

Glean good ideas from another industry.

One way to think outside the restaurant world is to attend a trade show or exposition from another industry. Check your local convention and visitors bureau to see what conventions are scheduled at a city in your area. Your next great idea just could come from a computer or boating industry trade show. — Patricia Luebke

## Ten Common Mistakes Made by Restaurateurs in the Startup Phase and How to Avoid Them

In any new business venture good decision making is vital. Opening a new restaurant requires so many decisions that it's not hard to make a few bloopers along the way. The key is to avoid totally missing the mark on the really important issues that can make or break your chances for success. Here are some of the more important common missteps new owners make in areas that play a big role in how well a new restaurant is likely to do.

### Underestimating capital needs.

There are many good new restaurants with excellent prospects for success that simply run out of money. It's common for first-time owners in particular, to overlook or inadequately project all the startup costs involved in opening the restaurant. Some of the reasons include construction overruns, change orders, delays, and being blindsided by additional costs mandated from local inspectors and building authorities. Also, soft costs like permits, liquor licenses, insurance binders and pre-opening payroll are often missed completely or grossly underbudgeted. Unless you've done it before, it's usually advisable to seek some experienced, professional help in identifying and estimating, in detail, startup capital you'll need. Even then, many pros still add a 10%-15% contingency for the host of unplanned things that can (and often do) happen to add cost to the project.

### Believing you'll start making money on opening day.

The odds are stacked against this happening. Even the best-run chain restaurant owners, who open restaurants for a living, factor into their startup budgets an allowance for funding operating deficits for up to three months after the restaurant opens. It usually takes time to build sales volume to an adequate level. Even if your sales are strong from Day One, food and labor costs are usually sky-high for the first several weeks, as your managers and staff get acclimated, productive and have the time and energy to focus on anything other than just taking care of who's at the table. In time, most things can be fixed. Run out of money and you're done. Not factoring in an adequate reserve for initial operating deficits is another cause of undercapitalization.

### Lack of a clear vision and purpose.

This may sound somewhat vague and intangible, but a successful startup requires the coordinated effort of a dedicated staff pulling together in the same direction, united by a common goal. Getting this accomplished requires leadership skills. New operators who either don't have or can't communicate an underlying mission that the staff can rally around will find it difficult to create the kind of climate that supports teamwork, hard work and dedication to excellence that endures through the long hours and sometime chaotic conditions that take place during the startup phase of any new restaurant.

*According to the National Restaurant Association, in 2010, the restaurant industry will operate more than one million units, with sales of \$577 billion, capturing 53% of the food dollar.*

## **Lack of documented systems, procedures and training manuals.**

Restaurant operations involve the repetition of hundreds and even thousands of divergent tasks by many individuals and groups of individuals. Organization and consistent execution is key to creating a successful restaurant. Franchised restaurants start out with detailed recipes, checklists and procedures to do everything from prepping the lettuce, to cleaning the restrooms, to closing out the cashier. In new independent restaurants, it's often make it up as you go. There may be nothing to go by other than what's in the owner's head. This makes it more challenging to train employees so customers get a consistent level of service and food quality regardless of who the server is or who's in the kitchen.

## **Owner fails to function like an owner.**

Instead, the owner functions like just another employee and ends up bussing tables, cooking in the kitchen and doing the books. Obviously this is often a necessity during the startup phase but eventually someone has to manage the business, not just run the restaurant. Managing the business includes activities like monitoring cash flow, analyzing the P&L, deciding about next month's marketing activities, evaluating what's working on the menu and other strategic functions to position the restaurant for success. If the owner is constantly training employees or working the line, guess who's managing the business? Nobody.

## **Having the grand opening on opening day.**

You only have to do this once and you learn to wait a month or two to declare your grand opening. There are few things worse than getting slammed with more business than you can possibly handle on Day One. With so many restaurants, the public's first impression can easily be their last. Blow it on opening day and chances are you won't see most of those people again, ever. Soft, quiet openings are the way to go.

## **Focusing too much on what you like.**

What matters is what your customers like. Find out what people in your area want and the price they're willing to pay for it. Go to existing restaurants and find out what people are buying. Take formal or informal surveys, conduct focus groups, anything to get a sense of what people in your area are hungry for that they can't get in your market area and what they're willing to pay for it. Too many new restaurant concepts miss the mark by not analyzing what people want in their local market.

## **Deciding on a concept, then finding a location.**

Restaurant industry legend Phil Romono, whose biggest creations are Fuddruckers® and Macaroni Grill® (both national chains now) says that's a mistake. Don't marry yourself to a concept. Find a location in a good market with adequate parking, access, visibility and other positive traits, then determine what the local market wants that it can't get and find a way to satisfy that unfilled desire.

