

Developing a New Restaurant Concept from Scratch:

Sooner or later, most of us in the management advisory services community are approached by a prospective client whose intention is to develop a restaurant concept from scratch. Often, that client is reacting to a favorable trend reported in the trade press. More frequently, however, they have patronized a successful concept in another city and are convinced it will work equally as well in their own neighborhood. After all, if it works in Minneapolis, why not in Bakersfield? And they cannot be deterred; the idea has completely captivated their imagination and created visions of grandeur, vast wealth and a personal appearance on "The Tonight Show." They are convinced their idea or variation on a theme can and will become the next Outback Steakhouse or Boston Chicken, complete with an IPO or acquisition by PepsiCo. And sometimes their market instincts are dead-on right. Let's face it, fairy tales like California Pizza Kitchen tend to keep all of us humble.

Sometimes we get lucky and the client has experience in the business (although often they know enough to be dangerous, yet not enough to be successful), but usually they are neophytes to our industry. Not to say they haven't been successful in another unrelated field, like real estate — after all, that's where all their capital originated. And now they are



dying to invest all their hard-earned money in something that looks so painfully simple and has an established track record (albeit in another city or state).

This is a dilemma most professional MAS consultants have faced many times in the course of their practice, and the question is inevitably raised, "Where do we start?"

I believe that answer lies in presenting the client — right at the start — with a concept development outline which sets forth all phases associated with the successful development of a restaurant concept prototype, all the way through the post-opening period. This outline helps immeasurably in framing the scope of a project in terms of timeline, management resources and capital requirements. It also should be noted that individual phases will always overlap and will have to be developed simultaneously. Moreover, the cost and duration of construction will always vary significantly based on project budget, local building codes and owner prerogatives. But essentially these steps represent a "template" which can be used to coordinate the entire project, as well as a critical path to identify who does what, when they do it, and when it must be completed. The Concept Development Outline is the ultimate flight plan which can allow the MAS consultant to best serve the client in keeping the project on track, on budget and on purpose.

Phase I: Strategic Planning

I always recommend an intensive one- to two-day strategic planning exercise facilitated by an experienced strategic planner, qualified management consultant or advisor. It is critical that the client identify his objectives in terms of financial impact and capability, degree of management commitment, and, most importantly, lifestyle implications. Make certain this session is held in a separate setting, away from the interruptions and distractions of the office. Hotels are particularly well suited for this.

Moreover, if the client agrees to the strategic planning process, you have an excellent chance of identifying all the issues, both business and personal, which drive the project. As a result, you build a solid foundation on which to proceed.

The following areas need to be addressed:

- Mission statement
- Financial capabilities of principals
- Concept positioning and menu composition

- Capital requirements and budget limitations
- Ongoing management requirements and expectations
- Marketing strategies and tactics
- Financial feasibility and ROI expectations
- Acquisition/remodel/new construction options
- Design protocols and space planning limitations
- Real estate or lease considerations
- Long-term exit strategies

PHASE 2: Concept Identification

Once the strategic planning discipline has established an overall project direction, the process becomes a shaping of the concept into a tangible form with character, heart and soul. At this point you are really establishing the positioning statement and brand personality from which all future marketing activities will flow. Key aspects include:

- Restaurant name and secondary descriptors
- Menu adaptation and refinement
- Price points
- Graphics, logo, descriptive collateral
- Signage
- Square footage of building footprint
- Hours of operation, meal dayparts
- Operational configuration (takeout, delivery, catering)
- Management and staff job profiles
- Industry trends for your market segment

PHASE 3: Site Selection and Feasibility

A variety of site criteria will be developed in phase 2 which will dictate the proper approach to developing the prototype: e.g., acquisition/remodel, new construction or space retrofit. At this point, the characteristics of the market must be identified in conjunction with the physical parameters necessary to deliver the concept in a way that it can be inherently profitable. This means “matching” the concept to the market and then finding a site which is complimentary. Important information needed includes:

- Demographic and psychographic (lifestyle) data
- Profile of adjacent business, industrial and/or residential area
- Competitive structure and saturation (similar concepts)
- Ease of access (ingress and egress) and street visibility
- Traffic patterns and car counts
- Commercial trading area potential and orientation
- Major traffic generators (hospitals, shopping malls, stadiums, etc.)
- Government prerogatives (long-term development, freeways, parks, etc.)
- Parking and entry arrival considerations

PHASE 4: Design Development

Once a location, concept and facility configuration have been established, suitable outside vendors, advisors, consultants and contractors must be sourced and retained. Experience in foodservice is a critical factor in the success of a new concept, so do not allow the client to bring in individuals or firms with extensive résumés, yet no foodservice background. When they say, “We’ve never done a restaurant, but we’ve always wanted to,” eliminate them from serious consideration.

