

The Essentials For Preparing A Restaurant Business Plan For Future Growth Opportunities

If you plan on opening a new restaurant, bar, or other business it is essential that you prepare a comprehensive business plan. A business plan is necessary for raising money from investors, getting third party financing and/or getting approval from a prospective new landlord to lease a new space.

The essentials of a business plan should include the following:

1) summary of the concept, 2) demographic study, 3) operational and financial information on the principals and 4) financial projections.

1. **Summary of Concept**

This includes a definition of the physical characteristics of the operation discussing the format of the operations (full service, self service, take out, etc.) and the type of operation (i.e. breakfast/lunch, Italian, Mexican, deli, etc.) and whether alcohol will be included and if so the projected sales of alcohol compared to food sales. Other items include a definition of who are the customers, number of seats, square footage, hours of operation, licenses needed, a copy of the menu including pricing and sketches and floor plans for the business.

2. **Demographic Study**

This includes a definition of the trade area of the business, which is the distance the customer will travel to come to the business. For example the trade area draw for a neighborhood breakfast & lunch operation only may be a 1 mile radius whereas a popular dinner house operation may have a trade area draw of up to a 30 mile radius. The demographic study will give you the following statistical information within the trade area you are studying: total population, population broken down by age, household income, per capita income, ethnic mix, education levels and how much money is spent for food away from home, etc.

3. **Operational and Financial Information on the Principals**

This includes personal financial statements, current credit reports, 2-3 years most current tax returns and resumes on each of the principals of the business. Also included in this section are the resumes of the key management personnel for the business.

4. **Financial Projections**

Included in this section should be the following:

- a. The projected guest check average per person for each meal.
- b. A breakdown of the food sales based on in house sales; take out sales, delivery sales, banquet and catering sales, if any.
- c. A projected source and use of funds schedule including where the money is coming from (i.e. bank loans, investors, etc.) and a detail of the use of funds. Make sure when allocating the use of funds you include the following categories: purchase price, remodeling costs, deposits, marketing costs, training costs, rent during remodeling period and most important a reserve for contingencies (at least six months payroll).
- d. The projected annual gross sales revenue.
- e. The projected break-even point.
- f. A projected Income and Expense Statement for a 5-year period. When making projections use conservative assumptions as there are so many things that can go wrong when running a business.

A well put together business plan will give you the opportunity to fine tune your business, approach investors and landlords as opportunities present themselves and enhance your chances for success.