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# TIPS FOR OPENING & RUNNING A RESTAURANT IN **NEW YORK CITY**



The Ultimate Entrepreneurship

**Presented by  
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# FACTS About the Restaurant Business in the United States

- The Restaurant Industry employs an estimated 12 million people, making it the nation's largest employer outside of government.
- Restaurant Industry sales were 4.4% of the U.S. domestic gross product in 2004.
- The Restaurant Industry provides work for 9% of those employed in the United States.
- With direct sales of \$440 billion (\$440,000,000,000), the overall economic impact of the Restaurant Industry exceeded \$1.2 trillion (\$1,200,000,000,000,000) in 2004, including sales in related industries such as agriculture, transportation and manufacturing.

# **FACTS About the Restaurant Business in New York City**

- **There are 24,600 Restaurants and Foodservice establishments in New York City.**
- **There are only seven states\* that have more Restaurants than New York City.**
- **Their gross annual sales exceed \$12 billion (\$12,000,000,000).**
- **The New York City Restaurant Industry employs 225,000 people, making it the largest employer here, too.**

*\* California, Texas, New York, Florida, Illinois, Pennsylvania, and Ohio*

## **The Restaurant Business is a GREAT Business: It's the Ultimate Entrepreneurship!**

**The restaurant industry presents and opportunity where you can start as a dishwasher and dream of owning your own restaurant... and actually realize that dream!**

**It's being done every day in New York City!**

**But it takes dedication and a willingness to work long and hard to accomplish your dream.**

***(and to do it RIGHT.)***

# However, It's a Risky Business !!!

**70% of all restaurants that open either close or change hands within the first FIVE YEARS.**

**The 3 Major Reasons Why?**

- **Poor Location**
- **Insufficient Capital**
- **Lack of Industry Experience**

# How Can I Avoid....

## Poor Selection of Location

- Obtain a **HISTORY** of what else has been in the location. (A succession of previous restaurants that failed would suggest that it's a bad location!)
- Make sure your **CONCEPT** fits the space and the neighborhood.
- Obtain and study the **DEMOGRAPHICS**:  
Population, foot traffic, accessibility, visibility, competition

# How Can I Avoid....

## Insufficient Capital

- Even after all your construction and pre-opening costs are covered, you need to have enough **WORKING CAPITAL** to sustain your operation through several months (or more) of slow times or unforeseen circumstances beyond your control.
- You need to pay promptly to receive the best prices for what you buy.
- When you think you're out of the woods and are making money, don't spend it too quickly and absolutely **DON'T SPEND IT ALL.**

# How Can I Avoid....

## Lack of Industry Experience

- **Don't think that you can succeed if all you know about restaurants is what you've heard and seen as a customer...or because you love food and are a good domestic cook or self-taught wine expert.**
- **Work in the industry, both in the front and back of the house, make your mistakes on someone else's dime.**
- **How can you train your staff if you don't know how to do the job yourself?**
- **You need to know what goes on—on both sides of that swinging door in the back of the dining room!**

## **A statement about the business from a pro...written over 35 years ago, in a place far from New York City, but *STILL TRUE !!!***

**“It’s a complex business. The combination of purchasing, manufacturing, sales and service are only the beginning. The raw material is costly and perishable. Do you freeze the unsold portion of flounder, or do you feed it to the cat? The result is the same.**

**The nature of the customers varies from that in other businesses by their expectations: they do not only buy food, they expect to buy it appetizingly prepared and pleasantly served. They expect good value, comfort provided by compatible décor, good comfortable seating, lighting, heating, cooling, cleanliness, courtesy, and with the absence of noise, drafts, odors and long waits.**

**The equipment is expensive, out of proportion to its fragility. Dish washing machines, exhaust fans, ovens, refrigerators, slicers, toasters, food processors, fryers and broilers are delicate and sometimes dangerous. The loss of linen and silverware, the breakage of china and glassware, and the pilferage of foodstuffs and beverages can be financially fatal.**

## **A statement about the business from a pro...written over 35 years ago, in a place far from New York City, but *STILL TRUE !!!***

**Well-trained help is hard to find because wages are often less than in other industries, the stress is high, and the work is hard. It can cost \$800 to train a dishwasher, but he or she gets to be profitable and cost effective only after another \$8,000.**

**While hairdressers and beauticians have to be licensed by the state, cooks do not. But the restaurant owner is subject to licensing, inspections, and scrutiny by nearly 20 regulatory agencies and must insure against 15 or more risks.**

