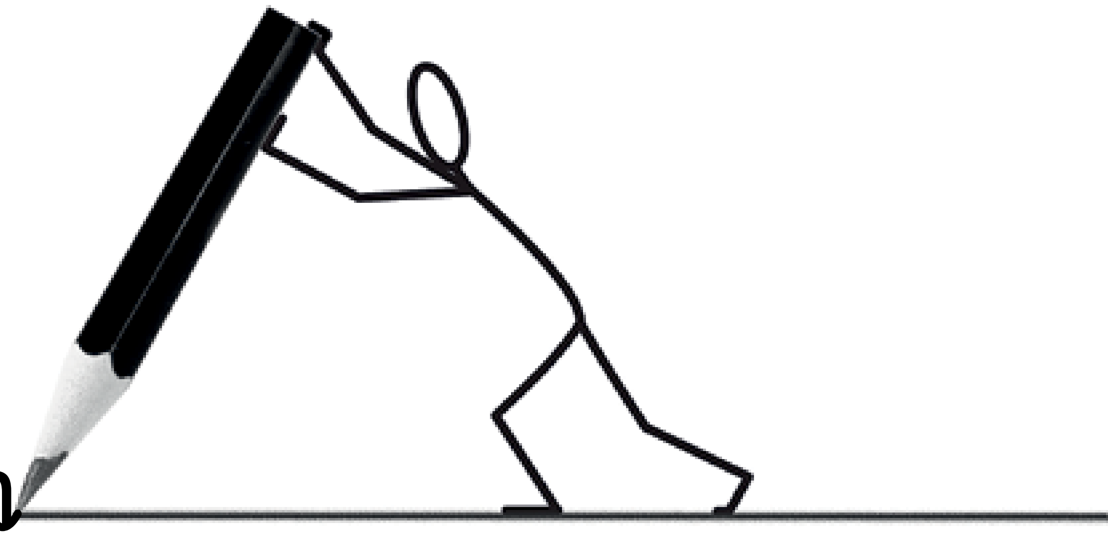
Writing a winning restaurant business plan



In the competitive world of hospitality, your business plan can't afford to do anything but stand out. **Chadi Chidiac** managing partner of Protocol hospitality management and consultancy advises on what it takes to score the winning plan

The first few years of any restaurant business ownership are undoubtedly the toughest. They are a huge test of entrepreneurial character. Data proves that getting it right is as challenging as ever while the survival rate for new employer firms stack up as follows: Seven out of 10 new employer firms survive at least two years, half survive at least five years, a third last 10 years and a quarter stay in business for 15 years or more.

The restaurant business is one of the trickiest businesses around. It needs careful planning to avoid unpleasant operational surprises. A restaurant business plan is a written document that describes your business in details. It covers objectives, strategies, sales, marketing and financial forecasts. It helps you to clarify your business idea, spot potential problems, set out your goals and measure your progress. You'll need one if you want to secure investment or a loan from a bank. It can also help to convince customers, suppliers and potential employees to support you.

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The plan

Step 1 A decent business plan should start with an executive summary of one to four pages that gives the reader a quick review of the bare essentials contained in each of the business plan components to follow. A well-written summary can convince the reader to thoroughly explore the rest of the plan.

Step 2 After the executive summary an overview should be written describing the ownership, location and capitalization of the proposed restaurant with a brief description of the type of organization the restaurant is a part of. It should include the legal name and whether it is a sole proprietorship, a limited liability company, a partnership or a private corporation, as well as a brief description of the ownership-partnership structure.

Step 3 If a definitive site has not yet been chosen, list the area or city the restaurant is to be located once a site has been selected. Describe the type of facility the proposed restaurant is to be located in and whether the facility will be leased (including the terms of the lease) or purchased.

Step 4 A capitalization draft should follow with a brief overview showing the estimated capitalization needed to open the restaurant and the planned sources for funding it. This section should be brief because a detailed projection and investment requirements will be explained in the investment analysis and financial projection sections later.

Step 5 Then comes the concept description and statement that is used to describe your restaurant concept in a manner to project a visual image to the reader. It should explain the service style, size of restaurant, seating capacity, décor and furnishings, operating hours and meal periods, atmosphere and general menu theme, as well as related products and services the restaurant may offer such as catering, delivery, retail, etc. followed by sample menu displaying a mockup of the menu if prepared.

Step 6 The management team section is an essential part as well and it is intended to convey the background and experience of the managing partners or owners, as well as key

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management personnel that will operate the business. It should include a résumé type summary for each of the management or owner-management persons or entities such as a management contractor.

Step 7 The market analysis is the backbone of the volume of business estimations. It should reveal several factors about the potential market for the concept. This section has been designed to educate the reader about the restaurant market in general and how that relates to your particular concept. It begins with an overview of the state of the restaurant industry.

Step 8 The next step is to evaluate the target market that your concept best appeals to and how that relates to the overall restaurant market with respect to diner demographics, preferences and habits. Then, the location analysis should describe the market conditions that exist in the location you have selected. It should also compare the location statistics to your anticipated target market.

Step 9 Industry assessment is also an important section used to describe the state of the restaurant market in general before focusing on the target market. Its careful evaluation determines the preferred target market that the concept best appeals to and how that relates to the overall restaurant market with respect to diner demographics, preferences and habits.

This section describes the ideal customer profile for the concept, including demographics, preferred market size of residential and business population, preferential residential and business proximity, traffic count preferences, preferred industry of market (if applicable) such as tourism, seasonal market characteristics, preferred diner categories, and lunch and dinner trade factors. Location analysis and site selection is often considered the most crucial aspect of the business planning cycle.

Step 10 Next comes the competitive analysis section used to describe local competition in terms of proximity and similarities to your concept. The competitive analysis should show the extent of market saturation, the type of other restaurants in the area and specific restaurants deemed to be in direct competition with your concept. List the unique aspects of your concept that give you a competitive advantage over each along with a well elaborated marketing strategy that should be formulated with a comprehensive business plan including a sound marketing plan. Owner, investors and bankers want to know you have a proactive plan to grow your business.

Step 11 The operations section of the business plan should convey a general description of how the restaurant will be operated on a day-to-day basis. It should include a summary of the staffing structure, training and customer service standards, and daily operations, production of menu, major suppliers, management controls and administrative systems.

Step 12 Investment analysis should provide a detailed picture of the investment plan for the restaurant. It should incorporate the sources of funds as well as a proposed return on investment analysis ROI while the source of funds includes loans, investment capital form partners or owners, funds from venture capitalists, etc. Capital contributions and investment roles describe type of investors such as partners or shareholders.

However, in some cases there may be multiple types of investor roles. An ROI analysis should be presented for each separate investment role or group. Additionally, each investor role should have a brief description of the expected financial requirements, ownership percentage, ROI, and an explanation of how that investment role could be affected by unexpected cash requests in the event they are needed.

Step 13 Growth plan and exit strategy is a section used to portray future expansion possibilities and opportunities. This section can also be used to explain exit options for investors that may want to cash out or remove themselves from ownership.

Financial projections are what potential investors care for. This is where they have the opportunity to evaluate the financial viability of the venture and – all importantly – gain a sense of the risk and return on investment the venture offers. The chief things any investor will want to learn from the financials section are:

- How much startup capital will the venture require and where it will come from.
- How profitable is the restaurant likely to be.
- How the restaurant projected sales and expenses compare with actual restaurants.
- When can the investor(s) expect to get their investment back?
- What kind of ROI is this investment likely to generate.

And there you have your business plan!

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