

CHAPTER 3

Concept, Location, and Design

LEARNING OBJECTIVES

After reading and studying this chapter, you should be able to:

- Recognize the benefits of a good restaurant name.
- Explain the relationship between concept and market.
- Explain why a restaurant concept might fail.
- Discuss some qualities of successful restaurant concepts.
- Identify factors to consider when choosing a restaurant's location.
- Identify factors to consider when developing a restaurant concept.
- List restaurant knockout criteria.



Courtesy of City Zen

Restaurant Concepts

The objective in planning a restaurant is to assemble, on paper, the ideas for a restaurant that will be profitable and satisfying to the guest and owner/operator. The formulation of these ideas is called the *restaurant concept*, the matrix of ideas that constitutes what will be perceived as the restaurant's image. The concept is devised to interest a certain group of people (or groups of people), called a *target market*. Marketing is the sum of activities intended to attract people to the restaurant. This includes determining what group or groups (target markets) are most likely to react favorably to the concept.

In this section, we discuss *restaurant concepts*. Later sections discuss the relationships among concept, business plan, site selection (restaurant location), and marketing. Concept, location, ambience, and marketing are interdependent. Concept development applies to any foodservice operation, from a hot dog stand to a luxury restaurant, from quick-service to theme restaurants.

The challenge is to create a restaurant concept that fits a definite target market, a concept better suited to its market than that presented by competing restaurants, and to bring it into being. This is known as being *D&B*—different and better. If a restaurant concept is too similar to the competition, there is a good chance of being sued. Matador in Seattle was recently sued by the owner of *Peso's*, Brian Hutmacher. Hutmacher claimed Matador so closely imitated *Peso's* in appearance and food that customers confused the two!¹ The restaurant business is intensely competitive. There is always a better concept coming on stream—better in atmosphere, menu, location, marketing, image, and management. If a restaurant is not competitive, another restaurant down the street, across town, or next door will take away its customers.

This challenge does not mean that a new restaurant must be built. Plenty of existing restaurants and other buildings can be taken over. The challenge is to develop and install a new concept, acknowledging the possibility that it may be necessary to modify it as competition and other conditions change.

The best concepts are often the result of learning from mistakes. Just when you think you have your concept figured out, guess what? You don't. Also, just when you think it's hopeless, a light's going to come on, a rainbow is going to appear, and the concept will be reborn. It may be something completely different from what you started with.

Every restaurant represents a concept and projects a total impression or image. The image appeals to a certain market: children, romantics, people celebrating special occasions, fun types, people seeking a formal or a casual venue. The concept should fit the location and reach out to appeal to its target market(s). In planning a restaurant concept, location, menu, and decor should intertwine. When a concept and image lose appeal, they must be modified or even changed completely.

Concept comprises everything that affects how the patron views the restaurant: public relations, advertising, promotion, and the operation itself. Concept frames the public's perception of the total restaurant. It includes the building,

its curbside appeal, its exterior decor. Does the restaurant invite people to venture in, or is it neglected and dirty in appearance? Decor, menu, and style of operation are part of the concept. Concept includes the personality of the owner, the appearance of the dining room staff, the music, and the tone of the place. Particularly important are the menu and the food and its presentation. Symbols, as seen in the sign, logo, colors, upholstery, and lighting, are aspects of concept. The right music reinforces the concept. The concept provides the framework on which to hang the image. The following are 10 tips for developing a restaurant concept:

- Make your concept different enough from the competition.
- Don't let your concept be too far ahead of the current times.
- Don't price your menu out of the market.
- Pay attention to food costs during menu development.
- Make your concept profitable.
- Good concepts are on-trend.
- Make your concept easily identifiable.
- Take inspiration from others.
- Make sure the concept and location fit.
- Love your concept.²

CONCEPT: CLEAR-CUT OR AMBIGUOUS?

Many restaurants lack clear-cut concepts. The symbols, furnishings, service, and all of those things that make up the atmosphere of a restaurant are not integrated into an image that is projected for everyone to see. Logos (identifying symbols), signs, uniforms, menus, and decor should fit together into a whole that comes across to the public as a well-defined image.



DON'T OPEN A RESTAURANT UNLESS YOU

1. Have experience in the restaurant business, especially in the segment in which you plan to operate.
2. Don't mind giving up your evenings and long weekends — not to mention mornings and afternoons.
3. Are able to accept personal risk. Have money to lose — oops! we mean capital to start a high-risk business.
4. Have a concept in mind and menus developed.
5. Have completed a detailed business plan.
6. Have personal and family goals established for the next several years.
7. Have the patience of a saint and two active thyroid glands!
8. Have identified a quantifiable need in the market for the type of restaurant you are considering opening.
9. Have an exit plan — the restaurant business is easy to enter but potentially costly to exit.
10. Can afford a lawyer and an accountant experienced in the restaurant business.