**Business volume is limited by seating capacity. The responsibility for the safety and security of customers and workers is awesome. The profit margin is as low as the hazards are high.**

**Experience is the most important factor for success. Management skills, courtesy and good manners, entrepreneurial ambition, willingness to work hard and under pressure, attention to detail and effective controls are vital." —Wolfgang Heinberg, Lebanon, NH**



# Seven Steps to a Successful Restaurant In New York City

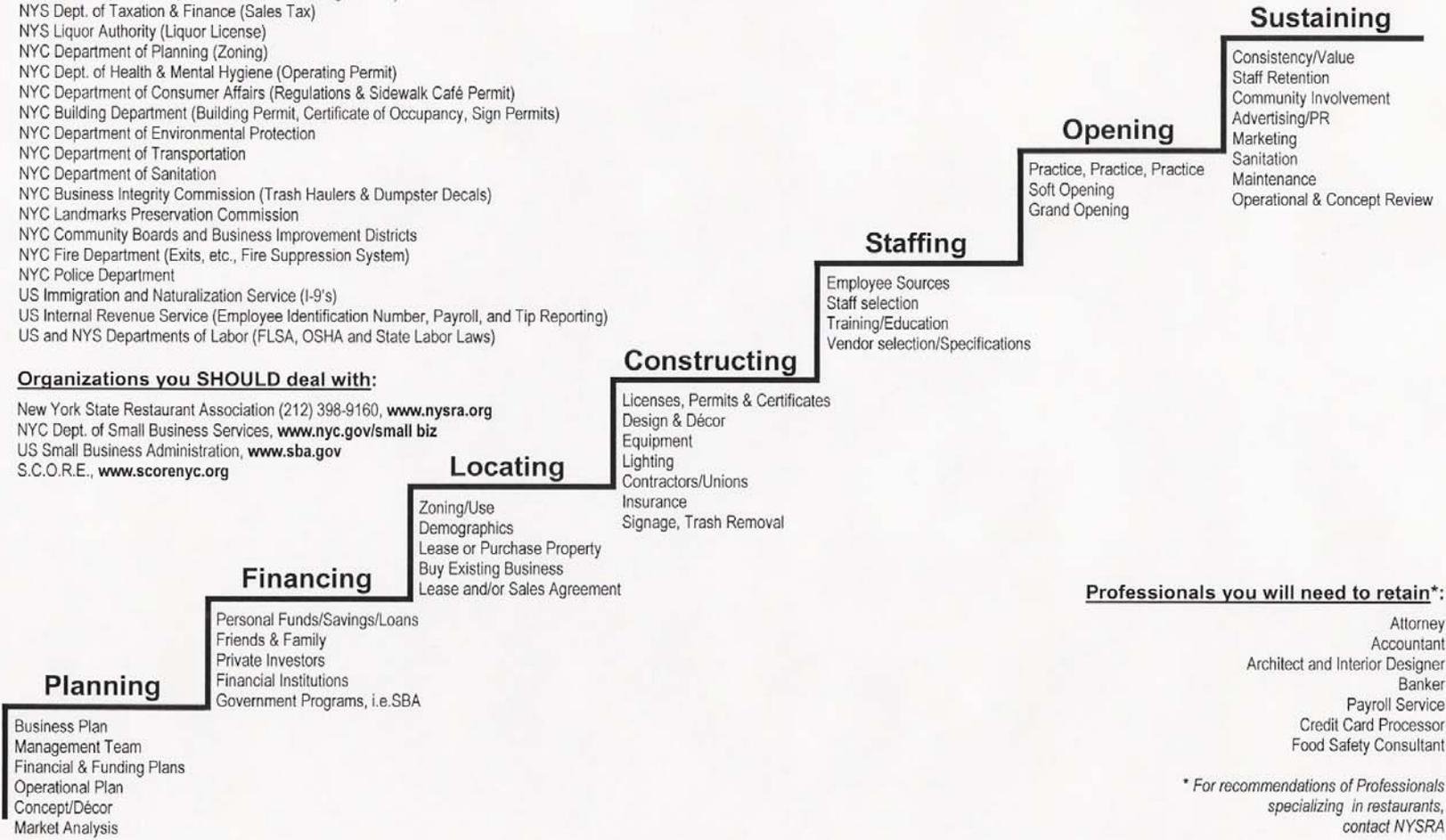
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## Agencies and Organizations you will HAVE to deal with:

- NYS Secretary of State (Business and Name Registration)
- NYS Dept. of Taxation & Finance (Sales Tax)
- NYS Liquor Authority (Liquor License)
- NYC Department of Planning (Zoning)
- NYC Dept. of Health & Mental Hygiene (Operating Permit)
- NYC Department of Consumer Affairs (Regulations & Sidewalk Café Permit)
- NYC Building Department (Building Permit, Certificate of Occupancy, Sign Permits)
- NYC Department of Environmental Protection
- NYC Department of Transportation
- NYC Department of Sanitation
- NYC Business Integrity Commission (Trash Haulers & Dumpster Decals)
- NYC Landmarks Preservation Commission
- NYC Community Boards and Business Improvement Districts
- NYC Fire Department (Exits, etc., Fire Suppression System)
- NYC Police Department
- US Immigration and Naturalization Service (I-9's)
- US Internal Revenue Service (Employee Identification Number, Payroll, and Tip Reporting)
- US and NYS Departments of Labor (FLSA, OSHA and State Labor Laws)

## Organizations you SHOULD deal with:

- New York State Restaurant Association (212) 398-9160, [www.nysra.org](http://www.nysra.org)
- NYC Dept. of Small Business Services, [www.nyc.gov/smallbiz](http://www.nyc.gov/smallbiz)
- US Small Business Administration, [www.sba.gov](http://www.sba.gov)
- S.C.O.R.E., [www.scorenyc.org](http://www.scorenyc.org)



\* For recommendations of Professionals specializing in restaurants, contact NYSRA

# Some Helpful Resources

- **How-To Books and Publications**

- ***New York City Restaurant Business Guide***

New York City Department of Small Business Services

[www.nyc.gov/html/sbs/nycbiz/downloads/pdf/restaurantguide.pdf](http://www.nyc.gov/html/sbs/nycbiz/downloads/pdf/restaurantguide.pdf)

- ***The Complete Idiot's Guide to Starting Your Own Restaurant***

Howard Cannon with Brian Tracy, Alpha (Penguin Group), 2002

- ***Start & Run a Restaurant Business***

Brian Cooper, Brian Floody & Gina McNeill, Alpha (Self-Counsel Press), 2000

- **Financial Info & Ratios**

- ***Restaurant Industry Operations Report 2004***

National Restaurant Association and Deloitte [www.restaurant.org](http://www.restaurant.org)

- ***Start & Run a Restaurant Business***

By Brian Cooper, Brian Floody & Gina McNeill, Alpha (Self-Counsel Press), 2000

# Income & Expense Categories

## **SALES**

Food  
Wine  
Liquor  
Beer  
Other Beverage  
Comps

## **COST OF GOODS**

Food  
Wine  
Liquor  
Beverages  
Other Beverages

## **PAYROLL**

Kitchen  
Managers  
Service Staff  
Administration

## **BENEFIT**

Payroll Taxes  
Medical Benefit  
Workers Compensation  
401K & Pension

## **OCCUPANCY**

Rent  
Insurance  
Utilities  
Real Estate Taxes

## **CONTROLLABLES**

Linens & Uniforms  
Repairs & Maintenance  
Utensils & Silverware  
Kitchen Supplies  
Dining Room Supplies  
Cleaning  
Rubbish Removal  
Menu Expenses  
Decorations & Flowers  
Equipment Rental  
Credit Card Commissions  
Promotional  
Exterminator  
Advertising & Promotion  
Storage  
Sundry

## **GENERAL & ADMINISTRATIVE**

Contributions  
Office Supplies & Expenses  
Dues & Subscriptions  
Education  
Bank Charges  
Professional Fees  
Payroll Processing  
Telephone  
Printing  
Licenses & Permits  
Computer Expense  
Travel & Entertainment  
Contributions  
Sundry

## **OTHER ITEMS**

Depreciation & Amortization  
Interest Expense  
Management Fees  
Sundry

## Formulas for Questions You May be Asked...

**What's your Food Cost?**

$$\frac{\text{Cost of Food Sold}}{\text{Food Sales}} = \text{Food Cost \%}$$

**What's your Beverage Cost?**

$$\frac{\text{Cost of Beverages Sold}}{\text{Beverage Sales}} = \text{Beverage Cost \%}$$

**What's your Cost of Sales?**

$$\frac{\text{Cost of Food, Beverages \& Other Sales}}{\text{Total Sales}} = \text{Cost of Goods Sold \%}$$

**What's your Labor Cost?**

$$\frac{\text{Total Payroll and Benefits}}{\text{Total Sales}} = \text{Labor Cost \%}$$

Thanks ! .... and

**Best of Luck !**



*Cluck*