It is also important to bring the key players together at the outset: architect, general contractor, food facilities planner, interior designer and operations manager. Share the results of phases two and three in a well-written discussion outline, accented by key bullet points. In this way, all the major contributors to the project can share a common vision and can each be “invested” in your success. One final suggestion: If possible and/or appropriate, actively check references — particularly from the operations area. There is no better way to critique a potential contractor or supplier than to interview the operations manager for one of their prior clients. Design is certainly one element, but the acid test is function.

Key participants include:

- Interior design and space plan
- Architectural (building codes and construction overview)
- Food facilities design
- Graphics, logo, signage, marketing collateral
- Tabletop (china, glass, silver)
- Construction (general contractor)
- Contract furnishings and fixturation
- Menu design and layout
- Point of sale, cash registers
- Artwork, decor, specialty appointments
- Accounting and MIS computerization
- Credit card processing
- Fax and telephone communications
- Television, VCR, satellite, music
- Exterior landscaping and parking

PHASE 5: Specifications and Construction

Completion of the final design and specifications must be reconciled with the budget and the project completion timeline. Once construction is

underway, a computerized critical path should be monitored to ensure quality control at each stage of completion.

Community relations now becomes important, requiring appropriate temporary signage on site, and generation of press releases to inform of the new concept, employment, menu style, opening date, telephone number, etc. Make certain there is a complete sign-off by all the key project participants, including operations management and absentee ownership.

PHASE 6: Management Structure and Organization

Developing a management organizational chart consistent with industry standards and established labor cost parameters is essential to success and profitability. Most new concepts are top heavy with management, and a problem often arises when sales revenues are overestimated, leading to painful layoffs and cutbacks after the post-opening “shakeout” period. Every job function should have both a job profile and a written job description. Owners should discuss employment agreements and bonus programs in principle, with formal guidelines set after six months of full operations.

A well-defined management infrastructure should contain the following components:

- General employee handbook
- Management policy handbook
- Personnel handbook
- Written job descriptions and pay grade scales
- Operations training programs for managers and employees
- Recruitment, interviewing and selection criteria
- Operations audit and mystery shopper
- Administrative office protocols
- Wage, salary and benefits guidelines
- Evaluation and promotion criteria
- Management philosophy and performance guidelines

Phase 7: Operating Systems

The success and profitability of any restaurant or foodservice operation, whether commercial or non-commercial, is directly linked to the simplicity and effectiveness of its operating systems and cost control disciplines. Management

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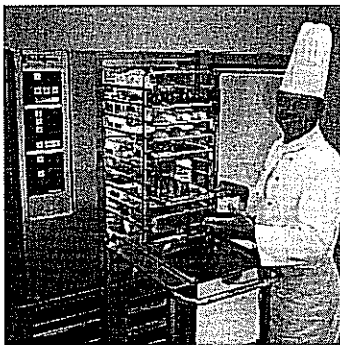
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accountability should be monitored through weekly flash reports on prime costs, cover counts, employee turnover and disciplinary and complimentary actions. Every successful concept features tight, sensible product and labor control systems which are easy to check and even easier to execute. Systems must be fluid and flexible, easily refined, upgraded and modified to fit operational challenges. Managers must be ingrained with this "systems culture" from the beginning, and must view proper execution as a religion, not an imposition. The most important areas of focus are these:

- Safety, security and sanitation manual
- Cost control disciplines
- Inventory and product reconciliation
- Weekly management accountability protocols
- Seating, telephone and guest contact scripts and procedures
- Purchasing and receiving guidelines
- Variance and communication journals
- Vendor, purveyor and supplier selection criteria
- Accounting and financial management systems
- Payroll preparation and labor law compliance
- Maintenance and opening/closing checklists

