**First, the Three Pillars of How to Open a Restaurant**

Before you get overwhelmed by all the possibilities, focus on the three pillars of starting a restaurant:

**Concept. Chef. Location.**

Whatever background or level of experience you come from, nothing can totally prepare you for starting your first restaurant, or really [starting any business](https://www.fundera.com/blog/how-to-start-a-business). Even more, no matter how much you read or what research you do, there are certain things about being a restaurateur that you can truly only learn from experience. Nonetheless, with this guide on how to open a restaurant, we’ll do our very best to prepare you for most things that starting a restaurant could throw your way.

**How to Open a Restaurant in the Perfect Niche**

In our experience as diverse eaters, there are a wide variety of eateries out there in the world, and it takes lots of different skills to keep them running smoothly.

As you look around your own little corner of the universe, what cuisine, service, or convenience do you see as missing? What foodie need is still left to be filled? Do you want to [open a pizza shop](https://www.fundera.com/blog/how-to-open-a-pizza-shop), [start a food truck](https://www.fundera.com/blog/how-to-start-a-food-truck), or open a cafe?

If this isn’t narrowing down your options well enough, maybe consider some of these [popular restaurant concepts](http://restaurants.about.com/od/restaurantconcepts/tp/Different-Types-Of-Restaurant-Concepts.htm) or these [top trends](https://www.eater.com/2015/11/9/9697430/2016-food-restaurant-trends-chef-survey) will help inspire you.

You’ve got plenty on your plate—no need to reinvent the wheel!

**Could a Franchise Restaurant Work For Your?**

As you dream about your restaurant venture, perhaps you’re thinking, “I’m not looking to reinvent the wheel here, I just realized that our neighborhood is woefully lacking in honey butter chicken biscuits!”

If this is the case, then it sounds like you might be looking for a franchise.

When you open a franchise, a lot of the work is already done for you. You won’t have to agonize over a menu, how to decorate, or [building a marketing plan](https://www.fundera.com/blog/small-business-marketing) from scratch. Your future customers will already be well aware of the allure of a fresh glazed Krispy Kreme, a cold cherry limeade, or crispy McNuggets.

This kind of brand recognition—as well as a lower failure rate than independent restaurants—is part of the appeal of opening a franchise.

But as with anything, restaurant franchising has its pros and cons.

While a franchise will come with very helpful brand recognition and a tested plan for success, there are definitely some drawbacks.

First, [starting a franchise](https://www.fundera.com/business-loans/guides/franchise-finance) isn’t cheap. Buying franchise rights is usually non-refundable, and often must come from your personal assets as opposed to a loan.

Plus, the business model you’re investing in isn’t flexible, so there’s little to no room for creativity when it comes to running this business. If your national brand decides to do a complete decor overhaul, you’re going to have to shell out the money for it regardless of your personal preferences. If this is the path you’ve chosen, consider all the [pros, cons, and options](https://www.webstaurantstore.com/article/73/restaurant-franchise-advantages-and-disadvantages.html) before you dive in to set yourself up for success on this venture.



**How to Open a Restaurant: Writing Your Business Plan**

Let’s be honest. When you’re ready to get in the kitchen and delight customers with your delicious recipes, nothing sounds *less*fun than slowing down all that momentum to sit down and write a research paper.

Spreadsheets? Pie charts? Statistical analysis?

No thanks!

But before you decide to skip this step, just stop and ask yourself:

Would you go about making a brand new and unknown dish without even glancing over a recipe?

In the same way that recipes give you a roadmap to create an excellent dish, your business plan is the recipe you’ll follow to make your restaurant a success.

Ultimately, [writing a business plan](https://www.fundera.com/blog/writing-a-business-plan) is about thinking through and answering questions about your future restaurant that force you to contemplate the market you serve, the viability of your overall plan, and challenges you might not have otherwise have thought of.

When done right, this process will help you refine define the next steps involved in opening your restaurant, giving you the highest possible shot at success.

Take a look at the 12 biggest questions you should be answering as part of the business planning process for your future restaurant:

**1. What kind of a restaurant do you want to run?**

Restaurants come in all shapes and sizes, from food trucks to major franchises. The first step for you is narrowing your interests down to one type of eatery.

Go ahead and write out both a long and a short answer to this question—and then commit the short answer to memory.

This is known as your “elevator pitch,” and it’s something you’ll repeat over and over and over to friends, family, customers, lenders, investors, and just about everyone else.

**2. Who is your restaurant for?**

This is called your target market—the group of people whom your restaurant is meant to serve.

The more specifically you can answer this question, the better you’ll be able to create a menu, design your environment and overall experience, and build marketing campaigns that meet the needs of your demographic.

Consider [creating customer profiles](https://blog.bidsketch.com/clients/customer-profile-template/) to build a mental picture for yourself and your team members of the individuals you hope to do business with.

When you’re building your profiles, you want to know how many households are in your price point in the area you plan to serve.

Finding a location that has a population that will support your price points—*and* that isn’t already saturated with similar eateries, will be crucial to your long-term success.

**3. Who are your restaurant’s competitors?**

Many of the world’s most successful, experienced business owners will tell you not to worry about your competition.

It’s what *you*do that matters.

This is great advice for when you’re in the thick of running your business. After all, you can’t live your life reacting to everything your competitors do.

But when you’re first starting out, it’s worth at least knowing who your main competitors are and how their restaurants are similar to and different from yours.

Do your research to identify your restaurant’s primary competition. This will save you from creating a business model that too similarly mirrors an already established alternative.

**4. Location, location, location**

It’s been said a million times, but this is going to be *incredibly* important in shaping the kind of place you run.

Defining your target market and competitors should already start narrowing down smart and profitable potential locations.

After all, having a high dollar steakhouse in the middle of low-income neighborhood probably won’t stay afloat too long.

At the same time, a taco truck might not fare well in a gated neighborhood full of multi-million dollar mansions. (Wait, who are we kidding? Everyone loves tacos—that business would be brilliant!)

**5. What’s your restaurant’s unique value proposition?**

Don’t let the fancy terminology scare you. Your “unique value proposition” is essentially just what makes your restaurant *different* from the competition.

What is it about your menu, service, atmosphere, pricing that will cause your customers to choose you over your competitors?

Potential unique value propositions might include your restaurant location, a unique experience or environment for your patrons, a commitment to sustainable or local food sources, or even offering a new ethnic option to a neighborhood.

An essential part of your unique value is your menu. After you define the items on your menu, and their price points, next you test it. Throw tasting parties, cater a few events, and be open to feedback.

Although your menu will of course change over time, you want to build your business plan around an initial menu that you’re confident in.

**6. How will your customers find your restaurant?**

Your answer to this question will form the foundation of your restaurant’s marketing strategy:

Will you primarily generate business by word of mouth? Will you pursue paid advertising, and if so through what means? How will your website, social media, or other online presence play into connecting with your customers?

These and other questions will help you define how you’ll turn your target market into a loyal, repeat customer base.

Fortunately, there are lots of great ways to connect with customers that are restaurant-specific. You could invite reviewers and bloggers to write up your menu, hold a big grand opening event, or use popular apps like [Yelp](https://www.fundera.com/blog/restaurant-yelp) or OpenTable to allow customers to find and review your restaurant or even book a reservation online.

[Check-ins](https://www.credibly.com/incredibly/using-working-capital/5-location-based-marketing-strategies-for-restaurants/) are a useful way to spread brand awareness and increase customer loyalty. Deals for repeated check-ins and referral bonuses are just a couple of ways you can bring in customers, both new and old.

In addition, before you open, you’ll want to have a press kit at the ready for any local news sources that show interest, as well as nice photographs of your place to use for online profiles and directories.

**7. What resources will your restaurant need?**

As the saying goes, it takes money to make money.

What will you need in order to open and run your restaurant? Will you be the head chef, or will you hire someone? What kind of technology will you use for your [restaurant’s point of sale](https://www.fundera.com/blog/restaurant-pos-system) transactions? What kinds of [kitchen equipment](https://www.consolidatedfoodservice.com/blog/kitchen-and-restaurant-equipment-checklist/) will you need? What are the restaurant zoning rules in your area for commercial real estate? Will you hire a branding agency or [build the brand](https://www.fundera.com/blog/small-business-branding) yourself? How many employees will you need?

Take the time now to list out all the one-time and recurring expenses you’re likely to incur as part of your cost of doing business—leaving no stone unturned.

Don’t forget research things like the cost of utilities, pest control, and laundry services to get a realistic picture of your full budget.

If you’ll need other non-monetary expenses (like equipment you already own, or a friend or family member’s business contacts), outline those as well.

**8. How will your restaurant make money?**

You might have a great idea to offer a cuisine or service that customers will love, but that doesn’t necessarily mean your business idea will actually be profitable.

Your business model determines how your restaurant will generate revenue, cover expenses, and eventually make more money than it spends. Many popular restaurants ultimately fail because of a flaw in their business model, so learn from your predecessors here by taking the time to really flesh out the specifics of how your restaurant will make money.

In addition to the pricing of your menu, you’ll want to think about how you will staff, your insurance and license costs, and tax obligations.

**9. How long will it take your restaurant to make a profit?**

It’s typical for new restaurants to operate at a loss at the beginning—especially for the first year—as they invest in needed resources, work to acquire customers, and work out the kinks in the business model.

But in the long run, we assume you’ve gone into business to make money off of your tasty menu!

Use a [revenue forecast](https://www.fundera.com/blog/2015/07/01/revenue-forecasting-2/) to determine how long it will take to recuperate your initial investment, [break even](https://www.fundera.com/blog/break-even-analysis), and run a profitable business.

**10. What values will you never compromise in running your restaurant?**

When the going gets tough, knowing what you stand for is critical to making the best decision at every turn.

What values are most important to you, both personally and as a business? What are your non-negotiables?

Putting your business’s core values on paper from the outset will help you with everything from making the right vendor choices to how your hours or menu might change when faced with a critical fork in the road.

**11. What is your staffing plan for your restaurant?**

Little-known fact—great service makes food taste better.

Having a skilled and hardworking staff starts with finding great candidates. Of course, there are the usual means of posting in local papers, job websites, and the classic sign in the window. But finding really quality staff is best achieved through personal connections.

Your head chef, friends, and family will be the place to start looking for stand-up, smart, reliable people. There’s a very good chance that your chef will want to bring people they have worked with in the past that fit into your company’s culture.

Once you find them, you’ll next have to train them.

Good foundational training on the rigid rules of food service and customer service sets an important precedent for their time as part of the face of your company.

Having an engaged management team to support your staff is a recipe for consistently great customer service—and being consistent in service as well as food quality, encourages repeat customers!

**12. What’s your endgame for your restaurant?**

Are you building a restaurant that you hope to eventually sell, or are you working towards a long-term, sustainable business? Do you dream of starting a small diner you could pass down to your children or grandchildren, a medium-sized local chain, or the future McDonald’s of Thai food?

Knowing where you want to end up, and when, will help to inform many of your business decisions along the way. Take the time *now* to outline your long-term endgame, as well as the steps you foresee taking to get there.

Not every available space is right for a restaurant. A good restaurant location is harder to find than some people think. What may look like the perfect spot- say a bustling pedestrian street in the heart of downtown- may turn out to be a dud.

Other times a spot that you would never think to put a restaurant - like in an old shoe shop in a run-down mill town - is a success. Of course, food and service are important to the success of a restaurant, but the location can be just as crucial, especially in the early years. Read on for ten things you should know about selecting a restaurant location.

### Parking Is a Must

People are lazy. There is just no way around it. If they have to walk a fair distance to get to your restaurant, they may opt to go somewhere else "more convenient." If you live in an urban area where everyone walks and there is public transportation, this is less of a factor. If you are thinking of a restaurant location out of town, in a place that requires you to drive to get there, you'd better have parking available. If your [restaurant location](https://www.thebalancesmb.com/choosing-a-location-for-your-restaurant-2888635) doesn't come with a large parking lot, is it near a municipal parking lot for patrons to use?

### Visibility Is Important

Setting up shop in a location with either high foot or car traffic is ideal. Making your restaurant (or restaurant sign) visible to the public is like free advertising. It reminds them that your restaurant exists and they should stop by for dinner sometime.

### Size Does Matter

Even the smallest bistro or coffee shop requires adequate space for a kitchen, walk-in refrigerator, dry storage and an office for paperwork. Your [dining room](https://www.thebalancesmb.com/all-about-restaurant-dining-rooms-2888472) needs space for a wait-station and possibly a bar. What looks like a huge space for rent can quickly fill up with all the equipment needed to open a restaurant.

### Understand the Curse

Some locations house one failed restaurant after another. Soon people associate the space - not necessarily the individual restaurant- with bad service, poor food, and lackluster ambiance.

### Put Safety First

One of the first steps in choosing a restaurant location is finding out if the building is up to code. Does it have proper wiring, fire alarms, sprinkler systems, handicap-accessible doors, restrooms, ramps? A walk through the building with your local code enforcement officer will help you determine what needs to be done to a space before you open a restaurant.

### Know Your Neighbors

When looking for a restaurant location, consider who else is doing business in the neighborhood. Are there already half a dozen restaurants with the same concept as yours? Is the area busy or full of empty storefronts? Successful businesses attract other successful businesses.

### If You Build It, They Won't Always Come

Many restaurants are located off the beaten path and do quite well. But choosing to open a restaurant out of town, in a remote area is a gamble. Customers might visit for special occasions, but not on a regular basis.

### You Can Negotiate Your Restaurant Lease

Many people are surprised to find out that they can haggle with prospective landlords about a [lease](https://www.thebalancesmb.com/rent-a-restaurant-2888547). Not just about the monthly rent, but also about who pays for things like heat, snow removal, lawn care, general maintenance. Don't be afraid to ask for concessions when looking to rent restaurant space.

### Don't Be Impulsive

You may visit one spot and decide that it is "the one." Before you start sketching out the dining room, be sure to visit multiple sites. And visit prospective restaurant sites during different times of days, during the week and on weekends. For example, is the area really busy during the work day and dead at night and on weekends? Patience pays off when selecting a restaurant space.

### Understand the Commitment You Are Making

Before you sign a multi-year lease, consider the consequences if your restaurant fails. It isn't pleasant to think about, but if you are roped into a five or ten-year lease, your landlord can still demand monthly rent, even if you are out of businesses. Ask for a one or two year lease to start. Once you have established a successful restaurant, you can sign a longer lease.

Picture it: You've found the perfect location for your new restaurant. Unfortunately, it is in an existing building that has never been a restaurant. This means that before you can start construction you need to make sure that the building is eligible for an eating establishment license.

### Check the Location’s Zoning Ordinances

Some locations are obviously in commercial zones, such as busy downtowns and developed strips of highway. Other locations may be on the fringes of a commercial and or residential zone. Before you even call the landlord about [lease options](https://www.thebalancesmb.com/how-to-get-the-best-terms-for-a-commercial-lease-398075), contact the town manager to find out if the building is properly zoned for a restaurant. Be sure to [ask about serving alcohol](https://www.thebalancesmb.com/all-about-restaurant-liquor-licenses-2888539) in that particular area as well. Some towns [prohibit the sale of alcohol](https://www.thebalancesmb.com/state-liquor-license-agencies-2888658) within so many feet of a church or house of worship, while other towns still maintain “dry” ordinances left over from prohibition.

### Assess the Building Size

Even the most cavernous of buildings quickly shrink when you start adding in [kitchen equipment](https://www.thebalancesmb.com/restaurant-kitchen-stations-2888868), walk-in coolers, restrooms, and a bar. You may find, once you have [measured out the space](https://www.thebalancesmb.com/restaurant-design-2888629) that it is not big enough for your original idea. Then you have two options, downsize your restaurant or look for a new space.

### Find Out About Safety Requirements

Once you’ve determined the location to be in the proper zone for a restaurant and that it is big enough, you need to know how safe it is. A local building inspector or code enforcement officer can walk you through all the safety requirements needed to pass a building inspection. Along with a fire suppression system in the kitchen, the building may require an entire sprinkler system. The code enforcement officer will also look at the general safety of building to decide if it is fit to operate as a restaurant.

### Determine the Parking Situation

Good parking can make or break a restaurant. If customers can’t access your restaurant directly, then you might as well be invisible. Some areas require a certain amount of parking based on the number of seats in the restaurant. Even if there aren’t any specific parking regulations for the location, you still need to assess if parking is going to be an issue, especially during the busy lunch and dinner rush.

### Don't Forget About the Bathrooms

One of the most overlooked areas (and one of the most expensive to update) of a new restaurant are the bathrooms. Even if there are pre-existing restrooms on site, they need to have ADA approved doors, stalls, toilets, and sinks. You also need certain a number of toilets per number of seats in the restaurant. Contact your local state health inspector for the details in your area.

