

LEARNING MADE EASY



2nd Edition

Running a Restaurant

for
dummies[®]
A Wiley Brand



Find investors
and start-up cash

Design a unique menu
and manage a wine list

Choose a great
restaurant location

Michael Garvey

Former General Manager & President,
Grand Central Oyster Bar

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Restaurateur, consultant

Andrew G. Dismore

Restaurant industry veteran, author,
professional chef

Running a Restaurant

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2nd Edition

**by Michael Garvey, Heather Dismore,
and Andrew G. Dismore**

**for
dummies®**
A Wiley Brand

Running a Restaurant For Dummies®, 2nd Edition

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Introduction

The restaurant business is an exciting one, full of challenges and opportunities. We're glad you're interested in finding out more about it, and you've definitely come to the right place to get started. Years ago, going out to eat was truly an event — reserved for weekends or special occasions. Today, however, even a Tuesday, just another day, can be an occasion to eat out, especially when busy careers and overloaded family schedules leave little time to cook. Fortunately, consumers have more restaurant choices than ever before. And opportunities in the industry have never been greater. This book can help you minimize the challenges and overcome the obstacles before they overcome you.

We've managed, worked, eaten, mopped floors, tended bars, learned to repair equipment midshift on a Saturday night, hired, fired, trained, and done inventory in some of the best (and worst) restaurants in the world. We've worked in ultrafine dining, fast food, catering, and everything in between. We've worked dining rooms that sat 30 and catered events that fed 50,000 diners in a single day. Sure, each of these situations is somewhat different, but many aspects of running a restaurant transcend restaurant size, location, or dining style and fall under the category of universal restaurant truths. We do our best to bring all that information to you in this book.

Whether you're a seasoned restaurant veteran or just out of cooking school, we believe that if you're reading this book, you have the desire to run a restaurant. After reading it, you should know whether you have a passion for it — or what we sometimes call The Sickness.

About This Book

Success in the restaurant business is the dream of many and the achievement of few. Often, would-be restaurateurs have misconceptions about what running a restaurant is really like. Some folks are quick to see the glitz and glamour without also seeing the anxiety and effort that accompany it. Others have seen the business from the inside and are sure that they can do it better than the people they've worked for, without feeling the true weight and complexity of the tasks and decisions that face The Boss everyday. On the other side of the coin, you find people who could do very well in the restaurant business but stay out because of the horror stories they've heard.

We want you to see the full picture — the good, the bad, and the absurd — so you can make an informed decision about your place in this business.

We wrote this book because no Bureau of Restaurant Operators exists to test your knowledge and skills to determine whether you have what it takes to get into the business. After you've read the pages between these gorgeous yellow and black covers, you'll have a good idea of whether this is the racket for you — and the knowledge to get started on the right foot.

Plenty of books tell you how to open a restaurant, but you don't find many on how to *keep* it open. This book does both. Why? Because you can never stop improving your service, evaluating your product, scoping out the competition, and researching opportunities in the marketplace. Change is the only constant in the restaurant business. To succeed, you must anticipate and act on new trends, new pressures, and whatever else the market throws your way. The spoils go to those who see opportunities before they happen.

Please don't mistake our realism for cynicism. We want you to be in the business. But we're going to make sure that you have the information you need to be a success. We show you many everyday realities that people don't always consider but should. We hope you take the information and use it to be wildly successful. You can do this, but you have to look at this business the right way. If you do, save us a table!

Conventions Used in This Book

To help you navigate through this book, we use the following conventions:

- » *Italic* is used for emphasis and to highlight new words or terms that we define.
- » **Boldface** indicates keywords in bulleted lists and the action parts of numbered steps.
- » Monofont is used for Web addresses.

What You're Not to Read

Sidebars, which appear as text enclosed in shaded gray boxes, consist of information that's interesting but not critical to your understanding of the chapter or section topic. You can skip them if you're pressed for time. You can also bypass bonus material marked with the Technical Stuff icon.

Foolish Assumptions

Just as restaurant owners have to make assumptions about the customers who will be eating there, authors have to make assumptions about their readers. If one or more of the following descriptions hits home, you've come to the right place:

- » You're thinking about opening your own restaurant, and you want practical, how-to advice to accomplish your goals.
- » You've worked in the business, and now you're thinking about getting in on the ownership or management end of things.
- » You've never worked in a restaurant, but you've met with success in other professional endeavors and possess skills that may be applicable to this business.
- » You're fresh out of cooking school and are thinking about putting those skills to work in your own place.
- » You buy every book that sports a yellow and black cover.
- » You currently own or operate a restaurant, and you're seeking advice, tips, and suggestions to keep things running smoothly and successfully.

How This Book Is Organized

This book is organized into five separate parts. Here's what's on the menu.

Part 1: Getting Started

In this part, we give you a crash course in the restaurant business, including tips for getting started, understanding your options, creating your concept, and picking your name. We help you research the marketplace to determine whether your concept has a shot at success, and we provide information on how customers approach buying decisions. We take you through the critical step of writing a business plan. We also help you figure out whether you have what it takes to make it in the business.

Part 2: Putting Your Plan in Motion

In this part, we focus on acting on your idea. We go through the ins and outs of finding the right location or making an existing location work for you. We give you

tips on finding financing for your new business. And we wrap up by dotting some *i*'s and crossing some *t*'s, including help on getting the right permits and licenses, getting up to speed on local laws, and legally protecting yourself the right way.

Part 3: Preparing to Open the Doors

Here, we detail all the tasks you need to do to get up and running. We walk you through hiring and training your staff and developing your menu and beverage program. We show you how to set up your kitchen and dining room for the best flow of food and people. We also give you concrete tips for purchasing and managing your inventory, which can take you a long way toward profitability. And finally, we cover two often-neglected areas of the business: operating your office and promoting your business.