View of diners from above

Courtesy of the San Diego Convention & Visitors Bureau

Concepts can be purposefully ambiguous, but most restaurants are made more visible psychologically if they project a theme, a character, and a purpose. A concept is strengthened if it immediately establishes an identity, one that is vivid, easily remembered, and has a favorable ring. The name *Wendy's* was chosen because of its identification potential and because it was easy to pronounce; it also tied in easily with the theme “old-fashioned hamburgers.” And it also happened to be the nickname of the daughter of R. David Thomas (then president). Taco Bell gained instant recognition because the word *taco* is synonymous with Mexican food.

The name of the restaurant is part of the image. The Spaghetti Factory suggests quick service, low cost, and a fun place for Italian food. El Torito suggests a Mexican theme restaurant, and T.G.I. Friday's portrays a fun image—however, people who do not know that T.G.I. Friday's is a restaurant would not know what to expect. Coco's is even less descriptive—a patron would hardly know what to expect.

The restaurant name can tell the customer what to anticipate—Pizza Palace, New China House, Taco Bell, Hamburger Heaven. No one really expects to meet grandma at Grandma's Kitchen, but the name suggests a homey, friendly place, one without escargots on the menu.

The Seven Grains suggests a health-food restaurant, as does The Thinnery. Well-known British names like Trafalgar Square suggest a British atmosphere and menu. Mama Mia's reflects an Italian menu. La Campagne projects a country

French theme restaurant; Long John Silver's and Red Lobster suggest seafood restaurants.

Naming a restaurant after the owner has proven successful for centuries, even though the restaurant may use a first name, as in Al's Place. The personal name implies that somebody by the name of Al is going to be around to see that things go well. Stuart Anderson is not likely to be found at any one of the many Stuart Anderson's Cattle Ranch restaurants, but the feeling is that he may be somewhere in the wings watching out for his customers. Naming a restaurant after the proprietor suggests that someone has pride of ownership. The personally named restaurant evokes an image of someone who cares hovering in the background.

One restaurant on Union Street in San Francisco has a great name, Sushi Chardonnay. You know what to expect. Another good name is Cantina Latina, a casual restaurant with a Latin theme. A name that tells people what to expect, one that is easy to remember, and one that people can pronounce is a great asset worth thousands in advertising and promotion dollars—because you don't have to spend them on name recognition.

PROTECTING THE RESTAURANT'S NAME

Lawsuits over restaurant names do happen. Even if an owner of a new restaurant were named Howard Johnson, he would be wise not to call his restaurant Howard Johnson's because of trademark regulations. Once selected, a name may be difficult to change without serious financial loss. Ray Kroc, who built McDonald's restaurants, had to pay several million dollars to the original McDonald's owners to continue using that name and format. The proprietary right to a restaurant name not already in use begins with usage and signs, promotional campaigns, and advertising material.

If another party uses your restaurant name, you should take action against that person by proving that you, the challenging party, used the name first. Loss of the right to use a name means changing signs, menus, and promotional material. It can also mean court costs and, perhaps, the loss of power that has been built into the name by a superior operation.

THE MCDONALD'S CONCEPT AND IMAGE

To illustrate concept, look at McDonald's—the greatest restaurant success story of all time. The concept is the all-American family restaurant—clean, wholesome, inexpensive, and fun. Ray Kroc would not allow a jukebox, cigarette machine, or telephone in McDonald's because it encouraged people to “overstay their welcome.” In the company's advertising, McDonald's food servers are wholesome, bursting with health and goodwill. Ronald McDonald, the jolly clown, is better known in the minds of children than any other fictional character except Mickey Mouse and Santa Claus. Ronald is fun; therefore, McDonald's is fun. McDonald's TV advertising has reached into the American psyche and implanted the idea that eating at McDonald's is unalloyed joy. Image presentation is consistent and easy to understand; simplicity is portrayed in uncluttered, quick, efficient service.



Flamenco dancers entertain diners at the Columbia Restaurant in Tampa, Florida

Courtesy of Columbia Restaurant

The simple, straightforward menu is one key to the effectiveness of McDonald's advertising.

