

A Guide to Starting and Running a Restaurant in Nova Scotia



A GUIDE TO STARTING AND RUNNING A RESTAURANT IN NOVA SCOTIA

Project Management:
The Economic Planning Group

Content:
Jane Wright, Katelyn Bourgoin, Chef Wayne McKay

With the support of:



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FOREWORD

We hope this guide will give you a good overview of what it takes to open a restaurant and, most importantly, keep it open.

Restaurants can be risky and stressful businesses. And the road to opening can be a very bumpy one. But if you decide you really want to move forward, we want you to succeed. We hope some of the tips and advice we've put together will help you get to where you want to go, or at least give you a sense of where it is you need to go. If you are already in the business and are looking for some insight, we hope you will find new ideas to help you improve your restaurant.

You can never stop working on your restaurant. You can't think for a minute that this is all about 'opening.' The real work — staying 'top of mind' among new and regular customers — never ends. And change is essential to your survival and success. In this business, you really are only as good as your last meal.

The guide has been prepared for the Restaurant Association of Nova Scotia (RANS) with the support of the Nova Scotia Department of Economic and Rural Development and Tourism. It draws from a document originally prepared in the late 1990s with substantive new material added, particularly on running a restaurant. The project was coordinated by the Economic Planning Group. Content was prepared by Jane Wright (owner of the former Jane's on the Common) and Katelyn Bourgoin (RedRiot | Brand Strategist) with input from Chef Wayne McKay (Menu Tools).

Thank you to Nova Scotia restaurateurs Jennie Dobbs (Morris East), Roland Glauser (Charlotte Lane Café), Chris Smith (Jamieson's Irish House & Grill) and Joe McGuinness (Durty Nellys Irish Pub) for their invaluable comments which helped fine-tune the content. The 'Helpful Tips' scattered through the manual are based on their experience in the restaurant business.

Thanks also to the other restaurateurs who contributed the quotations found throughout.

THE RESTAURANT BUSINESS – BY THE NUMBERS

- There are 1,600 food service and drinking establishments in Nova Scotia; some 900 are restaurants.
- Sales at food service and drinking establishments in Nova Scotia total some \$1.33 billion annually.
- The pre-tax profit on average for restaurants is 5%. If you are doing everything right, you will need to have \$100 in sales to take \$5 to the bank.
- The cost of sales (that is food and beverage that you purchase so as to prepare items to serve) is 35% - 40% of revenues. Salaries, wages and benefits are a similar amount.
- 20% of the menu items in a restaurant generate 80% of the revenues.
- You need a minimum of 12 sq. ft. per seat for the service (seating) area in a full-service restaurant.
- The failure rate of restaurants is high. Some sources say 60% of independent restaurants fail in the first three years; others report that restaurants have the second highest failure rate of any small business in North America.
- The capital investment required for a restaurant is significant. Establishing a 60 seat restaurant could cost in the \$300,000 range, including working capital.
- It can take many months for a restaurant to become profitable. A US survey of over 400 restaurants reported an average of 18 months to reach profitability.

10 THINGS YOU NEED TO KNOW ABOUT RUNNING A RESTAURANT

1. Go into the restaurant business with your eyes wide open. It will require hard work, long hours and passion. You will need to thrive on chaos and have a thick skin.
2. It is very difficult to make money running a restaurant. Pre-tax profits average only 5% and the business failure rate is high.
3. To run a successful restaurant, you must be a leader, move with a sense of urgency and be a great communicator. You must have the right personality for this business.
4. Don't go into the restaurant business without some previous experience in the field, and some related formal education.
5. The restaurant business is very competitive and the marketplace is fickle. It takes time to develop a customer base and build relationships with them.
6. Your staff is critical to the success of the business. You need to find and train good staff, and mold them into a team that can deliver on your vision and keep them.
7. Restaurants are in the entertainment business. You are delivering an emotional experience to your customers – along with quality food and strong memories. If you can do this, they will return.
8. You must have a strong vision and concept for your restaurant – what you are going to deliver, how you will deliver it and to whom. Everything – your menu, design, staffing, training, branding and marketing will all be driven by your vision.
9. Getting financing for your restaurant will be difficult. Banks are very cautious. There are numerous other options that you will have to research. You will need money not only to open but also to cover costs while you build the business.
10. Opening a new restaurant can be a rush. But, the repetitive, day-to-day running of a restaurant can easily become a grind.

HOW TO USE THIS GUIDE

This Guide contains valuable information, insights and tips to help you understand the restaurant business, get your restaurant business started and operate it. It does not provide a comprehensive, detailed look at all aspects of running a restaurant, but there is a good overview of all facets of the business (other than the cooking!).

If you are thinking about starting a restaurant, focus first on Chapters 1 through 9 which will help you:

- Decide what type of restaurant you want
- Decide where to locate it
- Prepare your business plan
- Plan the menu
- Design your restaurant and kitchen
- Do the feasibility analysis
- Look at financing options
- Understand the rules and regulations

And, be sure to read through the rest of the chapters since these address all aspects of running a restaurant.

If you are already in the business, focus on Chapters 10 through 13 which address:

- Staffing
- Operations
- The Customer
- Marketing

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Appendix 1: Some Additional Restaurant Industry Operating Data

CHAPTER 1: REALITY BITES

So, you want to get into the restaurant business? Maybe you've been dreaming about this for a long time, or maybe it is something that you've just begun to romanticize about. Success in the restaurant business is the dream of many and the achievement of few.

Be sure you go into this venture with your eyes wide open. Many people think that the restaurant business will be easy. But, in fact, a restaurant can be the most difficult type of business to operate. It is both a *service* business and a *manufacturing* business, with all the problems of both. The restaurant business is highly sensitive to a number of different things including location, menu, food quality, customer service, and changing trends.

It may be a difficult business, but when it works, there is probably no greater satisfaction. It can be a wonderful business, fun to operate, and financially rewarding. Because people need to eat every day, there is a continuous and renewing market of customers. Opportunities in the industry continue to grow.

CHAPTER MODULES

- 1.1 The Sobering Truth about the Business (page 2)
- 1.2 Ask Yourself: Is This Industry For You? (page 4)
- 1.3 Helpful Resources (page 4)

Key Takeaways

- ❖ The restaurant business can be a lot of work for little pay.
- ❖ To be successful you need to have passion and be willing to embrace a new lifestyle.
- ❖ It takes leadership, skill and determination to manage the many facets of the restaurant business.
- ❖ You need training and/or experience in the restaurant and hospitality industry, and in business, before starting your own restaurant.

1.1 THE SOBERING TRUTH

If anyone sees the restaurant business as a goldmine, they should look carefully at the numbers before jumping in.

Yes, there are a few restaurateurs who have struck gold with their first venture. But keep in mind that pre-tax profit is on average, in all sectors, just 5%. In other words, if you are doing everything right, you will need to have \$100 in sales to take \$5 to the bank.

This can be a very risky way to make a living.

HARD WORK AND LONG HOURS

Running a restaurant is also a very *hard* way to make a living. The work is physically demanding and the hours are long.

Ask yourself: how much do I like weekends? Saturdays and Sundays can be the busiest days of the week for a restaurateur. You will always be working weekends, with a few days off here and there.

Choosing the restaurant business means choosing a new lifestyle.

DO YOU THRIVE IN CHAOS?

How do you handle chaotic situations, like when someone doesn't show up for their shift, the dishwasher breaks, or an irate customer finds a hair in his meal? If you can't answer these questions now, we strongly recommend you get some experience in the restaurant business before you open your own restaurant.

Something really does break every day, and it will be your job to fix it. As a restaurant owner, you must be able to keep your cool under pressure and thrive despite the chaos.

HOW THICK IS YOUR SKIN?

A restaurant is a very public business. Today, a disgruntled customer is likely to go online and report to the world about what he didn't enjoy about his meal or service at the restaurant.

Everyone you know is going to tell you how to run your business, what you should have on the menu, and what you should charge. You'll need to learn how to listen and to accept all kinds of free advice with grace and dignity. You'll also need to recognize when someone is telling you something you really need to hear. You can't be defensive.

ARE YOU TRULY PASSIONATE?

This isn't just another business. You have to like people and enjoy *schmoozing* with them. Without passion, your odds of becoming successful are low.

But passion alone is not enough. You need to have the experience, the personality, the knowledge and the skills.

Take a serious look at your motivations for wanting to open a restaurant. Your objective, as with any business, is to make a profit.

Don't open a restaurant for the perks. Many people want to own a restaurant to have a place to hang out with friends and get free drinks. If you are truly passionate about providing the public with an incredible dining experience, make a commitment to always serve alcohol responsibly, and with your business objectives in mind.

If you haven't ever worked in a restaurant, do so first before jumping in the deep end on your own. Or if it has been a long time, get your feet wet again. Try to find an opportunity to interview or better yet, shadow, an experienced restaurateur in another restaurant.

IT TAKES A LOT TO SUCCEED

The failure rate in restaurants is high. Some sources say that up to 60% of independent restaurants fail within the first three years.¹ Others report that restaurants have the second highest failure rate of any business in North America, closely following services stations which are number one.

Restaurants and service stations share a common reason for their high failure rate: too many good mechanics become service station owners and too many good cooks become restaurant operators. To be successful in the restaurant business it is not enough to be a great cook; you also need to have good management skills.

Managing employees is challenging. You will need leadership and communication skills, and you will need to understand the labour code. Some employees will take advantage of you, others will be incredibly loyal. Knowing how to deal with both is a job requirement for restaurant owners/operators.

And, you need to be able to finance the restaurant – not just the initial capital investment but sufficient operating capital to cover you for the period of time it takes the business to be able to carry all its costs and provide a profit.

OPENING A NEW RESTAURANT CAN BE A RUSH!

But after opening day, the greatest challenge facing all restaurateurs is keeping it open. To remain open and be profitable, you must manage all facets of your restaurant with precision. The repetitive, day-to-day 'grind' of running of a restaurant quickly follows the exciting 'fireworks' of opening.

¹ <http://www.smallfoodbiz.com/2013/04/02/restaurants-top-the-list-of-the-most-tried-failed-small-businesses-infographic/>

1.2 ASK YOURSELF: IS THIS INDUSTRY FOR YOU?

It's critical that you know the restaurant business. But you also need to know yourself and what you are good at. Before you go any further, ask yourself the following questions... and answer honestly.

- Do I really know what kind of business I am getting into?
- Do I have any experience in the industry?
- Am I okay working 60-80 hours a week?
- Am I ready to make this lifestyle choice?
- Can I handle opinions and feedback without getting defensive?
- Do I have the leadership and management skills to run a ship like this?
- Can I manage employees – both the good ones and the not-so-good ones?
- Am I flexible? Will I be willing to change my concept or menu if it doesn't fit the market?
- Do I have the personality, strength and support of my family to run a restaurant
- Am I well-organized?
- Can I function well in a fast-paced environment where everything is urgent?
- Can I get the financing needed?

1.3 HELPFUL RESOURCES

READING/WATCHING LIST:

Kitchen Confidential by Anthony Bourdain

http://www.amazon.ca/Kitchen-Confidential-Anthony-Bourdain/dp/1408845040/ref=sr_1_1?s=books&ie=UTF8&qid=1397250229&sr=1-1&keywords=Kitchen+Confidential

Alice Waters and Chez Panisse by Thomas McNamee

http://www.amazon.ca/Alice-Waters-Panisse-Thomas-McNamee/dp/0143113089/ref=sr_1_1?s=books&ie=UTF8&qid=1397250250&sr=1-1&keywords=Alice+Waters+and+Chez+Panisse

Life on the Line: A Chef's Story of Chasing Greatness, Facing Death, and Redefining the Way We Eat
by Grant Achatz and Nick Kokonas

http://www.amazon.ca/Life-Line-Chasing-Greatness-Redefining/dp/1592406971/ref=sr_1_1?s=books&ie=UTF8&qid=1400866694&sr=1-1&keywords=life+on+the+line

The Art of the Restaurateur by Nicholas Lander

http://www.amazon.ca/Art-Restaurateur-Nicholas-Lander/dp/0714864692/ref=sr_1_1?s=books&ie=UTF8&qid=1397250208&sr=1-1&keywords=The+Art+of+the+Restaurateur

Why Restaurants Fail by H. G. Parsa, John T. Self, David Njite, and Tiffany King

<http://www.econ.ucsb.edu/~tedb/Courses/Ec1F07/restaurantsfail.pdf>

Spinning Plates DVD with Grant Achatz

http://www.amazon.ca/Spinning-Plates-Grant-Achatz/dp/BooHED9FVQ/ref=sr_1_2/179-1062659-6021615?ie=UTF8&qid=1405184271&sr=8-2&keywords=spinning+dvds

Jiro Dreams of Sushi DVD

<http://www.magpictures.com/jirodreamsofsushi/>

ASSOCIATIONS:

Restaurant Association of Nova Scotia (RANS) <http://www.rans.ca>

The largest restaurant association in Nova Scotia supporting food service businesses. RANS provides members with cost-saving programs such as preferred rates on credit card fees, business & personal insurance, group benefit plans, discounts for employees, etched glassware, equipment financing, and design services. Other support includes educational materials, start-up support, a free listing in our restaurant guide book, a free posting on our eDining.ca website, and free access to Savour Food & Wine Show.

The association exists to assist and help individual operators succeed and create a better legislative working environment for the food service sector.

Restaurants Canada (formerly the Canadian Restaurant and Foodservices Association or CRFA)

<http://www.restaurantscanada.org>

Restaurants Canada has more than 30,000 members across the country. Its roles include advocacy, research, member savings and industry events. CRFA members represent every sector of the foodservice industry, including restaurants, bars, cafeterias, coffee shops, and contract and social caterers.

OTHER (NOTE: THESE ARE US-BASED; SOME ARE FOR MEMBERS ONLY)

RestaurantOwner.com (includes sample restaurant business plans)

<http://www.restaurantowner.com/public/main.cfm>

Running Restaurants.com

<http://www.runningrestaurants.com/>

The Restaurant Doctor

<http://www.restaurantdoctor.com/>

CHAPTER 2: NOVA SCOTIA'S RESTAURANT SECTOR

Learning about the restaurant industry and its financial performance, and about restaurants in Nova Scotia is a good place to start your research when you are thinking about opening a restaurant.

CHAPTER MODULES

- 2.1 The Numbers (page 6)
- 2.2 Some Restaurant Industry Norms (page 8)
- 2.3 Trends in the Restaurant Industry (page 9)
- 2.4 Helpful Resources (page 12)

Key Takeaways

- ❖ The food and beverage sector is an important part of Nova Scotia's economy.
- ❖ Visitors to Nova Scotia can be a valuable market for food & beverage operations.
- ❖ Industry operating norms indicate that the average operating profit for all food services & drinking places is 5%; 3% for full service restaurants and 7% for limited service eating places.

2.1 THE NUMBERS

Annual sales at Nova Scotia's 1600 (some 920 are restaurants) food service and drinking places are some \$1.33 billion (2013/2013) and represent 4.3% of the province's GDP.² Some 7% of the province's workforce or 32,000 people are directly employed in the restaurant industry. According to RANS, 65% of the provinces restaurants are independently owned.

SALES BY TYPE OF ESTABLISHMENT

Food services and drinking places include 4 types of operations based on Statistics Canada definitions:

- Full-service restaurants
- Limited-service eating places

² Restaurants Canada, *Nova Scotia's Restaurant Industry*, May 2013

- Special food services (food service contractors, caterers, mobile food services)
- Drinking places

Table 1 provides data on Nova Scotia sales for each of these sectors for 2012 and 2013.

Table 1			
Food Establishment Sales in Nova Scotia			
(\$ millions; % of total)			
Type of Establishment	2013	2012	% Change
Full Service Restaurants	\$475 (35.8%)	\$469 (35.4%)	+1.4%
Limited Service Restaurants	\$663 (49.9%)	\$667 (50.3%)	-.06%
Drinking Places	\$72 (5.4%)	\$60 (4.5%)	+19%
Special Food Services	\$125 (9.4%)	\$135 (10.2%)	-7.1%
Total	\$1,328	\$1,326	+0.2%

Source: Statistics Canada, CANSIM Table 355-0006

SALES BY MONTH

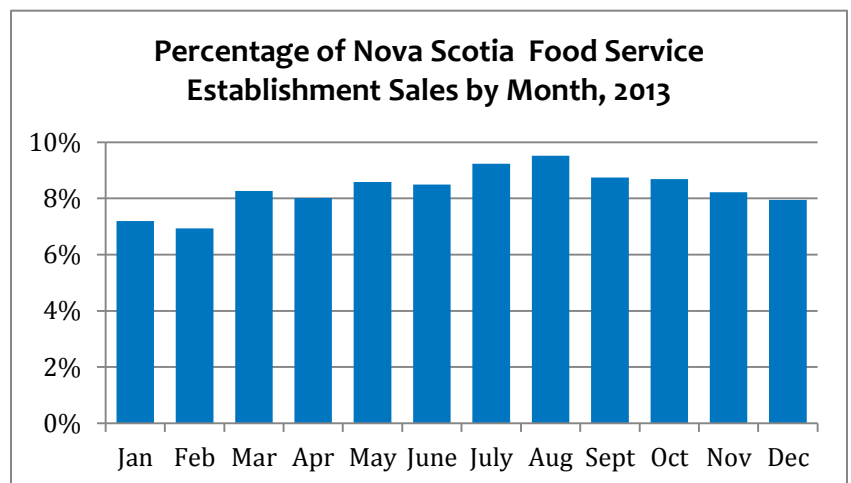
According to Statistics Canada data, food establishment sales are fairly evenly distributed across the year.

TRENDS IN ANNUAL SALES

Annual food establishment sales in Nova Scotia increased by 22% between 2003 and 2013, from \$1.087 billion to \$1.328 billion.

SPENDING ON RESTAURANTS BY NOVA SCOTIANS

Nova Scotians spent, on average, nearly \$2,000 per person on food purchased from restaurants in 2012. This represents over 25% of their total expenditures on food.³



Statistics Canada, CANSIM Table 355-0006

IMPORTANCE OF THE TOURIST MARKET

In 2010, total tourism revenues in Nova Scotia were \$2.1 billion and 18% of this, or \$366 million was spent on food and beverage at restaurants/hotels/bars. Note that this includes spending by Nova Scotians travelling around the province. (Overnight trips or same day trips greater than 40 km one way are considered tourism).

³ Source: Statistics Canada, CANSIM table 203-0028 & Catalogue no 62FOO26M

There were almost 2 million visitors from outside Nova Scotia in 2010. They spent \$229 million on food and beverage at restaurants/hotels/bars. This represents over 15% of total food establishment sales in 2010.

Visitors from outside Nova Scotia spent an average of \$238 per party (on average a party is 2.1 people) in 2010 on food and beverage in restaurants/hotels/bars, with this amount varying by purpose of trip and origin as illustrated in Table 2.

In rural areas of Nova Scotia, and smaller urban centres, tourists from both inside and outside the province can be critically important markets to restaurants.

All Visitors	\$238
Pleasure Visitors	\$312
Business Visitors	\$227
Visiting Friends & Relatives Visitors	\$191
Visitors from the United States	\$340
Visitors from Ontario	\$291
Visitors from Overseas	\$402

Source: Nova Scotia Visitor Exit Survey, 2010

2.2 SOME RESTAURANT INDUSTRY NORMS

Norms, or averages, for the operating performance of restaurants can be very useful when preparing your business plan (Chapter 3) and in reviewing your own business' performance. The main sources of this type of information are Statistics Canada and Restaurants Canada surveys. (See Helpful Resources at the end of this chapter).

Tables 3 and 4 provide some operating cost norms from Statistics Canada for food and beverage establishments in Nova Scotia. Table 3 provides a summary of operating expenses as a percentage of revenue, indicating that operating profit is, on average for all food service and drinking places, 5.2%.

	All Food Service & Drinking Places	Full Service Restaurants	Limited Service Eating Places
Total Operating Expenses (incl. wages & salaries)	94.8%	97%	92.9%
Wages & Salaries	31.7%	32.4%	29.2%
Operating Profit	5.2%	3.0%	7.1%

Source: Statistics Canada; CANSIM Table 355-0007, Food services and drinking places, operating expenses

Table 4 provides a breakdown of operating expenses as a percentage of total operating expenses.

Table 4			
Nova Scotia Food Services & Drinking Places, Operating Expense Breakdown			
Note: Percent of Total Operating Expenses, 2012			
	All Food Service & Drinking Places	Full Service Restaurants	Limited Service Eating Places
Salaries, Wages & Benefits	34.1%	33.7%	32.1%
Cost of Goods Sold	36.9%	39.1%	36.7%
Rental & Leasing	6.3%	5.9%	7.4%
Repairs & Maintenance	2.7%	2.8%	2.9%
Advertising, Marketing & Promotions	2.9%	2.4%	3.7%
Utilities & Communications	3.1%	4.1%	2.9%
Royalties, Rights, Licensing & Franchise Fees	2.5%	Inc. with Other	Incl. With Other
Amortization & Depreciation	2.5%	2.9%	2.5%
All Other Operating Costs	9.0%	9.1%	11.8%
Total Operating Costs	100%	100%	100%

Source: Statistics Canada; CANSIM Table 355-0007, Food services and drinking places, operating expenses.

Note: Total operating expenses exclude write-offs, capital losses, extraordinary losses, interest on borrowing, and other non-recurring items.

Remember, these are provincial averages and include data from well-established restaurants. You can't necessarily expect the same performance in the early years, or in urban and rural locations.

Additional norms by number of seats and for urban and rural locations are provided in Appendix 1. Appendix I also provides findings from a US survey of restaurants about sales-investment results, cost estimates and space requirements.

2.3 TRENDS AND ISSUES IN THE RESTAURANT INDUSTRY

Blogs, e-Zines, magazines, associations, networking – all are great sources of information on what is happening in the restaurant industry locally and nationally. As this guide is written (Spring 2014), here are some trends:

Top 10 Trends in Menu Items & Cooking Methods (2014, Restaurants Canada Chef Survey)

1. Gluten-free/food allergy conscious
2. Quinoa
3. Locally-sourced foods
4. Leafy greens (e.g. kale, Swiss chard, mustard greens, etc.)
5. Craft beer/microbrews
6. Food smoking
7. Heirloom fruit and vegetables
8. Charcuterie/house-cured meats
9. Food trucks
10. Inexpensive/underused cuts of meat

- The top 10 trends in menu items from Canadian Chefs are illustrated in the box. Other trends identified in this survey:
 - Offering half-portions
 - Using natural sweeteners such as maple syrup and honey
 - Artisanal poutine
 - Sweet & salty desserts
 - Superfruit such as goji berries
 - Desserts from vegetables
 - Smaller menus (i.e. fewer options)
 - Mocktails
 - Specialty oils

- The local food movement continues amidst concern for nutrition, food safety and a desire to eat healthier.

- The most ordered food and drink in Canada in 2013, according to an article in The Huffington Post⁴:
 - Tap water
 - Pizza
 - Alcohol
 - Seafood and fish
 - Salads
 - Burgers
 - Chicken
 - French fries
 - Pop
 - Coffee

- Beer is still the beverage of choice for Canadians, and Nova Scotians but the market share of wine is growing. In Nova Scotia, agency sales of alcohol in 2013 were⁵:
 - Beer \$296 million (47% of total); down 1.3% from 2012
 - Wine \$130 million (21% of total), up 0.3%
 - Spirits \$198 million (32% of total), down 0.5%

Nationally, wine sales at agency stores were up 4.9% in 2013.

- Red wine is gaining market share over white wine, and represents 56% of wine sales.

⁴ The Huffington Post Canada, Canadian Foods: 10 Things we Ate and Drank in 2013, http://www.huffingtonpost.ca/2013/12/04/canadian-foods_n_4385486.html#slide=3184213

⁵ <http://www.statcan.gc.ca/daily-quotidien/140410/t140410a002-eng.htm>

- In restaurants, the latest trend is ‘fast casual dining’ – customized made to order food with fresh ingredients and in a more upscale environment than traditional fast food operations.
- A major US foodservice research company, Technomic, has a blog (<https://blogs.technomic.com/>) that explores a wide variety of topics of interest to the foodservice and restaurant sector. They also release a list of trends that may significantly impact the restaurant sector in the following year. Although US-based, their insights are still valuable. For 2014, some of the trends they have highlighted include⁶:
 - Consumers are looking for more detail on menus – ingredients, where they come from, how they were prepared. Local sourcing is more important than ever.
 - Starches are staging a comeback – from ramen to buckwheat noodle to pasta made with unusual ingredients.
 - While there continues to be demand for healthier eating, there is also demand for ‘creamy, cheesy, high-fat goodness’.
 - The snacking lifestyle is going mainstream. Also consumers are less likely to eat based on a traditional meal schedule, instead skipping meals, eating breakfast all day, etc. are becoming more commonplace.
 - There is a growing interest in pickled, fermented and sour foods such as Korean kimchi, pickled onion, jalapeno.
 - Restaurant operators are finding new ways to use technology such as iPads tableside for ordering, using your own device to advance order or order inside the restaurant.

ISSUES IMPACTING THE RESTAURANT INDUSTRY

Running a restaurant can be challenging. Some of the big issues impacting the industry today include:

- Increasing food costs, particularly for full-service restaurants – this is leading to increased menu prices.
- Increasing other costs:
 - Energy
 - Water
 - Property taxes
 - Labour – not just wages but associated costs – EI, CPP, insurance, etc.
- Finding skilled labour, particularly Chefs and other kitchen workers – and this is going to become even more challenging:
 - 4500 is the projected shortfall in skilled labour in the Food & Beverage Services Industry & Accommodation Foodservices by 2025 in Nova Scotia

32% of table service restaurants across Canada reported a shortage of skilled labour

Restaurants Canada survey, Quarter 4, 2013

⁶ Extracted from Technomic’s Take: 10 Trends for 2014
https://www.technomic.com/Pressroom/Releases/dynRelease_Detail.php?rUID=262

- Competition for the consumer's discretionary dollar, although dining out is important to Canadians:
 - 40% of Canadians rank going to a restaurant as their preferred activity with friends
 - Canadians make 17 million visits to a restaurant each day – that's an average of almost ½ a visit per day per person! Or 176 visits per year per Canadian.

2.4 HELPFUL RESOURCES

Statistics Canada Food Service Industry Statistics

<http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=3550006&pattern=restaurants+nova+scotia&tabMode=dataTable&srchLan=-1&p1=1&p2=-1#F4>

Industry Canada Small Business Profiles

<http://www.ic.gc.ca/eic/site/pp-pp.nsf/eng/home>

Restaurant Association of Nova Scotia

<http://www.rans.ca/>

Restaurants Canada

<https://www.restaurantscanada.org/en/>

Technomics

<https://www.technomic.com>

CHAPTER 3: CHART YOUR COURSE

Opening a restaurant means taking on many tasks simultaneously. If you aren't great at multi-tasking, make sure you have someone with to help you in areas where you are weak. It's a pressure business, and the pressure is not likely to diminish. Are you up for this challenge?

Clearly there are some things that you will need to do first, or before you can move on to something else. Keep in mind, however, that for most of the journey to opening, you will be working on a whole bunch of different tasks at once to ensure everything comes together for your scheduled opening.

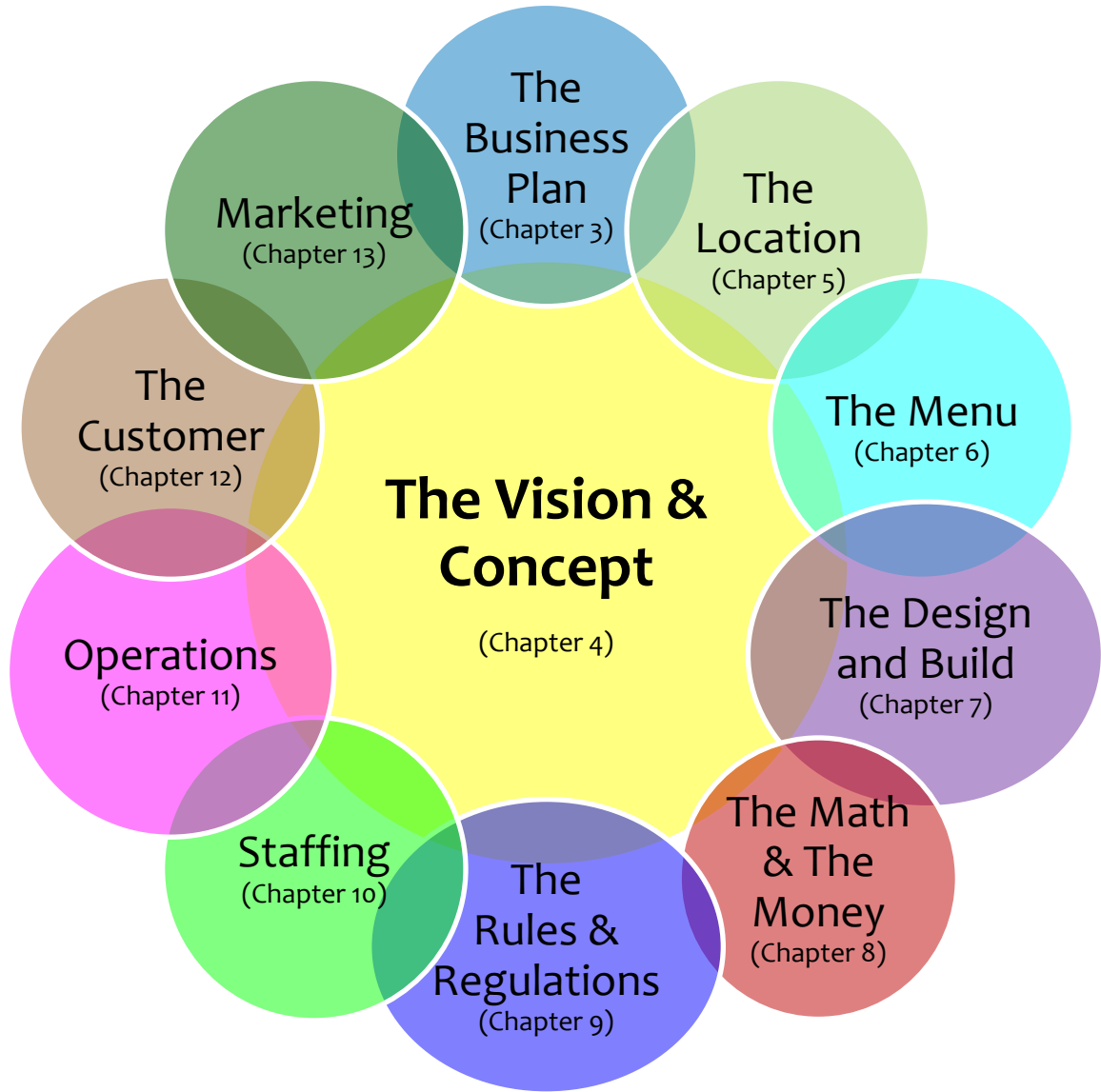
So, forget creating a typical 'to-do list' and consider instead the idea of a 'to-do wheel'. As you will see in the graphic on the next page, it can be helpful to begin the planning process by laying out the project areas of opening a restaurant.