PHASES: Training

In the highly competitive '90s, there can be no more important issue than training. Most markets are already experiencing a deterioration of their available labor pool, and reducing employee turnover is mandatory. Successful concepts must have a formalized commitment to training at all levels. Good training ensures operational readiness, performance and execution, and is a natural complement to effective marketing and promotion efforts. A well-organized, professional foodservice operation should have fully developed and defined training programs and protocols in the following areas:

- Training modules for all positions
- Administrative positions by function and by position
- A complete management development program and strategy
- A comprehensive evaluation and advancement program
- Internal customer recognition and awareness
- Employee focus group and empowerment

program

- Waiter/waitress selling focus and initiatives
- An established employee assistance program (EAP)
- Continuing education and outside training emphasis

Phase 9: Marketing

There is no function more important than marketing, particularly when sales are accelerating upward. "Fish when the fish are biting," is an old adage that says it best. Operational performance can be easily fine tuned when sales are high. Poor service always occurs when sales are slow and customer counts are down. Progressive operators make a financial commitment to marketing as an investment, not an expense.

Once the concept has been shaped and a location identified that is compatible with the local market, most of the available resources should be focused on the population within a five-mile radius or a 10-minute drive from the site. A fully developed marketing plan is a must, complete with strategy, tactics and implementation guidelines. An annual budget of 3-5 percent of revenues is recommended, and then administered by an "in-house" marketing manager or intern. Remember: "Marketing creates the air that overhead breathes."

Key components to a successful marketing commitment include:

- A 12-month marketing plan (post-opening)
- An in-house neighborhood marketing manual
- Professionally created and developed marketing collateral and POP
- Guest comment cards and follow-up procedures
- Focus group and trial rejecter disciplines
- Community support parameters and budget
- Media relations strategy
- In-house public relations capability

Phase 10: Grand Opening

Introducing a new restaurant or concept to your client's market must be done professionally and with great care. A guest's first experience must be positive since today's savvy consumer can be extremely unforgiving. Make certain you orchestrate at least three pre-

opening parties: one for the contractors and their families (they are the most forgiving), followed by two sessions in which you split your client's staff in two representative groups and allow them to serve each other as customers. Do not invite special guests and public dignitaries for at least two weeks; allow for a complete operational "shakeout." Defer these ribbon-cutting ceremonies until you believe the client is operationally ready. Once pre-opening meals are finished, take one or two complete days off to finish correcting all the little problems, and to guarantee that the staff and management team will be well rested and fresh.

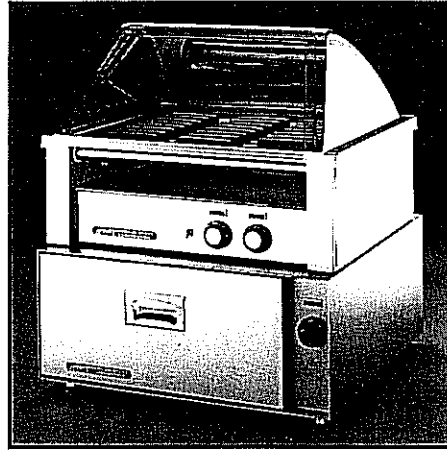
Open on a Monday or Tuesday with minimal fanfare. "Soft" openings allow for a gradual build-up and provide staff with confidence as they master new facilities and systems. A grand opening manual should provide a step-by-step, sequential blueprint for each internal phase of the grand opening process.

A concept development outline is the ultimate checklist, and allows the MAS consultant to guide this difficult process through a logical evolution of events and activities from strategic planning through the grand opening. As a discipline, it will save your client thousands of dollars by properly prioritizing marketing, training and systems implementation before the doors open. And maybe most important of all, it can make you a hero and save your sanity. Amen. 🍀

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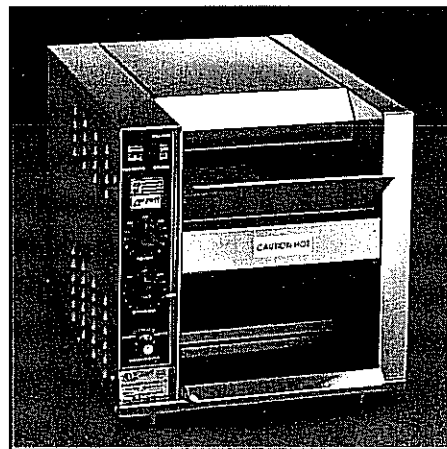
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