While the term *concept restaurant* is relatively new, concept restaurants have been around for some time. The person who took the retired railroad dining car in the 1920s and made it into a diner had the makings of a concept restaurant. In the 1930s, Victor Bergeron converted a garage into a schmaltzy Polynesian restaurant and called it Trader Vic's—a concept restaurant. The Rib Rooms, popular in the 1950s and 1960s, were an adaptation of Simpson's on the Strand in London, a famous rolling-beef-cart restaurant going back many years.

Theme restaurants, which follow a particular ethnic menu and decor or are built around a particular idea, are concept restaurants. The concept can be ambiguous, as is the case with Bennigan's, Chili's, Houlihan's, and T.G.I. Friday's, where it is difficult to ascertain any particular theme other than bric-a-brac or American bistro.

Decor and menu at these restaurants are fun and stimulating. In the men's room, straps from an old trolley car may be hanging over the urinals. The customer may find himself facing a mirror enclosed by a horse collar. Decorative surprises

are the norm. The exterior may be painted an odd color, such as blue-green, or sport a brightly colored red-and-white awning. The concept features are humor, self-deprecation, full service, high-quality food, good value, and a place where people can relax.



GODZILLA

A restaurant in San Francisco, named Godzilla after the original movie, was recently forced to change its name. This happened when the more recent version of the movie opened across the street. TV cameras noticed the

restaurant name and crowds; a reporter interviewed the owner, and when what amounted to a 30-second TV clip was seen by a movie executive, he contacted the copyright owners. A few days later, a letter arrived from the lawyers

of the movie's copyright owners advising the restaurant owner that he was capitalizing on the movie's name and that he must change the name or face a lawsuit.

Some concept restaurants make a virtue of the rustic and the antique by using exposed wood and unpainted old barn siding. An array of antique artifacts can produce a novel effect and, if selected and placed well, can be an inexpensive way to decorate. The owner can count on minimum maintenance.

Defining the Concept and Market

In selecting a concept for a restaurant, define it precisely in the context of which markets will find it appealing. A typical coffee shop with counter and booth service, for example, may appeal to the working family or the traveler on an interstate highway. Ask yourself:

- Will a quick-service place with drive-through, walk-up, and table service appeal to the young family, teenagers, and children?
- Will an upscale restaurant with a view, opening at 5:00 P.M. to serve dinners, appeal to upper-middle-class patrons?
- Is a Mexican restaurant with hybrid Mexican decor and inexpensive food appealing to the middle class for an evening out?
- Is a pizza house with beer and wine appealing to the young family as a fun place?
- Is a coffeehouse menu in a dinner-house setting, including a few European menu touches, the right concept? Or should it be a stepped-up coffee shop with a few dinner items?
- Does the restaurant offer authentic French, Chinese, or Japanese food? If so, does it have an authentic French, Chinese, or Japanese family operating it? La Campagne, for example, depends on a chef who is highly skilled in

classical French cuisine. Authentic Mexican restaurants need a few Mexicans or at least a few Mexican Americans to make them authentic. Japanese chefs are expected to be behind the grills at Benihana restaurants.

A quick-service ethnic restaurant does not need the authenticity required of a full-service ethnic restaurant. This fact is amply demonstrated in such chains as Taco Bell and Del Taco, which are staffed by teenagers without regard to ethnic background. A quick-service Mexican or Italian restaurant can be operated easily once the format is learned.

Whatever the concept, there must be a market to support it, a clientele who walk or drive to the restaurant and who want the kind of service, food, price, and atmosphere offered. A restaurant cannot exist without a market. One must fit the other. The market may constitute only a small percentage of the total population in an area—for instance, travelers on a nearby freeway, occupants of office buildings in the area, passersby in a shopping mall, or people willing to drive half an hour or more to experience the sort of excitement offered by the restaurant. There must also be a market gap, a need for the concept offered.

Figure 3.1 suggests the relationship between the market and the restaurant. The concept and market are central to the restaurant, supported by the menu, prices, service, quality, location, atmosphere, food, and management.

All aspects of the concept help determine whether a location is right for a particular market. Chuck E. Cheese's Pizza Parlors cater to children and specialize in children's parties. A shopping mall site offers the parking, security, and convenience that define a good location for this restaurant; the market consists of the families who patronize the mall. Coffee-shop patrons are often freeway travelers but also can be families within the community. All factors—the food, the seating, the type of service, the entire format—select out a particular market, perhaps an age group and an income level. Promotion and advertising can change the image to attract new markets, to a certain extent. