

# A Step By Step Guide On How To Start A Restaurant Business In India In 2023



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Despite the substantial risks and the tough hours, owning a restaurant business is one of the most rewarding experiences of your life. If you too have nurtured a lifelong ambition of starting up a restaurant or are currently in the middle of setting up your first restaurant, then this article is just for you. In this article, we discuss in detail how to start a restaurant business in India in 2023.

## 1. Restaurant Industry in India

The Indian Restaurant Market is one of the fastest-growing in the world. It is expected to reach [INR 5.99 lakh crore by 2022-23](#), growing at a compounded annual growth rate of 9 percent, as per the National Restaurant Association of India (NRAI) report. Despite the hardships and challenges faced by restaurant owners in recent years, opening a restaurant in the near future would bring a host of new opportunities for budding restaurant owners.

Thanks to the rising incomes, rapid urbanization, increasing working population and technological advancements, more Indians are eating out in restaurants.

## 2. How To Start A Restaurant In India

Considering the opportunity that the Indian F&B industry holds for both future & existing restaurant businesses, it certainly is the right time to enter into this lucrative domain.

**This step-by-step guide will solve all your queries on how to open a restaurant business in India:**

- Decide the concept of your restaurant
- Get investment to fund your restaurant business
- Evaluate restaurant costs involved
- Decide the location of your restaurant
- Get all the licenses required to start the restaurant business
- Get the workforce for your restaurant business
- Design a stellar menu
- Arrange vendors and suppliers for your restaurant

- Install the right technology at your restaurant
- Focus on marketing your restaurant
- Host a soft opening

Now that you have garnered the knowledge about the steps that are important for you to start a restaurant business in India, let's dive deeper and know what exactly needs to be done that will help you to open a successful restaurant.

## 2.1. Decide The Concept Of Your Restaurant

The first thing to consider while starting a restaurant business is deciding the idea. [You need to keep many things in mind before deciding on a concept](#), the major one being the amount of capital you have for investment.

The **Average Price per Customer (APC)** gives you a fair idea of the average amount of money a customer would spend in your restaurant.

Once you have decided on the concept, you must ponder the theme and cuisine of your restaurant. The interiors must be in sync with your restaurant theme. Next, you should prepare a business plan for your restaurant as it would help you in planning the future development of your restaurant business, and you can present it to any potential investor. Learn how you can write a winning restaurant business plan [here](#).

## 2.2. Get Investment To Fund Your Restaurant Business

Most aspiring restaurateurs' dreams never see the light due to a lack of funds, and this is one of the most important things to consider when you think of opening a restaurant business. Firstly, depending on the concept of your restaurant you must finalize how much capital is required to start a restaurant in India. When you have the numbers, then you can go about with these three ways through which you can [raise money for your dream restaurant](#):

- **Self-funding** – If you have enough money in the bank, then congrats, you have crossed the first hurdle of opening a restaurant. It is also a good idea to open a restaurant in partnership, as it reduces the risks of investment.
- **Loan-** You can take a loan to fulfill your restaurant dream. However, securing a loan from a bank may include hassles as they look for collateral or someone who can underwrite the loan.
- **VC/Angel funding-** Getting investors on board can be difficult, especially if yours is a first-time venture. [Investors usually look for your restaurant venture's growth potential, quality, and scalability of your business model](#). The performance of your first few outlets is taken into consideration before one agrees to invest in your business.

## 2.3. Evaluate All Restaurant Costs Involved

Restaurant costs are a significant part of running a restaurant and need to be evaluated and planned carefully. Below are the significant costs involved in starting a restaurant business:

**Food Costs-** Food cost is the cost of all the raw materials used in preparing a dish. Ideally, the food cost should be around 30% of your menu price. You should finalize the vendors for sourcing the raw materials beforehand to ensure a smooth supply of stock ingredients.

**Labor Costs** – Labor cost is the second most important restaurant cost that adds up to the expenditures while opening a restaurant. We have discussed the manpower you need to start a restaurant in detail, ahead.

**Overhead Costs**– Overhead costs are other expenses that are not related to food or labor. These include:

1. **Rent**- The rent covers a significant part of your restaurant costs, and is profoundly affected by the location of the restaurant. However, the rent should never exceed 10% of your total revenues.
2. **Interiors**– You can decide on the interiors based on your restaurant concept and theme, and your budget.
3. **Kitchen equipment**- Purchasing the right quality equipment may seem heavy on the pockets, but they always recover their costs in the long run. Know about the various types of essential equipment without which you cannot run a successful restaurant, [here](#).
4. **License**- Restaurant licenses are an essential expense of your restaurant, and cannot be ignored. Based on your establishment type, the license fee varies. We have covered the topic of the restaurant license in detail below.
5. **POS**- The new age, [modern technology POS](#) can smoothen your restaurant operations like never before. The price of POS depends on its features and functionalities, which should be chosen considering your restaurant needs. We have covered the topic of POS below in detail.
6. **Marketing**- You should ideally spend 1-2% of your revenues on marketing your restaurant. There should be a perfect balance between offline and online marketing. Word-of-mouth marketing, along with [digital marketing](#) can do wonders for your restaurant.

## 2.4. Decide The Location For Your Restaurant


Location is an essential factor to consider while discussing how to start a restaurant business, as it can determine the success of your restaurant. When choosing your restaurant's location, it is a good idea to identify your competitor in that area and gauge their progress and understand their business model. The competition needs to be assessed not just in terms of cuisine, but also the type of dining experience they are offering to their customers – casual dining, fine dining, QSR, etc. Evaluating the competition would help you understand the customer base that hovers in that area, their pocket size, and their preferences.

**Other factors to be considered while deciding the location of the restaurant business in India, are-**

- **Visibility and accessibility**- The restaurant should be located in a place that is easily visible as well as accessible. Upper floor locations are generally not considered suitable as their visibility is low, and

customers also find them difficult to locate. A restaurant right in front of the road and on the ground floor has higher footfalls.

- **NOC-** Before you open your restaurant, you would also need a No Objection Certificate (NOC) from at least three of your neighbors.

 **Suggested Read:** [7 Things to Consider While Deciding Your Restaurant's Location](#)

## 2.5. Get All Licenses Required To Start A Restaurant Business

You need to acquire licenses from the government to run a restaurant business in India. The cost of obtaining these licenses varies, depending on the size of your venture. It is advisable to apply for the permits early, as they may take a lot of time to get approved. Here is the list of significant licenses required to open a restaurant business in India:

- **Trade license from the municipal corporation-** Depending on the size of the restaurant, the cost incurred is from Rs 10,000 to 1 lakh. However, the actual license fee ranges from Rs 5000 to 10,000 for a small restaurant. The licenses are issued for a financial year and need to be renewed in March every year.
- **FSSAI-** One needs to get a license from the Food Safety and Standards Authority of India (FSSAI) to operate a food business. The size of your venture, turnover, installed capacity, location, etc. are factors in obtaining an FSSAI license and costs around Rs 5000 to 10000. [For more help on FSSAI Registration, you can refer to this guide.](#)
- **GST Registration-** Restaurants are required to register under GST and get their GSTIN Number. GST registration is state-specific, so if your restaurant has outlets in different states, then you need to have a separate registration for each state. You can read more about GST Registration for Restaurants [here](#).
- **Professional Tax license-** You need a professional tax license for employing salaried staff. This is payable on a monthly basis for all restaurant staff earning above Rs 10,000.
- **Liquor License-** Obtaining a liquor license is the trickiest of all and is also pretty expensive. It is advisable to apply for the liquor license early, as this permit takes a lot of time as well.
- **Business Registration-** You need to register your business as a partnership firm or a Pvt Ltd company. You'll need to file annual returns, audit your finances, etc. Hire a CA to help you with the economics of your business.

There are a few other licenses required as well such as a fire safety certificate, pollution control license, etc. Learn more about all the essential licenses necessary to open a restaurant [here](#).

## 2.6. Get Manpower For Your Restaurant Business

Hiring the right talent and retaining them is one of the biggest challenges while running a restaurant business in India. Hiring through referral is very well accepted, with existing employees referring to their friends and family. As a first-time restaurateur, you can hire through the traditional way: set up an advertisement in the newspaper, put up 'We're hiring' posters, or hire through agencies. There are also many active groups on Facebook and LinkedIn, from where you can source talent.