Your vision and concept are the foundation of every aspect of planning for and running a restaurant. The concept must be clear and fit your target markets; it defines what your restaurant is. It is at the centre of the wheel.

In the remaining chapters you will find details on how to approach each of these areas of restaurant ownership. It's important to remember that many of them apply not only to planning the opening of a restaurant, but also to the day-to-day operations of one.

CHAPTER MODULES

- 3.1 The Business Plan (page 15)
- 3.2 Business Structure (page 20)
- 3.3 Helpful Resources (page 22)



Key Takeaways

❖ **Have a clear vision and concept**

Your vision for the restaurant is an overriding piece of the plan. It is the driving force behind your location, menu, pricing and design.

❖ **A good business plan will make or break you**

It doesn't have to be long, but make sure you have enough information yourself regarding the viability of the business and to spark the interest of potential investors and satisfy your financial backers.

❖ **Get help when you need it**

There are lots of organizations out there that can lend a hand when it comes to business planning. It can be difficult — don't be shy when it comes to asking for help. Analyze yourself carefully – not everyone is good at everything.

❖ **Don't start from scratch**

Look for pre-existing business plans and forms from which you can glean insight. Use these resources to save time and frustration.

❖ **Decide on a business structure**

Choose the one that works best for you. You may not have the time or resources to go it alone, but business relationships can be tricky. Explore your options before making a final decision. Get agreements in writing.

3.1 THE BUSINESS PLAN

The very first step you should take, and for some the hardest one, is to create a document called 'business plan.' You can start with a scrap of paper if it feels right. The most important thing is to get what is in your head down on paper. Many a business plan has had a start on a restaurant napkin.

You might find it helpful to get a small (or large) binder with tabs. Or start a folder on your computer. This way you can stay organized and keep your plan and your research together for easy reference as it evolves.

If writing is something you fear or struggle with, just begin to jot down some notes about your business. Open a WORD document and call it ‘Business Plan.’ The structure outlined below will help you organize your thoughts. Then you can begin to flesh out the content.

You won’t necessarily finish your business plan right away. As you begin to research and work through the many things you have to do, you will refine the plan. Successful entrepreneurs work on their business plan long after their business opens. In fact, you should update your business plan regularly.

HOW TO WRITE YOUR BUSINESS PLAN

A business plan is the roadmap for the future of your business.

It is basically a formal written presentation of your restaurant vision or concept. It maps out where you are headed and requires you to examine all of the shortcomings and potential pitfalls of your business.

It needs to be concise and yet contain enough information for the reader to judge the potential profitability of your business. There is no recommended length for a good business plan, but if you are hoping potential funders will read it, you should keep it as brief and succinct as possible.

There are thousands of books, articles and websites on how to write a business plan. Here is a general overview of the key components of a strong business plan.

EXECUTIVE SUMMARY:

This should be a brief summary of the business plan components. It should highlight your concept and why it will be successful. It should tell the reader how much it is going to cost and where you intend to find the money. Don’t get bogged down in the details here. In fact, you should write this section last.

LEGAL STRUCTURE: (SEE CHAPTER 3)

Provide a history of or a plan for your business structure.

Outline the legal structure: the form of your business, be it partnership or incorporation, etc. Include the date it was created and the names of the principals involved. The capitalization plan (i.e., who owns how much, etc.) should be described here. You can find more information on the various types of legal structures in section 3.2 of this chapter.

BUSINESS CONCEPT: (SEE CHAPTER 4)

You need to find the words to paint a picture of what a visit to your restaurant will feel like. You need to describe why your concept will appeal to diners and who those diners will be. This piece is critical. Your concept and vision need to be clearly understand and easy to communicate to consumers and employees. And, the concept drives most other aspects of establishing and running a restaurant – the location, menu, design, pricing, staffing requirements, etc.

Articulate everything you can:

- ✓ The service style (i.e., fine dining, casual, quick service)
- ✓ The size and seating capacity
- ✓ A brief description of the decor and furnishing
- ✓ Proposed operating hours
- ✓ Details of the atmosphere and ambience, the lighting and music
- ✓ The menu: description and price

THE LOCATION: (SEE CHAPTER 5)

If you have not chosen a definitive site or address, just list the area where you intend to open your restaurant. This section can be updated, if needed, after a site has been selected. If you intend to lease or purchase your location, provide the details here. Include the amount of floor space and the rent or purchase price.

SAMPLE MENU: (SEE CHAPTER 6)

A well-written and designed menu can help sell your concept. At the very least, you will need to write out some examples of the food you will be selling.

DESIGN LAYOUTS: (SEE CHAPTER 7)

If you have drawings or floor plans (professional or otherwise) include them here. Even a hand-sketch can be helpful in creating an image of your concept.

THE MANAGEMENT TEAM:

Who is going to run the place? To be successful, a restaurant needs sound management.

Demonstrate that you and your team have what it takes: the experience, skill, education, and/or discipline to make this work.

Provide the background and experience of the owners and the key management. You can insert actual resumes here or include them as appendices at the end of the plan.

Outline other key principals of your team: your professional advisors such as lawyer, accountant, designer, contractor, etc. Make sure you have all the bases covered.

BUSINESS ANALYSIS:

Some entrepreneurs seem to have an uncanny ability to visualize a concept that will appeal to the public and the passion and experience to turn that dream into a reality.

A more cautious approach is usually recommended: balance your passion with some in-depth market and feasibility research - a reality check of sorts. You want to examine your proposed restaurant in relation to the existing marketplace. You also need to clearly identify what will make your restaurant different than the others out there.

Before you proceed with your business plan, you need to carefully research the viability of your plan in terms of competition and demand. The following discussion provides some pointers on what you need to do and how to go about it.

INDUSTRY OVERVIEW

Review the dining and consumer trends in the restaurant business in Nova Scotia and Canada.

Statistics Canada provides data on sales at food service and drinking places by province and occasional reports on trends in sales of food and beverage. RANS also has data on Nova Scotia's restaurant industry.

Restaurants Canada publishes an annual report called *Food Service Facts*⁷. It includes a full market review and forecast. You can find out if commercial foodservice sales are expected to grow over the next four years. You can see in which province growth is strongest. You can find a breakdown of the average check per person by restaurant type (i.e.; quick-service, full-service, retail). While some of these are national statistics, they can still be useful. Appendix I provides findings from a US survey of restaurants about sales-investment results, cost estimates and space requirements.

Depending on your concept, you may want to review data about population growth, tourism activity, ethnicity demographics, labour and economic conditions.

Do your research on food trends and consumer expectations to support your concept. For example, while french fries are still a top- selling menu item, more and more consumers are looking for healthier food choices and there is data to support this.

TARGET MARKETS

Who is your preferred target market? Who will your concept most appeal to? Describe your ideal target customer. Who are they and how old are they? What do they do for a living? Where do they live? Do they drive or walk or arrive by cruise ship? What price points can your target markets tolerate? (Your location may well have an impact on this issue).

Information about your target area can be obtained from your municipal/regional economic development agency, the province or business improvement associations. Statistics Canada also has data by census tract which may be useful. Tourism Nova Scotia has data on tourism markets.

You should know the history of the economic development in the area. And, you need to know everything you can about future planned developments. Investigate construction taking place and planned; follow the local paper and business news.

⁷ Restaurants Canada is a membership-based organization. Some of their publications can be purchased by non-members; others are only available to members.

LOCATION ANALYSIS

Perhaps the only detail you can provide about location right now is just a general area or the city or town. Perhaps you have an address and an agreement of purchase and sale or lease. If you do, include them in your plan.

Regardless of whether you have a street number already, you still want to describe the market conditions that exist in the location or general area. Include demographic information and information about your target market.

A real estate broker might be helpful here as they tend to have a lot of insight about neighbourhoods. They often have access to information and data that is not freely available to the public.

Make sure the locations you have in mind are a good match with your target market. Is your market residents of the neighbourhood? Or are you looking for a business clientele to fill your seats? Are you counting on tourists finding you? Selecting the right location for the markets you are targeting is critical.

COMPETITIVE ANALYSIS

How much of the potential market can you expect to get? While you might by now have a pretty good sense of the appeals of your product concept, you have to take a hard look at the competition.

You need to try out the competition and research their reputations. You want to learn about their strengths and weaknesses and try to get an idea of how much business they might be doing.

Describe the local competition that exists for your restaurant. List and describe the other restaurants in your area or beyond that are most similar to your concept. If you feel you have a competitive advantage over these, list your unique aspects. You want to be certain that you will be able to offer something different and have a competitive edge in the area for your type of restaurant.

FINANCIALS:

Itemize your start-up costs (a capital budget) and prepare a detailed projection of your revenues and expenses (a projected income statement). Knowing the number of seats you will have is critical to this analysis. You need to demonstrate the potential profitability of your restaurant. You need to show how much money you will need to get your restaurant open and how the business will generate enough revenue to ensure you can repay your debt.

Helpful Tip:

Researching the Competition

When researching your competition, look at:

- Restaurant concept
- Target markets
- Menu and prices
- Hours of operation
- Quality of food and service
- Level of business at different periods of the day/week/year
- Strengths and weaknesses

Templates for all of these statements can be found on-line; or from some of the resources listed at the end of this section and in Chapter 8.

OPERATIONS PLAN: (SEE CHAPTERS 10 & 11)

Include a description of how your restaurant will operate on a day-to-day basis. If you are a franchisee, you will likely have a detailed operating manual to follow already. Otherwise, you will need to create one.

Key operations to describe can include: staffing, training, customer service, suppliers, management controls (i.e., Point of Sale systems), cash controls, accounting, bookkeeping, inventory control, payroll, staffing and training plan.

MARKETING STRATEGY: (SEE CHAPTER 13)

You will need to include an outline of your marketing strategy for before and after you open the doors. While a few restaurants open their doors to instant success, you can't rely on this and need a plan to proactively grow your business.

You will need to establish a solid brand positioning – knowing who you are, what you do and why people should care. You will need to carefully select the best media, traditional or new, that will reach your target markets. Getting it right will likely take some trial and error. Marketing is one of those areas where, if you don't have a lot of expertise, bring in some expert help. Plan to invest about 3% of your revenues back into marketing.

There are many places you can go for help with business planning and we've listed some suggestions at the end of the chapter. Don't hesitate to ask another restaurateur if they would be willing to share their start-up plan.

3.2 BUSINESS STRUCTURE

Like any business, you will need to decide on the legal structure of your company, be it a partnership, a sole proprietorship or an incorporated company.

SOLE PROPRIETORSHIP

If you are in this project on your own, a sole proprietorship is the simplest and cheapest business structure. It involves one owner, and that owner and the business are one entity. It means you own the restaurant and its assets personally, and are responsible for the business liabilities. There is no legal form to a sole

Helpful Tips

Doing the Numbers

When doing your financial analysis:

- Be realistic, not optimistic. Base your analysis on sound research. Don't guess!
- Add a contingency of 20% - 30% to whatever you think your capital budget is.
- Don't forget to add Working Capital to your capital budget – this is the money to cover your operations for the time it takes the business to cover its costs. And, that might be a while.
- Analyze your revenue and expenses several times, using different assumptions for sales and costs. Make sure you understand the worst case scenario.
- Remember, the number of seats is the critical factor in driving revenues.

proprietorship, although you still have to register the business. The income of the business is the personal income of the owner. The expenses are also the liability of the owner.

Table 5 summarizes the advantages and disadvantages of each type of legal structure.

Table 5 Advantages and Disadvantages of Different Business Structures		
Business Structure	Advantages	Disadvantages
Sole Proprietorship	<ul style="list-style-type: none"> • Simplicity • Freedom to make your own decisions 	<ul style="list-style-type: none"> • No limitation of personal liability for the owner • Nobody to share the responsibilities of running the business • Limited access to equity other than what you have available or can arrange
Partnership	<ul style="list-style-type: none"> • Provides for more than one owner • Relatively simple 	<ul style="list-style-type: none"> • Unlimited liability for each partner for all of the liabilities of the business • Many partnerships fail because partners do not adequately deal with issues that need to be included in a partnership agreement
Incorporation	<ul style="list-style-type: none"> • Limitation of owners' liability • The business can enter into contracts and conduct business in its own name, rather than the names of its owners • There can be some tax benefits to the owners compared to other structures. Get the advice of a tax accountant for your specific situation. 	<ul style="list-style-type: none"> • More expensive and complex to establish • For small businesses, the advantage of limited liability is usually lost since bankers and other lenders will insist on personal guarantees from owners anyway.

PARTNERSHIP

If you have one or more partners who want a say in the running of the business, you can form a partnership.

Like the sole proprietorship, the owners of the business and the business itself are one and the same for legal purposes. The business has no legal status separate from the individuals involved. The liabilities of the business are the liabilities of the partners.

No two partnerships are the same, but you'll want to be sure you have an agreement in writing before you begin. Work with a law firm to put a partnership agreement in place. You will want to spell out everything: who's responsible for what, who's getting what for their investment of money or time, how you will divide profits, what happens if a partner dies, as well as exit options. We highly recommend each partner get

independent legal advice before signing a partnership agreement.

A word of caution: you should be very careful when choosing a business partner. Many partnerships, like marriages, fail because the partners find they can't get along. Also, like marriages, you may find, "It's easy to get in, it's another matter altogether to get out." An agreement before you start will make everything about having a partner(s) more straightforward.

Restaurants Canada sells a start-up kit that includes a CD produced by the Self Counsel Press: Partnership Agreement. It includes easy-to-use instructions on how to create a professional and legal partnership agreement.

INCORPORATION

Whether you are going it alone or you have one or more partners, you should still consider incorporating your company. Incorporating means you create a corporate entity that owns your restaurant. It can protect you personally if the business goes under, but it doesn't necessarily mean you won't have responsibilities if your business fails. As a new restaurant owner, you will likely be required to personally guarantee loans, which means that you're still responsible if the company fails.

There are also pros and cons of tax implications for incorporations, which you should explore further with an accountant.

You will likely need a lawyer to do the incorporation (although some people manage this successfully themselves) and can expect the legal fees to be in the range of \$1,000 to \$3,000. The Nova Scotia Registry of Joint Stocks (contact information below) will have more information about what is required.

If you are embarking on this on your own, check out the Canadian Legal Guide for Small Business published by the Self-Counsel Press (included in the Restaurants Canada start-up kit). It will show you the detailed steps required to form a corporation and the reporting requirements to maintain your company in good standing.

3.3 HELPFUL RESOURCES

APPENDIX I

1. Operating norms by number of seats and for urban and rural locations in Nova Scotia.
2. Findings from a US survey of restaurants about sales-investment results, cost estimates and space requirements.

READING LIST

Start & Run a Restaurant Business by Brian Cooper, Brian Floody and Gina McNeill, Self-Counsel Press, 2nd edition

<http://www.amazon.com/Start-Run-Restaurant-Business/dp/1551806320>

RESOURCES

Restaurants Canada Business Tools

<https://www.restaurantscanada.org/en/Book-Store/Products>

For more information about business plans or to get help with a business plan:

<http://www.cbdc.ca/plan/downloads/CBDC%20BUSINESS%20PLAN%20ENGLISH.pdf>

<http://ceed.ca/>

<http://www.bdc.ca/en/Pages/home.aspx><http://www.bdc.ca/en/Pages/home.aspx>

CHAPTER 4: THE CONCEPT

The ‘concept’ is the combination of your type of restaurant, the menu, prices, ambiance, and the style of service provided. The concept is critical – it’s your brand and who you are.

For many potential owners, it is the concept that inspires them to open a restaurant in the first place. While it is easy to say “I want to open a restaurant where people can enjoy meals like the ones my mom used to cook”, it is important to get specific about what this looks like.

Unlike the many ever-evolving aspects of restaurant ownership, the concept is one that should remain relatively consistent after opening. Because it will ultimately influence and guide all of your other decisions, clearly articulating a unique yet feasible concept early on can ensure your approaches to other project areas are in line with your vision.

Keep in mind where you plan to open your restaurant when developing your concept. A concept that works in Halifax may not work for the markets in Truro or Shelburne.

CHAPTER MODULES

4.1 Where To Start: The Type and Style (page 25)

4.2 Franchise Restaurants (page 26)

4.3 Individual Restaurants (page 26)

4.4 Helpful Resources (page 28)

Key Takeaways

❖ **Your Concept is Critical**

The restaurant concept defines your restaurant, your brand and what you offer consumers.

❖ **Define your restaurant ‘type’ and ‘style’**

Restaurant ‘type’ refers to whether your business will be a franchise or an individual restaurant. A restaurant’s ‘style’ is a combination of the speed, atmosphere and price of service, and is either ‘quick/limited service’ or ‘full service.’

❖ **Franchises Versus Individual Restaurants**

Franchises leave you with very little opportunity to be creative, but are considered the closest thing to a ‘sure thing’ in the restaurant industry. Individual restaurants provide a blank canvas on which to paint your concept, but require a lot more work.

4.1 WHERE TO START: THE TYPE AND STYLE

The first thing is to determine the type and style of the restaurant you want.

RESTAURANT TYPES AND STYLES

There are two basic types of restaurant: an individual or a chain. Both types can be owned by an independent operator.

The individual restaurant is one not associated with a chain or franchise. You, the owner, come up with a unique concept and name and operate as you see fit.

In the case of chain restaurants, the concept is predetermined by the company that owns the franchise. While this can make opening the business much easier, it prevents you from having any creative liberties in terms of the design, décor and menu. You can find details on each type of restaurant in sections 4.2 and 4.3 respectively.

Whichever approach you decide on, there are two main operational styles to choose from:

QUICK/LIMITED SERVICE

This sector is largely dominated by the major fast food chains and continues to be the largest eating-out segment of the market. The growth of this market segment is said to be a function of today's lifestyle. Food from a limited service facility is served quickly, often ordered at a counter, and eaten in a very casual manner (sometimes simply from a napkin).

Labour costs can be lower because the skill level of cooks can be kept to a minimum. Service costs are minimal because the process to turnover customers is quick and efficient.

Food trucks are an emerging trend in the quick service sector.

Words of Advice from the Pros

"The importance of the clearly defining the concept cannot be overstated. It is from this point that every facet of the business will originate.

The concept must be crystal clear and only then can one embark on the next steps of the business plan.

When embarking on a journey we must know where we are going otherwise we will not know when we have arrived at our destination.

The same is true in the hospitality/restaurant business. In business we call this the vision. When the vision is clearly defined it provides the entrepreneur with many benefits:

- 1) The ability to focus the entrepreneur's efforts on creating or realizing the vision.*
- 2) The clarity to market the concept to future guests.*
- 3) A benchmark for the focus of all employees, suppliers and stakeholders.*
- 4) The clarity of the vision will assist in communicating the business plan to potential investors or financing companies.*
- 5) The discipline to keeps costs in line and to not over spend or underspend.*
- 6) The basis from which the capital costs can be determined to realize the vision.*

By having a crystal clear vision of the concept we will have set in stone the course of action which shall convert the vision to reality."

Joe McGuinness

**Durty Nelly's Irish Pub and Stubborn Goat
Gastropub, Halifax**

FULL SERVICE RESTAURANTS

The range of full service opportunities is wide: from the elegant fine dining establishment to a small neighbourhood diner. They are often independently owned and operated. Labour costs are usually higher because of the level of service and the requirements of the menu.

OTHER

The industry also includes caterers and drinking establishments. In Nova Scotia, drinking establishments can be either beverage rooms (serving wine and beer only, not hard liquor) or cabarets (a large scale establishment, usually over 400 seats, with liquor service; purchase of food is not necessary). The number of drinking establishments is declining as businesses realize that they have to serve food to survive.

4.2 FRANCHISE RESTAURANTS

It has been said that buying into a franchise is the closest thing there is to a 'sure thing' in the risky restaurant business. There are pros and cons and if you decide franchising is for you, you'll want to research everything you can about franchises in general and the specific franchise you are after.

Franchising is very popular in the quick or fast food sector. The reasons are compelling, including reduced risk. The secret success of franchises lies in the proven concept and the consistency of product and service delivered by all units.

A franchise can provide a solid base for the inexperienced operator. You receive a complete package on how to do things, as well as training and pre-opening assistance. And yes, there is a fee for all of this: upfront and a continuing royalty fee paid indefinitely.

The disadvantage is that you have less flexibility and control with few opportunities for any kind of personal expression. You have to stick with the franchise rules. You have no discretion in the operation of a franchise restaurant, as they are based on a standardized formula of proven success. If you are a creative type, this model might not be for you.

Finally, the cost of services provided by the franchiser can be high (7% - 9% of revenues) and can eat up a significant part of your potential operating profit.

4.3 INDIVIDUAL RESTAURANTS

Fine dining or a food truck? Or perhaps you are thinking of something in between? When you are starting from scratch, the possibilities are endless: you really do have a blank canvas.

This is your baby. You can work with your chosen concept in a space or location you select to fit.

Atmosphere is a key ingredient in defining the 'type' of restaurant. The same food can actually be served in a fine dining restaurant, a casual neighbourhood bistro or a food truck. These days, you can find tacos

being served at all of these types of restaurants. What really differentiates each style of restaurant is how the food is served, where the food is served, and who serves it.

If you need inspiration, take a business trip to another city or country. A weekend eating your way around New York City or Montreal can open up a world of possibilities. Observe what seems to work and what doesn't. Remember though, that it is difficult to live out someone else's vision. Concepts can be very difficult to copy because of the hundreds of intangible elements that contribute to a restaurant's success.

Even if you think you are starting this with a specific vision and concept in mind, you might want to take a minute and step back. This is the time to think big and to think outside the box.

Don't hesitate to get help. A restaurant consultant can assist you in developing your concept.

THEME AND NAME

A theme is a common thread, an idea, or image that runs throughout your restaurant. It might be based in your food (i.e., a dish or an ethnic influence), or the ambience (i.e., decor). Your theme and menu definitely need to match.

With luck, you'll be living with your restaurant's name for a long time. Take your time. You want the name to be memorable and to evoke, in some way, the concept of your restaurant.

Don't worry if a name for your restaurant doesn't come to you right away. You can be well on your way to opening a successful restaurant without knowing the name. If you are really stuck about the name, consider bringing together a focus group⁸.

Of course, if you are using a professional restaurant designer or marketer, they will have lots of ideas and feedback on name choices. Try to keep an open mind; but make sure you are passionate about the choice.

If you've already decided on the name, be sure to verify that you can use it legally. If someone else is using the same name, or something similar, you may have to go back to the drawing board. Check it out with the Nova Scotia Registry of Joint Stocks as quickly as you can.

Helpful Tip:

Be a Little Flexible with Your Concept

While your concept should remain fairly consistent, you need to stay somewhat flexible:

- Respond to the marketplace
- Listen to the customer
- Be prepared to 'tweak' your concept if the numbers are not working

Helpful Tip:

Carry Your Theme through All Aspects of the Restaurant

Whatever theme you select, implement it fully. Don't go half way or cut corners, you will regret it later.

⁸ A focus group is a form of qualitative research in which a group of people are asked about their perceptions, opinions, beliefs, and attitudes towards a product, service or business. (Wikipedia)

4.4 HELPFUL RESOURCES

READING LIST:

Restaurants that Work: Case Studies of the Best in the Industry by Martin E. Dorf
<http://www.amazon.ca/Restaurants-that-Work-Studies-Industry/dp/0823045404>

CHAPTER 5: THE LOCATION

The golden rule in real estate is “location, location, location.” On the other hand, locations can be what you make them. You must be clear on what you can do in the space and what its capacity is for a restaurant.

CHAPTER MODULES

- 5.1 Where? (page 30)
- 5.2 Leasing or Buying (page 30)
- 5.3 Before you Sign a Lease (page 31)
- 5.4 Before you Purchase (page 32)
- 5.5 Where to get help finding a location (page 32)

Key Takeaways

❖ **Make sure you have enough space**

Figure out early on how many seats you can fit in the space you are looking at. Is this enough seats for your vision to succeed?

❖ **Do your Due Diligence**

You may be excited about a space, but don't jump into anything before doing your homework. Make sure you can do what you want to. Be patient. If the space you are looking at doesn't meet your criteria, walk away. There are lots of spaces out there.

❖ **Understand your lease**

Before you sign on the dotted line, make sure you know what's included in the rent price, what common area charges there will be, what you're responsible for, and what you can and can't do with the building. Make sure you know the 'down the road' details.

❖ **Negotiate pricing**

See if you can strike a deal on rent with the landlord. Many landlords will offer free rent for a period.

❖ **Talk to the experts**

Leasing agents and business development centres can help you choose the best locations for your needs.

5.1 WHERE?

There are always a few ‘can’t lose’ locations, and a few ‘can’t win’ locations, most locations fall somewhere in between.

A restaurant’s success is more likely influenced by the management/ownership of a restaurant than solely by its location. But, the right location can really help!

The key to deciding on a location is finding a spot that works for your concept, target markets and budget and lets customers reach you.

If your concept involves feeding tourists, you’ll want to be certain your location is easily found by those who are unfamiliar with the area.

It does seem there are always a few jinxed locations. More often than not, this has to do with the operating costs (the cost of the rent and utilities to operate,) being so high that no one could realistically make a go of it.

Words of Advice from the Pros

“If choosing a remote location, your concept must be special and unique, and you must be willing to adapt to local customs and habits. Embracing the local people and getting involved in community activities is important; accept that your customer will want to know everything about you.....!!!”

Roland Glauser
Charlotte Lane Café & Gift Shop, Shelburne

NUMBER OF SEATS

One of the first things to consider when looking at space is: How many seats can you fit in (at 12 sq.ft. per seat which is the guideline for liquor licences)? This means looking closely at space requirements for all the other necessities to meet building code and licensing requirements – washrooms, storage, wheel chair accessibility, etc.

Your financial analysis and business plan will be driven by the number of seats.

5.2 LEASING OR BUYING?

You may not have the luxury of making this choice. Purchasing a building is often too expensive for a new start up. It is also extremely difficult to find commercial property to purchase, especially in urban and downtown areas of the province.

While you may not be thinking about your exit strategy right now, you should understand that if you don’t own your real estate, the odds of getting anything for your business if you decide to sell are significantly reduced. However, most restaurateurs lease their space, perhaps moving to owned-space at a later date.

5.3 BEFORE YOU SIGN A LEASE

Rent is a big expense. It is a fixed cost that will be with you every day that you are in business. There are no tenancy protections for commercial tenants like those for residential tenants. You are on your own here.

Understand and negotiate hard for the terms of your lease. Landlords can be unscrupulous. Exactly what is included and not included in the rent will affect the outcome of your business for years to come. Is heat and air conditioning included? What about hot water, snow removal, and garbage collection? What about common area fees? (These may fluctuate).

Some landlords will help with start-ups, reducing or waiving rent during construction. Or, you may be able to negotiate a free rent period. If you are making infrastructure changes to HVAC (heating, ventilation and air conditioning) and electrical systems, try to get a significant break in the rent, as you are paying to improve someone else's building. If you are leasing, you will likely have to leave everything on the premises if and when you vacate. **Make sure you research municipal zoning requirements and what will be needed to meet building code and licensing requirements for your restaurant, and how much it will cost.**

You may find it very much worthwhile to retain a leasing agent to help you navigate through the process of negotiating a lease. They are professionals at this and can save you a lot of time and heartache.

HOW MUCH RENT IS TOO MUCH?

A rule of thumb is that if you are paying more than 5-6% of your sales revenue, you are paying too much. For example, if your sales are \$100,000 a month, your rent should not be more than \$6,000 a month.

Don't fall in love with a space! If your total occupancy costs (rent, taxes, and common area costs) are more than 10% of your estimated sales, walk away.

PLAN FOR SUCCESS!

When the term of your lease is up, do you have an option to renew? Do you have the ability to sell your business and assign the lease to a new purchaser? Is there a process for determining or arbitrating future rent increases? It's good to know future options in order to be successful today.

Restaurants require significant leasehold improvements: substantial plumbing, electrical and mechanical investments. This is especially true if you are taking a space that wasn't previously a restaurant. Make sure your contractor inspects the space so you know exactly what you are getting.

Before you sign a lease, be certain that you can make the renovation changes you need or want. Make sure the municipal zoning laws will allow you to operate the way you want to, in that location.

PARKING

Having lots of parking doesn't guarantee you'll be successful, but a lack of parking can be detrimental. Check out municipal by-laws – there may be requirements about the number of parking spots you must provide.

5.4 BEFORE YOU BUY

Do your due diligence before buying an existing restaurant or a property to develop into a restaurant. As with any real estate deal, it is buyer beware.

If you are buying an existing restaurant, be clear about whether you are buying the building, the business it may currently house, or both.

If you are buying an existing property with the plan to renovate it and open a restaurant where there was not previously a restaurant, be certain the municipal zoning will permit a restaurant, or a licensed restaurant.

As with purchasing your first home, purchasing a restaurant or the space for a future restaurant requires much due diligence. Have it inspected by a building inspector or engineer. Bring contractors, plumbers and electricians through so you can begin to get a sense of the scope of renovations that may be required for your restaurant and to meet building code and licensing requirements. As with all real estate purchases, it's 'buyer beware'.

Keep in mind that commercial property taxes can be higher than residential taxes, and that you, as the owner of the building, will be responsible for all costs associated with the maintenance and repair of the building. Discovering you need a new roof in your first year of business could be catastrophic.

Also look into what was on the property or site beforehand and make sure there are no environmental issues that need to be addressed. For example, former gas stations or dry cleaners could have significant environmental hazards and clean-up requirements.

The more you find out about the property before the condition dates of the purchase close, the better.

5.5 WHERE TO GET HELP FINDING A LOCATION

Walk and drive around the areas that appeal to you. Even drive around the ones you've already dismissed.

Keep your ear to the ground and abreast of what is going on in the local business community. Subscribe to www.Allnovascotia.com, a business-focused electronic news source that provides daily reports about openings and closings of all kinds.

If you need help finding the right location, consult a commercial real estate broker or leasing agent.

Make contact with local development agencies and neighbourhood business improvement districts. These folks have a lot of intelligence about what is happening in their areas in terms of commercial property.

CHAPTER 6: THE MENU

The menu is much more than a list of what you are selling. The menu is how your restaurant is known and judged by customers. The menu is both a valuable marketing opportunity and a blueprint for profit. It takes careful planning and pricing, and it is critical to continually monitor your costs.

Your concept will be the driving factor in planning your menu; your menu in turn drives the design of your kitchen. There are many questions to consider in planning your menu.

The menu itself must be clean and clear and visually inviting. It is something every guest will see. Where items are placed on a menu affects sales. Make sure your descriptions are clear and customers can understand what is being offered.

The menu has to be priced right. Pricing menu items properly is essential if you want to operate a profitable restaurant business. Knowing your true costs is the first step.

You need to understand how the kitchen works- the purchasing, inventory control, rotating food, storage and overall kitchen management. If you don't have this expertise, hire a great chef who does. And make sure the chef has a good track record in managing food costs; you can have a great chef but if their food costs are 50%, your business will be in trouble.

CHAPTER MODULES

- 6.1 Planning and Designing a Menu (page 34)
- 6.2 Purchasing, receiving and Inventory (page 38)
- 6.3 Costing and Pricing (page 42)
- 6.4 Managing your Menu (page 45)
- 6.5 Wine and Beverage Menus (page 47)
- 6.6 Helpful Resources (page 47)

Key Takeaways

❖ Careful planning goes into developing a menu that fits your concept

There are lots of factors to consider from your customers to the availability of ingredients.

❖ The menu is your selling tool

Menu presentation and layout play a huge role in influencing customer decisions. Consider investing in a professional designer while saving costs by printing the menu yourself.

❖ Recipes must be standardized

Standardizing recipes is important not only for ensuring the taste and quality of your meals are consistent, but also for maintaining profit margins.

❖ Find the right costing/pricing method for you

There are many approaches to determining the price of your menu items. Find the formula that makes sense for your business. Your location can also impact your pricing.

❖ Continually manage your menu

Once you've created your menu and priced your items, be prepared to do it all again! Or at least some of it. Managing your menu means continually looking for ways to maximize profit.

6.1 PLANNING AND DESIGNING A MENU

There are a lot of questions you need to ask yourself and a lot of criteria to take into consideration in planning and designing a menu.

As you're designing your menu, ask yourself:

- How many customers will you serve each meal?
- What type of service are you providing? (i.e. eat in or take out)
- What kitchen facilities and equipment do you have?
- Who do you have to execute the menu? (You will want to build the menu around the talents you have and that you can replace with confidence and speed.)
- What are the hours of service?
- What is the maximum number of customers per meal period?
- What type of menu do you want? Paper? Blackboard?
- How many menu choices will there be?
- Are the ingredients I need available all year?
- Does the menu fit with the restaurant concept and cuisine?
- Is the menu balanced in terms of food groups and seasonal availability of fresh products?

Some **Tips for Creating a Menu** are provided in Exhibit 1 on the next page.

KEEP ALLERGIES AND FOOD SENSITIVITIES IN MIND

Allergies and food sensitivities are at an all-time high. More and more customers want and need to know exactly what they are eating. It can be helpful to indicate which items are gluten-free or dairy-free, vegetarian or vegan, etc.

CONSULT YOUR STAFF

Create the menu with the involvement of the staff: “No involvement equals no commitment”.

Your staff must know the menu. They should know how each item is prepared and presented, the ingredients, and how it tastes. Servers can directly influence guest choices if they can speak intelligently about menu items.

SIZE

Size matters when it comes to restaurant menus. Small is more manageable for the kitchen, management and especially the customer. When a large menu is presented to a customer, it can be confusing because it offers too many choices. Also, less is better when preparing and managing superior quality delivered with consistency. It is better to give customers an impressive experience with fewer items than a mediocre one with too broad a menu offering.

Extensive menus can also be more costly. As the number of items on the menu increases, the kitchen expertise needed increases, the total food cost increases, and the cost to construct the restaurant increases.

BALANCE

Balance is an important criterion when designing a menu. The menu should reflect the various food groups and it must be in tune with the kitchen design to ensure no one station in the kitchen becomes overworked. Seasonal balance is also important, as many customers will appreciate fresh products in season.

FOLLOW THE ‘TRIPLE USE ON ALL INGREDIENTS’ PRINCIPAL

Don’t plan menu items such that you have ingredients that are only used for one item. All of your ingredients should be used in at least three menu items. This helps with the turnover of your ingredients, ensuring things stay fresh.

Helpful Tip: Accommodating Dietary Preferences & Allergies

It is essential that you plan for dietary preferences, such as vegetarian, gluten-free, or dairy free meals.

To save your servers time and avoid mistakes, clearly indicate items on your menu that fit these requirements. Or, consider several different printed menus including only the relevant items. So, you might have:

- A gluten free menu
- A dairy free menu
- A vegan menu

Exhibit 1

Tips for Creating a Menu

Guiding Principles: “Quality, Consistency & Value”

“Important – Always follow the guiding principles when making each menu creation decision”.

- ❑ Start with the best quality ingredients possible “When you use quality, the cost looks after itself when you go to price and sell your menu offerings”
- ❑ Ensure there will be a consistent supply of ingredients at a consistent quality by dependable suppliers
- ❑ Sell quality and price the menu item where you need to price the item to make it worth keeping on the menu
- ❑ When deciding on a new ingredient in the kitchen, plan a minimum of at least 3 cross uses of the ingredient in your recipe / menu planning
- ❑ Get to know what your market likes and let that be your focus to the menu choice. It does not matter what you like – it is about what the customer likes and it’s our job to help them get it.
- ❑ When creating a menu item, give thought to what will make each ingredient or cooking method of the item stand out above and beyond your competition
- ❑ Create the menu item cooking methods around the equipment and wares you have or can afford
- ❑ Build the menu around the talents you have and that you can hire / replace with confidence and speed
- ❑ Create the menu with the involvement of the staff, “No involvement, No commitment”
- ❑ Always test the item with staff first for acceptance, taste, texture, quantity, quality and value sampling, then with a cross section of your customers.
- ❑ When planning portion sizes, remember to consider the average person eats 2.5 pounds, including fluids, per meal sitting. If the main course is too large, desserts and starters should be smaller in size to allow room
- ❑ Ergonomics should be highly considered for the length of time it takes to prepare each dish with the distance being no more than arms reach for each ingredient to the cooking and delivery area.
- ❑ Measurement – “If you can measure it, you can manage it” and “Measure it and it will improve”

Create the menu items following these steps:

1. In your mind, in concept and price using the above rules
2. Document the ingredients, specifications of the brand, pack size and product yield along with the quantity of ingredients used.
3. Document the ingredients on recipe templates, take pictures and notes... cost each batch and plate recipe while considering the throw out and safety factor in the cost allowance.
4. Always go to the kitchen and your confirm theory of portion sizes and preparation methods are being executed / served on the plate.
5. Revise recipe cards to show the reality of the planned actual servings and cost.
6. Take a picture of the plate presentation and add to the Recipe Card

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<http://www.menutools.com/sites/default/files/menu-makeover/Menu%20Considerations.pdf>.

CHANGING YOUR MENU

From time to time, it will be necessary to change your menu. Some items will not sell or will no longer be profitable. Tastes will change or new competition will require a rethink of your offer. Be careful when changing your menu that the new items you choose fit with your concept, your kitchen's capacity, and with the other menu items.

MENU PRESENTATION

The menu is your selling tool. It must be clean and clear, but also descriptive.

The descriptions you provide for each menu item should encourage your patrons to want to order something. Remember this is your selling tool and you need to communicate what it is you are selling. Use words that most people will understand and try not to confuse or make customers feel stupid because they don't know the latest foodie terms.

The layout is very important. Customers' eyes are naturally drawn to specific points on the menu, so where you position menu items often determines how much of any given item will be sold. For example, when a customer first opens a menu, their eyes tend to focus on the upper portion of the right hand page. If you place the items you want to feature there, you will increase sales of those items. This website provides tips on how to layout your menu:

<https://www.nestleprofessional.com/united-states/en/SiteArticles/Pages/Master-the-Art-of-Menu-Engineering.aspx?>

Words of Advice from the Pros

"For me, writing the menu is one the most enjoyable and most challenging parts of the restaurant experience. A guest sees a menu online, posted outside the restaurant on a sidewalk, or in their hands once they have sat down. In all three cases, the words that represent your food and experience are key to entice them to enter or stay. The words whet their appetites and fuel the excitement for the meal that follows.

A well written menu can be poetic, sexy, and rich with meaning about the place you have chosen to dine. A menu can also contribute to the success or failure of an experience by either allowing the food to exceed expectations or fall short of them.

Writing a long-winded and embellished menu does not in and of itself make for a great dining experience. In fact, it can lead to disappointment when the food is less than the delivered expectation of the written word. Therefore, each word must be chosen carefully, as it paints a clear picture in the guest's mind as to what will follow.

Finally, a menu is key to the branding of the restaurant, and even the personality of the chef. It identifies clearly the type of food experience you will find inside, with even the chosen font having a huge impact on the guest's perception. A menu is a movie trailer, with the pictures existing in the guest's head. It is only a glimpse of what is to come, but it can make or break the success of the main feature."

Craig Flinn

Chives Canadian Bistro

2 Doors Down Food + Wine

Fork in the Road Productions

A little bit of up-front professional design work is a valuable investment. It may be possible to have a designer create a template for you that you can manipulate daily or weekly or seasonally to accommodate any changes you want to make. Proof read the menu carefully. You don't want a customer finding a spelling error.

The physical form of the menu itself needs careful consideration. If you need the flexibility to change your menu frequently, you might not want laminated and professionally printed menus. With today's computer capabilities, you might find it more convenient and less costly to generate new menus yourself if this fits with your concept. Or, use a blackboard.

RECIPES

The first step is to write out your recipes! You should have a standard recipe for every item on your menu. This is essential, not only for food costing but also to ensure you have a consistent product every night of the week, not just the nights when your best chef is working the line.

Recipes must be standardized so that every employee will make the dishes the same way every time. You also need to standardize ingredients, portion sizes and plate arrangements so the customer is always receiving the same amount and quality of food.

To be able to calculate your food costs, you need to know exactly how much each item costs. Having a recipe that specifies this is the first step in managing your food costs. "If you can't measure it, you can't manage it."

Proper measurement tools, not just a standard recipe, are essential. Easy access to conversion charts, scales, measuring cups and spoons, portion cups and containers, etc. will go a long way in ensuring your standards are met.

An example of a standard recipe is provided in Exhibit 2 on page 40.

6.2 PURCHASING, RECEIVING AND INVENTORY

Understanding the purchasing, receiving, inventory, storage and rotating food (FIFO) is critical to the successful management of your kitchen. If you don't have expertise in this, hire a chef who does.

PURCHASING

With recipes in hand you will be able to prepare a shopping list and some standard specifications for the ingredients you need to source.

Depending on your location in the province, you may not have the luxury of too many choices in terms of suppliers. The bottom line is: having reliable sources for your ingredients directly affects your menu.

Many restaurants choose to use a ‘one-stop’ shopping system: that is, where one large supplier provides you with just about everything you will need to purchase. Many operators find this a convenient and time-saving method, but your menu may be limited to what they can supply.

There is an increasing trend to purchase locally from many different suppliers. While this is more time consuming it offers you access to some of the highest quality, fresh and local ingredients available. Buying locally means you may find yourself running around town and visiting farmers’ markets or calling the individual farmers themselves to place your order each week (or daily). You might be writing 10 or 20 cheques a week at the back delivery door for COD orders. Buying direct from local farmers and suppliers also means you most likely won’t find a wholesale price – the old laws of supply and demand.

Talk to other chefs and restaurant operators and ask them for references. Keep your options open and shop around. It isn’t easy to get the best prices and service from suppliers. Whatever approach you use, build a good relationship with your suppliers. Like most aspects of business, this arrangement is often about relationships.

A sample template to enter your recipe names and then create the necessary product list to determine your purchasing requirements is provided in Exhibit 3. It is important to include the brand you have decided on along with the details of the package size to ensure you get the right product you need. This is called establishing your food specs or specifications. Using food specs will allow you to shop competitively on an ‘apple to apple’ basis.

RECEIVING

The goods you receive must be counted and checked on delivery to confirm you have received exactly what you ordered and what you have been charged. If there are any discrepancies, they must be noted immediately.

You should also check for quality, even though this may seem time-consuming. It may be that the lemons on top of the case look good, but if you dig a little further you find a science experiment.

Goods received should be put away immediately to avoid theft and spoilage (frozen items need to be kept frozen). They should also be put away FIFO (that is, first in, first out, ensuring older items are used before newer ones). Again, this does require a bit of effort, but it can save you in the long run.

INVENTORY

Another key criterion for food cost control is taking an inventory. This can be a tedious job, but the value of your inventory needs to be accurate and taken into consideration if you are serious about managing food and beverage costs.

Today’s sophisticated restaurant POS software systems often have built in systems for managing and tracking inventory.

Exhibit 2 Sample Standard Recipe

Recipe Name Caesar Dressing

Category Salads and Dressings

Yield **true usable quantity* 1.5 litre

Quantity	Ingredient
2 gr or ½ tsp	Dry Mustard
150ml or 5 fl.oz	Lemon Juice
5 gr or 1 tsp	Table salt
5 med. each	Eggs, Whole
5 ml or 1 tsp.	Worcestershire sauce
2 each – cloves	Garlic Cloves
1 litre or 34 fl. oz.	Olive Oil
3 gr. or 1 tsp.	Fresh ground Black Pepper
100 gr. or 3 oz	Fresh Ground Parmesan
	Method:
	1. Froth the egg yolks in blender – approx 1 .5 minutes
	2. Puree the garlic in the oil in a separated blender cup
	3. When egg is frothed, pour in the garlic oil slowly
	4. Add in the balance of the ingredients and mix well
	5. Chill till ready to use

Reproduced with permission from Menu Tools
<http://www.menutools.com/sites/default/files/menu-makeover/Menu%20Considerations.pdf>

6.3 COSTING AND PRICING

Never sell anything without first calculating an accurate food cost and profit margin. There are a variety of approaches that can be used to price a menu, some involve expensive software programs and others can be as simple as a pencil, paper and a calculator. Pricing also depends to some extent on your location – you may not be able to get the same price for an item in a rural area as in an urban location.

An all too common technique for pricing a menu is to compare with what your competitors are charging and charge a similar amount. This method is dangerous because you don't know if your competitor's costs are the same as yours. You may be seriously under-pricing your menu items.

When pricing a menu, there are many considerations that must add up to ensure you are generating enough gross profit to cover all expenses and still reach a 10% or better net profit.

The food, beverage and labour cost for front and back of house must total no more than 60%. In the industry, this is called “Prime Cost”. If you were to set aside the allowance of 60% or sixty cents to pay for your prime costs on each dollar sale, then cut the budget of 60% in half, you would be planning for a 30% food & beverage cost and a 30% labour cost. If your food cost is more like 35%, this would only leave room for a 25% (front and back of house) labour cost from each retail dollar you sell.

It's crucial to ensure that the menu prices will cover the labour cost needed to prepare the menu items from scratch.

Here's the logic of menu pricing: When you make your items from scratch or homemade recipes, you must allow for the labour cost to purchase, store, prepare, cook and serve each menu item.

Let's begin by understanding that menu pricing and food cost must be carefully balanced with the labour cost. Their relationship to each other works like a teeter-totter: when one goes up, the other goes down. The more cooking from scratch you do, the more the food cost goes down yet the labour cost goes up. If you purchase 'ready to use' (RTU) products, your labour cost goes down because the labour is already built into the product and you will need less staff. However, your uniqueness and competitive edge will also go down.

Here is the goal with a menu and its pricing: you must be able to properly manage the labour cost burden and cover the service staff and overhead in your pricing. The goal is to sell unique menu items that are different from the competition and are better than can be found in your marketplace. Once you hook customers on your food and certain menu items become their favourites, you have just created the edge to move your prices upwards because the restaurant is providing a quality, consistent experience for the customer.

MENU SALES MIX

Reaching a targeted percentage food cost is created in the beginning by costing and pricing each menu item. Divide the cost of all that is sold by the total food sales to give a food cost sales mix average for all sold. See the Menu Sales Mix example in Table 6 below.

Pricing the food cost is calculated by costing all the ingredients on a plate. It is a good practice to add a five percent safety for a waste factor to each cost calculation. For example, if the food cost per plate is \$4.00, add \$0.20 cents to make the food cost \$4.20 to ensure there is a safety factor built into the menu pricing mark-up.

Each individual menu item will have a different range of costs. Menu item food costs change by item from as low as below 10% (e.g. Fountain Pop) for the raw cost to as high as 50% (e.g. lobster). The food cost average of all that is sold will improve when a higher volume of lower percentage cost items are sold in the menu mix, bringing down the overall average percentage food cost mix for your menu.

The % food cost is simply the allowance that you can spend out of the selling / retail price of a menu item to plan for paying the food cost only of what is on the plate.

Table 6 provides an example of a menu mix:

Table 6 Sales Summary	
Total Items	8
Total Items Sold	275
Total Food Cost	\$734.71
Total Sales Revenue	\$2522.39
Total Gross Profit (total sales revenue minus food cost)	\$1787.68
Percent Food Cost (food cost divided by sales revenue)	29.1%

Name	Number Sold	% Sales Mix	Per Menu Item			Gross Profit Margin	Total All Items Sold		
			Food Cost	Sell Price	% Food Cost		Food Cost	Sales Revenue	Gross Profit Margin
Cesar Salad	28	7.8%	\$1.07	6.99	15.3%	\$5.92	\$29.96	\$195.72	\$165.76
Fruit Salad	14	1.4%	\$0.60	2.50	24.0%	\$1.90	\$8.40	\$35.00	\$26.60
Fish N Chip - 1 pc Pla	24	10.5%	\$4.06	10.99	36.9%	\$6.93	\$97.44	\$263.76	\$166.32
Fish N Chip - 2 pc Pla	42	25.0%	\$5.17	14.99	34.5%	\$9.82	\$217.14	\$629.58	\$412.44
Lobster Roll	35	15.2%	\$5.14	10.99	46.8%	\$5.85	\$179.90	\$384.65	\$204.75
Panfried Haddock	55	32.7%	\$3.37	14.99	22.5%	\$11.62	\$185.35	\$824.45	\$639.10
Coffee - cup	30	2.7%	\$0.30	2.25	13.3%	\$1.95	\$9.00	\$67.50	\$58.50
Coke - Fountain Pop	47	4.8%	\$0.16	2.59	6.2%	\$2.43	\$7.52	\$121.73	\$114.21

Review the tips in exhibit 1 to help you.

FORMULAS TO HELP COST AND PRICE YOUR MENU

Formulas have been provided which can be used to calculate:

1. Selling price
2. Percentage cost
3. Food cost allowance
4. Gross profit margin (sales less direct cost of sales and labour)

Once you have a good understanding of how the math works, there are many food cost software systems in the marketplace to cost and price a menu.

To Calculate a Selling Price

Food cost \$ _____ / Preferred % Cost = Selling Price

For example:

\$2.50 food cost / 25% food cost = \$10 selling price

To Calculate a Percentage Cost

Food cost \$ _____ / \$ Selling Price = Food cost %

For example:

\$2.50 food cost / \$10 selling price = 25% Food cost

To Calculate a Food Cost \$ Allowance

% Cost x \$ Selling Price = Food cost \$

For example:

25% food cost x \$10 selling price = \$2.50 food cost allowance

To Calculate the Gross Profit (contribution) Margin

\$ Selling Price minus Food Cost \$ = Gross Profit \$

For example:

\$10 selling price minus \$2.50 food cost = \$7.50 gross profit

Understanding how to add or back out the HST from a selling price is illustrated below:

To Add Tax (15%) to a Selling Price
 $\$ \text{ Selling Price} \times 1.15 = \text{Tax in Selling Price}$

For example:
 $\$10 \text{ selling price} \times 1.15 = = \$11.50 \text{ tax in selling price}$

Backing Out Tax (15%) from a Selling Price

$\$ \text{ Selling price} / 1.15 = \$ \text{ Before Tax Selling Price}$

For example:
 $\$11.50 \text{ selling price} / 1.15 = \$10 \text{ before tax selling price}$

Once the restaurant has been in operation for a period of time, quality and cost controls become critical to profit and product consistency. Typically, if a restaurant operator were to analyze their sales, the top twenty percent of menu items sold will drive eighty percent of the revenue. The popularity and sales mix can be established quickly using the Menu Mix process introduced earlier to analyze the menu. It is a proven good business practice to have management's attention focused on the quality, consistency, and cost controls of these top twenty percent selling menu items.

A Food Cost Check List is provided in Exhibit 4 on the next page; it is intended to be used as an audit check list for an operator/manager to use when looking at food quality and cost management maintenance.

6.4 MANAGING THE MENU

Whether you are just opening or have been in business for decades, you must continue to 'manage your menu'.

Continuously analyze what items are selling and what your profit margin is on these items. Consider dropping items that are poor sellers. Can these items be re-priced? Can they be re-worked or modified to make them more appealing or should you drop them? Keeping duds on your menu actually costs you money.

Analyzing your 'menu mix' identifies not only your top sellers, but also your top money-makers. If your top sellers are not contributing much of a profit then perhaps it is time to adjust your prices. Obviously the items are popular with your customers and you want to keep them.

Exhibit 4 Food Cost Checklist

THE PATH

- List the top ten most popular, highest volume, costly food products
- Establish the preferred brands (product specifications)
- Shop on an “apple to apple basis”
- Conduct a yield test to measure ‘true cost/best value’ of unit cost (oz, gram, ea)
- Evaluate how you receive, store and handle the products
- Confirm yield & unit cost of all batch recipe cost calculations are accurate
- Prepare accurate food cost calculations with cost percentage & margins of each menu item (plate recipes)
- Evaluate the portion control with the recipe cost card
- ENSURE THE MEASUREMENT TOOLS & COSTS ARE ACCURATE
- Ensure menu items are priced according to food cost mix goal (15% lower than budget goal)
- Maximize retail price of top ten most popular menu items
- Monitor numbers sold to consumption of product

“If you can’t eat it, it’s not food cost”

MEASUREMENT TOOLS

- Provide a recipe card – ingredients & preparation method to ensure quality, consistency & value
- Digital ounce scale and larger – 25 kg scale for the back door
- Conversion chart/weights and measurement table for common foods
- Post a portion chart – top most expensive products (i.e. meats & cheese)
- Measuring spoons/measuring cups/measuring jugs
- Patty papers/sandwich bags/fry containers/portion cups
- Plastic freezer bags
- Scoops/ladles/ramekins
- Pie and cake markers
- And possibly, a common kitchen utensil that holds the exact portion matching the portion on the recipe costing card.

“If you can’t measure it, you can’t manage it”

According to menu costing expert Wayne McKay, the ‘menu mix’ area is the fun part of menu costing. This is when all of your information comes together and you see that you have options and control.

6.5 WINE AND BEVERAGE MENUS

Both non-alcoholic beverages and wine/beer/liquor offer a huge boost to your bottom line and average sales check. The mark-up on these items can sometimes be much higher than the mark-up the market will sustain for food items.

Most importantly, your wine and beverage menu should complement your menu and concept. Wine should be selected to enhance the food you are serving. If you aren’t knowledgeable in this area, consider hiring a sommelier to help you select wine to pair with your food offerings. Wine and liquor companies (and private wine stores) will offer to select, design and print your wine lists, provided you are serving their brands.

As with your food menu, it is important to select suppliers who can guarantee product availability and delivery. As a licensee, you can purchase directly from the NSLC warehouse or shop at agency stores. There is a 10% discount on wine and spirits from NSLC; you will need to register with them for this. If you don’t pick up your own orders you can arrange for delivery but there will be a charge for this. Private stores offer products not available through the agency stores and delivery is usually free; most also offer a discount.

Consider supporting our own regional wine industry. Nova Scotia is producing many award-winning vintages. Some local wineries will provide good discounts if you buy directly from them.

Having a good mix of non-alcoholic drinks is important today, so don’t neglect to build these into your menu.

Understanding beverage cost controls and having strong inventory control for wine/beer and liquor is critical.

6.6 HELPFUL RESOURCES

<http://www.restaurantcentral.ca/Choosinganeffectiveaccountingorcost.aspx>

<http://www.restaurantcentral.ca/menumakeover.aspx>

\$ or Dollars: Effects of Menu-price Formats on Restaurant Checks, Cornell Hospitality Report
<https://www.hotelschool.cornell.edu/research/chr/pubs/reports/abstract-15048.html>

CHAPTER 7: THE DESIGN AND BUILD

Good design pays. Your design is dictated by your vision, concept and your menu. If you are not a designer, get some help.

Don't underestimate the power of good design. Good design is essential if you want to be successful. Good design can:

- ✓ Attract customers into your restaurant
- ✓ Be a significant part of the customer experience. Success in the restaurant business is about customer experiences...not just the food
- ✓ Make people want to try out your restaurant and come back
- ✓ Help control noise and odours
- ✓ Make your restaurant more efficient to run and more attractive to work in
- ✓ Be a significant part of your brand identity
- ✓ Help retain employees

Naturally, the design will be influenced by your concept, type of food, and how you serve it. At the same time, it will be constrained by local and provincial zoning and building regulations, and your budget.

CHAPTER MODULES

- 7.1 Your Design (page 49)
- 7.2 The Contractor (page 53)
- 7.3 The Kitchen (page 53)
- 7.4 Kitchen Planning Requirements (page 55)
- 7.5 Helpful Resources (page 56)

Words of Advice from the Pros

"In building a new restaurant, you must have a clear vision of the concept and identity of your business - all your decisions will flow from this. Having said that, you also need to be flexible as the build process moves along. If you always think about what is best for your guests, you will always make the right decisions."

Stephanie Bertossi

**The Bertossi Group of Restaurants
(il Mercato Trattoria ~ Ristorante a
Mano ~ The Bicycle Thief ~ La Frasca
Cibi & Vini)**

Key Takeaways

❖ Hiring professionals is an investment

Just because DIY is cheaper, doesn't mean it is less expensive. Professional designers know how to create an atmosphere that will keep customers coming back for more...

❖ ... But you're still the boss

Ensure your designer stays on track by providing them with important details (like budget and functionality requirements) and make sure you stay involved.

❖ Good relationships are key

In the restaurant business, you can't afford delays due to a broken dishwasher or bad plumbing. You'll need an army of subcontractors who are available at a moment's notice.

❖ A good kitchen will make or break you

Make sure you talk to professionals to know what the requirements are versus what is to be put on the 'wish list'. A well-designed kitchen will also help you retain employees.

❖ When it comes to equipment, you have options

New or used? Buy or lease? Propane or natural gas or electric? Explore all of these options to determine what works best for you. Don't think that you need the most expensive piece of equipment to start with.

7.1 YOUR DESIGN

Start with some simple math and a review of the key regulations. How many seats do you want to/need to have for your business plan to work? Use a simple software program to start laying out the space to get the most out of what you have available. Don't overbuild or take on more space than you need.

THE BENEFITS OF HIRING A PROFESSIONAL DESIGNER

A designer can assist you in all phases of the design and build process. They can help you develop a detailed capital budget and can help deal with regulatory agencies and inspections, hiring contractors, and supervising the actual construction or renovation. The designer's fee will be reflective of how little or how much of the process you wish to contract to them.

Don't know a designer? Find out who designed other places around town that you like. Search online for designers in your area.

SPACE REQUIREMENTS

There are some commonly used ratios of production space to revenue generating space. It is not uncommon for designers to allow too little space for production. And let's face it, as a restaurateur, you will want to fit in as many revenue-generating seats as possible. Do keep in mind that taking away space from the product and storage areas can cause serious problems down the road.

A common ratio is 1/4 to 1/3 for production and storage, and 2/3 to 3/4 for dining area space. In planning for the service area, allow about 15 sq.ft. per seat. (Liquor licence rules require a minimum of 12 sq.ft. per person, unless the Fire Marshal requires a lower capacity). There are other requirements that will impact your space, such as number and type of washrooms (see below).

For example, if you are planning a 100 seat sit-down restaurant, you should have 1,500 sq.ft. in the service area plus another 750 sq.ft. for kitchen and storage. In addition, you will need allowances for washrooms and mechanical systems.

WASHROOMS

The number of washrooms you will require isn't always straightforward and will ultimately depend on the style of restaurant, your liquor licence, your occupancy and dining room capacity as spelled out in the building code, and the number of staff you will have working. The Nova Scotia Department of Agriculture also has requirements that impact the number of washrooms – if your establishment is over 1,000 sq.ft. in area, you will need to provide separate washrooms for staff.

The other requirement with washrooms is providing accessible washrooms in accordance with the building code. Make sure you understand the liquor licence requirements when it comes to your layout and design. For example, if you want a lounge licence (so you can serve liquor without food), there are implications on how the washrooms are accessed.

You are well advised to explore all requirements as early as possible in the design process.

3 TIPS FOR WORKING WITH A DESIGNER

1. KNOW YOUR BUDGET

Be realistic and resourceful! Be clear with your designer about the ballpark of your budget. This can save a lot of time.

2. DESIGNERS DON'T ALWAYS PAY ENOUGH ATTENTION TO FUNCTION

Make sure you're clear about functionality and how the design will work for what you want to do behind the scenes.

3. PAPERWORK

The designer can provide you with the plans and drawings you will need to apply for building permits. The plans will also help you get construction estimates.

SEATS

Seats are very important! Every seat counts in the restaurant business. You will want to fit in as many revenue-generating seats as possible. At the same time, you'll want to ensure that your kitchen, through its design, can support the number of seats.

Booths are popular with customers but moveable tables and chairs will give you more flexibility in seating.

You need to think about traffic flow around tables and chairs. There are industry standards for table size and the distance between two tables. Computer generated design diagrams can help you visualize your options for fitting in tables and chairs.

CHAIRS

As for the seats themselves, explore your options. Restaurant chairs take a lot of abuse – frequent use by people of all sizes and those who like to lean back on two legs. You will need to maintain them and replace them (so think carefully about purchasing the last of a lot). They need to be easy to clean. They need to be comfortable for the customer, but not too comfortable if you're banking on a high turnover!

TABLES

The surface of the tabletop needs to be easy to clean and maintain. They will be subject to daily repeated cleanings. With time, the surface material will get scratched and worn and dented and may need to be continuously refurbished. Of course, you won't need to spend a fortune on tabletops if you plan to use tablecloths.

Table bases are important! You will soon become an expert at leveling the legs of the tables to prevent the tables from wobbling. This can be a major annoyance for customers. Research your options when it comes to the feet, or floor levelling devices, especially if you have a tile floor that isn't smooth, or the dining room floor slopes.

Imagine your tabletop when a customer first sits down. Think about the details of what it will look like: will there be flowers, salt and pepper shakers, menus, lamps or candles? You will need to make choices about every detail – they are all part of your design.

DISHES, GLASSWARE, AND FLATWARE

These objects are intimately experienced by the customer: they put them to their lips and in their mouths. They see and touch them and linger over them in the long hungry moments before their food arrives. This doesn't mean you have to spend a fortune on buying the best. It does mean you should know that the quality and condition of your dishes and cutlery can leave a lasting impression.

Rarely will household china stand the level of wear and tear and abuse that comes with the business. You would be wise to consider only commercial products.

If matching dishes, glasses and flatware are part of your design, be careful to find a supplier who can assure you a future supply. This isn't just a start-up cost, your initial purchase will need to be replenished because of breakage and theft while you are in business.

DECOR AND FURNISHINGS

The combination of materials, colours, textures and lighting in your restaurant must all work together. It is very difficult to get this all right without the help of a professional.

Too much clutter in a restaurant not only confuses the customer, it will also increase the number of places where dirt and grease can gather.

Lighting can be everything in a restaurant. It certainly sets the mood and ambience of the room. It can be a grave mistake to underestimate the importance of lighting design. Improper placement can make customers look unattractive, and can draw attention to things you might not want to.

FUNCTION

Give a lot of thought to traffic flow. How will customers enter and exit with ease and not become bottlenecked in chaos?

Have you watched the sun's movements to determine if you will need blinds? There may be times of the day when you need to have something to keep direct sun from blinding customers.

When the front door opens in the middle of winter will all of the customers in the restaurant feel the gusts of cold air? Do you have sufficient space to hang guest coats?

How will your servers pick up and deliver food? During the planning and design phase you must consider everything you can to ensure a smooth experience.

OTHER FACTORS

Consider sound and acoustics in designing your restaurant and selecting materials. For some restaurants, having a lot of noise is part of the theme and concept. For others, the opposite is critical. Make sure that you work with your designer and contractor to get the type of acoustics you are looking for.

Helpful Tip:

Keep the Fire Marshal, Alcohol & Gaming Licensing Inspector and the Building Inspector in the Loop

As your plans proceed, keep the various inspectors up to speed. You will find that guidelines for the number of seats and other facilities can vary between agencies, and changing something can impact the requirements of another agency.

Make sure you get sign off on your plans from each agency in writing.

7.2 THE CONTRACTOR

Whether you choose to hire a general contractor or to take this job on yourself, you will need an army of other ‘sub trades’ to get the job done.

From carpenters, electricians, plumbers, mechanical engineers, refrigeration experts, and gas and propane installation technicians, you need a great team to get the job done right. The reality is you will require these professionals and trades-people during your entire life in business. These relationships are very important to your success in managing your business.

If you don't have a contractor, ask for recommendations. Get quotes on the work that needs to be done and check references. A renovation can be costly and time-consuming. It must be kept on budget and on a time-line. Delays are, unfortunately, inevitable.

Your contractor must commit to a timetable for completing the work. He or she can hire all of the trades needed to finish the renovation.

Unexpected Surprises

If you are renovating an older building, keep in mind that costs can escalate as you begin to tear away old layers. You never really know what you are getting in to, and while sometimes, you can discover wonderful treasures that work in your favour, in most cases, your costs will increase.

7.3 THE KITCHEN DESIGN

A restaurant kitchen is not just a kitchen. It is a machine that should be built around the menu. And when it comes to kitchen design and layout, less space is often better.

Restaurant equipment supply businesses have a range of design programs and staff to help you put a plan together for your kitchen. But first, you must have a menu. The menu will dictate what equipment you need. The equipment will dictate the infrastructure you will need to be able to operate. Once these things are determined, always have your plans reviewed by other restaurateurs and chefs.

The ‘Kitchen Planning Cheat Sheet’ in Exhibit 5 provides some useful tips and hints when planning your kitchen.

Exhibit 5

Kitchen Planning Cheat Sheet

- ✓ If you don't have a menu, you can't begin to design the kitchen.
- ✓ Get help from an experienced chef/operator when drafting your kitchen design.
- ✓ Always get a second quote and experienced opinion on your plans before you spend any money.
- ✓ Start with a copy of the menu and a large (blotter size) graph paper to pencil in the equipment to scale.
- ✓ Using the square footage you require to layout the kitchen, decide what storage space you will need to receive, store, prepare, portion, prep and cook your menu.
- ✓ Using the copy of the menu, mark each menu item with a number on the menu and then again write the same number on the graph paper where it will be cooked. Then, write the same number where the item must be stored properly at an arm's reach in using the right piece of equipment.
- ✓ The flow of the product starts at the back door — starting with the receiving space.
- ✓ Every step saved is time saved and stress reduced when you need to perform on the line. Think of wells to store oils, cooking wines, condiments while cooking under pressure.
- ✓ Plan the walk space between the cooking equipment edge and plating area behind the line to be approximately a metre or 3 feet in width to provide a passing space for coming and going in front of the line.
- ✓ When shopping for the best equipment, look for proof of dependability, track record for durability and most importantly, a proven service record in your area.
- ✓ DO NOT risk buying used equipment for your 20% high volume menu items on the menu.
- ✓ Plan the areas so there isn't crisscrossing on the line.
- ✓ Think of refrigerated drawers with remote compressors to allow maximum space and less stress on the compressor and your electricity bill.
- ✓ Consider using induction burners (cooking on a magnetic field) to cook more efficiently and in a cooler environment.
- ✓ Plan resting places where you are going to place your knives in between orders.
- ✓ Remember the importance of well-placed hand washing sinks.
- ✓ Always think ahead about dividers and cross-contamination of food splashing.
- ✓ Consider airflow through the kitchen. Consider planning a carbon sensor that will change the speed of the fan when needed in smoky, busy time and will allow the baffles to close on the exhaust when it is not hot or smoky. This can save you a lot of money.
- ✓ Have your proposed layout previewed by the Fire Marshal, the Alcohol & Gaming Division and the Department of Agriculture and your municipality for their approval. Get their sign-off in writing.
- ✓ Never start anything without a building permit.

BIGGER ISN'T ALWAYS BETTER

You might be surprised to learn that the most profitable restaurants are often the restaurants with smaller kitchens — with less space comes smarter designs.

The best approach to designing a kitchen line is to ensure its functionality allows you to service your menu with the least amount of staff possible. Think of a galley kitchen, or a kitchen in a metropolitan city, where extra space simply doesn't exist.

SERVICE EFFICIENCY AND SPEED

The other key component to a smart kitchen is the distance from the kitchen to the dining area; the shorter the distance, the hotter the food, the faster the service, and the happier the customers.

Plan and build your kitchen using the forecasted “20/80 rule”. Dedicate the highest efficiency equipment to the menu items that make up the top 20% of sales. Remember, however, that the other 80% of menu items should take roughly the same amount of time to prepare. That way, a table's service does not become bottlenecked because one person ordered a more time-consuming meal.

Long customer wait-times can be a death-sentence for both quick and full service restaurants alike. Having said this, a full service restaurant is more likely to be forgiven for lengthy wait times, with the exception perhaps, of lunchtime service when customers are crunched for time and expect restaurants to be accommodating of this.

7.4 KITCHEN EQUIPMENT

Buying the right equipment can make or break you in the restaurant business. Be sure to consider all your options before making purchases.

It is important to purchase equipment that helps your chef to prepare and store food efficiently. Whatever your concept is, plan the efficiencies from the back door to the plate.

Before you spend a penny, go on tour of as many kitchens as you can to learn the pros and cons of different approaches. Consider looking at franchise type kitchens for the practical flow and general functionality.

A typical restaurant kitchen might contain: a range, griddle, fryer, hood/fan, ovens, broilers, microwave, steamer, kitchenware, tables/counters and small appliances, a refrigerator or walk-in, a dishware and sink area, and a sprinkler system. Ultimately, your menu will determine what equipment you will need.

NEW VS. USED

You will need to make decisions about whether to purchase new or used equipment. The benefit of buying new is that the equipment will be covered by warranties and you can rest assured that you won't face any major repair bills in the first year or two. Also, new equipment is likely to be much more energy efficient.

Service Plans

New or used, you will want to think about “service plans,” especially on high functioning equipment like dishwashers. Your restaurant can’t be open if your dishwasher isn’t working, so when it breaks, you need to get it fixed right away.

Keep a list of companies/people that can service your equipment, and a list of back-ups. You can’t afford to have major equipment down for very long.

Helpful Tip:

New vs Used Equipment

Be careful with buying used for major pieces of equipment. If it doesn’t work, you could be in big trouble. If you are smart and careful, you can do OK with used equipment, particularly if it is not a critical piece of equipment.

CONSIDER LEASING

You may have the option of leasing equipment. While the financing charges are usually high (read the fine print), leasing does reduce your start-up costs and allows you to pay a monthly payment for a term.

Leasing can cost you 12% - 15%, so look at the options carefully. They may be willing to work with you and you could save substantial up-front capital costs. You can also write off lease payments.

TIME FOR AN UPGRADE?

Efficiency Nova Scotia (<http://www.energycyns.ca/>) offers rebate programs to upgrade kitchen equipment to more efficient models and fuel sources. It involves a bit of paperwork, but can be well worth your effort.

7.5 HELPFUL RESOURCES

READING LIST

Restaurants that Work: Case Studies of the Best in the Industry by Martin E. Dorf
<http://www.amazon.ca/Restaurants-that-Work-Studies-Industry/dp/0823045404>

RESOURCES

Where to find help in Nova Scotia:

Restaurant Association of Nova Scotia (www.rans.ca) has an online directory of suppliers to the restaurant industry.

CHAPTER 8: THE MATH AND THE MONEY

How can you predict if your concept will work? You need to do a feasibility assessment before major commitments are made to establish the business. If the math doesn't add up, the sooner you know, the better.

CHAPTER MODULES

- 8.1 Feasibility Analysis (page 58)
- 8.2 Start-Up Costs (page 58)
- 8.3 Financial Projections (page 59)
- 8.4 Options for Financing (page 65)
- 8.5 Helpful Resources (page 68)

Key Takeaways

❖ **Figure out if your plan makes sense**

A feasibility analysis will tell you if your business has the potential to succeed.

❖ **Figure out your costs**

This may seem like common sense, but sit down and really do the math — it might surprise you. Make sure you do the numbers using different assumptions for revenues and costs.

❖ **You'll need money up front**

Start-up costs can be a big chunk of change. Make sure you have enough for the capital investment and working capital.

❖ **There's money out there — figure out how to get it**

When it comes to financing, there are plenty of opportunities. It's important to become well versed in the available sources and determine which options are best for you and your business.

8.1 FEASIBILITY ANALYSIS

Do the math. Your restaurant must be profitable.

ASSESS YOUR SITUATION

In order to minimize your risk, you need to be able to answer the following questions:

- ✓ Can you get the volume of business you need?
- ✓ How many customers a day will it take?
- ✓ What is the average check or spending per customer needed to generate the revenue required?
- ✓ What will you need to sell each day to break even?
- ✓ Will revenues be sufficient to cover operating costs?
- ✓ Will the business make a profit — enough to pay you a living wage, cover your debt and pay a return on investment?

Is it worth it?

What is really involved here is risk reduction and taking your business proposal past the pure seat-of-pants, ‘gut-feel’ level. Carefully undertaking a feasibility assessment will give you the information you need to make a better, more informed judgment about whether or not to proceed.

You must convince your banker that your idea makes sense; most importantly you must convince yourself.

8.2 START-UP COSTS

Regardless of what type or style of restaurant you are planning, you will need to get a handle on what it is going to cost you to open.

The costs of opening a restaurant will vary with location, design, lease, concept, etc. You need an estimate of the capital investment required since this will give you an idea of how much financing you will need.

Don’t forget the requirement for sufficient working capital. Undercapitalization at the beginning or capital cost overruns can lead to a business not having enough cash to pay its bills. Restaurant operators often underestimate how long it will take for the business to reach a level of profitability adequate for carrying all its costs. As a result, cash flow becomes a problem for many new restaurants. Seasoned restaurateurs recommend you have at least 6 months working capital available.

Helpful Tips:

Things Cost More and Take Longer

Whatever you think your capital budget will be, add 30%.

Extend your expected opening date by 3 months.

Keep in mind that at this point you are trying to assess the feasibility of starting your restaurant and will need some realistic estimates of the costs.

Worksheet 1 on the next page might be helpful as you begin to itemize start-up costs. It can be used in determining how much financing you will need in total. Table 8 lists typical restaurant equipment and furnishings that you will need to allow for.

A note re Point of Sale (POS) Systems. They can be expensive (a base system with 2 terminals and a back-up can be \$10,000; more extensive systems can run to \$30,000). You may want to consider lower cost options, such as an I-PAD system if you are planning a small, simple restaurant operation. More information on POS can be found in Chapter 11.

SAMPLE CAPITAL COSTS

Some examples of capital costs for a small (60 seat), basic, hypothetical restaurant are provided below in Table 7 to provide a broad indication of the type of investment required to open a restaurant. These are estimates only and some costs can change dramatically based on concept, size, location, etc.

Table 7	
Sample Capital Costs for a Small (60 seat) Restaurant	
Item	Amount
Design	\$25,000
Leasehold improvements	\$100,000
Furniture	\$10,000
Fixtures/Smallwares/Dishes	\$10,000
Kitchen Equipment	\$40,000
Hood/Fan/Exhaust System	\$20,000
Cash/POS System	\$10,000
Advertising/Website/Menu Design	\$10,000
Inventory	\$10,000
Working Capital	\$20,000
subtotal	\$255,000
Contingency (25%)	\$65,000
Total	\$320,000

8.3 FINANCIAL PROJECTIONS

When developing your financial projections, be conservative. It's better to plan for the worst case scenario — slow start, fewer customers, lower sales — than to make unrealistic projections and have to deal with the aftermath.

REVENUES

Begin with an estimate of your sales revenue. One way to forecast sales is to break the days down into meal periods, forecast the seat turnover for each period to determine the number of customers or covers. Then multiply the number of covers by the estimated average check.

Worksheet 1 Capital Requirements Worksheet	
Capital Assets (*)	
Land	
Building (Construction or Renovation)	
Kitchen Equipment	
Refrigeration & Storage	
Dining Room Furnishings & Equipment	
Office, POS & Systems Equipment	
Roads, Parking & Landscaping	
Services (hydro, gas, etc.)	
Signage	
Other	
Subtotal (A)	
Pre-Opening Soft Costs (Costs prior to revenue being earned)	
Salaries	
Staff Training – Wages & Costs	
Pre-Opening Marketing & Public Relations	
Interest during Construction/Renovations	
Design and Consulting Costs	
Other Professional Fees (legal, accounting, etc.)	
Incorporation, Registration, Licensing, Dues	
Other	
Subtotal (B)	
Subtotal Capital and Pre-Opening Expenses (C) (A+B)	
Contingency (20% - 30%) (D)	
Total Capital and Pre-Opening Expenses (E) (C+D)	
Working Capital	
Inventory	
Prepaid Expenses	
Other Current Assets	
Cash Reserve/Line of Credit	
Subtotal (F)	
TOTAL FINANCING REQUIRED (E+F)	

*Note: Some of these will not be applicable if you are leasing space.

**Table 8
Typical Restaurant Equipment and Furnishings**

Service Area	Kitchen
Furniture <ul style="list-style-type: none"> • Chairs, bar stools, high chairs • Table tops and bases, folding tables • Tray stands Dinnerware and flatware Glassware Table top accessories Beverage and bar supplies, coolers	Cooking equipment <ul style="list-style-type: none"> • Range • Griddle • Fryer • Hoods/fans • Ovens, broilers • Microwave • Steamer • Tilting skillet/kettle • Kitchenware
Storage and Other <ul style="list-style-type: none"> • Dry storage • Cool storage • Liquor locker • Freezer • Shelving and other equipment • Transportation equipment • Sanitation and maintenance equipment 	Preparation tables/counters and equipment Service and holding/warming equipment Refrigerators Dishwasher Sprinkler system Fluorescent lighting
Other	
POS (point of sale) System	

Worksheet 2 on the following page can be used to calculate your weekly revenues. If you anticipate your sales will fluctuate seasonally, you should do estimates for the different periods.

EXPENSES

There are four kinds of expenses you need to estimate. Your numbers can be derived from either a detailed work-up, or you can look to industry norms (see Chapter 2), which can be used to ball-park your expenses. Worksheet 3 will help you project expenses.

COST OF SALES

In a restaurant, this normally includes all of the costs of the items used and resold to customers. That is, the cost of the food and beverages used in preparing the menu items you are selling.

DIRECT OPERATING EXPENSES

These are also referred to as variable operating expenses. They include the costs that are directly involved in providing your product and services to the customer. They can vary with the number of meals you serve. They include the cost of labour, fuel and supplies used in preparing and selling your meals.

OVERHEAD EXPENSES

These are also called your fixed expenses and don't necessarily vary with changes in the volume of business you are doing. These are the supporting costs of providing service and running your business.

PUTTING IT TOGETHER: THE PROJECTED INCOME STATEMENT

Combine your estimates of revenues and expenses into a summary projected income statement. It would look something like this:

Worksheet 4						
Summary Worksheet: Projected Income Statement						
	Mature Year	Year 1	Year 2	Year 3	Year 4	Year 5
REVENUE						
OPERATING COSTS						
Cost of Sales						
Direct Operating Expenses						
Overhead Expenses						
Total Operating Costs						
OPERATING PROFIT						

Helpful Tip:

Do the Numbers Over and Over

Do your financial projections several times using varying assumptions and 'what if' scenarios.

With software programs like Excel, it is simple to build a model and then change key factor such as sales per seat, cost of sales and labour costs.

Satisfy yourself that you will be able to pay the bills even under the worst case scenario.

Worksheet 2

Worksheet for Projecting Restaurant Revenues

	Mon	Tues	Wed	Thu	Fri	Sat	Sun	Total Weekly Revenues
Breakfast								
Number of seats								
Seat Turnover								
Average Check								
Projected Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lunch								
Number of seats								
Seat Turnover								
Average Check								
Projected Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dinner								
Number of seats								
Seat Turnover								
Average Check								
Projected Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Food Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Percentage of Food Revenue for Alcoholic Beverages								
Total Beverage Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Food & Beverage Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Worksheet 3

Worksheet for Estimating Restaurant Operating Expenses

	Basis for Calculation	Mature Year	Year 1	Year 2	Year 3	Year 4	Year 5
Cost of Sales							
Food	% of food sales						
Beverage	% of beverage sales						
TOTAL COST OF SALES							
Direct Operating Expenses	Prepare a worksheet or % of						
Wages	Total Revenue						
Supplies	% of Total Revenue						
TOTAL DIRECT OPERATING EXPENSES							
Overhead Expenses	Estimate these costs based on a combination of:						
Management Salaries	<ul style="list-style-type: none"> • Industry norms • Quotes and estimates you have received from suppliers • Your own analysis 						
Fringe Benefits							
Marketing							
Repairs & Maintenance							
Utilities							
Office Supplies							
Communications							
Rent							
Equipment Leases							
Insurance							
Property & Business Taxes							
Bank & Credit Card Charges							
Professional Services							
Travel							
Miscellaneous							
TOTAL OVERHEAD EXPENSES							
GRAND TOTAL OPERATING EXPENSES							

8.4 OPTIONS FOR FINANCING

Unless you are independently wealthy, you are going to need to raise some money to open the doors. You must also be prepared to invest a significant amount of your own money.

OWNER'S INVESTMENT

Rule number one is that you must invest significantly in the business yourself. You have to have your own neck on the line — especially if you are asking others to risk their money on your restaurant.

Do you have savings? Can you borrow against your house with a home equity loan or line of credit? If you are eligible for credit cards or a line of credit, apply now! It doesn't mean you have to use them but, they will come in handy if you run out of cheaper options.

Banks will expect at least 10% of the required capital to be the owner's investment, and at least 1/3 total equity. (You will find, however, that banks are very very cautious when it comes to financing restaurants).

PRIVATE INVESTMENT

If you need to look for more money than you have yourself, you can look to outside investors. While it can take some work to manage the role and expectations of outside investors, there are lots of benefits. Sometimes this type of financing can mean you won't have an immediate debt servicing cost.

Private investors are usually vested in your success. They are hoping for a return on their investment and will likely become ambassadors for your business — bringing friends and colleagues through the doors.

Try to make these people investors, not shareholders. As shareholders, they may well expect a say in the running of the business or see your restaurant as their 'personal' place.

EQUITY TAX CREDIT PROGRAM

The Government of Nova Scotia offers an investment program, known as the Equity Tax Credit. It offers investors (who invest in eligible Nova Scotia businesses) a one-time tax credit of 35% of their investment to a maximum of \$50,000 per year. This means that if you or another resident of the province invests \$10,000 in your business, you would receive \$3500 back in tax credits against your Nova Scotia tax payable.

For more information visit:

<http://www.novascotia.ca/finance/en/home/taxation/tax101/personalincometax/equitytaxcredit/default.aspx>

Among the conditions of the tax credit, is that the investor must retain the share for a minimum of five years, and be a resident of Nova Scotia.

If you need to raise more than \$25,000 (there are some costs associated with the process) this is a very smart way to go. You might be surprised how many friends, colleagues, and family might want to invest in you.

CROWDFUNDING

According to Wikipedia, crowdfunding is the collection of finance to sustain an initiative from a large pool of backers—the ‘crowd’ — usually made online by means of a web platform.

The Brooklyn Warehouse, a successful Halifax restaurant, has twice used crowdfunding to help finance two much needed renovations to their restaurant. The story of how they successfully carried out the raised the capital they needed is described in their blog:

<http://brooklynwarehouse.ca/theblog/2013/2/26/the-success-of-crowdfunding>

CENTRE FOR ENTREPRENEURSHIP AND EDUCATION DEVELOPMENT (CEED)

The [Centre for Entrepreneurship and Education Development](#) (CEED) in Halifax administers educational and financing programs to assist entrepreneurs to develop and execute business ideas.

Whether it’s organizing your business plan, getting access to forecasting templates or connecting you with a mentor, CEED has a team of experts and the tools and resources to help.

In addition to offering training programs and one-on-one assistance with business planning, CEED staff help facilitate start-up funding through a loans program. You may be eligible for a start-up loan and a number of different assistance programs.

CEED’s **Self-Employment Benefits Program (SEB)** is a 40-week intensive program that helps entrepreneurs become self-employed. If you are eligible for Employment Insurance (EI) SEB can provide you with income and entrepreneurial support, with access to ongoing support from SEB advisers.

The **Seed Capital Program** offers up to \$20,000 in low interest rate financing for business start-ups that belong to entrepreneurs age 18 and up. Young entrepreneurs age 18-34 may also use funds as a business growth loan. Additionally, the program allows each client to access up to \$2,000 for business training and consulting. The Seed Capital Program is available for businesses located in Halifax, Dartmouth and Bedford.

For more information, visit: <http://ceed.ca/>

FUTURPRENEUR CANADA

futurpreneur Canada (formerly The Canadian Youth Business Foundation) partners with CEED to offer up to \$15,000 interest rate financing for entrepreneurs age 18-39 that are starting a business.

Clients can also qualify for an additional \$30,000 through the Business Development Bank of Canada's double matching program, and the opportunity to participate in futurpreneur's mentoring program, matching young entrepreneurs with experienced business professionals.

For more information, visit: <http://www.futurpreneur.ca/en/>

COMMUNITY BUSINESS DEVELOPMENT CORPORATIONS (CBDCS)

Outside of the metro Halifax area, you should look to the [Atlantic Association of Community Business Development Corporations](#) (CBDcs), a network of autonomous, not-for-profit organizations that work with all levels of government and the private sector to meet the needs of small businesses.

CBDcs can assist by providing financial and technical services. They offer:

- ✓ Financial assistance to a maximum of \$150,000 in the form of loans, loan guarantees and equity financing to existing and aspiring entrepreneurs.
- ✓ Counselling & advice for small businesses.
- ✓ Entrepreneurship development and training for individuals and small business owners/managers
- ✓ Technical assistance, usually in the form of guidance and coaching, and sometimes advocating on behalf of clients to other lending establishments or regulatory agencies.

For more information, visit: <http://www.cbdc.ca/>

NOVA SCOTIA SMALL BUSINESS FINANCING PROGRAM

Administered by the Cooperative Council of Nova Scotia and the province's credit unions, the Nova Scotia Small Business Financing Program offers government guaranteed loans of up to \$500,000 to start or grow a business.

For more information, visit:

http://business.novascotia.ca/en/home/businessprograms_info/financingandfunding/loans.aspx

BUSINESS DEVELOPMENT BANK OF CANADA (BDC)

With over 100 business centres in Canada, the Business Development Bank of Canada (BDC) is a bank focussed exclusively on entrepreneurs and providing assistance to small and medium sized business.

They offer:

- ✓ Financing: long-term loans for projects and working capital
- ✓ Consulting services: tailored consulting services at a price businesses can afford
- ✓ Subordinate financing: hybrid debt and equity financing
- ✓ Venture capital: direct and indirect investments in high technology companies

For more information, visit: <http://www.bdc.ca/>

BANKS AND CREDIT UNIONS

You will soon discover that banks and other financial institutions are extremely cautious with restaurant financing. When you are starting out, do not be surprised if getting a bank loan is not an option.

Regardless of whether your bank gives you financing, you will want to ensure that you have a good relationship with your banker. You never know when you might need them!

8.5 HELPFUL RESOURCES

APPENDIX I

1. Operating norms by number of seats and for urban and rural locations in Nova Scotia.
2. Findings from a US survey of restaurants about sales-investment results, cost estimates and space requirements.

READING LIST

Canadian Restaurant Accounting by Douglas P. Fisher, 2nd edition (Canadian Restaurant and Food Services Association)

<https://www.restaurantscanada.org/en/Business-Tools/article/canadian-restaurant-accounting-standards-2902>

Reading Financial Statements for Dummies by A. Wilely Brand

<http://www.dummies.com/how-to/content/reading-financial-reports-for-dummies-cheat-sheet.html>

CHAPTER 9: THE RULES AND REGULATIONS

Business organizations lobby government to ‘reduce red-tape’ and governments respond with ‘red tape reduction programs.’ The bottom-line is that red tape is a fact of life when you are in business.

Keep in mind that rules and regulations can change frequently and you should check with the appropriate authorities to obtain up-to-date information on the laws that may affect your business. The provincial government is currently (2014) going through a process to streamline red tape that impacts small business so there may well be some changes in the future. Check for updated information at <http://www.novascotia.ca/snsmr/access/business.asp>

There is no doubt that the road to opening will be much smoother if you develop a relationship with the men and women who work to administer the rules and regulations.

Exhibit 6 on the next page summarizes the phases in renovating or building a restaurant, and where the various regulatory agencies need to get involved. Following Exhibit 6 is a simplified graphic of the process for developing a restaurant in Nova Scotia from the initial concept through to final permits and licences.

CHAPTER MODULES

- 9.1 Registry of Joint Stocks (page 72)
- 9.2 Canada Revenue Agency (page 72)
- 9.3 Municipal Building and Zoning Approvals (page 73)
- 9.4 Food Safety: Nova Scotia Department of Agriculture (page 74)
- 9.5 Nova Scotia Alcohol and Gaming Division (page 74)
- 9.6 Fire Marshal (page 76)
- 9.7 Department of Transportation and Infrastructure Renewal (page 76)
- 9.8 Department of the Environment (page 77)
- 9.9 Department of Labour and Advanced Education (page 77)
- 9.10 Occupational Health and Safety (page 77)
- 9.11 SOCAN and RE:SOUND (page 78)
- 9.12 Helpful Resources (page 78)

Exhibit 6

6 Regulatory Phases to Renovating or Building a Restaurant

Phase 1: Plan First

- Do your own Preliminary Planning – use a software program to help with a rough layout and to make sure you can fit the number of seats you want
- Hire a Designer and Prepare Building Plans and Specifications.
- Consult with each of the following in the planning of your space:
 - Your municipality (to make sure your concept fits with zoning rules)
 - Department of Agriculture (food safety and design and layout)
 - Alcohol and Gaming Division (if you want to serve liquor)
 - Office of the Fire Marshal (occupancy, fire exits, etc.)
 - Department of Environment (water and septic requirements if you are not on municipal services)
 - Department of Transportation and Infrastructure Renewal (if on a provincial road)

Phase 2: Check Regulations

- Consult with your municipal building inspector to review bylaws regarding zoning and land use and building requirements for plumbing, electrical codes, fire protection, cooking surfaces, etc.
- Consult with the Department of Agriculture and the Alcohol and Gaming Division.

Phase 3: Seek Approvals

- Get the green light: obtain approval for construction of your business.
- You will need to submit copies of your building plans and specification to each of the agencies listed in Phase 1 for their approvals so that you can get the necessary licences.

Phase 4: Manage the Project

- Develop, plan and schedule for the construction phase
- Schedule timelines, establish critical path deadlines, and develop a budget and payment schedule
- Invite bids from contractors
- Launch the project
- Monitor and inspect progress as the work proceeds

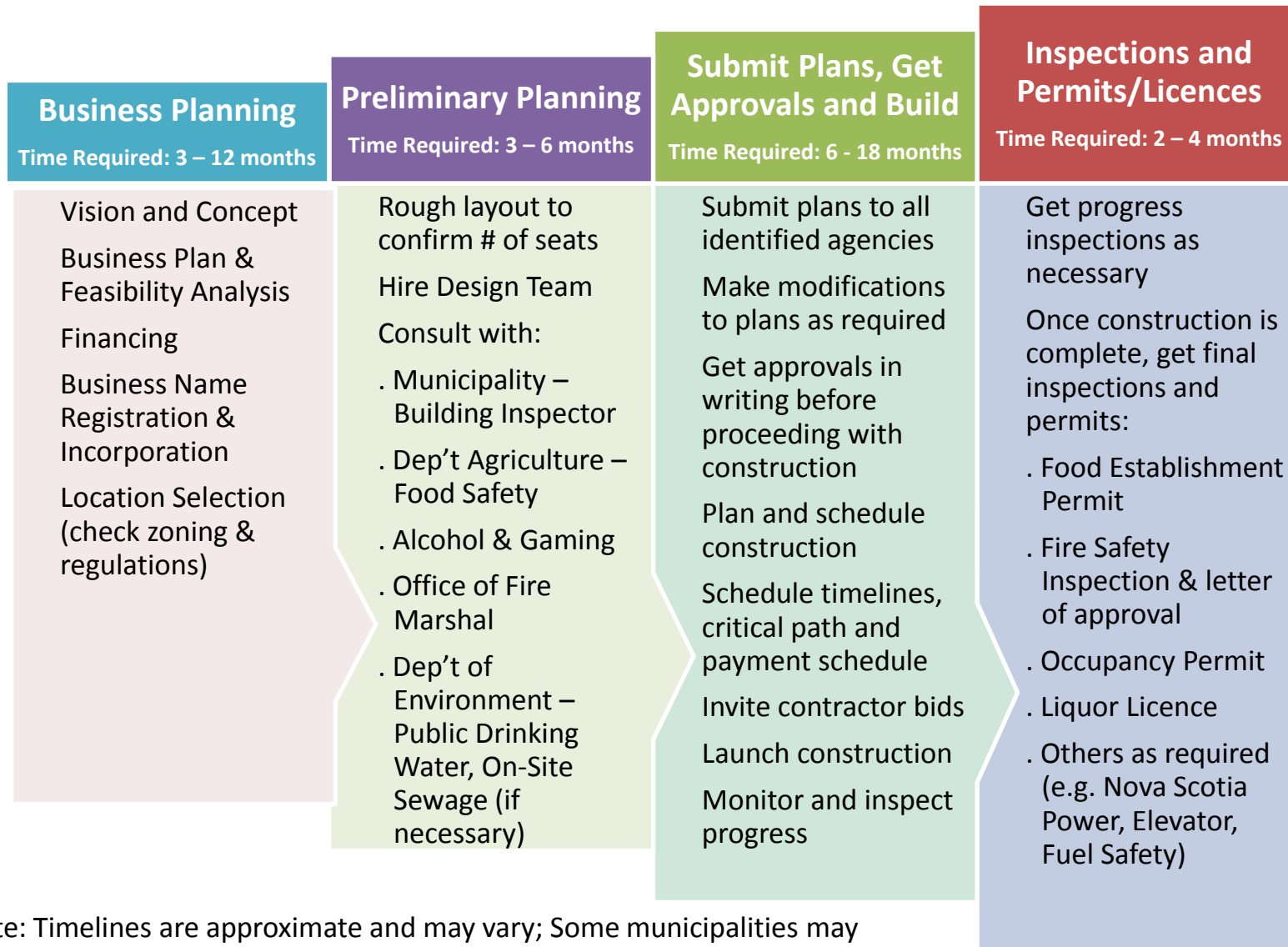
Phase 5: Request Occupancy Permit

- Once construction is complete, and all inspections have been done and approved, you will receive an Occupancy Permit.

Phase 6: Inspection and Approval

- Once the occupancy permit is issued, the Department of, Agriculture, the Fire Marshal, and the Alcohol and Gaming Authority as well as the Department of Environment (if necessary) will inspect your property for final approval and licensing.

Phases to Developing a Restaurant in Nova Scotia



Note: Timelines are approximate and may vary; Some municipalities may require other permits or licences.

Key Takeaways

❖ **Start early**

A big portion of the work will need to be done long before you open. Ensure that you do your research before jumping into any commitments.

❖ **You can't bypass the law**

Make sure you do some research and cover all your bases; just doing things may seem easier now, but going through the proper procedures will save you a lot of hassle in the long run.

❖ **Many permits take time**

Make sure you understand deadlines and expected timelines before you start making commitments or permanent decisions.

❖ **Talk to those who've been there**

Connecting with other people in the food industry is a great way to make connections where you need to and the perfect way to learn industry tips and tricks.

9.1 REGISTRY OF JOINT STOCKS

The law requires all businesses operating in Nova Scotia to register with the [Registry of Joint Stock Companies](#). This is also where you will search and register the name of your company. You will have to pay for this service and file renewal information and registration fees every year.

The Registry of Joint Stocks will provide you with your Business Number which will also be used in dealings with the Canada Revenue Agency.

9.2 CANADA REVENUE AGENCY

Every business requires a business number (BN) for its legal entity (a legal entity is defined as a sole proprietor, partnership, corporation, trust or other organization). The business number (BN) is a common client identifier for businesses to simplify their dealings with government at the federal and provincial level. Your business number also forms the basis for your HST and payroll numbers.

Nova Scotia has adopted the use of the BN for services such as licences, permits, registrations, and Workers' Compensation Board insurance and its use will be expanded. The BN is provided to a business in Nova Scotia when it is registered with the Registry of Joint Stock Companies.

For more information, check out <http://www.novascotia.ca/snsmr/access/business/one-business-one-number.asp>. The BN is administered by the Federal government. You will use your BN to register for HST and payroll numbers at <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/bn-ne/menu-eng.html>

You will need to learn the HST rules. You will need to collect and set aside and remit 15% of your sales minus any eligible input credits (any HST you pay to purchase supplies or services, can be deducted against the HST you collect from your sales).

You will also need to register for a payroll number and begin to submit monthly source deductions (income tax, EI, CPP) deducted from your employees.

You will need to file business income or corporate income tax returns.

Everything you could possibly want and need to know about taxes pertaining to Nova Scotia businesses can be found on Nova Scotia Department of Finance's website, including links to all of the federal taxes listed above:

<http://novascotia.ca/snsmr/access/business/what-do-i-need-to-know-about-taxes.asp>

Helpful Tips: HST Claims

Make sure you incorporate your business and register for your HST number before you start paying for capital costs.

You may find that you have a large HST claim in your initial filing since you have spent a lot on capital items, but have little or no revenue. Keep all invoices and receipts well-organized in the event of an audit.

9.3 MUNICIPAL BUILDING AND ZONING APPROVALS

You need to be certain your chosen location is zoned to permit the type of business you are planning. Call and speak to someone in your municipality's planning department.

You will need to apply for a building permit. Most municipalities charge a fee based on the value of your estimated construction or renovation. They will require multiple copies of your plans and your construction estimates. They will assign you a building inspector and will give you advice about what you can and cannot do. They will make periodic inspections through your building process to ensure you are doing everything to code.

Building inspectors ensure that new and renovated buildings meet several standards, in particular the Nova Scotia Building Code Regulations (part of the Building Code Act) and the Fire Prevention Act.

The Building Code stipulates that newly constructed restaurants as well as existing buildings that are being renovated be accessible to disabled people. Is the location barrier-free, and accessible to those in wheelchairs? You may have the option of using a portable ramp.

Local municipalities may also have regulations and guidelines for accessibility and for signage. You may also need a Municipal Vendor's Licence.

9.4 FOOD SAFETY: NOVA SCOTIA DEPARTMENT OF AGRICULTURE

The food safety division of the Nova Scotia Department of Agriculture licences and inspects commercial kitchens in Nova Scotia. You will need their seal of approval before you can open, and they will make regular inspections thereafter.

For more information, visit: <http://novascotia.ca/agri/programs-and-services/food-protection/> . They also have a document 'Planning for Food Service' that may be helpful. (<http://novascotia.ca/agri/documents/food-safety/PlanningforFoodService.pdf>)

These folks manage the regulations pertaining to food service facilities: the Regulations Respecting Eating Establishments. These regulations detail requirements for restaurant design and layout, equipment, food preparation, maintenance, sanitary facilities, and other health-related aspects of eating establishments.

They are going to tell you what kind of walls you must have in your kitchen. How many toilets and sinks you require. They will insist the temperature of your hot water reaches a certain height during the dishwashing cycle. They will inspect and monitor your kitchen to ensure your refrigeration is at the right temperature and that you are handling and storing food safely. They will insist you have a waste management and pest control contract in place.

You will be required to take a Food Safety Handling Course. And, you will be required to have at least one staff person with this training on each shift. It is recommended that all staff take the course. This certification has to be renewed every five years. Information on taking this course can be found at <http://www.novascotia.ca/snsmr/paal/agric/paal365.asp>

Once you are in full compliance, they will issue you a food permit valid for one year. They will then make several unannounced inspections a year to monitor your compliance. Always remember the results of these inspections are available to the public and posted on the department's website.

9.5 THE LIQUOR LICENCE

The Nova Scotia Alcohol and Gaming Division administers the Liquor Control Act of Nova Scotia. They review and approve liquor licences and monitor and enforce compliance with the rules. Information can be found at <http://www.novascotia.ca/snsmr/access/alcohol-gaming/forms-permits.asp>

You will need to decide what kind of licence you want or need and then apply for it. There are several types of liquor licences in Nova Scotia:

BEVERAGE ROOM

For anyone who wants to operate a pub style facility in Nova Scotia serving beer and wine only (no hard liquor).

CABARET

For anyone who wants to provide liquor service for a 'large scale' establishment in Nova Scotia featuring high-quality live entertainment (i.e., "large scale" usually means capacity above 400 people.)

EATING ESTABLISHMENT

For all restaurants in Nova Scotia that want to provide beer, wine and other liquors to accompany meals.

LOUNGE LICENCE

If you are an Eating Establishment and you also want to provide an 'all products' liquor service, with or without food service, you will also need a Lounge Licence. Under this licence, food service must be available when the eating establishment is operational, but it is not necessary for a customer to buy food in order to buy liquor.

THE PROCESS

The various licences have different requirements for documentation and some will require a public consultation or hearing.

Make sure your application is complete before you submit it. Invest in a small binder, and begin early, to collect the necessary documentation needed for your application. Among other things, you will need three letters of reference, your business plan, confirmation of your financing, a police check, your floor plans, a draft of your menu and a cheque for the application fee. You will also require your Occupancy Permit, Zoning Clearance, Food Establishment Permit, and Fire Clearance from the Office of the Fire Marshal as well as your business plan before you can get your Liquor Licence.

The application form for an Eating Establishment Liquor Licence can be found here <http://www.novascotia.ca/snsmr/pdf/agd-application-for-permanent-liquor-licence.pdf> .

Consult this department early in your planning stage. They also have design and construction requirements, and you'll want to know what these are from the start.

The length of time it takes to get a liquor licence varies from as short as ten days to as long as a year. Liquor Licences are valid for three years.

SERVING BEVERAGES

You and your staff will need to take the “It’s Good Business: Responsible Beverage Service Program” offered through the Nova Scotia Tourism Human Resource Council. Visit: <http://www.tourismhrc.com/>

As a licensee you could be held responsible if something happens after an intoxicated patron leaves your restaurant and you are found to have over-served the customer. Make sure you have a good understanding of the regulations and the common law that define your responsibilities and liabilities as a licensee.

On opening, the liquor inspector will require you to organize a meeting so that he can review all the rules and regulations with all your staff.

PATRON ACCOUNTABILITY, SAFETY AND SERVICE PROGRAM (PASS)

If serving liquor is a big part of your business, you will want to know about the Patron Accountability, Safety & Service (PASS) program aimed at promoting a safe and comfortable environment for patrons and staff members frequenting licensed establishments.

The program was piloted in 2012 in the HRM area and has expanded across Nova Scotia. PASS is a bar suspension program for participating establishments in Nova Scotia, with assistance from the Restaurant Association of Nova Scotia (RANS), Halifax Regional Police (HRP), Liquor Enforcement Unit, and the Alcohol and Gaming Division of Service Nova Scotia and Municipal Relations.

9.6 THE FIRE MARSHAL

Under the provincial and federal Building Codes, no one can alter, construct, renovate, or reconstruct buildings intended for public occupancy until approval has been obtained from the Office of the Fire Marshal. For more information visit: <http://novascotia.ca/lae/firesafety/>

It is always a good idea to contact the Office of the Fire Marshal during the design process rather than wait until you have completed the design work; this way, you can make any necessary changes before you begin.

9.7 DEPARTMENT OF TRANSPORTATION AND INFRASTRUCTURE RENEWAL

You may need approval from the Department of Transportation and Infrastructure Renewal for the location of driveways and on-premise signage if you are located adjacent to a provincial road. For more information on driveway regulations visit: <https://www.novascotia.ca/snsmr/paal/trans/paal605.asp>

This Department also regulates signage for tourism related businesses on provincial highways and roads. For more information on signage regulations visit: <http://novascotia.ca/tran/highways/roadsign.asp>

9.8 DEPARTMENT OF THE ENVIRONMENT

If you are in a rural area you will need approvals for well water and sewage disposal systems you wish to install. If you are in an area where there is a central municipal water system only the appropriate municipal regulations apply and you do not need approvals.

If your water is supplied by a well, you will need to be a Registered Public Drinking Water Supply before you start serving food. Getting this registration will likely require Department of Environment staff to inspect your well and you will need to get your water tested and analysed. The application form can be found at <http://www.novascotia.ca/nse/resources/permits.asp#water.wells> . You will then be required to get your water tested quarterly for bacteria, and to get a chemical analysis every two years.

The Department of Environment also has responsibility for waste management, some of which are applicable for restaurants. Regulations and guidelines can be found at <http://www.novascotia.ca/nse/waste/regulations.asp>

9.9 DEPARTMENT OF LABOUR AND ADVANCED EDUCATION

Nova Scotia Labour and Advanced Education is the provincial government department that regulates and monitors labour standards in the province. It is responsible for minimum wage and employee/employer rights. Read the Labour Code carefully; you are going to need to remember the regulations and use them regularly in your operation.

Unless your restaurant is unionized, the basic terms and conditions of employment are spelled out in the Nova Scotia Labour Standards Code. It is here you will find out about statutory holidays and overtime. There are rules about calling in staff to work when they aren't scheduled. Notice periods for layoff and termination, and to what kind of breaks your employees are entitled are also provided. For more information visit: <http://novascotia.ca/lae/>

9.10 OCCUPATIONAL HEALTH AND SAFETY

Nova Scotia's Occupational Health and Safety Act is based on the idea that the primary responsibility for occupational health and safety is shared by everyone connected with that workplace — including employers, employees, contractors, owners and suppliers. This is known as the Internal Responsibility System (IRS).

Under the Act, if you employ five or more people on a regular basis, you are required to prepare a written occupational health and safety policy.

If you have more than twenty employees, you must establish and maintain a written occupational health and safety program. The program must provide for:

- ✓ The training and supervision of employees;
- ✓ The preparation of written work procedures relative to health and safety;
- ✓ The establishment of a Joint Occupational Health and Safety Committee or selection of a Health and Safety Representative, where one is required;
- ✓ The establishment of a hazard identification program and accident/incident investigation system;
- ✓ The maintenance of records and statistics, and;
- ✓ The monitoring of the implementation and effectiveness of the program.

For information, visit <http://novascotia.ca/lae/healthandsafety/>. To access a copy of the act visit: http://nslegislature.ca/legc/statutes/occp_h_s.htm

You will likely also be required to have Worker's Compensation coverage for most of your employees. For more information, visit http://www.wcb.ns.ca/wcbns/index_e.aspx?articleid=715

9.11 SOCAN AND RE:SOUND

The Society of Composers, Authors and Music Publishers of Canada (SOCAN) is a not-for-profit organization that represents the Canadian performing rights of millions of Canadian and international music creators and publishers. Through licences, SOCAN gives businesses that use music the freedom to use any music they want, legally and ethically. SOCAN licenses and distributes royalties to its members. For more information visit: <http://www.socan.ca/>

Re:Sound represents the performance rights of artists and record companies. It is distinct from SOCAN and you need a licence from RE:Sound as well if you are playing music in public. Visit www.resound.ca for details.

9.12 HELPFUL RESOURCES

Whether you need to register your business, obtain licenses and permits or start paying taxes, Service Nova Scotia offers a lot of very helpful information on their website: <http://novascotia.ca/snsmr/access/business/starting-a-business.asp>

CHAPTER 10: STAFFING

In the ultra-competitive restaurant business, you are only as good as the people who work for you. Your leadership and management skills will be crucial.

One of the greatest and ongoing challenges for restaurateurs is human resources. You cannot go this alone. Employees make and break your business. They can be the best and the worst part of owning a restaurant at the same time. They will be your greatest asset (they make your sales and are one of the reasons customers come back) and your greatest liability (your labour costs will likely be in the 30-40 percent range, and, unfortunately, some employees steal.)

The number of employees you will need depends on your concept. Clearly, a fast food establishment or a food truck will need less staff and fewer positions than a fine dining restaurant.

Turnover is expensive. Not only does it cost you to hire and train, it can unsettle your regular customers. Consistency of your product and service are essential ingredients for success.

There is an old expression, “A chain is only as strong as its weakest link.” To maximize your chance of success in the restaurant business you need to choose a good team, train them the right way and get them to stay.

CHAPTER MODULES

- 10.1 The Leader: It starts at the top (page 80)
- 10.2 Staff Requirements and Job Descriptions (page 81)
- 10.3 Hiring (page 81)
- 10.4 Staff Training (page 83)
- 10.5 Managing (page 85)
- 10.6 Staff Retention (page 86)
- 10.7 When it doesn't Work Out (page 87)
- 10.8 Helpful Resources (page 88)

Helpful Tip:

You MUST Communicate your Vision to your Staff

It's critical that you fully communicate the vision for your restaurant to your staff and make sure they are working together with a common goal to achieve this vision. Failing to do this successfully can result in big problems for your restaurant business.

Key Takeaways

❖ Take time to train

Choose a good team and train them. Remember, "A chain is only as strong as its weakest link".

❖ Put it in writing

Detailed orientation/employee and operations manuals will help you articulate your vision and increase the consistency of staff performance.

❖ Happy employees make happy customers

Employees perform better when they enjoy their jobs. When performance and morale is high, customer experience improves. Not to mention, smiles are contagious.

10.1 THE LEADER

Unless you have chosen to be an invisible or absentee owner, you will be the leader of this band. You will need to be able to attract and retain the best staff out there.

Never forget that it takes happy employees to make happy customers. One of the main jobs of the leader in any business is to motivate and inspire your staff.

You will need to be able to articulate your concept, your vision, and your rules to a crew of young adults (you might be surprised by the average age of a restaurant employee). Many of them are good at what they do because they're naturally social.

As the leader, you must:

- Be organized
- Be focussed
- Be a great communicator
- Have sales and marketing skills
- Function with a sense of urgency at all times

Words of Advice from the Pros

"Consistent, strong leadership in a restaurant is critical to its success. Leaders must move with a sense of urgency, stay focused on tasks and be consistent with all of the employees. Setting out your expectations on Day One with employees by providing them with a job description and restaurant policy manual will save you a lot of time down the road."

Jennie Dobbs
Morris East Restaurant & Wine Bar
Halifax & Bedford West

10.2 STAFF REQUIREMENTS AND JOB DESCRIPTIONS

Think carefully about your staff requirements and what skills you need to find to complement your own.

If you are an outstanding chef yourself, you may not need to hire a chef as a key member of your opening team. However, if you are a front-of-house specialist, finding a head chef might be one of your first staffing priorities (sometimes even before you design your menu and kitchen).

If you are not taking the lead role of manager yourself, you may want to hire a general manager. In addition to the key back-of-house and front-of-house management positions, you will also need front-of-house staff including hosts, servers, floor supervisors, and bartenders. In the back of the house, you will need cooks, dishwashers, cleaners, and prep cooks.

You should prepare job descriptions for all key positions. CareerPlanner.com offers a wide range of job descriptions you can draw from. Visit <http://www.careerplanner.com/JobDescSearchTool.cfm>

10.3 HIRING

Choosing the right team isn't always easy. Canada, and Nova Scotia in particular, faces labour shortages in this industry.

If you are operating a small or independent restaurant, you aren't paying 'hotel' wages. It can be difficult to compete with foodservice employers who pay the top wages. Your ability to attract good staff will be challenged not just by the pay rates of your competitors, but also by your company's reputation as an employer.

Halifax is a 'tiny town' and Nova Scotia an even smaller province. Word gets around among 'industry folk.' If your business is known as a good place to work, you'll have jobseekers knocking on your door. If not, you'll have a much smaller pool of applicants to choose from.

RECRUITING

Advertise in your local media. Kijiji.ca is very popular among restaurant job seekers in Nova Scotia. For higher-level positions, where you may have the hope of attracting a new chef to move to Nova Scotia for example, you could try Career Beacon or Workopolis. There are specialized recruitment and job posting sites for hospitality jobs like Hospitality.ca and HCareers. The Nova Scotia Tourism Human Resource Council operates a site for posting tourism-oriented jobs, including the restaurant sector.

HELPFUL LINKS

<http://www.jumpcareers.ca>

<http://www.tourismtalent.com/>

<http://www.kijiji.ca/>

<http://www.careerbeacon.com/>

<http://www.workopolis.com/EN/Common/HomePage.aspx>
<http://www.hospitality.ca/>
<http://www.hcareers.ca/>

Don't be afraid to post a sign in your window. You might be surprised at who walks in the door. Ask your existing staff for recommendations.



A good ad should be visually appealing and include the type of restaurant and the meal-style served. An email address and or/phone number are essential. Many chefs still like to receive interested candidates at the back kitchen door between certain hours.

You may need to seek out foreign workers for a temporary or more permanent solution. Many restaurants in Nova Scotia have had success with the Federal Government's Foreign Worker Program. At the time of writing this guide, the Foreign Worker Program is under review. For more information visit:
http://www.esdc.gc.ca/eng/jobs/foreign_workers/

ASSESSING CANDIDATES

Review the resumes and applications you receive. Schedule and hold interviews. Call references (remember, it is a small province).

Be prepared in the interview with a list of questions (there are books written about this; and numerous restaurant industry websites where you can find a list that suits you.) Make sure you hire the best person available for the position.

There are also on-line companies that can assist you with screening potential employees, such as www.hiringsmart.ca

KNOW WHAT YOU ARE LOOKING FOR

Service might be 'the highest calling' but not everyone is cut out for it. Good service comes from the heart. It isn't necessarily something that can be learned. The famous and recently deceased Chicago restaurateur and chef, Charlie Trotter believed "an individual's attitude is the most important consideration" when hiring. You will need to learn to recognize that attitude. Remember that bad attitudes can spread like wildfire!

You're the owner and the boss so think carefully about hiring your friends and family. Experienced restaurateurs say 'don't'. There is a good chance your friendship will never be the same. Try to imagine yourself supervising and possibly reprimanding and disciplining your best friend.

Try to plan ahead so you aren't making hasty choices to cover a shift the next day. All too often, restaurant staff are hired quickly with little thought because they are required immediately.

10.4 STAFF TRAINING

Training staff is an important part of your start-up and a never-ending part of your on-going operation.

You are the choir director and if one person is singing out of tune, your symphony will be thrown off-key and result in bad reviews from the critics! The same is true for a restaurant and your job is to make sure that everyone is singing from the same song sheet. Every day in a restaurant is a training day.

ORIENTATION PACKAGE/EMPLOYEE MANUAL

An Orientation Package/Employee Manual should be prepared for new employees. This should include a written introduction to you and your company, your vision and business philosophy, a copy of any employment policies and procedures manuals, a written job description, and any legal or payroll forms. It should also outline your service expectations as well as your legal obligations. Make this Employee Manual required reading twice a year for all employees.

Prepare a restaurant fact sheet for your employees; it will do double duty as customers often ask the same questions.

All employees should be told what they are being paid and what breaks and benefits they are entitled to.

At the same time they need to know what you expect of them. What should they wear and how should they request time off? Where and when is the work schedule posted? Who should they call if they are sick or will otherwise not make a scheduled shift on time? How should they enter the workplace and where can they hang their coats and keep their belongings safe? What are the rules around smoking and cell phones?

OPERATIONS MANUAL

An operations manual is the song sheet we mentioned. It can be an enormous task to put one together. A good manual is always a work in progress. You may have more than one:

Service Manual: Front of house / guidelines for service / open and closing checklists

Kitchen Manuals: Recipe books, order information, cleaning schedules, etc.

It is not realistic to attempt to write an operations manual before you open. You should at least have a clear idea about how you want things done at your restaurant and be prepared to communicate them verbally. Many policies and procedures arise from the trial and error of your first weeks and months of operation.

You can find sample employee manuals on the web at www.RunningRestaurants.com. The more detailed you can be, the more successful your training will be. Don't be discouraged about the amount of time it might take to put a manual together — it will save you time and money in the long run.

HITTING THE FLOOR RUNNING

Working the floor or the line in a busy restaurant is much like dancing. You have to be able to move around with skill, grace, intention and speed without stepping on anyone's toes.

How your employees work together in the restaurant is much like a choreographed dance. Like dancing, it means if one member of the troupe is out of step, the whole performance can be thrown off. A chef once described a server who couldn't 'get in step' to be as dangerous as a live electrical wire bouncing out of control around the room.

Why not ask a potential new hire to come to an 'audition' (a trial shift or working interview) before making an offer of employment? You can learn to recognize talent pretty quickly. In a few hours you can judge knife skills, cleanliness, and a readiness to take on a new task.

Because restaurants can be busy, chaotic and unforgiving, you are wise to wait until an employee is trained and has had the benefit of some one-on-one floor training before throwing them to the wolves, so to speak.

Remember, your restaurant will more often than not be judged by the customer's last visit. You are only as good as your last meal, and if a customer's experience of food or service was marred because a new employee is still learning, we can guarantee you the customer will be more forgiving if they know this up front.

TECHNICAL/SKILLS TRAINING

There are a variety of formal training programs available in Nova Scotia that would benefit anyone involved in the food and beverage sector. From university degree programs (Hospitality Management Programs at Mount Saint Vincent University and Cape Breton University) to college level courses in culinary arts and tourism management through the Nova Scotia Community College (NSCC) and private training programs. Nova Scotia's Tourism Human Resource Council also offers a variety of programs.

For more information visit:

http://www.nsc.ca/Learning_Programs/Programs/PlanDescr.aspx?prg=TMAN&pln=TMAN-Y1

<http://www.tourismhrc.com/>

If you want wine to play an important part in your restaurant you might consider Sommelier Training. For more information visit:

<http://www.msvu.ca/en/home/programsdepartments/undergradprograms/undergraduateprograms/diplomas/tourismhospitality.aspx>

Wine appreciation courses are offered privately and through the Nova Scotia Community College.

You and many of your staff will be required to take a number of industry food and safety courses available in the province.

Food Hygiene is offered and required by the Food Safety Division. A schedule of course options is available online: <http://novascotia.ca/agri/programs-and-services/food-protection/food-hygiene-course/>

First Aid/CPR courses are available through the Canadian Red Cross: <http://www.redcross.ca/where-we-work/in-canada/nova-scotia>

Workplace Hazardous Materials Information System (WHMIS) training is available at the NSCC and through a number of private training agencies. It is available in the classroom or online. For more information visit: <http://www.novascotiawhmis.ca/>

The Responsible Beverage Program training for servers and managers is offered through the Nova Scotia Tourism Human Resource Council (NSTHRC). For a listing of what is available in your area, visit <http://www.tourismhrc.com/>

Through NSTHRC you can also access Emerit. Emerit (<http://emerit.ca/home>) provides a wide range of training resources including online learning and training for over 40 occupations within the tourism and hospitality sector, custom training programs, instructor guides and a range of other tools to assist with staff training and management.

Emerit has two new training applications for smart phone. The apps, “Service 101” and “Build a Menu” are free samples of material found in two of Emerit’s full online learning courses and demonstrate the ease of use and effectiveness of Emerit’s Online Learning courses. They are available for free from Google Play and iTunes.

10.5 MANAGING

Employees need to know what is expected of them. If they are good, let them do their job. But, they need to know the consequences of poor performance, dereliction of duty, and dishonesty. As manager, you need to be prepared to lay down the laws and consistently enforce them. You also need to be prepared to repeat the same things every day.

Your role as a manager is POSDC – Plan, Organize, Staff, Direct and Control. You may well find that you need some training to help you in this role.

Not only do you have to ensure your staff all show up on time, look presentable and be good at what they do, you need to get everyone working together as a team.

It’s very important that the dining room staff (your sales people) and the kitchen staff (the manufacturers) work together as a team, and it’s your job to manage this team. This can be a big job, because there can be resentments between the two groups. You will need to work continuously at balancing this often delicate relationship and maintaining good morale within each team. There will be days when staff don’t get along and your job of managing can feel more like babysitting.

THE SCHEDULE

The schedule can be more than a schedule of who works what job and when. It can be one of your most valuable and powerful management tools. Who works what shift on what day and with whom? It might sound simple, but it can sometimes be a difficult puzzle to put it together.

You must ensure you have strong and experienced staff alongside new or underperforming ones. Not only are you balancing your teams with new and experienced members, you are also managing, perhaps even balancing the incomes of your staff. If Friday night dinner is your busiest service of the week, it means whomever works that shift will more than likely go home with the most tips.

To show respect for your employees, try to post a staff schedule as far in advance as is operationally possible. Small details like posting the schedule more than a week in advance can go a long way in giving employees the flexibility to plan their own lives.

KEEP GOOD DOCUMENTATION

Keep good employee records including disciplinary forms on each employee.

Conduct staff reviews every 6 months to a year. And make sure you follow up to address issues that are identified.

10.6 STAFF RETENTION

A high turnover rate is common in the restaurant business. You'll want to do everything you can to keep the best staff working for you. Not only is high turnover unsettling for customers, it costs money to hire and train staff repeatedly. The higher the turnover, the less successful your business will be.

PAY

It is usually more than an hourly wage that keeps a good employee — although money does help! Creating a good work environment is equally (if not more) important. Great employees want to be at work. They like their work. They feel appreciated and valued for their effort and dedication. You can rest assured that these feelings spill over to your customers. You can be certain the opposite is also true.

When an increase to the minimum wage is mandated, think about giving all of your hourly paid employees the same increase.

If you can, pay a little more than minimum wage. This will help you retain employees.

BENEFITS

Offering benefits like a group medical and dental plan can help, especially if you are interested in keeping career kitchen and service staff. After you've been in business for a while you can also consider incentive

plans for staff who take responsibility for food or labour or other supply costs.

Familiarize yourself with the taxation laws around employee benefits. Offering a staff lunch to employees and eating in your restaurant can be considered taxable benefits.

If you show respect for your employees as human beings they will work hard for you. Show them the same level of kindness and caring and hospitality that you want them to share with your customers. They in turn, will respect you, as a boss and as a human being, and want to stay with you.

You want your employees to feel part of the team. They are the lifeblood of your organization – they are going to execute your concept and live and breathe your brand. Get them involved. Here's some ideas:

- Conduct employee opinion surveys. These can be done anonymously using on-line tools like Survey Monkey.
- Get employees to review applications.
- Ask employees for referrals for new staff

A RETENTION STRATEGY

For your key / management positions, consider setting up an RRSP that is matched dollar to dollar by the business. The retention effect works when the employee must stay X number of years before they are entitled to the business' portion of the RRSP contribution. Once you reach the 3 to 5 year time frame, the pot is too attractive for them to walk away because of the size of the investment and the accumulated interest. Plus, the employee gets money back each year when they file their taxes.

10.7 WHEN IT DOESN'T WORK OUT

You will want to follow the letter of the law when you need to let someone go (and you will need to let people go.) Familiarize yourself with the legislation, the Nova Scotia labour standards code, and the common law that surrounds the termination of any employee.

Letting someone go early is always your best option. Work hard to train new employees, but if they just aren't cutting it after a reasonable period of time, learn to let go. Terminating an employee can be relatively straightforward in the first three months of employment. You can kindly and gently tell someone it just isn't working out.

After three months, it can be more complicated. There are proper steps you need to take, including giving the employee verbal and written warnings that their behaviour or performance is unacceptable. You have to give notice and deliver it properly.

Helpful Tip:

Be Slow to Hire, Quick to Fire

You will find out pretty quickly if a staff person is not going to work out. Once you do, deal with it immediately.

It's human nature to not let someone go when you should. But if you don't, you will find that good employees will leave, and you will be left with a high proportion of poor employees.

It is always in your interest to handle employee termination with care and dignity and to do your best to end the relationship in a good way. Like all 'ex's', ex-employees don't always go away nicely. Some disgruntled employees may even take to social media, often anonymously, to post grievances about your restaurant.

10.8 HELPFUL RESOURCES

READING LIST

A Guide to The Nova Scotia Labour Standards Code

<https://novascotia.ca/lae/employmentrights/docs/LabourStandardsCodeGuide.pdf>

Human Resources for Dummies by A Wiley Brand

<http://www.dummies.com/how-to/content/human-resources-kit-for-dummies-cheat-sheet.html>

Running a Restaurant for Dummies by A Wiley Brand

<http://www.dummies.com/how-to/content/running-a-restaurant-for-dummies-cheat-sheet.html>

Setting the Table: The Transforming Power of Hospitality in Business by Danny Meyer

<http://www.amazon.com/Setting-Table-Transforming-Hospitality-Business/dp/0060742763>

CHAPTER 11: OPERATIONS

Your restaurant needs to run like a well-oiled machine. There are a lot of minutiae in the life of a busy restaurateur. These seemingly small operational matters are integral components of keeping your business running.

Operate your business as though it were a franchise type restaurant. Seek out the measurement systems and controls that a franchise would use to secure their profits.

CHAPTER MODULES

- 11.1 The Point of Sale/POS (page 90)
- 11.2 Collecting Payment: Will that be cash or charge? (page 91)
- 11.3 Gratuities (page 92)
- 11.4 Waste Management (page 93)
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- 11.13 Forms and Manuals (page 98)
- 11.14 Records Management (page 99)
- 11.15 Insurance (page 99)
- 11.16 Helpful Resources (page 100)

Key Takeaways

❖ Get organized

Although it's easier said than done, the more systems you have in place the easier your day to day will be for you and your staff (not to mention beneficial for your customers).

❖ Talk to others

Many experienced professionals would be happy to share their experiences and advice. The food service operations can be very tricky at first— talking to those who've been there will be beneficial.

❖ Develop systems for your systems

Once things get moving, it will be important to keep your team updated about schedules, expectations, rules, and changes. It's helpful to create accessible documents to which staff can consistently refer.

11.1 POINT OF SALE (POS)

Your POS system (how you sell and keep track of your sales) is key to your survival and the 'heartbeat' of your operation. The sale of POS systems is a highly competitive business with literally hundreds of different products and services on the market. New technology is constantly impacting POS systems. Learn from existing restaurant operators who offers the best value and service.

LOOK AROUND

Start your research early. You will need to make a number of decisions. Do you have options to buy or rent the systems? What kind of reporting information do you want or need? POS systems are an important tracking and efficiency tool. Revenue (sales), labour, and inventory can all be managed by a single system.

Your sales can be emailed to you automatically at the end of each day. You can keep your eye on what's selling the most, who is signing in late, how many customers are coming each day and how much they are spending on average.

If you are a small/simple operation, you may be able to use an I-PAD based system which would be less costly. POS systems can run from \$10,000 for a simple system up to \$30,000 plus.

Check out other restaurants and ask other owners/managers about the systems they use.

SEE HOW IT WORKS

Ask local suppliers to do a demonstration of their systems.

You need your POS system to tell you what is sold during the day. The system should print a guest check or order which is then used as a requisition for the product to be given to the server. The guest checks should be carefully accounted for to ensure none are missing. This way you can be relatively certain that no employee is receiving food or liquor without recording it and collecting the money for it. Your POS system will need to generate the sales reports needed to 'cash out'.

Employees giving free food or drinks to friends are committing theft. At the end of each shift, employees balance their sales with the revenue they have collected.

Be sure to find out exactly what, and how quickly, the POS supplier can provide service if something goes wrong and you have a problem. It can be paralyzing for your business to have the POS 'down'. Have a contingency plan in hand for this type of problem.

11.2 COLLECTING PAYMENT

In most restaurants, a large percentage of your sales are received electronically. This is also a highly competitive and aggressive business. The fee and cost structures are extremely complex, making it difficult to make comparisons between companies.

THERE WILL BE FEES

Overall, you should expect it to cost you 2%-3% of each dollar you collect electronically in fees. In addition, most providers charge a monthly fee for each terminal you require.

LOOK AROUND FOR DISCOUNTS

Take advantage of pricing discounts through an organization that you are a member of like the Restaurant Association of Nova Scotia, the Tourism Industry Association of Nova Scotia or the Chamber of Commerce.

Your bank or credit union may have a partnership or alliance with a particular provider and can help streamline the set up process.

HAVE A BACK-UP PLAN

When your machine is down (because it *will* go down), make sure you have a system for recording and/or processing credit card payments by hand. SQUARE, which accepts credit cards from a smart-phone or PAD is a good back-up plan.

Troubleshooting malfunctions will require much of your time 'on hold' at the 1-800 technical help center, which can be very frustrating during a busy lunch/dinner service.

You can expect upwards of 90 percent of today's restaurant receipts to be received electronically.

CASH

Cash does still trickle in, and a few restaurants are still bucking the trend and accept cash only. You will require a system to collect, count, record, and deposit your cash receipts.

11.3 GRATUITIES

How will you handle gratuities in your restaurant? Will they be shared among support and kitchen staff? Will tips be pooled?

Before you make a decision, you should review Revenue Canada's rules about how tips and gratuities are to be handled and accounted for. How tips and gratuities are handled will determine whether or not income from tips and gratuities form part of an employee's pensionable and/or insurable earnings.

This is all rather complicated. But basically it comes down to whether the tips are considered to have been paid by the employer (controlled tips) or whether they are considered to have been paid by the client (direct tips). In the latter case, the policy on how tips are shared must be designed by the employees, not by the employer.

Whatever approach you introduce, recognize that sharing of tips with kitchen and bartending staff is important so as to reward everyone.

Service charges are considered to be imposed by the business and are therefore considered controlled tips; gratuities are at the discretion of the customer.

For more information visit: <http://www.cra-arc.gc.ca/tx/hm/xplnd/tps-eng.html>

CONTROLLED TIPS

Controlled tips are gratuities that are controlled by the employer. This means the employer is considered to have paid these amounts to the employee. If you add an automatic percentage tip to a client's bill or pool tips and share them with all employees, they are considered controlled tips.

Controlled tips form part of the employee's total remuneration and are subject to CPP contributions and EI premiums being deducted at source, provided that this person is employed in pensionable and/or insurable employment.

DIRECT TIPS

Direct tips are gratuities that are paid directly by the client to the employee and that are not subject to any of the forms of control by the employer as mentioned above under the heading controlled tips. These would include when a client leaves money on the table and the server keeps the whole amount and where tips are shared or pooled by the employees themselves (and not by you as the employer). It is also considered a direct tip when a client includes an amount for a tip and the employer returns the tip amount in cash to the employee.

The term 'direct tips' denotes the principle of when the employer has no control over the tip amount and no control over the tip distribution. Direct tips are considered to have been paid by the client and not the employer. In these situations, the employer is merely a conduit for the tip from the client to the worker.

With direct tips, the employees collectively have to design and agree on how the tips are shared, e.g. with kitchen staff, bartenders, etc.

Direct tips are not subject to CPP contributions and/or EI premiums. However, an employee can elect to make CPP contributions on tip amounts earned in the course of pensionable employment where the tip income is found not to be subject to CPP contributions at source.

11.4 WASTE MANAGEMENT

Getting rid of restaurant waste is complicated and expensive. It is not unusual for waste management to cost in the range of \$500 to \$1000 a month for a typical small restaurant.

To comply with current provincial and municipal regulations regarding waste disposal you will need services for:

- ✓ Garbage waste
- ✓ Organics (you must separate all food waste)
- ✓ Cardboard/Box board
- ✓ Container/plastic recyclables
- ✓ Refundable recyclables
- ✓ Paper

For more information, visit <http://novascotia.ca/nse/waste/regulations.asp>. There is a Guide to waste reduction in the food service industry that can be found at:

http://www.putwasteinitsplace.ca/assets/resources/rrfb-sorting_it_out_for_food_service.pdf

In addition, if you have fryers in your kitchen, you will need to dispose of cooking oil. Fortunately, there are a number of businesses that collect oil from restaurants and they usually do this for free by providing a barrel on the premises. The oil is used for bio-fuel.

Be sure to read the fine print before signing a waste management contract. You may discover the paper you signed when you first opened has you locked in for a long period of time. Like cell phone contracts, these can be very difficult to end, even if you are receiving poor service.

Good waste management will also help control pests; you will also need a pest management service contract.

11.5 SUPPLIERS

Good purchasing decisions affect your bottom line. As a wise person once said, “you make more money buying than selling.” Loyalty is important – build a good relationship with your suppliers.

Purchasing is buying everything you need for your restaurant: food, beverages, equipment, paper goods, tables, silverware, cleaning and maintenance services, and everything else.

Ask other restaurants for recommendations on suppliers. Interview suppliers. Ask them for samples.

DEVELOP SYSTEMS FOR ORDERING

You don't want to run out of stuff. It is annoying for customers to be told that items are not available. Keep a current phone list of your suppliers at all times and a schedule of their delivery times. Determine if the delivery schedule works for you. What are the payment terms? It can be a headache to write cheques at the back door if you are on COD (cash or payment due on delivery) with your suppliers and they arrive in the middle of your lunch rush.

You need systems for receiving shipments. Ensure that every item on the invoice was indeed received and it is both what you ordered and of good quality.

THINK ABOUT BUYING LOCALLY

Visit your Farmer's Markets and get to know the farmers and other local suppliers. Choose suppliers who are in-line with your brand identity and personal convictions. Many customers are now looking for local products. Select Nova Scotia (Nova Scotia Department of Agriculture) has a fantastic website and publishes a directory of local farmers and purveyors of local products: <http://www.selectnovascotia.ca/>

NEGOTIATE PRICING

Don't hesitate to ask other restaurateurs what they are paying for products and services. You might be surprised at the range of prices. Even the price of heating fuel can be negotiated.

You can consider joining a buying group like that is 100% owned by members. There are two types – some have a membership fee and will offer lower prices; others are free.

RANS website can provide a list of these types of groups.

11.6 CLEANLINESS... IS NEXT TO GODLINESS

You cannot give enough attention to keeping your restaurant clean. You have options: an outside cleaning company or your own staff. To do a really good job, you will likely need both.

FIRST IMPRESSIONS COUNT

Always keep your windows clean, plain and simple.

DISHES AND CUTLERY

You must continuously look and feel for cleanliness. Don't use dishes that are stained and chipped.

Flatware can get bent and will need to be continuously replenished (you'd be surprised how much flatware is inadvertently thrown out when plates are scraped before washing). Salt and pepper shakers should be cleaned frequently and kept filled.

STAY DILIGENT

Tabletops and the walls next to tabletops need to be clean always. Menu covers are often the dirtiest item in a restaurant. Just think about how many people touch them in day. Think about this the next time you see a server carrying the menu in their armpit!

CHECK BATHROOMS OFTEN

Bathrooms must be spotless. This is critically important. Toilet paper and hand towel dispensers need to be filled at all times. While you are at it, make sure the taps aren't dripping and the handles work the flush.

CLEANING CHECKLISTS

Cleaning won't happen automatically. You will need opening and closing duties to remind staff about what needs to be cleaned and how often. Often called "side duties" for front of house staff, these are essential to keep your restaurant clean. A schedule for when the coffee machine is cleaned; when the salt and pepper shakers are put through the dishwasher, etc. The devil is in the details.

For obvious reasons, you want to keep your kitchen clean as this is the first step in maintaining food safety for your customers. Issues with cleanliness are the #1 problem that food safety inspectors find.

11.7 MAINTENANCE

A new restaurant can look pretty shiny and new. But as quickly as a few months, wear and tear can start to show. Customers do notice.

KEEP ON TOP OF THINGS

Small repairs done often may save you from bigger maintenance jobs down the road. For example, keep on top of paint chips — keep some of your dining room paint colours in small plastic containers and use Q-tips to apply it as needed.

TEST OUT YOUR FURNITURE

Never stop sitting in the chairs of your restaurant and taking a look and feel around from the perspective of a customer. Run your hands over and under the edges of your tables: yes, people still put gum there!

LIGHT BULBS

A burned out light bulb is a sign that no one notices stuff around here; nobody cares. Lighting is a very important element of a restaurant's ambiance. Replace busted bulbs right away.

KITCHEN EQUIPMENT

Kitchen equipment can need regular maintenance and inspection. Grease traps under your kitchen sinks need to be cleaned, usually by a professional industrial cleaning company. Kitchen exhausts and canopies need to be thoroughly cleaned (the frequency will depend on how much grease you are extracting with

the air) on an on-going basis, again, by an industrial cleaning company.

Fire suppression systems over stoves and ovens and fryers require annual inspection. Fire extinguishers must also be inspected annually.

You may also need fire safety inspections on a regular basis; check with your Fire Marshal or municipality.

11.8 LINENS/LAUNDRY

If you've chosen linen for your tables and napkins as part of your decor, don't forget to factor in the on-going costs of laundering these items.

You should be able to find a few local businesses that provide a linen and laundry service. If you have chosen linens, keep in mind you will need to have the space to store a week's worth of linens, clean and dirty, as most services will only deliver and pick up once a week. A linen service can also provide entry floor mats, uniforms, and towels.

Many restaurants operate their own laundry, with an in-house washer and dryer. While you maintain complete flexibility over your supply of clean linen and this definitely has its advantages, it also means you are now supervising your staff doing laundry. Keeping linens clean isn't the same as putting your jeans in the wash! Sorting and folding is time consuming.

Laundry fees can grow to be exorbitant. It is not uncommon for restaurants to 'ration' towels for the kitchen and bar staff. Remember that every linen napkin that goes out to be cleaned is at your expense. Set standards for how many napkins are provided to guests.

Be careful to read the fine print if you are signing a 'linen service' contract. You can find yourself locked in for a 5 year term with no way to get out except taking the company to court. It doesn't matter if they aren't providing a quality service.

11.9 SAFETY AND FIRST AID

Safety of your employees and customers must be always top of mind.

Your restaurant should have a well-stocked professional first aid kit and emergency procedures. Your kitchen staff will no doubt cut and burn their hands. Your front-of-house staff will need band-aids for blisters on their feet. Staff should have First Aid training.

Make sure your employees know where all emergency exits are located. Make sure the emergency lighting is tested and batteries replaced on a regular basis.

11.10 MINIMIZING YOUR ENVIRONMENTAL FOOTPRINT

If you are building new, you can really think ahead about ways to make your restaurant more energy efficient and to otherwise minimize your environmental footprint.

The upside is that thinking this out before you begin can lower your energy and other costs throughout your time in business, saving you significant amounts of money over time.

LOOK INTO WASTE WATER RECOVERY SYSTEMS

There is a way to save on the cost of hot water by having the water that feeds your hot water tank pre-warmed by the very hot water that is running down your drain every few minutes during the cycle of your commercial dishwasher. It may sound complicated, but it is actually quite simple. If you are installing new plumbing for your kitchen – or even if you want to modify your existing set up – ask your plumber about wastewater recovery systems.

MAKE GREEN DECISIONS

Operationally, there are many choices you can make:

- ✓ Don't let taps or toilets run
- ✓ Choose packaging materials that are compostable, recyclable, and re-usable.
- ✓ Don't use Styrofoam
- ✓ Don't bring water for customers unless they ask. Consider how many glasses of water are untouched by guests. Not only is this a waste of the water itself, think about the energy and labour costs to wash glasses.
- ✓ Ensure your equipment is energy efficient. Newer models use less electricity and fuel. Efficiency Nova Scotia offers rebate programs to help you upgrade to more efficient models and fuel sources. For more information visit: <http://www.energycyns.ca/product-rebates/?user=5>

11.11 BOOKKEEPING

Keep on top of your bookkeeping, even before the restaurant opens. If you are managing your restaurant, you may not want to even think about doing the books yourself.

A good bookkeeper is worth their weight in gold, but they can be hard to find. Ask around for recommendations. It can be helpful to find a bookkeeper who has other restaurant accounts.

Always try to stay ahead of the game with maintaining your accounts. You need access to timely financial statements showing how your business is doing and will want 'your books' to be as up to date as possible at all times.

Helpful Tip:

Manage Your HST Revenue

Manage your HST revenue carefully. It comes in with your sales revenue and it is easy to lose track of how much you will owe on your HST remittance. You may want to consider a separate bank account for HST revenue and transfer money in weekly.

Commit to paying your HST monthly.

Also, the Government wants their cut on time. You will need to submit monthly CRA source deductions (the tax and other deductions you withhold from your employees pay) and HST (Harmonized Sales Tax) on time, every month (or every quarter). If you ever fall behind, even one payment, it can be difficult and often impossible to ever catch up again. If your payment is late, hefty fines and interest will apply.

11.12 PAYROLL

Today there are more options than ever for managing payroll. You can choose to do it in-house (from start to finish), you can work with a local payroll company, or you can take advantage of online payroll services.

Whichever you choose, you will need to:

1. Have new employees fill out some paperwork, recording their name, address, date of birth, social insurance number, their next of kin (or who they want you to call if they faint on the job). They will also need to fill out tax calculation forms so you know how much tax to withhold from their cheques.
2. Calculate and verify hours of work and set pay rates. You will also need to set the payroll period (likely weekly or bi-weekly).
3. Whether you are using a payroll company or running the payroll yourself, you can choose to pay employees by cheque or by direct deposit. There is a cost to both methods.

11.13 FORMS AND MANUALS

You will need a multitude of internal forms to keep your restaurant running smoothly. You don't need to invent these from scratch. There are many resources out there where you can obtain electronic templates and revise them to fit your establishment and help you manage. Operations and employee manuals will also be essential.

The following forms are commonly found to be important for day-to-day operations:

- ✓ Opening and Closing Duties
- ✓ Food ordering sheets
- ✓ Prep sheets
- ✓ Waste sheets
- ✓ Inventory Sheets
- ✓ New Employee Information Sheet
- ✓ Cash Out Slip
- ✓ Daily Cash Balance Spreadsheet
- ✓ Staff Schedules
- ✓ Forms to record breakage and waste

As a starting point, check out Restaurant Canada's start up guide for a CD of forms.

As noted in Chapter 10, you will need an Operations Manual, perhaps more than one such as a Service Manual and a Kitchen Manual as well as an Employee Manual or Orientation Package. Work on these and keep them up-to-date; they can be a valuable sales feature when/if you sell the business.

11.14 RECORDS MANAGEMENT

If you are carrying on a business or engaged in a commercial activity in Canada, you are required by law to keep adequate records.

Your records have to provide enough detail to determine your tax obligations and entitlements. Also, your records have to be supported by original documents.

Record keeping is an important part of every business. Most agencies require you to save records for a certain period of time. All of these rules apply to the restaurant business.

The specifics on what you need to save and for how long can be found on the federal government website: <http://www.cra-arc.gc.ca/E/pub/tp/ic78-10r5/ic78-10r5-10e.pdf>

11.15 INSURANCE

Insurance will be an important element of your business. All restaurant operators should carry insurance regardless of the size of your business. The cost of insurance will depend on the level of coverage you need.

If you have purchased your property, you will be required to have property and fire protection insurance. This type of insurance will be required by your bank or lender to secure a mortgage on the property.

If you are leasing, you will want to find out what insurance the landlord covers on the premises and then design insurance coverage for everything else.

You will want liability insurance to cover claims made against you for bodily injury or property damage arising from your operations. You will also want product liability in case of food poisoning.

Equipment and stock coverage may be necessary to protect your inventory (a loss of power and refrigeration can be very costly).

In addition, you may want to consider business protection insurance or loss of income protection. Such insurance would protect your business from a loss of revenue, if, for example, your restaurant has to close for a few months following a fire.

Crime coverage will protect you from losses caused by employee infidelity or theft. Robbery and Holdup protection will cover you in the event of a robbery.

Shop around for the best coverage and the best price. Consider using an independent insurance broker, and ask other operators for recommendations. Don't be afraid to ask for better rates when you are renewing.

11.16 HELPFUL RESOURCES

READING LIST

The E-Myth Revisited by Michael Gerber

<http://www.amazon.ca/The-E-Myth-Revisited-Small-Businesses/dp/0887307280>

Running a Restaurant for Dummies by A Wiley Brand

<http://www.dummies.com/how-to/content/running-a-restaurant-for-dummies-cheat-sheet.html>

Restaurant Basics: Why Guests Don't Come Back...and What You Can Do About It by Bill Marvin

http://www.amazon.ca/Restaurant-Basics-Guests-Dont-About/dp/0471551740/ref=sr_1_fkmro_1?s=books&ie=UTF8&qid=1397312045&sr=1-1-fkmro&keywords=Restaurant+Basics+Revisited+bill+marvin

Canadian Restaurant Accounting (2nd Edition) by Douglas Fisher, FHG International Inc.

<https://www.restaurantscanada.org/en/Business-Tools/article/canadian-restaurant-accounting-standards-2902>

Sorting it Out: A Guide to Waste Reduction, Recycling and Composting in the Food Service Industry

http://www.putwasteinitsplace.ca/assets/resources/rrfb-sorting_it_out_for_food_service.pdf

Choosing an Effective Accounting or Cost Management Software by Wayne McKay

<http://www.restaurantcentral.ca/Choosinganeffectiveaccountingorcost.aspx>

CHAPTER 12: THE CUSTOMER

The customer isn't always right, but they are always the customer!

Steve Jobs knew what makes a business work. He showed the world that the customer-user experience trumps everything. He understood how to make a customer loyal. Unless your business model is all about serving ice cream on hot days where a cruise ship is scheduled to dock, you won't survive long by serving one-time-only customers.

To be successful in the restaurant business you need to attract a loyal following of customers who continue to grace your door again and again, and to bring their family and friends. You also have to continuously attract new customers to try you out for the first time.

CHAPTER MODULES

- 12.1 Understanding Who Your Customer Is (page 102)
- 12.2 Customer Service (page 103)
- 12.3 Hospitality vs Service (page 105)
- 12.4 When Things Go Wrong (page 106)
- 12.5 How to Handle Complaints (page 107)
- 12.6 What to do if a Customer Says Your Food made them Sick (page 108)
- 12.7 Managing Accessibility Regulations and Standards (page 110)
- 12.8 Consistency/Standardization (page 110)
- 12.9 Helpful Resources (page 111)

Business Philosophy

Tomasso's Italian Grill, Trenton, Ontario

Our customers have appetites, therefore our menu must be appetizing.

Our customers have choices, therefore we strive to be their first choice.

Our customers demand quality, therefore, our recipes must be authentic.

Our customers seek more than food, therefore our service must be more than exceptional.

Our customers have memories, therefore we must be more than memorable – famously.

Because of our customers, we exist!

Key Takeaways

❖ Put yourself in their shoes

The customer experience trumps everything. Every detail of your restaurant needs to be considered from the customer's perspective.

❖ Make them feel at home

Good customer service is important; but if you want to create a rave-worthy dining experience you must also demonstrate genuine hospitality

❖ Make criticism constructive

The customer isn't always right, but they are always the customer: Learn to accept complaints and do everything you can to recover when something goes wrong.

12.1 UNDERSTANDING WHO YOUR CUSTOMER IS?

You need to talk to your customers. You need to find out who they are. Listen to them. They will tell you what you need to do to keep them coming back. Find out why they choose you instead of going to the hundreds of other restaurants.

To create value for your customers, you need to understand who they are and what they want. You need to understand what it is they are expecting from you. Without this knowledge, you don't really have a hope of learning to manage their expectations.

Consider what your regular customers like to order or where they like to sit when they visit. Do your best to deliver the product and service they want: cater to them. Of course you can't go about changing everything just because someone wants it or thinks it is a good idea, but you can make changes that make sense for your business and concept.

Helpful Tip:

Keep Records on Your Customers

Keep records on your regular customers – what they like and dislike, any allergies, dates for special occasions, etc. Having this type of information (and using it) can really impress customers and help you build strong relationships with them.

EXPECTATIONS: MEET AND EXCEED

Regardless of the type, style or size of the restaurant you are operating, you can be sure that every customer arrives with a set of expectations. Whether they are ordering a hot dog from a chip wagon or sitting down to an anniversary dinner in a fine dining restaurant, you will need to meet or exceed their expectations in order for them to return.

If you've advertised yourself as having the best fish and chips in town, you'd better be serving fantastic fish and chips. A customer isn't going to expect you to take a reservation and serve their fish and chips on china and white linen. In fact, they'll be happy if they are served on newspaper as long as the fish and chips are good.

The bottom line is: customers who are not happy, whose expectations you have failed to meet, will not come back.

12.2 CUSTOMER SERVICE

You need to consider every detail about how it feels to be a customer in your restaurant. Everything you do, every system and rule, needs to be considered from the customer experience.

TELEPHONE

Customer service begins with how you pick up your phone. If you can't answer it, what does your customer hear on your voice mail message? Do you provide some basic information, like address and hours you can visit for lunch or dinner, and what to do if they want a reservation?

You must return calls in a timely way. Remember, nothing compares to getting a live friendly voice on the phone and having your inquiry satisfied immediately.

RESERVATIONS

Should you take them or not take them? Some restaurants find success with a bit of both. That is, taking reservations for part of the restaurant and leaving the remainder of seats for walk in customers. There are definite pros and cons to both. It is possible the 'style' of your restaurant will determine your policies about reservations.

Let's face it. Some customers really like to have a reservation and will outright refuse to go to your restaurant if they think they might have to wait for a table. They have a point. They want and need a guarantee that they can arrive with their party and be seated, immediately.

As an operator, it is very helpful to know or have a good sense of how many customers will come through your doors that night. If you have a full house booked with reservations, you have some certainty of the number of covers you will need to

Words of Advice from the Pros

"When taking phone reservations, remember that this is in fact a part of the customer's dining experience. How they are made to feel on the phone directly impacts their expectations of the restaurant. If you are taking a reservation, consider that you are already beginning to serve that customer and use this as an opportunity to start their experience off on the right foot.

Be accurate and prompt, repeat the details to confirm them with the customer and take note of any special circumstances they happen to mention (allergies, celebrations, whether it's their first time in, etc.). Remembering these things often go a long way."

Tanya King
daMaurizio Fine Dining
Halifax

service. It gives you a chance to schedule staff and prep accordingly.

But you will also have to deal with the ‘no-shows’. It can be devastating to your bottom-line to turn away customers on the phone and at the door because ‘all of your reservations are taken’. You are left with people who are disappointed and often angry because you’ve turned them away (they won’t really understand why you are saying NO to them when your dining room is half empty). You are also left with a big hole in your bottom-line.

You can definitely ‘turn more tables’ with a no-reservation policy. As well, your restaurant can be accessible to more people. You can attract customers making last minute decisions about going out to eat. Because you don’t always know if a customer who has a reservation is coming for a quick bite before a show and is in and out in 45 minutes; or if they will take two hours over dinner celebrating an anniversary.

Administering reservations can be a full time job. There are a host of electronic reservation systems out there you can explore. There are usually costs involved. You may find it cheaper than employing a full-time reservationist, but most customers still like to make a human connection right away and be assured their reservation is secured.

GREETING THE CUSTOMER (AND SAYING GOODBYE)

Never underestimate the importance of quickly and warmly welcoming a customer when they enter the restaurant. Nothing could be so simple, yet so complicated. Why is it that so many restaurants fail to get this right? A lot goes on in a customer’s head in these few seconds or minutes when they walk through the door. Whether you’re there to greet them, or leave them standing alone and not knowing where to stand will leave a lasting impression.

The same is true when guests are leaving. After dropping \$100 or more in your restaurant, most customers appreciate being thanked. Someone should say ‘good day’ or ‘goodnight’ to every customer who leaves. Not only is this common courtesy it is also an opportunity to ‘touch’ the customer one last time. It is your chance to be certain they are leaving satisfied or better still, ‘wowed’.

LABELS

Try to avoid using labels when greeting customers. This may seem like a small, incidental thing, but some people hate labels. We all use them. But not everyone agrees with labels we might give them. Why risk offending someone? Knowingly or unknowingly, you will offend someone. By labels, we mean “Hi guys” or “Good evening ladies” or “Hello dear”. Why take a chance when it is so easy to simply say: “Good Evening, Welcome to Sylvester’s”.

THE ROOM TEMPERATURE

Inadequate room temperature can ruin an otherwise perfect dining experience. You must learn to have control over the air quality and temperature of your dining room to ensure guests are comfortable.

Recognizing and pro-actively responding to what your guests are telling you, especially with their body language. Many customers don't like to complain but are pleasantly surprised when they see you make adjustments to the fans or thermostat because you noticed they were shivering. This is anticipating what a guest wants.

SERVICE

There are a million rules for service. There are manuals of 'formal service' and books and articles about the art of service.

There really is no right or wrong; only convention. You need to set the rules of service in your restaurant and you need to train your staff to consistently apply them.

The New York Times has published a list of the 100 Things a Restaurant Staffer Should Never Do. Do yourself a favour and read the list. Have your staff read it as part of their orientation.

100 Things Restaurant Staffers Should Never Do (Part 1)

http://boss.blogs.nytimes.com/2009/10/29/one-hundred-things-restaurant-staffers-should-never-do-part-one/?_php=true&_type=blogs&_r=0

100 Things Restaurant Staffers Should Never Do (Part 2)

<http://boss.blogs.nytimes.com/2009/11/05/one-hundred-things-restaurant-staffers-should-never-do-part-2/>

As the authors note, not even a hundred suggestions can cover all the bases. There are so many details that go into good customer service. The details are definitely the devil you will need to face every day you are in business.

12.3 HOSPITALITY VS. SERVICE

If you're aiming to run an exceptional restaurant (or any other type of customer service business) you must understand the difference between service and hospitality. If you want to create 'raves' among your guests, you need to excel at both. You need to create 'legendary hospitality experiences'.

Demonstrating true hospitality is much more than carrying a plate a certain way or serving from the right and taking from the left.

Service is the technical delivery of a product. As a guest, you expect service: that someone will take your order and bring you your food and then your bill and your change. Service is mechanical, but hospitality is personal.

Hospitality is about how guests feel about what you did and how you did it. It is the sum of all of the thoughtful, caring, gracious things a server does to make a customer feel that she or he is on their side. The server or host who is warm, friendly and demonstrates a real willingness to help you is extending hospitality, not just service.

Famed New York restaurateur Danny Meyer put it this way:

“Hospitality is the foundation of my business philosophy. Virtually nothing else is as important as how one is made to feel in any business transaction. Hospitality exists when you believe the other person is on your side. The converse is just as true. Hospitality is present when something happens FOR you. It is absent when something happens TO you. Those two simple prepositions – for and to – express it all...”

In the end, what’s most meaningful is creating positive, uplifting outcomes for human experiences and human relationships. Business, like life, is all about how you make people feel. It’s that simple, and it’s that hard.” Danny Meyer, *Setting the Table*

A NOTE TO PARENTS...

Children can be challenging for a restaurateur. Of course, they can be charming and behave themselves. But they can also cause problems in your dining room.

If young children and toddlers are walking or running about the dining room, they can endanger your staff, other customers, and themselves.

Strollers of today are another challenge. Some parents insist on bringing their strollers right inside with them. You may not have room to park them tableside, and when they do, the strollers are blocking off access to other tables.

If your restaurant is likely to get children on a regular basis, cater to them (see the box for some suggestions). Children can have an impact on the decision about where to eat and might well be your future customers!

You might feel tempted to adopt a ‘no children’ rule.

But be careful. While such a restaurant might be popular with some diners, it has the potential to stir up bad feelings and create huge public relations disasters. Witness the online fury that occurred when an Ottawa restaurant implemented a no-kids rule.

Read about it in the Toronto Life news article: <http://www.torontolife.com/daily-dish/random-stuff-dish/2010/07/09/ottawa-resto-bar-bans-babies-begins-brawl/>



Helpful Tip: Catering to Children

- Have a kid’s menu
- Offer the option of smaller portions of regular menu items for children
- Provide crayons and colouring books, toys, etc. to keep children occupied
- Reward good behaviour – buy a child a drink

12.4 WHEN THINGS GO WRONG

The restaurant business is very unforgiving. Very few people will ever give a restaurant a second chance once things have gone wrong. Worse still, you can’t count on a customer telling you when they are unhappy.

Research shows that most customers will not complain, they simply won’t return. Customers vote with their feet.

You cannot afford to have customers leave your restaurant dissatisfied with the service they received: they will not return and, in addition, they will tell their friends not to go to your restaurant. You've not only lost their future business, they can make matters worse.

You should know if there is a problem BEFORE the customer leaves the restaurant. The restaurant business is unique in that, as long as you know, you have a chance to fix the problem before customers leave.

These days, customers are less and less likely to tell you about a problem, they are more likely to tell all of their friends on social media. Worse, they will write a bad review on Trip Advisor or another restaurant review site.

ENCOURAGE FEEDBACK

To be successful in the restaurant business, you actually want customers to complain and tell you when something isn't right. How else will you know that something about your restaurant needs your attention?

If the dining room is too drafty for guest comfort or the music too loud, you need to make adjustments. If the cut of meat you are purchasing is too tough or has too much fat and gristle, find a different one or take it off the menu until it is rectified and perfected. And thank the customer who brought it to your attention.

According to Bill Marvin, a typical business hears from only 4% of its' dissatisfied guests. One in 25 will actually tell you when things are not right. The other 96% just quietly go away and 91% will never come back.

As a restaurateur you may have days when you feel like everyone is complaining. And there are chronic complainers out there, who are in a bad mood even before they arrive. Nothing you do or serve them is going to win them over.

Frankly, with a product as intimate as food and service, you are never going to make all of the people happy all of the time. Take this to heart and learn to sort through the feedback you receive. Use comment cards, ask for emails, and above all, make sure you follow up.

12.5 HOW TO HANDLE COMPLAINTS

You need to be able to keep all of these complaints and feedback in perspective and recognize when there have been failures in your product and service. You need to know how to take responsibility for the failure and take steps to remedy the problem.

If a customer is voicing their complaint on the floor of the restaurant in the middle of service, keep calm. It can be so easy to get defensive. Listen to what the customer is saying, and what they aren't saying.

Always try to maintain the perspective that getting customers to voice their complaints is an opportunity to fix the problem (and increase your profits.) It is a gift.

Don't ignore them. If a customer writes to you, you should always reply. It is always a good idea to not respond immediately. If it isn't an urgent matter, sleep on it before you write back. Remember that most customers just want to be heard and have their experience validated. You need to respond positively and not defensively to all complaints.

There is never a successful outcome if you get into an argument with a customer. If you need help with responding to customer complaints, read: *Cashing in on Complaints* by Bill Marvin: <http://www.amazon.com/Cashing-In-Complaints-Turning-Disappointed/dp/0965626210>

Sample responses and templates can be found online, like the one on the next page.

12.6 WHAT TO DO IF A CUSTOMER SAYS YOUR FOOD MADE THEM SICK

There will come a day in the life of all restaurateurs when a customer will call or write to say they got food poisoning at your restaurant or that your food made them sick.

You need to establish a protocol about how to handle these very serious situations. Treat these customers with the utmost urgency and sensitivity. Do not ignore them. Don't argue with them or tell them they are mistaken or it is impossible that they got sick from your food. Instead, tell them you will immediately investigate further with your staff.

Ask them for as many details as you can: when they were in, what they ate, who served them. Ask to call them back with your findings. Make sure you do call them back.

Find out if there have been any other complaints. Check your answering machine. Locate the customer's sales check. Hopefully your POS system can tell you how many other guests were served the same meal. Talk to your kitchen staff and chef. When was the meal prepared and prepped, how and where was it stored?

Because you are familiar with the causes and sources of food poisoning and food borne illness, you now have some information to further assess the customer's allegations.

When you call them back, reiterate how sorry you are that this has happened to them. Never admit liability. Be careful about the questions you ask and answer. Calmly and non-judgmentally, share with them results of your investigation. Tell them that if they feel your food made them sick then you have an obligation to contact the government food safety specialist. Ask the customer if it would be okay if the food inspector followed up with them directly. At this point the customer may ask you not to follow up and concede that perhaps something else they ate that day or the day before made them sick.

Customer Response Letter Template

From Comment Card or Letter – Major Complaint

[ON RESTAURANT LETTERHEAD]

[DATE]

[Name]

[Address]

[City, State ZIP]

Dear [],

I want to sincerely apologize for the unpleasant incident you had at our restaurant on [DATE]. Your comments were most troubling but I want to unequivocally thank you for bringing this to my attention. Without your feedback I might never have known of it.

It is our highest priority to provide our guests with an exceptional dining experience and in this instance we certainly failed to do this. What you experienced is totally unacceptable and we have already taken steps to ensure that this does not happen in our restaurant again.

While I cannot change the past, I would like to invite you back as my personal guest so that we can show you that we really can do a much better job than what you experienced. Please come back to enjoy a complimentary meal for two, all food and beverages included. I have enclosed my signed business card for you to present to your server.

Once again, please accept our sincere apology for this unfortunate incident and thank you for letting us know about it.

Best regards,

[Name of Owner / Manager Name], [Title]

cc: [Owner / Company President / Managing Partner]

Whatever the outcome, be sure to keep their contact information on file and ask them to be in touch should anything else arise.

Don't be afraid to contact your food inspector. They know how to objectively investigate complaints and know what sorts of foods, food handling techniques and cooking/cooling methods result in food that is bad. If your food is not the source of the customer's illness, they are in the best position to communicate this to a customer.

Ensure that everyone on your staff knows that calls to the restaurant about food-related illnesses are to go 'straight to the top' (or whomever you designate) and are not to be handled by just any staff member.

12.7 MANAGING ACCESSIBILITY REGULATIONS AND STANDARDS

Nova Scotia does not yet have an act regarding accessibility; however the Liberal government (elected in 2013) made a promise in the election to pass 'Accessibility Such an act, if it follows others in place in Canada, is likely to introduce customer service standards and training requirements among other things. There are already regulations within the Building Code that govern some of the physical requirements around accessibility. And, some municipalities may have their own regulations, so you should check local rules.

Helpful Tip: Medical Service Dogs

Make sure your staff knows, and it is in your employee manual, that you are required to allow medical service dogs into restaurants. Train your staff to check with the nearby tables to make sure there are no allergies, and change seating arrangements if necessary.

Regardless of the regulations, you should train your staff on providing service to customers with disabilities. The Nova Scotia Tourism Human Resource Council offers a self-directed, 'Customers with Disabilities' online program which can be found through this website:

http://www.tourismhrc.com/index.php?option=com_content&view=article&id=9&Itemid=6

12.8 CONSISTENCY/STANDARDIZATION

Repeat business is one of the most important factors in a successful restaurant and consistency of product and service is often what brings them back.

It would be hard to disagree that McDonald's is perhaps the most successful food service company in history. They have standardized their product and service to the point where you can go into any McDonald's, whether in Yarmouth or London, England, and know before you order exactly what you will receive. You can also be certain the washrooms are clean.

It is well worth your while to read Michael Gerber's *The E-Myth Revisited* early in your career. You'll come to a greater understanding of how important consistency and standardization are.

Your kitchen staff should have clear portioning and plating rules so dishes always look and taste the same. Your customers should know that they will always receive an excellent product and/or service whenever they enter your restaurant. They should also receive the same wine pour every time.

12.9 HELPFUL RESOURCES:

READING LIST

Lessons in Service from Charlie Trotter by Edmund Lawler

http://www.amazon.com/Lessons-Service-Charlie-Trotter-Edmund/dp/1580083153/ref=sr_1_1?s=books&ie=UTF8&qid=1397313926&sr=1-1&keywords=Lessons+in+Service+from+Charlie+Trotter

Ten Lessons The Restaurant Industry Can Learn From Steve Jobs from Quick Service CPA

<http://www.pdco.com/node/88549>

The E-Myth Revisited by Michael Gerber

<http://www.amazon.ca/The-E-Myth-Revisited-Small-Businesses/dp/0887307280>

Tales of Customer Service by Terry O'Reilly broadcast on CBC's Under the Influence

<http://www.cbc.ca/undertheinfluence/season-3/2014/03/28/tales-of-customer-service-2/>

Words of Advice from the Pros

"The consistency of good food and service is of the utmost importance. Remember that often, the first thing to arrive at a table is a drink. Make certain you are as consistent in beverage service as with other service components. The client who is unsure whether their drink will be as good (as strong, as fast, as full, as sweet, as cold, as visually appealing etc.) will be unlikely to order another. Your customer suffers and so does your bottom line."

Tanya King

daMaurizio Fine Dining

Halifax

CHAPTER 13: MARKETING

Marketing gives life to your restaurant. It's everything the customer sees, touches, tastes, hears and smells. And while most restaurateurs know that marketing is important, many don't have a firm grasp on what it is or how to use it effectively.

When people think about marketing, they often think about traditional advertising like radio spots or TV commercials. But traditional media is only one piece of the marketing puzzle. In fact, every “touch point” you have with your guest — from when they first hear about your restaurant to the moment they walk out the door after their first visit — is a marketing opportunity.

Marketing can take many different forms. And the tactics that work well for one restaurant may not be right for another — getting it right often takes a little trial and error. Yet all marketing efforts share one common goal: to *communicate a message that evokes a desired action*.

CHAPTER MODULES

- 13.1 Glossary of Key Terms (page 113)
- 13.2 Brand Positioning (page 115)
- 13.3 Traditional vs New Media (page 116)
- 13.4 Marketing Plan (page 117)
- 13.5 The Opening (page 122)
- 13.6 Digital and On-Line Marketing (page 122)
- 13.7 Handling Criticism (page 126)
- 13.8 Associations (page 127)
- 13.9 Measuring Results (page 128)
- 13.10 Helpful Resources (page 129)

Helpful Tip: Marketing

- Many restaurateurs don't know much about marketing. As such, this is a good area to spend a bit of money and bring in some outside expertise – to help you develop a plan and then manage it. At a minimum, get a professional marketing group to review what you are doing and make suggestions.
- Marketing your restaurant never stops. You must get your brand out there, and keep it top-of-mind and relevant to potential customers to get their business.

Key Takeaways

❖ **Everything is marketing**

Restaurants live and die by word-of-mouth. It's all about the two Rs: *repeats* and *referrals*. If you wow customers with topnotch service, great food and a terrific experience, they will happily sing your praises. But if you consistently fail to deliver, eventually no amount of marketing will save you.

❖ **Brand Positioning Comes First**

Behind every successful restaurant is a solid brand positioning. Knowing 'who' you are, 'what' you do, and 'why' people should care is key to creating an effective marketing plan.

❖ **Know When To Bring in the Pros**

A little DIY is ok, but don't overdo it. Know your strengths; and, when possible, enlist qualified experts for the best results (e.g. Marketing/PR Strategists, Designers, Interiors Decorators, Copywriters, Photographers, etc.)

❖ **It's About the Message. Not the Media.**

It's easy to get overwhelmed by the various media platforms available today. But whether you're "Tweeting," "Blogging" or "Sharing," it's the *content* that counts.

❖ **You Get What You Put In**

Industry experts suggest that the average restaurant should invest 3% of revenues back into marketing. Investing in marketing pays... if you're smart about it.

❖ **Measure Your Impact**

When brainstorming marketing ideas, it's crucial to think about how you'll *measure* your results. If you don't measure it, how will you know if it worked?

13.1 GLOSSARY OF KEY TERMS

TRADITIONAL MEDIA

Traditional media refers to early mass media and often includes: TV, radio, cinema, music, and print (e.g. newspaper, magazines, books, brochures, signage, tent cards, etc.) One of the hallmarks of traditional media is that it is a *one-way communication*, and often doesn't allow for immediate engagement. Traditional media are often very expensive.

NEW MEDIA

Digital communications are known as *new media*. New media includes popular social media platforms like Facebook and Twitter, but also includes lesser-considered channels like e-zines (digital magazines), text messages, blogging, and web advertising. Many restaurants prefer new media marketing because it is often less expensive than traditional advertising. New media is typically a two-sided communication, making it easy to engage followers and measure your impact.

PUBLIC RELATIONS (PUBLICITY, PR)

Public relations (or 'PR') is all about your restaurant's *image*. When it works, PR is basically free advertising, and can generate great word-of-mouth. The goal of PR is to get media exposure, which is especially powerful because it is seen as *unbiased*. Developing a solid PR strategy is essential to the success of any restaurant. Getting involved in your community, particularly if you are in a small community, is a big part of PR.

SOCIAL MEDIA MARKETING

Social media marketing aims to increase awareness and boost sales through the use of social media platforms. The goal is to create/share interesting content that your followers will share with their own social networks. Social media marketing is great for restaurants because it appears as an unbiased endorsement coming from a trusted third-party source, as opposed to a paid advertisement from the business itself.

GUERRILLA MARKETING

The goal of *guerrilla marketing* is to generate buzz using clever, unexpected tactics. Guerrilla marketing is seen as a cost-effective alternative to traditional advertising—which is great for cash-strapped restaurants. Typically, guerrilla marketing campaigns are unexpected and unconventional, and often interactive.

EXPERIENTIAL MARKETING

Every time a guest interacts with your brand, it's a marketing opportunity. *Experiential marketing* takes the concept of customer service one step further, looking to build deliberate marketing messages into commonly mundane experiences. From a unique greeting to a chalk wall in a bathroom stall, there are lots of ways operators can use experiential tactics to promote their brand.

PROMOTIONS

Promotions can take many shapes and sizes. From specialty pricing like 'Happy Hour' menus or lunch specials to incentives like coupons or online contests, strategic promotions are a great way for restaurateurs to get people in seats.

Helpful Links

About.Com: Marketing Terms & Definitions

<http://marketing.about.com/od/marketingglossary/a/marketingterms.htm>

13.2 BRAND POSITIONING

Brand is that remarkable, almost indefinable element that makes good restaurants great. It makes the champagne bubblier, the meat smokier and the laughter louder. It is your product and how your customers experience it.

“If you’re planning to open a restaurant, developing your Brand Positioning Strategy should be one of your first steps. It’s much easier to build a strong brand from day one than to reposition your brand when times get tough.” – Katelyn Bourgojn, RedRiot Branding

WHAT IS A BRAND?

Your brand is more than just a logo or the sign hanging outside your door. It’s your restaurant’s promise to customers, employees and the community. In short, it’s everything.

POSITIONING YOUR BRAND

People often get a brand positioning statement confused with a tagline or slogan. But once you know the difference, it becomes pretty clear. Quite simply, *positioning* is the place you hold in the public’s mind relative to the competition (i.e. the *healthier* choice, the *fast* option, the *locally focused* choice, etc.). It’s about the *unique benefit* your business delivers that sets you apart.

Taking an active, strategic role in positioning your brand is an ongoing effort for both new and experienced operators.

Questions to Ask When Positioning Your Brand:

- Who are our target customers?
- What do they look like? (i.e., demographics, interests/habits, psychographics, etc.)
- What differentiates my restaurant from the competition?
- Why would a customer choose our restaurant over another option?
- If the restaurant was a person, what adjectives would I use to describe it? (e.g. friendly, relaxed, sexy, high energy, elegant, simple, boisterous, hip, etc.)
- At our core, what does our restaurant stand for?

Example Positioning Statements

7up: the ‘Uncola’

Chipotle: Food with Integrity

Starbucks: Everyday Indulgence

HELPFUL LINKS

“Start With Why” TedTalk by Simon Senik

<https://www.youtube.com/watch?v=sioZd3AxmNE>

“How To Get Your Ideas to Spread” TedTalk by Seth Godin

<https://www.youtube.com/watch?v=xBIVIM435Zg>

13.3 TRADITIONAL VS NEW MEDIA

Many restaurateurs have embraced new media as a key part of their marketing strategy. And while new media can be great for restaurants because it encourages engagement and digital word-of-mouth, traditional media has its merits too.

As you can see on Table 9, there are many platforms to consider when developing your marketing plan. And choosing the right tools can be overwhelming. To simplify the process, ask yourself the following questions:

- Who are my target customers?
- What influences their buying decisions?
- Where do they generally look for information? (i.e., Do they love reading the morning paper or do they get most of their news from online sources? Are they die-hard foodies that spend their evenings reading Yelp reviews and attending culinary events? Or are they busy families who are always on the go — passing lots of billboards along the way?)
- What media platforms are they most active on?
- What are their interests and what kind of messaging will engage them?

New Media	Traditional Media
<ul style="list-style-type: none">• Websites• Social Networks (i.e. Facebook, Instagram, Twitter, Pinterest, Yelp, Google+, LinkedIn, etc.)• Blogging• Web Radio (“podcasts”)• Email Advertising• Web Advertising• Satellite Radio• Text Messaging• Video (“vlogging”)• e-Classifieds (i.e. www.kijiji.ca, Craigslist, etc.)• e-Zines (i.e. digital magazines)	<ul style="list-style-type: none">• TV• Radio• Newspapers• Direct Mail• Signage (e.g. billboards, posters, decals, etc.)• Yellow Pages• Telemarketing• Product Placement• In-store Promotion• Promotional Literature (e.g., brochures, newsletters, tourism guides, etc.)

New Media vs. Old Media

Trying to decide what form of media is right for promoting your restaurant? Answering the above questions will help, but there is more to consider...

Table 10 provides a side-by-side comparison of new media vs old media.

Table 10 Comparison of New Media and Traditional Media		
	New Media	Traditional Media
Format	“Pull” Format: viewers/listeners can choose to interact or share	“Push” Format: messaging is <i>pushed</i> out to viewers/listeners
Time Required	Often requires considerable time and ongoing management to be effective — without putting the time in, you won’t see the results	Paid advertising is typically easier to execute, but requires ample strategy to be effective
Reach	Varies: Reach depends on the quality of the campaign/content	Controlled circulation: effectiveness depends on quality of campaign/content
Targeting	Can typically be hyper-targeted	Often more difficult to target
Cost Of Use	Less expensive than many traditional media tactics, but typically requires more time	Commonly more expensive than new media
Measurement	Easy to measure impact and reach	More difficult to measure impact and reach
Communication Style	Interactive, two-way communication	Unidirectional, one-way communication
Longevity	Usually disseminates rapidly	Typically more permanent or tangible
Driving Factor	Creating relationships over time to drive sales	Getting guaranteed exposure to drive sales
Flexibility	Flexible format, easy to change	Fixed format

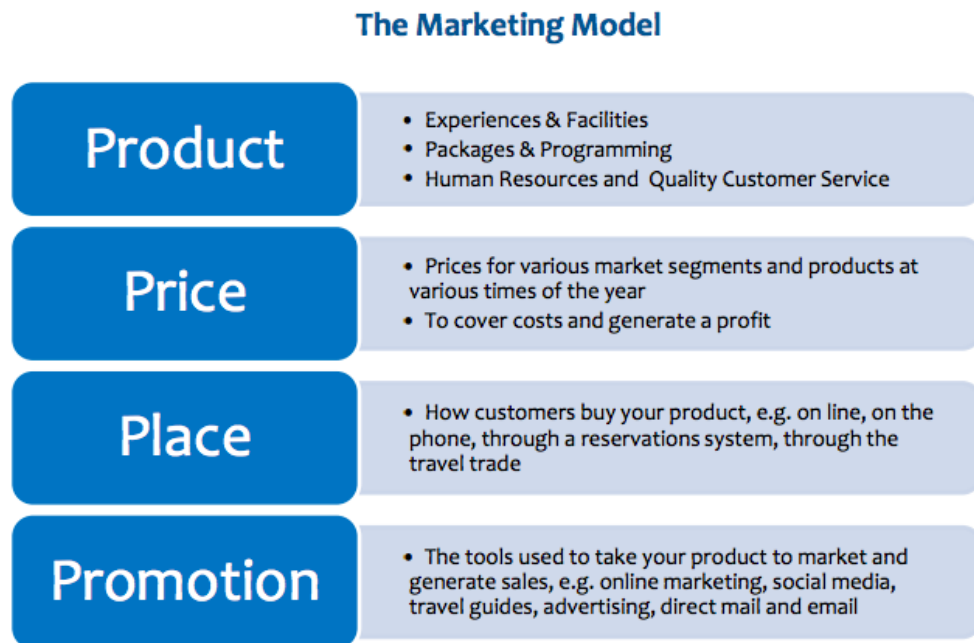
13.4 MARKETING PLAN

When starting your business, a marketing plan is crucial to the planning process — without marketing, you will have no customers.