### Negotiate the Lease

Once the building has passed all the initial inspections and you know what work needs to be done, [you need to negotiate a lease](https://www.thebalancesmb.com/rent-a-restaurant-2888547) with the landlord. If the building is in a high traffic area, there won’t be too much to negotiate. The landlord can probably fill the spot easily, with or without your restaurant. If the space has been vacant for a long time, you have some haggling room. Also, find out what construction the landlord is willing to pay for. You do not want to pay for things like plumbing, ductwork and electrical (can’t take those with you, now can you?) if at all possible.

The value of doing market research when you're getting ready to open a new restaurant can't be overstated. Understanding who your potential customers are and where they live will help you to tailor your restaurant concept to that demographic and increase your odds of success.

Finding the population base of an area can tell you the income range of your potential restaurant location. It will tell you whether there will be enough people nearby with sufficient expendable income to support your establishment, and it can provide guidance as to what they're most likely to spend their disposable money on.

### Why Finding the Population Base Is Important

You might assume that you know enough about a particular location if you're opening in your own hometown or a local neighborhood. You might think that doing any further research is unnecessary. This can be a costly mistake.

Really digging into the numbers in your area, from housing values, average household income to average age, then contrasting this information with the number of competing restaurants in the area, will help you determine the best type of restaurant to open.

You might tailor your concept to millennial customers rather than a baby boomer population if the average age in the area is 27.

### Conducting a Site Survey

A site survey is one way to figure out the population base of an area. Big chains and corporations routinely conduct some type of site survey before they begin building, but this isn't always an option for someone starting an independent restaurant because a site survey can cost many thousands of dollars.

### Other Places to Look for Information

You have other options for figuring out the population of a particular area, and most of the information is free.

Take advantage of local government reports. Speak with a representative from the [Small Business Administration](https://www.sba.gov/about-sba/organization/contact-sba) (SBA), or visit the nearest economic growth council for information on local employment and population data.

#### **Population Censuses**

The U.S. government publishes a population census every 10 years and it's [available online](https://www.census.gov/quickfacts/fact/table/losangelescitycalifornia,US/PST045218). A census doesn't just tell you how many people live in a certain area. It also gives you a median age and household income as well.

These factors can influence your menu and restaurant style. For example, it would be a good idea to keep the menu prices on the inexpensive side if the median household income of an area is $40,000. By the same token, you can offer a slightly more upscale menu if the median household income is $200,000 a year.

[Zip-Codes.com](https://www.zip-codes.com/) is another demographics-related site that can offer up some valuable data for a one-time fee. [Esri](https://www.esri.com/en-us/location-strategy/overview" \t "_blank) offers a searchable database for this type of information as well.

#### **Other Businesses**

Try to pinpoint what the people in the area are spending their disposable incomes on, and try to incorporate this information into your plan. This can be as simple as counting the number of movie theaters nearby. Moviegoers often stop for a bite to eat before or after the showings, so this could be a good omen and a trend you could cater to.

Likewise, an area that's chock full of kiddie-oriented retail stores and activities might not be your best bet unless all other factors are in line with your goals. Large families are less likely to dine out unless you take fast food and drive-thru restaurants into consideration.

#### **Housing Values**

Find out the appraisal values of local homes, or gather sales prices after they've sold. Prices are often published in local newspapers.

It can be an indicator that incomes are lower when houses are going cheap. Likewise, it's a good indication that incomes are high and people have extra money to dine out if most homes in the area are selling for $400,000 or more.

#### **Institutions and Attractions**

Find out if there any big businesses or attractions, either presently in the area or planning to come in, that will draw lots of people to the location. For example, a sports stadium or major medical facility will attract thousands of visitors from outside the local area, all of whom will want to eat at some point.

#### **The Unemployment Rate**

You can find unemployment rates for towns, counties, and states through local government websites. It can be important to have the most recent figures, but as a practical matter, these statistics stay relatively unchanged over short periods of time.

For example, the U.S. unemployment rate was 3.6% as of May 2019. This was just a .2% decline from the same month in the previous year.

You might want to think twice about locating your restaurant in an area where the unemployment rate is higher than the national figure.

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