

Chapter 1

Grasping the Basics of the Restaurant Business

In This Chapter

- ▶ Understanding the basics of the business
 - ▶ Deciding whether you have the necessary skills
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Restaurants are fun. Whether you stop by to celebrate a special occasion, grab a quick bite for lunch, meet friends for a drink, or pick up dinner for the family on the way home from work, the experience is usually enjoyable. (At the very least, it's more enjoyable than not eating or being forced to cook!). Just about everyone associates restaurants with having a good time. If people didn't enjoy their experience, they wouldn't come back. So it's natural for people to think, "I enjoy going to restaurants, so I may as well get paid to do what I enjoy — hang out in bars and eat at great restaurants."

And you know what? Living the restaurant life is fun. We've been doing it for many a year, and we love it. But the problem comes when people see only the fun and never see the struggle. Viewed from the dining room or barstool (or from the kitchen, stockroom, or anywhere else other than the seat marked "Proprietor"), it's difficult to see the 95 percent of the picture that's pretty tough work. It's kind of like wishing every day was Christmas and actually getting your wish. In the restaurant business, you have so much fun that you can hardly stand it. You get tired of wrapping the presents, preparing the eggnog, and checking that the elves are on time for their shifts, and if you have to look at any more roasted chestnuts, you'll die. The restaurant business quickly becomes more work than fun, so don't be fooled.

In this chapter, we take you on a quick tour of the business. We introduce you to all the upfront work that you must do on paper before you can even think about picking up a pan or laying down a place setting. We move on to the physical preparations that will consume your every waking minute on the way to opening your doors. Then we remind you that the work has only begun after you first open your doors. Finally, we help you examine your motivations and expectations for pursuing your dream to determine if both are rooted in reality.

Getting a Feel for the Restaurant World



The restaurant world is more than glitz and glamour. It's truly a business, and if you don't look at it that way, you won't succeed. Ultimately, being a restaurateur is being a manufacturer. You're producing a product (food) from raw materials (your ingredients) and selling it to a customer (your diner). You're competing with lots of other "manufacturers" for that same diner. So you better do it better than the other guy, or you'll be out of business.

Laying the foundation

Sometimes the business of *the business* is tough for people to relate to. It's a hard concept for many people to get because your product isn't packaged in a box that sits on a shelf. Your product is packaged in many layers — including your exterior, your lobby, your staff's attire, the music playing, the aromas emanating from the kitchen, the friendliness and knowledge of your staff, your silverware, your china, and your glassware. All these things make up your packaging, affect the costs of doing business, and affect your diner's decision to come in and, ultimately, to come back.

As with any business, the planning stage is crucial, and you have to survive it before you can enjoy any of the fun. Right off the bat, you have to create a timeline for getting your business up and running (see Chapter 2), develop your restaurant's theme and concept (see Chapter 3), research the market (see Chapter 4), develop a detailed business plan and use it to find and secure financing (see Chapters 5 and 6), and find the best location for your new restaurant and get the right licenses and permits (see Chapters 7 and 8).

Buy your products at the right price and sell them at the right price. This simple tenet can make or break your business. Check out Chapter 14 for tips on getting the best price and look to Chapter 9 for pricing your food and beverage menus right from the start.

Setting up shop (with a little help)

Depending on how new you are to the restaurant biz, you may need accountants, attorneys, contractors, and host of other characters, all at the ready and working with you at various stages of the project.



Hire an accountant early in the process of setting up your business. She can help you get your numbers together for your business plan, which is a must-do if you're trying to get financing for your venture. Chapters 5 and 6 can give you the details. After you're up and running, you'll analyze your monthly

financial reports and look for ways to improve the numbers. A good accountant, preferably one with restaurant experience, can help.

When starting any new business, you'll need to review contracts, file your permits, or maybe incorporate your business. Depending on how you set up your business, you may need to draft a partnership agreement or two. Before you sign franchise agreements or vendor contracts or fire your first employee, make sure that you're working with a good attorney, who can help you with all these tasks and more. Watch for details in Chapter 8.

Most people starting a new restaurant, or taking over an existing one, change a few things (or a few hundred things) at their new location. Maybe you need to set up a new kitchen from scratch or improve the air flow of the hood over the range. Maybe you want to upgrade the plumbing or install air filtration in your bar. Contractors can save you lots of time and trouble. Don't hesitate to ask them questions and check their references.



Check out Chapters 10 through 12 for the scoop on designing your exterior, dining room, kitchen, and bar — with or without the help of contractors, designers, and architects. Interior designers and architects come in very handy around renovation and revamp time. Sometimes they can come in and give your place a face-lift for much less than you might imagine.