But when budgets are tight, marketing can sometimes get neglected in favour of other purchases. It’s important that both new and existing operators prioritize their marketing efforts; and developing a good marketing plan is an essential first step.

The marketing plan is usually prepared in conjunction with your initial financial planning and budgeting, however it should be updated regularly as your business grows and your customer base evolves.

As illustrated in the graphic below, marketing incorporates most aspects of your business.



DEVELOPING A MARKETING PLAN

Your marketing plan should contain several sections, as described below:

BUSINESS ASSESSMENT

This is an assessment of your situation and should include many of the same elements as your business plan:

- A summary of market research and analysis
- An analysis of the competition
- An assessment of market trends
- A description of your geographical location and physical site
- A description of your target markets
- An overall marketing budget

MARKETING OBJECTIVES

With the assessment completed, develop a clear set of objectives including the following:

- Sales volume (number of customers, average checks, etc.)
- Brand awareness / positioning (see above)
- Total revenues
- Profit

MARKETING STRATEGY

This is your overall approach to achieving your marketing objectives. It should outline in detail who you will target and how you will reach them. It should include:

- Positioning Statement (what is your concept? who is it for? how is it different?)
- Description of your target market segments (basic demographics such as age, gender, income level)
- List of tactics that will be used to reach each market segment (i.e. e-newsletters, coupons, give-away contests, etc.)
- Description of execution of each tactic (who is responsible? how will they do it?)
- Timeline (when will each tactic be executed?)

When developing your marketing strategy, here are some channels of communication to consider:

- Website
- Social media channels (Facebook, Twitter, Foursquare, Yelp, Instagram, etc.)
- Email campaign
- Print advertising (newspapers, magazines)
- Radio/Television advertising
- Outdoor signage
- Flyers/Direct mail campaigns
- Guides & directories (travel, food, business)
- Promotional material (rack cards, brochures, tent cards, swag)
- Events
- Guerrilla marketing

MARKETING BUDGET

Take the time to research the approximate cost of each tactic and to source companies that provide the services required (i.e. such as copywriting, design, printing, advertising, etc.) Things to consider when creating your marketing budget:

- Strategy development (hiring a marketing/PR agency)
- Copywriting
- Photography
- Graphic design
- Web design
- Traditional printing (brochures, tent cards, etc.)
- Other printing (signage, t-shirts, etc.)
- Traditional advertising (newspapers, magazines, radio, TV)
- Distribution costs (postage, delivery, etc.)

ONE PAGE MARKETING PLAN

If you're like many restaurant operators, the thought of developing an in-depth marketing plan is a little frightening. The key is not to overcomplicate it. Your plan can range from very comprehensive to a quick one page strategy, like the sample in Table 11.

What's most important is that you think strategically and develop tactics and campaigns that are easy to execute and easy to measure.

Table 11 One Page Marketing Plan Example	
Category	Strategy
My reason for existence:	To provide pet owners within the city of Springfield a safe and fun place for their pets.
What sets my business apart from the rest:	An indoor pet park and play-land
My ideal customer is:	<ol style="list-style-type: none"> 1. Springfield professionals working in the 10 mile radius 2. 3.
What's most important to my ideal customer when they are buying what I'm selling:	<ol style="list-style-type: none"> 1. That their pets are safe 2. Pets can have fun in any weather 3. Exercise
What I want to accomplish this year:	<ul style="list-style-type: none"> • Lease a building • Recruit customers
The top 3 things that are going to get me there:	<ol style="list-style-type: none"> 1. Direct mail in nearby developments 2. Drop-offs in office parks 3. Open house events
How much will each program contribute to my revenue/profitability:	<ol style="list-style-type: none"> 1. Mail – 60% 2. Drop offs – 15% 3. Open House – 25%
What will trigger my ideal customer to think of me:	<ul style="list-style-type: none"> • Being stuck at work and pet needs to be let out • •
Programs I am running to reach my goal	<ol style="list-style-type: none"> 1. Radio advertising 2. 3.
How much money will I need to get it done?	<ol style="list-style-type: none"> 1. \$50,000 2.

NINE MARKETING TIPS FOR RESTAURANTS

Now that you have your marketing plan, there are a few things to keep in mind when executing it. Here is a brief overview of good marketing practices, many of which are described in more detail later in this section.

1. STAY CURRENT

Keep informed about new trends or useful tools that can help you enhance your restaurant's marketing plan. Reassess your marketing strategy on a regular basis to determine if you need to change directions.

2. LEARN ABOUT SEO/SEM

More than 70% of all web searches are for local businesses. Help prospective new customers

find you online by learning more about Search Engine Optimization (SEO) and Search Engine Marketing (SEM).

3. PUT YOUR WEBSITE TO WORK FOR YOU

Your website can be a powerful tool when used effectively. Great websites are easy to find (SEO), easy to use (*functionality*), and encourage strategic engagement (*conversions*).

4. ENGAGE FOOD BLOGGERS

Many local food bloggers are happy to review restaurants in return for a free meal. The outside link will help with rankings, and the review (if it's a positive one) will help your reputation.

5. GROW YOUR EMAIL LIST

When done well, email marketing is super powerful. But remember the golden rule of content marketing: *Less Sell. More Tell.* Start growing your email list by promoting signups through social media, on your website, and inside your restaurant, keeping in mind federal privacy and anti-spam legislation. For more information visit: <http://fightspam.gc.ca>

6. LEVERAGE SOCIAL MEDIA

Social media allows you to connect with your customers 365 days a year, promote your brand, and encourage customers to share their stories. That's priceless.

7. GIVE PEOPLE A REASON TO PAY ATTENTION

Promotions and incentives will encourage people to follow you on social media channels and visit your restaurant.

8. RUN CONTESTS

This is a great way to reward loyal customers, grow your online following base, and bring in new customers.

9. BUILD LOYALTY

Develop a loyalty program that supports your broader business goals (i.e. Growing liquor sales, boosting lunch business, selling more high profit items, encouraging repeats, etc.) Promote your loyalty program offline and online.

HELPFUL LINKS

A One Page Marketing Plan Anyone Can Use by Small Business Trends

<http://smallbiztrends.com/2008/06/one-page-marketing-plan.html>

Restaurant Marketing: Be The "Only" by Aaron Allen

<http://aaronallen.com/blog/restaurant-marketing/be-the-only/>

5 SEO Tips for Restaurants by Restaurant Engine

<http://restaurantengine.com/restaurant-seo-tips/>

13.5 THE OPENING

As the old expression goes, “you don’t get a second chance in the restaurant business.” Think carefully about how you are going to ‘open’ your restaurant. And when.

Many new restaurant owners are so excited to launch that they overlook key elements — resulting in lacklustre experiences for early guests. The following tips will help ensure your opening is a success.

4 OPENING TIPS

1. BE VERY CAUTIOUS ABOUT ADVERTISING YOUR ‘OPENING DAY’

There are so many factors out of your control that can delay a planned opening. It’s better to err on the side of caution than generate a lot of buzz around your launch and then not deliver.

2. HOST A DRY-RUN FOR YOUR FRIENDS AND FAMILY

A dry-run gives your team a chance to learn the dance steps without tripping — and your loved ones will be much more forgiving than the average guest.

3. OPT FOR A SOFT-LAUNCH FIRST

Every seasoned operator knows that the first few weeks after launching a new restaurant can be hectic. Your team is still learning the ropes and mistakes are quite common. A “soft-launch” means that the restaurant is open for business, but isn’t actively advertising it. Once you’ve worked out the kinks, it’s time to jumpstart your marketing efforts.

4. HOST A PRESS PARTY

Hosting a press party gives journalists and online influencers a chance to try your restaurant first-hand. Press parties are geared toward local and regional media, and are effective publicity tools when done right.

Helpful Tips: Opening Your Restaurant

Seasoned restaurateurs recommend:

- Expect to open 2- 3 months later than you originally planned.
- DO NOT advertise your opening day. The last thing your new staff needs is crowds of people on the first day!
- Have a 1 – 2 month ‘soft’ opening period with limited advertising.

13.6 DIGITAL & ONLINE MARKETING

The digital age has dramatically changed how many small businesses approach marketing — and restaurants are no exception.

Anyone and everyone today can have a website and connect with the world. The Internet has empowered consumers to a degree never seen before. The consumer is shaping, even *controlling*, the marketplace.

Selling has given way to helping people buy. Marketing has shifted to a role of responding to customers' expectations more than ever before. Social networks are becoming a vital marketing tool, an entirely different medium connecting businesses with customers.

In this environment, it's important to remember the following in regards to your promotional activities:

- Resist the temptation to 'sell' your business. Instead, *seduce* consumers into considering buying it.
- Helping consumers buy is more effective than pushing your agenda.
- Promote the *experience* (the benefits to the customer), not just the facilities and services.
- Focus on wants, not needs.
- Service the top 20% of your available markets — your most responsive and loyal customers — they give you 80% of your net return.
- Manage all points of contact with these best customers.
- Stress value, not price.
- Use social networks to reinforce your credibility and get your message out.



<http://www.modernearth.net/Blog/Uploads/Post/goals-not-tools.png>

YOUR WEBSITE

Your website can be a powerful tool when used properly. A well-engineered restaurant website should:

- Stay true to your brand — both in design and writing style
- Be “Mobile-friendly” or “Responsive” (i.e. automatically responds to provide optimal viewing experience on any device — cellphones, tablet, desktops, etc.)
- Prominently highlight key contact information and hours of operation on every page (i.e. phone number, address, directions, link to Google Maps, etc.)
- Include an up-to-date menu that is easy to read on any device
- Encourage engagement (i.e. collect customer feedback, promote e-news signups or social media engagement, etc.)
- Be optimized for search engines (SEO); meaning it ranks high in search engine results. Blogging is a great way to connect with your customers and improve your search ranking.

A good website will cost you \$5,000 - \$7,000, and up to \$15,000 or more. Look at websites for other restaurants so you have some idea of what you want before you start working with a designer. Make sure you keep your own website up-to-date and also the information in your listings on other websites. To be able to do this, make sure to keep records of the websites on which your restaurant information is listed.

SOCIAL MEDIA

With its low cost and high engagement rates, social media can be a valuable tool for restaurants. But before you jump in feet first, it's important to do your research and develop a strategy.

Social media is a broad topic. And best practices are constantly changing as technology evolves. Be sure to review the helpful links at the end of this module. The Taste of Nova Scotia document is especially helpful since it's restaurant focused. Below are some useful tips to get you started.

5 TIPS FOR SOCIAL MEDIA

1. Think people. Not platforms.

There are A LOT of social media platforms and each one has a slightly different audience. Don't worry about learning them all. Just think about who your ideal customers are and then choose the right platforms to engage them.

2. It can be time consuming.

Social media is about building relationships. And that takes time. Don't expect overnight success; but, if you put the time in and plan for success, the investment will pay off.

3. Content is king.

To earn a loyal following, you must create and share great content — content that will engage your ideal customers. You don't necessarily have to be original. You just need to deliver *value*.

4. Engage more than you sell.

Social media can be an awesome promotional tool, but if you only use it to sell stuff, you're missing the point. Engage always. Sell sometimes.

5. Keep it consistent.

Your social media presence should be consistent with your restaurant's overall brand positioning — both in design, writing style and personality.

Helpful Tips: Social Media & Your Restaurant

- Regularly review postings about your restaurant on social media sites such as Instagram, Yelp, Trip Advisor, Urbanspoon, Google, etc. (A Google Alert with your restaurant's name can help).
- Listen to what people are saying; respond if appropriate and address issues as required. See the discussion later in this chapter (13.7).



<http://www.ctmmediagroup.com/sites/default/files/u42/social-media-donuts.jpg>

Building a strong social media presence takes dedication and patience. It won't happen overnight, but if you put the time in and develop a plan, social media can be an immensely powerful marketing platform.

For information on specific platforms, check out the resources below:

- Mashable's Social Media Blog <http://mashable.com/category/social-media/>
- Yelp Support Centre <https://biz.yelp.ca/support>
- How To Use Twitter (via Wiki) <http://www.wikihow.com/Use-Twitter>
- How To Use Facebook for Business (via Facebook) <https://www.facebook.com/business/overview>
- How To Use Pinterest (via Wiki) <http://www.wikihow.com/Use-Pinterest>
- How To Use Instagram (via Wiki) <http://www.wikihow.com/Use-Instagram>
- HubSpot's Marketing Blog <http://blog.hubspot.com/marketing>

ONLINE ADVERTISING

Like traditional advertising, web-based advertising can be an effective way to connect with prospective customers. Online ads can be hyper-targeted (directed at specific groups based on your chosen pre-sets) and are easy to measure, making them a popular choice for many businesses.

POPULAR ONLINE ADVERTISING PLATFORMS

- Web-based Publications (i.e. local newspapers, magazines, etc.)
- Google Adwords <http://www.google.ca/intl/en/adwords/>
- Facebook Ads and Promoted Posts <http://mashable.com/2013/07/08/facebook-promoted-posts-business/>
- Twitter Promoted Tweets <https://support.twitter.com/articles/142101-what-are-promoted-tweets>

Like any form of paid advertising, online ads can be pricey. Do your research before committing to an online advertising campaign. Facebook and Twitter offer inexpensive advertising options to let you test the waters.

HELPFUL LINKS

10 Ways Restaurants Can Use Social Media to Grow by Mike Gingerich

<https://mikegingerich.com/10-ways-restaurants-can-use-social-media-to-grow/>

Facebook for Your Restaurant by Aaron Allen

<http://aaronallen.com/blog/facebook-restaurant/>

Social Media Marketing for Restaurants: 21 Tips by Wishpond

<http://blog.wishpond.com/post/57638303180/social-media-marketing-for-restaurants-21-tips>

Google AdWord Tips for a Small Budget by Vertical Response

<http://www.verticalresponse.com/blog/5-google-adwords-tips-for-a-small-budget/>

A Guide To Marketing Your Nova Scotia Tourism Business (Chapter 4) from Tourism Nova Scotia

<http://tourismns.ca/business-development-guides>

13.7 HANDLING ONLINE CRITICISM

Sometimes unhappy diners will complain in person, giving staff the opportunity to remedy the situation on the spot [see section 12.5]. But today, many will submit complaints via social media instead. Negative social media comments can hurt your restaurant's reputation, so it's important to have a strategy for damage control.

Negative comments won't go away on their own, but if you handle the situation with professionalism and grace, other customers will take notice — and the reviewer may even feel obliged to remove their comments.

Below are some helpful tips and rules for handling negative social media comments.

HOW TO HANDLE ONLINE CRITICISM

STEP 1: MAKE IT EASY TO CONNECT DIRECTLY

Some patrons complain through social media because they can't find a restaurant's contact information to complain directly. To avoid this, ensure your website, Facebook page, and other social media platforms have up-to-date, easy to find contact information.

STEP 2: SET UP GOOGLE ALERT NOTIFICATIONS

Monitoring every social media platform is time consuming (e.g. Facebook, Twitter, Yelp, UrbanSpoon, etc.), and most restaurants can't afford a full-time online community manager. Setting up a Google Alert with your restaurant's name will ensure you're notified when new reviews are posted.

STEP 3: READ THE REVIEW CAREFULLY

One advantage to receiving criticism online as opposed to in person is that you have time to read each comment thoroughly. Once you have done this, highlight the customer's complaints, and consider how you'll mitigate the issue in the future. In your response, detail the measures you'll take to improve.

STEP 4: PRIVATE VS. PUBLIC APOLOGY

On many platforms, you can choose whether to respond privately or publicly. It's usually best to apologize in public, offering compensation if needed. If you want more details on the complaint, request to continue the conversation in private (either by phone or email).

STEP 5: BE POLITE AND ACCEPT RESPONSIBILITY

Some reviewers can be downright harsh. Though your first instinct may be to go on the defensive, try to stay calm. Customers expect a thoughtful apology, and it will look bad if you refuse to accept the blame. Remember that for every one reviewer there may be 20 more readers.

STEP 6: RESPOND QUICKLY

Reacting quickly proves that you're listening and that you take customer complaints seriously.

13.8 ASSOCIATIONS

There are many associations in Nova Scotia that might be useful for networking, information and educational and training resources as well as marketing.

Restaurant Association of Nova Scotia (RANS)

<http://www.rans.ca>

The largest restaurant association in Nova Scotia supporting food service businesses. RANS provides members with cost-saving programs such as preferred rates on credit card fees, business & personal insurance, group benefit plans, discounts for employees, etched glassware, equipment financing, and design services. Other support includes educational materials, start-up support, a free listing in our restaurant guide book, a free posting on our eDining.ca website, and free access to Savour food & wine Show.

The association exists to assist and help individual operators succeed and create a better legislative working environment for the food service sector.

Taste of Nova Scotia www.tasteofnovascotia.com

Connects restaurateurs, chefs, food producers, processors and consumers throughout Nova Scotia, provides promotional opportunities online and in printed publications, and offers to members a public relations and media relations program.

Chambers of Commerce/Business/Tourism Associations

Many communities have chambers of commerce or other business associations that offers cost-saving programs, networking opportunities, promotion in their publications, weekly e-newsletters, online business directory, etc. Many communities also have local tourism associations or municipal tourism departments that do marketing.

Risks to Ignoring Criticism

The comment will be viewed as accurate by others
Social media reviews can have great influence. And not responding to negative reviews could imply that the comments are accurate and nothing is being done to remedy the situation.

It's a missed opportunity

Good or bad, social media comments are *genuine customer feedback*. Negative reviews can point to operational/staffing issues that require your attention. Think of negative feedback as an opportunity for improvement.

It makes you look unprofessional

Ignoring negative comments makes you look unprofessional and unconcerned with customer satisfaction.

Regional Tourism Industry Associations

Nova Scotia's regional tourism industry associations (<http://tourismns.ca/regional-tourism-industry-associations>) market their area to tourists, both domestic and outside the province. They have websites and printed guides.

Tourism industry Association of Nova Scotia (www.tians.org)

Provides members with advocacy and industry support, as well as expert advice through the Tourism 1 To 1 Mentorship Program (<http://www.tourismmentoring1to1.ca/>).

13.9 MEASURING RESULTS

As the old saying goes: “if you can’t measure it, you can’t fix it.”

“However beautiful the strategy, you should occasionally look at the results.” – Winston Churchill

Before you begin investing time, money, and effort into marketing, it is important to have a strategy for tracking success. Without measuring your results, you could be throwing money out the window.

Each marketing tactic you consider should be *measurable*. And with today's technology, it's easier than ever to collect and analyze key metrics about your business.

Here are some questions to ask yourself in order to gauge the effectiveness of your marketing efforts:

- How did new customers hear about you? (i.e. If tourists are flocking to your restaurant because they read about it on Yelp, you'll want to encourage more customers to write Yelp reviews. If your awesome lunch specials have people talking, you should mention them more on social media and could invest in extra street signage.)
- How effective is each marketing tactic? (i.e. How many coupons were redeemed? How many people came in for Wing Night because they saw it on Facebook? How many walk-ins came in because of your funny sandwich board message versus last week when you just wrote the specials? etc.)
- What are your social media engagement scores?
- Based on your comment cards and online surveys, how satisfied are your customers?
- What percentage of your business is new versus repeat?
- How often do existing customers return?
- What are your busiest days of the week? Busiest months of the year?
- When analyzing your results, the most important thing to consider is customer satisfaction. No matter how many people you draw in or how high your sales are following a marketing campaign, you won't earn repeat business if customers aren't satisfied.

Besides using in-house comment cards to gather feedback from customers, there are a number of helpful tools available for tracking and responding to questions and complaints. Equally as useful are the built-in analytic tools in each of these resources, which will provide you with insight into trends and patterns in customer experience.

HELPFUL TOOLS FOR MEASURING RESULTS:

HootSuite www.hootsuite.com

Monitors social media channels by providing analytic reports of reach and engagement.

ChattBack www.chattback.com

Allows you to view and reply to all customer messages and provides analytic reports of trends in your service.

Survey Monkey www.surveymonkey.com

Allows you to create surveys or use existing survey templates to gather customer feedback. Also provides data analysis tools to gain insight into customer trends.

Yelp www.yelp.ca

Allows you to create a profile with a description and photos of your business, track the performance of your page, and communicate with customers but publicly and privately to answer questions and address complaints.

Foursquare www.foursquare.com

Foursquare is a fantastic way to snag people who are looking for someplace new in a specific area. It keeps track of where users are located and then sends them suggestions for where to eat in the area.

13.10 HELPFUL RESOURCES

READING LIST:

Restaurant Marketing for Owners and Managers, Patti J. Shock, John T. Bowen and John M. Stefanelli
<http://www.amazon.com/Restaurant-Marketing-Owners-Managers-Patti/dp/0471226270>

Purple Cow: Transform Your Business By Being Remarkable, Seth Godin <http://www.amazon.ca/Purple-Cow-Transform-Business-Remarkable/dp/1596597585>

ASSOCIATIONS:

Restaurant Association of Nova Scotia (RANS): www.rans.ca

Taste of Nova Scotia: www.tasteofnovascotia.com

Tourism Industry Association of Nova Scotia: www.tians.org

Regional Tourism Industry Associations: (<http://tourismns.ca/regional-tourism-industry-associations>
Chambers of Commerce: <http://business.apcc.ca/groups/grouproster/ns-chambers-of-commerce-18>

WEBSITES:

Aaron Allen & Associates (Blog): <http://aaronallen.com/blog>

HubSpot Marketing Library <http://www.hubspot.com/free-marketing-resources>

Government of Canada: Anti-Spam Legislation <http://fightspam.gc.ca/eic/site/030.nsf/eng/home>

APPENDIX I: SOME ADDITIONAL RESTAURANT INDUSTRY OPERATING DATA

PART1: NOVA SCOTIA RESTAURANT OPERATING NORMS

**PART 2: STATISTICS FROM A US SURVEY OF RESTAURANTS – START-UP COSTS, SALES AND
SPACE REQUIREMENTS**

APPENDIX I: SOME ADDITIONAL RESTAURANT INDUSTRY OPERATING DATA

PART 1: NOVA SCOTIA STATISTICS:

The statistics presented here are averages for Nova Scotia as a whole; they are from Statistics Canada sources. Note that totals may not add due to rounding.

1. Restaurant Operating Norms by Number of Seats

Revenue Mix by Number of Seats						
Type of Revenue	25 seats or less	25-50 seats	50-100 seats	100-200 seats	200 or more	National
Food	95.5%	93.2%	82.04%	71.6%	81.8%	86.5%
Beverage	2.1%	5.0%	15.49%	23.2%	14.2%	10.5%
Other revenue	3.2%	1.7%	2.48%	5.2%	3.9%	3.0%

Cost of Sales and Other Ratios by Size						
Type	25 seats or less	25-50 seats	50-100 seats	100-200 seats	200 or more	National
Food (cost of sales)	29.0%	32.2%	38.7%	30.2%	36.5%	34.0%
Beverage (cost of sales)	23.0%	34.7%	23.5%	25.3%	31.6%	27.1%
Other (cost of sales)	40.0%	14.2%	25.2%	1.1%	27.1%	24.3%
Costs/Sales	29.5%	32.0%	36.0%	28.6%	35.4%	33.0%
Gross Margin	71.3%	68.0%	64.0%	71.4%	64.6%	67.0%

Operating Costs and Operating Profit by Number of Seats						
Type	25 seats or less	25-50 seats	50-100 seats	100-200 seats	200 or more	National
Salary/Wages	28.1%	29.0%	29.3%	30.6%	29.7%	29.6%
Occupancy	8.3%	10.9%	9.3%	9.5%	7.0%	9.2%
Operating	4.5%	3.1%	4.3%	4.3%	3.1%	3.6%
Paper	4.0%	2.8%	3.5%	2.1%	2.9%	2.9%
Utilities	3.3%	3.5%	4.3%	3.8%	2.6%	3.5%
General/Admin	4.7%	1.3%	3.1%	3.7%	3.2%	2.8%
Marketing	3.5%	4.1%	3.6%	4.2%	2.9%	3.4%
Entertain.	0.2%	1.4%	2.5%	1.2%	0.8%	1.4%
Total expenses	56.6%	56.0%	60.0%	59.4%	52.2%	56.4%
Operating Profit (Gross Margin minus Total Expenses)	14.8%	12.0%	4.0%	12.0%	12.4%	10.5%

2. Restaurant Operating Norms by rural, suburban and urban Locations

Revenue Mix by Location				
Type	Rural	Suburban	Urban	National
Food	82.0%	89.1%	82.2%	86.5%
Beverage	13.2%	8.4%	14.5%	10.5%
Other revenue	4.8%	1.6%	3.3%	3.0%

Cost of Sales and Other Ratios by Location				
Type	Rural	Suburban	Urban	National
Food	31.2%	34.3%	34.0%	34.0%
Beverage	29.1%	27.0%	29.1%	27.1%
Other	13.2%	22.1%	28.2%	24.3%
Costs/Sales	30.1%	33.5%	33.1%	33.0%
Gross Margin	69.9%	66.6%	66.9%	67.0%

Operating Costs and Operating Profit by Number of Seats

Type	Rural	Suburban	Urban	National
Salary/Wages/ Benefits	29.3%	28.3%	30.8%	29.6%
Occupancy	10.1%	9.0%	12.4%	9.2%
Operating	3.1%	3.4%	4.1%	3.6%
Paper	4.0%	3.0%	2.2%	2.9%
Utilities	4.2%	3.4%	2.7%	2.8%
General/Admin	2.0%	3.4%	2.7%	2.8%
Marketing	4.2%	3.1%	3.9%	3.4%
Entertain.	2.7%	0.2%	2.6%	1.4%
Total expenses	59.7%	53.9%	63.1%	56.4%
Operating Profit	10.2%	12.7%	3.8%	10.6%
Royalty Expenses	2.2%	4.5%	2.1%	5.3%

PART 2: STATISTICS FROM A 'COSTS TO OPEN A RESTAURANT' SURVEY OF RESTAURANTS – START-UP COSTS, SALES/INVESTMENT RESULTS AND SPACE REQUIREMENTS

The data in the table on the next page is reproduced with permission from RestaurantOwner.com.

“Our members are always asking, “How much does it cost to open a restaurant?”

*As part of our ongoing effort to answer this question, we responded by asking each of our members to share their unique experiences with regard to their startup costs. We received more than 700 responses from a variety of restaurants. Of course no two restaurants are the same, and **the cost per square foot to open a restaurant varies greatly depending upon a litany of factors** such as service style, decor, size, and location. Nevertheless, we were able to uncover a number of **statistics that can be useful when planning your startup**”*

Source: www.RestaurantOwner.com

For more information visit www.RestaurantOwner.com

Important Note: This data is based on a survey of US restaurants in 2012. It is provided for information only and should not be used as data for Nova Scotia restaurants. All types of restaurants are included. Costs may include do-it-yourself projects as well as those constructed by contractors.

Survey Results: How Much does it Cost to Open a Restaurant					
	Lower Quartile	Median	Upper Quartile	Average	# of Responses
Sales-Investment Results					
Annual Sales	\$425,000	\$950,000	\$1,375,000	\$1,172,629	680
Sales per Sq. Ft.	\$170	\$286	\$433	\$355	679
Sales per Seat	\$5,278	\$9,106	\$13,750	\$10,534	673
Annual Profit - \$	\$12,813	\$52,000	\$130,000	\$91,102	665
Profit %	2.5%	8.0%	12.0%	6.5%	665
Sales to Investment Ratio (no land purchase)	1.7 to 1	2.9 to 1	5.0 to 1	2.3 to 1	489
Sales to Investment Ratio (with land purchase)	1.1 to 1	1.8 to 1	3.6 to 1	1.7 to 1	138
Annual Return on Investment (ROI)	4.5%	17.6%	40.0%	33.5%	611
# of Months it took to become profitable	1	6	24	18	440
Cost Estimates					
Total Start-up costs (no land purchase)	\$125,000	\$275,000	\$550,000	\$494,888	489
Total Start-up costs (with land purchase)	\$175,000	\$425,000	\$925,000	\$735,326	138
Start-up cost per sq.ft. (no land purchase)	\$45	\$95	\$173	\$159	488
Start-up cost per sq.ft. (with land purchase)	\$64	\$131	\$234	\$178	138
Start-up cost per seat (no land purchase)	\$1,418	\$3,046	\$5,571	\$4,244	482
Start-up cost per seat (with land purchase)	\$1,808	\$3,734	\$7,315	\$5,452	138
Cost overrun compared to budget	0%	15%	45%	33%	626
Construction Cost - \$	\$49,500	\$140,000	\$350,750	\$279,807	547
Construction cost- % of overall Start-up Costs	29%	47%	64%	47%	547
Construction Cost per sq.ft.	\$19	\$50	\$91	\$72	532
Construction cost per seat	\$500	\$1,452	\$2,943	\$2,126	539
Kitchen & bar equipment costs	\$30,000	\$75,000	\$150,000	\$115,655	569
Kitchen & bar cost per sq.ft.	\$43	\$88	\$150	\$136	564
Land & Building Cost	\$25,000	\$125,000	\$400,000	\$406,657	138
Space Requirements					
Total sq.ft.	2000	3200	5000	3945	723
Kitchen sq.ft.	500	900	1375	1051	722
Kitchen % of overall sq.ft.	20%	28%	38%	29%	721
Total # of Seats	62	100	170	140	716
Sq.ft. per Seat	26	31	39	34	414