

SO YOU WANT TO OWN A RESTAURANT?

By: Don Stallings, CPA, CVA
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Every year, four or five of my clients will share with me their lifetime desire to own and operate their own restaurant. Granted it would be nice to have a really neat restaurant with a great bar and live entertainment every night, but before you quit your real job, remember; the food and beverage business is a six or seven day a week business with long, hard hours. One or two bad nights with improperly prepared food or bad service, and all your hard work can go down the drain. One of my restaurant clients who owns and operates three locations in Jackson is always having to fill in for a manager or cook who was arrested or quit. The food and beverage industry is very labor intensive, and if you are not good at supervising and motivating people, this is not the place for you. The food and beverage industry is also a service-oriented business, and customers can be very demanding and fickle. Desire to please the public is basic to success.

Another fundamental decision is whether to develop your own independent concept or go with a franchise operation. The initial investment in a franchise operation is substantially greater than in an independent operation, but historically, good franchise operations have a much better chance of success. This is probably due to the screening process most of the better franchises do in approving a franchisee. If you know what you are doing, you can probably make the same net income as a franchise operation with one-half the sales volume if you stay independent. This is due to the franchise fees and royalties you pay in a franchise operation.

The very first step in your decision should be to develop a sound well thought out business plan. What a good business plan does is answer several basic questions. 1. How will I finance the operation? 2. Who will run the operation? 3. How much money will be needed? 4. How much profit can I reasonably expect to make from the operation? 5. How many employees will I need and how much can I afford to pay them? 6. Should I purchase or lease the location?

Our firm has developed custom software to prepare a business plan. The software allows us to prepare a balance sheet, income statement, and cash flow statement for the first twenty-four months of operation. A list of basic assumptions is included as well as a detailed description of each critical area. Key items in the food and beverage industry are sales volume, food cost, personnel cost, facility cost and advertising cost.

Before you open your operation, you should have a good operating plan and financial system in place. Unless you are very hands-on, a good point of sale register system is critical as well as some way of alerting you if one of the critical elements go awry. A CPA firm experienced in food and beverage operations can set you up a system which will allow you real time financial information and a monitoring system that will alert you if any of the critical elements moves outside of preset parameters.

As a marketing tool to expand our food and beverage consulting practice, our firm has adopted a policy of meeting with prospective clients for an initial consultation at no charge to discuss opening a new restaurant or improving an existing operation. Before you sink a lot of personal savings in a restaurant operation we urge you to take advantage of this assistance or a similar program offered by other CPAs.

Don Stallings is a shareholder in the CPA firm of Baird & Stallings, CPAs, P.A. in Indianola, Ms.

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