Welcoming the world to your restaurant

All the hard work that's required to get to the point where you can open the doors will mean absolutely nothing if no one shows up. You have to start thinking about how to draw customers way before you open your doors (and every day after that). Develop your marketing plan based on what's special, unique, or different about your restaurant. Maybe it's the food, ambience, price, or value. Study your competition, watch what they're doing well (and not so well), and understand where you have the advantage.



Different groups respond to different messages. Figure out what works for the diners you're going after. Check out Chapter 16 for details on telling the world about your place and getting them to beat a path to your door. After you get the customers in the seats, you have to keep them there. We've heard that you can't use restraining devices in most states and municipalities, so you do have to let them go and hope they come back. We want you to do more than hope. Chapter 19 gives you concrete tips for building your clientele and ensuring that most of them come back — and bring their friends.



To be successful in this or in any business, you need to take care of your business today, tomorrow, and years from now. Stay up on trends in your sector and the restaurant business as a whole. Watch for information about shifting dining preferences and behavior in trade magazines, print publica-

tions, television news (and the not-so-news magazine shows), the Internet, or anywhere else you get information. And always keep an eye on your competition. Don't copy them, but know what they're up to. See Chapter 4 for information on how to conduct a market analysis. And check out Chapter 20 for ways to maintain what you create, using feedback from financial analysis and operational reports.

Discovering Whether You Have What It Takes

Culinary prowess, a charming personality, and an ability to smile for the cameras. That's about all you need, right? Wrong. Take a step back. It takes way more to run a restaurant successfully. And that's what we all want: anyone can run a restaurant, but not everyone can run one well. (In fact, we should've titled this book, *Running a Restaurant Really Well For Dummies*, but the publisher wouldn't go for it.)

Monitoring your motivations

This is a tough business, and if you want to succeed, you have to have the inner motivation — the drive — to sustain you through all the downs that accompany the ups. This isn't a venture for the faint of heart. If you want to own a restaurant to have a place to hang out with your friends and get free drinks, we say take the bar bill and avoid the hassles.



The first thing you need to do, before you invest any additional time or money in this venture (besides purchasing and reading this book, of course), is to examine and understand the factors that motivate you. Be honest with yourself.

There are lots of great reasons to want to run a restaurant. Here are a few of our favorites:

- ✔ You love an ever-changing work environment.
- ✔ You love taking on a challenge.
- ✔ You're passionate about the business.
- ✔ You have a passion for food.
- ✔ You hate having any free time (including the holidays).
- ✔ You're continuing the family tradition.



And the following list contains a few reasons that should send up a red flag in your mind:

- ✔ You think it will be fun.
- ✔ You want to be a celebrity chef.
- ✔ You want a place to hang out.
- ✔ If Emeril can do it, so can you.
- ✔ You're tired of having a "real" job.
- ✔ You've always wanted to run a restaurant after you retire.



If one or more of these reasons sounds familiar, don't be completely discouraged. Just make sure that motivations such as these aren't your only, or even your primary, reasons for wanting to get into the business. And do some further investigation before making the financial, personal, and professional commitment to the business.

Evaluating your expectations

Running a restaurant, either yours or someone else's, is a huge commitment. It requires long hours, constant vigilance, and the ability to control potentially chaotic situations — on a daily basis.

Think about *Cocktail*, the great (or not-so-great, depending on your point of view) '80s movie, in which a salty old bartender marries a rich lady and uses her money to open his own place. Just before he kills himself, he pours out his soul to his younger bartender friend, played by Tom Cruise, about what it's really like to own your own place. He confesses, "The only thing I know about saloons is how to pour whiskey and run my mouth off. I knew nothing about insurance, sales tax, or building code, or labor costs, or the power company, or purchasing, or linens. Everyone with a hand stuck it in my pocket."



Running a restaurant shouldn't be a leap of faith. You need to go into this with your eyes open (not with your *Eyes Wide Shut* — is this too many references to Tom Cruise movies in a single chapter?). Just as we suggest that you carefully consider your motivations (see the "Monitoring your motivations" section, earlier in the chapter), you also need to make sure that your expectations are firmly planted in reality.



Take out a pen and some paper. Divide the paper into two columns. In the first, list all of your expectations for the future business. From the profits you expect, to the lifestyle you hope those profits will support, to newspaper reviews or the customer views you hope to elicit, list it all. This is your

chance to put your dreams on paper. Then, in the second column, write down what you expect out of yourself to make this thing happen — your contribution in terms of time and money, sacrifices you'll have to make, and anything else that you can think of.