There are three types of staff required in a restaurant:

- **Kitchen staff-** Your kitchen staff, comprises the [cooks](#), food preparation staff, support staff, etc. They will mostly be unskilled labor.
- **Service staff-** The waiters, housekeeping staff, busboys, etc. are your service staff. Since they have to interact with customers, they need to be good at communication and must be trained appropriately.
- **Management staff-** Your restaurant's [manager](#), chef, cashier, store manager, etc. comprise the management staff, and they need to be educated as well as experienced.

Hiring the right chef is extremely important for your restaurant as your food is what's going to attract your customers. **Apart from cooking, your chef also designs your menu, keeping in mind the ingredients that are readily available, and train and lead the staff to prepare and present the dish.** Therefore, an experienced chef is a must for your restaurant. Before you start a restaurant business, you must also remember to train your staff not only regarding their job but also on how they should serve their customers to deliver stellar customer service.



 **Suggested Read:** [How to Create a Human Resource Structure for Restaurants In 2023](#)

## 2.7. Design A Stellar Menu

The next step to starting a restaurant is designing a menu. A smartly designed menu can make a significant impact on your restaurant's food costs. The menu should comprise items that can be prepared quickly and use local or readily available ingredients. It is advisable to serve dishes that use similar ingredients, which will help you to reduce your overall food cost and the scope of the generation of waste.

The menu also needs to be designed in a way that lures customers to spend more. You should decide on the cuisine that you want to serve and choose the menu items based on the audience's demands.

 **Suggested Read:** [7 Menu Design Tips That Make Customers Order More](#)

## 2.8. Arrange Suppliers & Vendors For Your Restaurant

A [healthy relationship with your supplier and vendor](#) is essential for the smooth functioning of your restaurant. **You must have at least two to three vendors in each category. This would help compare prices, and will also serve as a backup in case some problem comes up with one.**

You must always have two days worth of stock in your inventory in case of emergency situations. The items must always be delivered in the morning and checked every day. Both quality and quantity checks must be done at the closing time of your restaurant.

It is always preferable to have long-duration contracts with the vendor as it helps in maintaining the consistency of your raw materials. You also need to check the Trade Identification Number (TIN) of the vendor before you give him your restaurant's supply contract.

## 2.9. Marketing and Promotions:

As a restaurant owner, you may be well aware of the transformational power of hospitality. Building solid client relationships and offering a remarkable dining experience will make you stand out from competitors. Developing your restaurant's marketing strategies is the perfect place to start.

Here are a few ways you can create the perfect marketing strategy for your restaurant:



- **Create a Brand Identity:** Brand identity embodies the character of your company, its voice, and the feelings you wish to arouse in your audience. Understanding your target audience can help you choose a theme that will work with all of your personas. You can then consistently imbibe your brand identity in your marketing communications to keep your messaging consistent.
- **Build a Website:** According to a study, 22% of customers say they wouldn't go to a restaurant if it didn't have a website with a menu. Customers can review what you provide in advance by visiting your website, which should include a food or drink menu. Include images of your restaurant as well, preferably taken during a busy night when both your staff and your guests are having a good time, so potential customers can get a sense of the vibe.

## 2.10. Host A Soft Opening:

Soft openings are a wise option for restaurants because restaurants are always a work-in-progress, and hosting a soft opening will make you aware of all the kinks or flaws. Before formally opening your doors and revealing your dishes, you can test your goods and services on consumers, take their feedback into account, and make necessary adjustments. It could be a practice run for your restaurant. You can benefit from it in the following ways:

- Determine demand
- Create a buzz
- Fix all flaws
- Create future income
- Review your menu

To get the most out of the soft opening, focus on getting feedback, improving your service, and expanding your marketing database.

## 2.11. Install Right Technology At Your Restaurant

Restaurant technology is often the most ignored part of running and managing a restaurant, though perhaps the most important. **With new-age modern technology, the robust POS has come up with a number of integrated features that have [streamlined the restaurant operations](#) to a great extent.** Niche restaurant technology solutions are available for different types of restaurants.

Read a detailed guide on [how to choose the perfect POS for your restaurant here](#).

The idea of owning a restaurant is excellent. However, starting a restaurant from scratch and running it successfully is a humongous task. With this article, we hope we were able to educate you about how to start a restaurant business in India. This article will help you open a restaurant with no experience!

**Note:** The figures and facts mentioned in this article are in accordance with the Indian restaurant space.