

How Restaurants Can Succeed as Businesses



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FROM THE PERSPECTIVE OF A CPA WHO HAS worked with award-winning restaurant owners for more than 30 years, there is no doubt restaurants can succeed as businesses. While some entrepreneurs try to open for business with nothing more than a love of food, if you want to open a restaurant, you had better have the requisite knowledge and experience.

Experience is the best teacher in the restaurant trade, and the best way to acquire it is to live it. Chefs work their way up. Waiters become maitre d's. Becoming an owner involves an understanding of operations and finance. It also requires a real, hands-on understanding of cooking, marketing and management.

As in any business, not everything can be delegated, and you will have to understand each function in your business, so you can monitor expectations—and fill in if someone doesn't show up. Successful owners take courses in finance, marketing, management and even cooking.

To put your best foot forward, craft a thorough business plan. After you have done the research, define your market: demographics, price point and competition. Take a walk around the neighborhood in which you plan to launch your business. Get a feel for the vibe of the people, the other businesses, the schools, homes, etc., to confirm whether your restaurant will serve a market need in the area.

Create a budget with fixed and variable costs, assuming a conservative rate of growth as you move closer toward your goal. After food and beverages, your largest line items will be occupancy and personnel. Hire an experienced professional team to help with structuring, registering your entity, lease negotiation and execution, adequate loss coverage provisions and financial needs. The team should include a Certified Public Accountant, attorney, insurance broker and financial advisor.

If your business plan is solid, others will buy into your dream. Start with the contractual obligation between you and your landlord. Establish credit with vendors, the

The key ingredients to the success of every restaurant include technical knowledge, proper planning and adequate capital, an indefatigable spirit, passion for hospitality and total commitment.

amount the purveyors will supply and terms of payment.

Banks, in conjunction with sponsored programs by organizations such as the NJEDA and SBA, loan funds out on a long-term basis for capital improvements and on a short-term basis for temporary working capital, provided you have invested your own funds. A reasonable debt-to-equity ratio for a start-up business is 2:1. For example, if you have capitalized your start-up with \$150,000, a bank may loan \$250,000 for equipment and improvements, and \$50,000 for working capital. You may also look to investors for funding—assuming you are willing to share the risks and rewards of your dream.

Take care in selecting the right staff to work in your restaurant. People are integral to any organization and more so in a restaurant where you are always measured by today's performance. Select trustworthy, positive, talented, reliable staff that like working with people—remember, these folks will not only be representing your brand to customers, but will be contributing to a work culture that will affect your team's morale and subsequently, its efficiency.

Once the restaurant is launched, continued diligence and energy should be applied to all aspects of what it took to get up and running. Attention will have to be paid to economic swings and, at times, temporary goals will need to be modified.

Formal establishments can add services like cooking classes or wine pairing events. A more casual establishment can offer "special nights," for example "Ladies Night." Offsite catering and private parties can also add to the bottom line.

You must also stay relevant and reinvent yourself periodically—update and refresh the décor in your restaurant and, most important, the menu. Customers will keep coming back if you offer new dishes in an environment that is fresh and updated. ■

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