Then it's time to determine whether the expectations on your lists reflect the reality of the situation. Reading this book is a great place to start — our goal is to present a balanced look at the joys and pains of running a restaurant. (If you want an instant reality check, skip over to Chapter 21, where we confront ten common myths.) But don't stop there. As we state in Chapter 2, you have to start researching every aspect of the business on Day 1, and you don't get to stop until you close your doors for the very last time. So you may as well start now. Minimize the mystery by getting out in the restaurant world — talk to owners, managers, waiters, and suppliers about their experiences and what you can expect. (Chapter 22 provides you with additional industry resources that you can consult.)

Tracking key traits

Based on our experience in the restaurant business, successful restaurateurs exhibit a few common traits. We list them below. Don't worry if you possess more of some traits than others. Just being aware of them is a great step toward making them all part of your world and succeeding in the business.

Business sense

This is probably the single most important trait. For all that the restaurant business is, it's still basically a business, subject to the same pressures as any other. Keep that thought in mind going into your arrangement. If you don't, you'll be hard-pressed to succeed. Skills that you've learned, developed, and honed in the real world can apply in this business, like buying skillfully, managing tactfully, and negotiating shrewdly. But many different facets of this business are tough to pick up.



Tolerance

The ability to keep your cool under pressure, thrive in chaos, and handle multiple points of view and personalities will serve you well in the business. Whether you're dealing with customers, employees, purveyors, changing trends, or a fickle clientele, you have to develop a thick skin. The inherent stress of the restaurant makes for short fuses. Your job is to dampen those tempers, smooth the rocky waters, and calm the storm.

Flexibility

The environment changes from minute to minute. You have to be able to adjust and think on your feet. You have to have a good balance of

process- and product-motivated people. Process-motivated people micromanage what's going on in their organization. Product-minded people focus on the end result. Sometimes you'll wear both hats.

Creativity

Infuse creativity into every facet of your business from how you approach your customers and your food, to how you promote your business. That creativity affects how your business performs.

Positive energy

Whenever you're in the restaurant, you have to be "on" — all the time. Restaurants that have a positive vibe are the ones that make it. Positive energy is *the* differentiating factor, as intangible as it is, between the winners and the losers in this business. And your restaurant can't have it if you don't.



Ability to hold (or hold off) liquor

Coveted by many, achieved by few, the ability to handle one's liquor has been the downfall (physically, financially, and spiritually) of many a restaurateur. Per capita, no industry drinks more than the restaurant business. For some people, managing a restaurant is like getting the keys to the grown-up candy store, and the temptation is too much to resist. As a restaurateur, you often drink as part of your job. No matter what the circumstances, you still have to count the money at the end of the night, or you have to be ready to go first thing in the morning.

Leadership skills

Restaurateur /REST-o-ra-tor/: n. doctor, babysitter, marriage counselor, bail bondsman, parent, mediator, conscience, seer, sage. *See Patton, George; Gandhi; et al.*

Being a leader in this industry is being able to balance an entire range of different management approaches, knowing when to lead by example, and knowing when to give the troops their marching orders. Most importantly, a successful restaurant leader is able to find her own leadership style and deal with employees fairly, consistently, and with respect.

Schmoozability

Pucker up. People like to feel important. They want to be part of the inner circle of the restaurant, no matter how large that circle may be. It's cool to say, "I know the manager" or "The chef's a friend of mine." Nothing gets return business like calling a diner by name. That's why you put up with the pictures of grandkids, whines about their big project at work, or not-so-interesting travel tales. Always make the customer feel welcome, at home, and at ease. Turning a good mood into a bad one is incredibly easy. Turning a bad mood into a good mood is exponentially more difficult.





Passion

We call it The Sickness. To succeed, you have to have it. Running a restaurant is a business that eventually chooses you; you ultimately can't choose it. If you don't have passion for the business, you can't sustain, maintain, and overcome the obstacles that crop up.

You can't teach it or learn it; you have to feel it. If you don't have the passion, your task of becoming successful will be exponentially harder. You have to connect *everything* to your passion. You have to get the wait staff wired with it, because they're selling your vision to the customers. You have to get the prep guys pumped, because they're cranking on a tough schedule, without the natural excitement of a restaurant full of people. You have to get the dishwashers psyched about cleaning the dishes, because the dishes frame the experience for the customer. Diners should experience a buildup of expectation for their experience from the first time they come into contact with anyone from the restaurant (whether on the phone, in person, or online). Imagine doing all that without a passion for your restaurant, and you see why passion is mandatory.

Presence

Being there day in and day out has no substitute. Absentee landlords need not apply. Just stopping in to say hello or giving off an aura that you know what's up ultimately won't allow you to run the restaurant. If you're not there, those who are there in your stead will be the de facto rulers, and it won't be the same. If you're not physically present in the building most of the time, the schmoozing, the energy, the passion, and so on can't get to your staff and ultimately to your diners. You can't positively impact your restaurant if you're not there.