## **Accepting a secondary location to save on rent.**

Don't be too sure that your restaurant is going to be so exceptional that customers will go out of their way to find you. With all the restaurants there are today, chances are they won't. High visibility and convenient access are more critical today than ever. Saving money on rent in a poor location often results in spending all that and more on advertising in an attempt to get noticed and bring in more business.

## **Trying to appeal to everyone.**

You can't and if you try you'll end up with too many items on the menu, an overly complicated kitchen, confused customers and no unique identity in the marketplace. The key to success for today's independents is to identify an unfilled niche in your local market and focus on filling that particular slice of the market. This will give you a much better chance to become really good at whatever it is you do. — Jim Laube

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*If you want 100 seats in your restaurant, you need 3,000 square feet of dining room space. Restaurant facility experts recommend at least 30 square feet per seat.*

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## Did You Know...

- ✓ The average American company loses, at minimum, 20% of its customers every year. For many companies, customer losses are even higher. For example, among auto dealers and Internet service providers, customer turnover can be as high as 50%.
- ✓ In his book, "50 Simple Things You Can Do to Save Your Customers," Paul Timm says it costs six times as much to attract a new customer as it does to keep an existing one.
- ✓ It's estimated that repeat customers generate 65% of sales.
- ✓ A satisfied customer will bring in five new ones; an unhappy one will bad-mouth you to 10 prospects.
- ✓ It's easier to get customers to buy 10% more than it is to increase the number of customers by 10%.
- ✓ Only 4% of unhappy customers complain; the rest go to the competition.

using these cards to solicit feedback on the quality of service and food during the meal, you can use them to gauge interest in services or products you might offer in the future. For example, questions that ask if the customer would be interested in patronizing your restaurant for Sunday brunch or if she would ever hire a catering service offered by you, could be a valuable source of marketing research.

The cards can also illuminate problems that you would not easily discover on your own, such as how well telephone reservations are being handled, or if your restaurant is too loud. In the latter case, you might not know the answer, since you're accustomed to the noise level, and rarely would your customers mention the problem, since there is little that can be done about it during the meal.

In addition to asking customers to rate various aspects of your restaurant on a scale, you might allow room to jot down responses to general "open-ended" questions, such as "Do you have any other comments?"

Over time, feedback cards can help you determine both the quality of your service and food, and where you need to improve. Desktop computer software packages include simple-to-use database and spreadsheet programs that allow you to compile and analyze feedback, and then create graphs that can visually communicate trends to staff and managers.

The cards are inexpensive, yet offer valuable information that can help with all kinds of management decisions. To be effective, however, they need to be used. It is

amazing how these cards are diligently presented with the bill when they arrive from the printer, but, as time passes, the remaining cards collect dust in the closet. The managers and staff must be constantly reminded that each and every check needs to be accompanied by a card.

Another approach to help measure your service is a "secret shopper" service. Nearly every town has a business in which an independent service will come to your restaurant to check it out and report back to you what they've found. Certainly more expensive than the previous methods, this kind of service offers in-depth and comprehensive reports on its findings.

Look on the Web or in the telephone book for listings under "secret shoppers." Check out [www.measurex.com](http://www.measurex.com) and [www.coylehospitality.com](http://www.coylehospitality.com), which tout these services.

### Attitude is Everything

*If things are not going well with you, begin your effort at correcting the situation by carefully examining the service you are rendering, and especially the spirit in which you are rendering it.*

- Roger W. Bacon, English Philosopher and Scholar

The nice thing about adopting strong service as the product of your restaurant is that where some parts of business are easier

talked about than accomplished, this one isn't. Service is simply an attitude borne from the desire to help, truthfulness, kindness, knowledge, professionalism, and empathy.

*The greatest discovery of my generation is that human beings can alter their lives by altering their attitude of mind.*

- William James  
Psychologist

Improving the quality of service at your restaurant can be an overnight transformation, as long as you get the "religion." It requires you to become a service "evangelist" and to inspire your staff through meetings, training exercises (e.g. answering phones, greeting people, handling complaints, product knowledge) and monitoring performance. Every manager needs to follow the adage: If your business is experiencing trouble, the first place to look for the problem is in the mirror.

### Service: So Elusive, So Difficult to Define, So ... Simple

What if you set out to create the most successful customer service organization in the world, and one that would delight people of all ages? How would you do it? Here's one suggestion:

*Do what you do so well that they will want to see it again and bring their friends.*

- Walt Disney

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