Part 4: Keeping Your Restaurant Running Smoothly

This part is for anyone running a restaurant today or tomorrow or considering doing it in the future. We show you how to maintain and build on your current operation, including tips for managing employees, keeping your diners coming back, and handling customer service situations. We explain how to keep your place spick-and-span and ensure food safety. We show you how to get great information about what your customers want. And we wrap it up with a lesson in watching your numbers, with tips on which reports to run, how to analyze the numbers, and how to make changes to your business when necessary.

Part 5: The Part of Tens

Here, we dispel ten common myths about running a restaurant, and we give you some of our favorite only-in-the-restaurant-business stories.

Icons Used in This Book

Icons are the fancy little pictures in the margins of this book. Here's a guide to what they mean:



TIP

The Tip icon marks ideas that can make your job a bit easier. The tips are often hands-on ways to improve your business today.



REMEMBER

The Remember icon points out ideas that sum up and reinforce the concepts we discuss. In fact, if you're in a time crunch and can't read everything, you may want to go straight to this icon.



WARNING

We use the Warning icon to alert you to potential pitfalls and to give you a heads-up on mistakes to avoid. Pay particular attention when you see the lit fuse.



TECHNICAL
STUFF

Think of the paragraphs marked with the Technical Stuff icon as bonus material. Usually, the info gives you some noncritical background on the subject. We think the info is interesting, so we include it, but you don't have to read it to get the essential ideas and concepts.



MOCK
CONCEPT

We use the Mock Concept icon to highlight information related to our imaginary restaurant, Urban Forge Pizza Bar, which we create in Chapter 2. We use Urban Forge as an example throughout the book to help you see in concrete, easy-to-understand terms exactly how to create sales forecasts, write marketing copy, and more.

Beyond the Book

In addition to what you're reading right now, this book comes with a free access-anywhere Cheat Sheet. To get this Cheat Sheet, go to www.dummies.com and search for "Running a Restaurant, 2nd Edition For Dummies Cheat Sheet" by using the Search box.

Where to Go from Here

We think that you'll find the information in this title valuable enough that you'll want to read it all. Doing so provides you with a strong, general foundation for starting and running a restaurant.

But one of the great things about a *For Dummies* book (among the hundreds that we can count) is that you don't have to read it word for word, front to back, cover to cover. If you're more interested in one particular topic than another, that's fine. Check out the corresponding part, chapter, or section and read up on that issue. You can find out about your topic of choice without first having read the information that precedes it, giving you get-in-and-get-out convenience. Interested in

tips to create or improve your menu? Turn to Chapter 8. Are you currently looking for a location to plant your new shop? Check out Chapter 6. Is sanitation your thing? Chapter 17 has your name written all over it. Need help understanding how to make social media work for your restaurant today? Hop on over to Chapter 15.

You can jump around, start wherever you want, and finish when you feel like it. So tie on your apron and get going.

1

Getting Started

IN THIS PART . . .

You're standing on square one. In the chapters that follow, we introduce you to the restaurant business and help you determine whether you have what it takes to make a go of it in the restaurant world. We help you choose the kind of restaurant that fits your geographic area and your expertise. We help you understand that in order to be successful, you have to create food that people want to buy, again and again. We also help you nail down your concept, come up with a name, and start researching everything from your potential customers to the competition. And we show you how to develop a restaurant-specific business plan.

- » Understanding the basics of the business
- » Deciding whether you have the necessary skills

Chapter **1**

Grasping the Basics of the Restaurant Business

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. 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 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. In the restaurant business, you have so much fun that you can hardly stand it. It's kind of like wishing every day was Christmas and actually getting your wish. 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 when you first open your doors, the work has only begun. Finally, we help you examine your motivations and expectations for pursuing your dream to determine whether both are rooted in reality.

Getting a Feel for the Restaurant World



REMEMBER

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'd better do it better than the other guy, or you'll be out of business.

In this section, we discuss planning your restaurant, hiring experts to help you set up shop, and attracting customers.

Laying the foundation

Sometimes the business of *the business* is tough for people to relate to. 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 influence your diners' 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 develop your restaurant's theme and concept (see Chapter 2), research the market (Chapter 3), develop a detailed business plan and use it to find and secure financing (Chapters 4 and 5), and find the best location for your new restaurant and get the right licenses and permits (Chapters 6 and 7).

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 13 for tips on getting the best price and look to Chapter 8 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 a host of other characters, all at the ready and working with you at various stages of the project.



TIP

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 4 and 5 can give you the details.) After you're up and running, you 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 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 7.

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 airflow 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 9 through 11 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 give your place a face-lift for much less than you imagine.

Welcoming the world to your restaurant

All the hard work you do to get to the point where you can open the doors means absolutely nothing if no one shows up. 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 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, so figure out what works for the diners you're going after. Check out Chapter 15 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 diners go and hope they come back. We want you to do more than hope. Chapter 18 gives you concrete tips for building your clientele and ensuring that most of them come back — and bring their friends.



REMEMBER

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 publications, 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 3 for information on how to conduct a market analysis, and check out Chapter 19 for ways to maintain what you create, using feedback from financial analysis and operational reports.

Finding Out 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. Running a restaurant successfully takes a lot more. 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*, 2nd Edition, but the publisher wouldn't go for it.) In this section, we help you evaluate your motivations and expectations, and we identify the key traits of a successful restaurateur.

Monitoring your motivations

The restaurant business 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.



TIP

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.