy road, and start planning now.

At Toast, we've helped a number of restaurants such as Daddy O's get off the ground using our POS system, and we've observed what's worked (and what hasn't worked) for these new business owners. We're sharing our advice from these experiences in this comprehensive kit.

This guide includes questions to ask yourself as you open a new restaurant to set it up for success, with advice from how to develop a business plan to how to design a unique menu. It will act as a roadmap for you, and is the "home base" of the Opening a New Restaurant Startup Kit. It goes hand in hand with the other items in this kit, such as the recommended resources and the checklist.

1. What makes my restaurant concept different?

If you're reading this guide, you most likely already have a vision for your restaurant. However, now you need to dig deep. Your restaurant needs a clear restaurant concept or theme. Is it going to be a fine dining or quick service establishment? What separates you from other restaurants in the area? How will you pitch your restaurant to consumers, investors, and potential employees?

Do This Now:

Create a mood board or a basic collage of your future restaurant, clipping pictures from magazines or printing patterns from the internet. Examples of what you could include are: color, furniture style, cloth swatches, decorations, and pictures of food. We've attached a sample mood board in this kit.

When it's done, choose your favorite elements and focus on those. How can you make your dining area feel more like a Parisian cafe? What about the checkered tablecloths do you like? Could you write a one-liner about your restaurant concept? Write a short pitch about your restaurant and share it with your business partner, your husband or wife, or anyone who will be totally honest with you. If they're confused about your concept, it's back to the drawing board. If not, move on to #2!

2. What's my business plan? Is it clear?

Once you've polished your restaurant concept, you're ready to develop a clear business plan. Many new restaurateurs make the mistake of not creating a business plan this early in the process, and thus run into many hurdles along the way. A business plan will help you ensure that nothing in this process gets overlooked, whether it be licensing, legal, or construction, and will act as a roadmap when you inevitably become stressed. It's also a good document to present to potential investors. But what goes into a business plan?

Do This Now:

Draft a business plan that acts as a blueprint of your vision for the restaurant. Once again, it's always best to invite others to review this plan. Several restaurant consultants and advisors specialize in developing business plans and executing on them; do some research into advisors in your area by googling "[your city] restaurant consultant." (Here's an example.) After several rounds of editing and revising, you will have a polished executive document, and you will be one step closer to making your new business official.

When drafting a business plan, make sure to include these key elements:

Executive Summary - A complete and concise summary with a mission statement, proposed concept, overview of potential costs, and anticipated return on investment.

Company Overview - High-level overview of the business including ownership structure, location, brand, service style, and unique aspects of the overall concept.

Industry Analysis - Evaluation of target demographics, local economy, infrastructure projects, competitive landscape, and why your restaurant has a competitive advantage.

Marketing Plan - Your marketing strategy, including how you plan to promote the restaurant through social media, loyalty programs, and website outreach.

Operations Plan - How your restaurant will operate day-to-day, including staffing, customer service policies, and the POS system and other controls.

Financial Analysis - Investment plan, projected profit & loss statement, break-even analysis, and expected cash flow.

For a more in-depth overview of the restaurant business plan, check out this blog post.

3. Where do I want my restaurant to be located? Why?

Alright, it's finally time to get out of the house. After hours spent developing your restaurant concept and building a predictable business plan, you can now start looking for restaurant real estate. Choosing the right location for your concept is critical. You'll need to do copious research on demographics, competition, and more, not to mention on the actual place and its size, visibility, and history.

Do This Now:

Narrow down your favorite restaurant location using the criteria outlined to the right. If you don't know where to start, check out Zillow or Trulia, or simply take a walk through a neighborhood you've narrowed down as a good choice. You will want to work with a real estate agent who specializes in restaurant real estate and will be committed to finding the perfect site for your restaurant. Remember to focus on what the space can become, rather than what it looks like now.

What criteria should you focus on when selecting the perfect restaurant location?

Target Market and Ideal Customer Profile - Demographic information about who you intend to target and who will be your best customers.

Market Conditions - Economic conditions and forecasts, traffic (including foot traffic), and nearby places of interest. Will your target market be there?

Competition - Research into what restaurants already exist in the area, how they compare to your concept, and how you can compete.

Size of the Site - Intended seating capacity and operations, ability for a bar area or dining area, space in kitchen for ingredients and equipment. Draw out some detailed floor plans.

Previous Tenants - Who occupied the space in the past? Why did they leave? What was their experience with the landlord?

For more restaurant real estate criteria, check out this blog post.

4. Do I have a clear grasp of basic accounting and financing for this venture?

While you may be very excited about the customer-facing side of your restaurant, the reality is that a lot of your time as a business owner will be spent analyzing the books and, if you don't have a CPA, submitting taxes and other general accounting. For example, you will most likely have to finance your real estate over several years. Learn the basics of restaurant finance so you can learn to spend and invest your money earned from restaurant sales wisely.

Do This Now:

Estimate what you will have to pay for every facet of your business, including food delivery, employees, lease, furniture, liquor, and more. Then, you can create a budget based on what you need to spend, including a flex budget for any obstacles that will come your way, and estimate how much money you will need to make to break even and to make a profit.

Here are 5 restaurant performance metrics you'll need to track once you're making restaurant sales.

Cost of Goods Sold - Beginning Inventory + Purchased Inventory - Final Inventory = Cost of Good Sold (COGS)

Prime Cost - Labor + COGS = Prime Cost

Food Cost Percentage - Food Cost / Total Sales = Food Cost Percentage

Gross Profit - Total Sales - COGS = Gross Profit

Employee Turnover Rate - Lost Employees / Average Number of Employees = Employee Turnover Rate

For more restaurant metrics to track over time, check out this blog post.

5. Have I researched and applied to the necessary legal licenses and permits?

Now that you're in the process of finalizing your space and estimating how much money you'll be making, it's important to take some time to ensure that all legal aspects of your restaurant are set. Acquiring the right licenses and permits will most likely be the most painstaking part of the process, but once you're approved, you're finally official. Each local government requires different kinds of business permits, so make sure you check out your state's government web page to see what you need.

Do This Now:

You will definitely have to apply for a business license in order to run your restaurant, so start there. Our list of licenses and permits also includes foodservice licenses, liquor licenses, music licenses, and certificate of occupancy. Start this process as soon as you sign a lease on a new location.

Here are the restaurant license and permits you'll most likely need to apply for when opening your new restaurant. Keep in mind that most of these include fees from $25 to $100.

Business License - Required to open and operate any business in the U.S. State-specific. Google "[your state] restaurant business license" to find the application. Example: Rhode Island Restaurant Business License

Employee Identification Number (EIN) - An EIN is basically a tax ID number issued by the IRS. Only one is issued per day, so apply now here.

Certificate of Occupancy - Certifies that the building has been properly constructed and maintained. City-specific. Google "[your city] certificate of occupancy" to find the application. Example: Burlington Certificate of Occupancy

Foodservice License - Issued by city or county health department to ensure you're in accordance with all food service safety regulations. Google "[your city] food service license." Example: Boston Food Service Establishment License

Liquor License - Required to serve and sell alcoholic beverages. Obtain a federal license from the U.S. Treasury's Alcohol and Tobacco Tax and Trade Bureau. Obtain a local license by Googling "[your city] liquor license." Example: Cambridge Liquor Permit

Sign Permit - City government will issue a sign permit with specifications about size, location, and lighting of the sign outside your restaurant. Google "[your town] sign permit application." Example: Chicago Sign Permit Application

A great tool we recommend when going through this process is SBA.gov's Permit Me tool, which lists state-specific license and permit requirements. We also recommend you make an appointment at city hall to go over all these documents with the people who see them every day.

6. Which restaurant management technology will help me do my job better?

While you're playing the waiting game with your licenses and permits, it's time to do some more research, this time into something very exciting: technology. Restaurant guests are expecting technology in their restaurants now, as 79% of consumers say technology increases convenience and 70% of consumers say technology speeds up service (National Restaurant Association, 2015). Get a leg up over your competitors by investing in a POS system that offers chip and pin integration, online ordering, inventory management, customer marketing options, and more.

Do This Now:

Download our ebook The Restaurateur's Guide to Buying a POS System to learn more about what exactly goes into this decision, what questions to ask your POS partner, and how to simplify your search process. You can also schedule a demo with Toast to learn more about our system and determine whether Toast's All-In-One POS System is the right fit for your restaurant business.

7. How many employees do I need? What personalities should join the team?

Time to interview candidates! You have a plethora of options for acquiring new employees, including employee referrals, job boards, and career sites. With turnover rates at restaurants at 62% according to the National Restaurant Association, it's important to be creative when hiring people and to provide them with the best employee experience possible. While we don't recommend exclusively hiring family or friends, a referral program for existing employees could be successful.

Do This Now:

Focus your efforts on hiring the perfect head chef first. Post job openings for your new restaurant online, on Facebook, Indeed.com, and Craigslist, and encourage your friends to share the news. The amount of people you hire depends on the size and concept of your restaurant, but you will probably want a hostess, a few cooks, a few waiters, and a bartender if necessary.

8. Who do I trust to run this restaurant in the event that I cannot?

You can't do this all alone. In many cases, you'll need to bounce ideas off of someone else. The restaurant atmosphere is very team-oriented, but you'll want to identify one person you hired that can act as second-in-command. If you're away, he or she is in charge. Both of you can strategize together. For most restaurants, this is the head chef, but it may be different for you if you have a business partner, a restaurant consultant, or a close friend who is extremely invested.

Do This Now:

Look at your new hires and gauge how excited each of them was about your new restaurant. Whoever expressed the most genuine excitement about it may be a good fit. Then, look into their background to see if they worked as a leader in a past job, or to see if they ever had experience strategizing a new business trajectory.

9. Is my menu unique? What food offerings separate me from the rest?

With your head chef, strategize on your menu offerings. Depending on the type of restaurant you own, there are many avenues you can take. For example, if you're selling barbecue, how can you make your ribs different from the town over? What "special sauce" can you add? Is there any way you can market your company through your menu? How do your prices compare?

Do This Now:

With the head chef, experiment on several different menu items. It may be easier to have let this decision rest on the two of you only, but you could also have the new staff try out and vote on different dishes. The head chef should be the leader of the menu, and you a facilitator, as he or she should know how you can differentiate yourselves and has experience building menus. When you've decided on your menu items, work with your second in command to design a menu and decide on menu prices.

10. How can I promote my new restaurant opening?

You're almost live! Now it's time to do some PR. You want your restaurant opening to make a big splash on the scene. Don't just open on Friday night and invite your friends and family. Instead, throw a big party, proving to journalists and to the community at large through your superb customer service and delectable food that your restaurant is the place to be .

Do This Now:

After you decide on a date and time for your restaurant opening, reach out to local bloggers and journalists (follow your local paper, call bloggers on their phone number). Invite your friends, their friends, and your family. Give a call to your POS provider and see if any of their employees in the area can come. Get an ad in the local newspaper. In addition to PR outreach, you can also write a blog post about your new restaurant opening on your website and push social updates on Facebook, Twitter, and LinkedIn targeting those interested in new restaurants. In the next few months, you'll want to invest in restaurant marketing to keep driving new customers to your restaurant. Do everything you can to get a high volume of people there!

Conclusion

Imagine: Food is flying from the counters, customers are happily chatting while munching on your appetizers, and laughter is emitting from the bar. This could be your restaurant in just a few months.

Follow this guide and use the other items in this kit to finalize your restaurant concept, find the perfect location, and search for the best technology for your fast service, quick service or fine dining establishment.

While you're still most likely nervous about this new venture, we hope this guide has provided you with enough information to help you be better prepared for exciting things to come.

Some Takeaways:

- Compete with other restaurants in the area to have the best food and the best service.
- Be flexible. Always identify where your restaurant can improve.
- Remember that owning a restaurant is a full-time job, involving several moving parts, and that you must be a resilient business leader to succeed.

Good luck with your new restaurant opening! You can share any questions you have at info@toasttab.com.

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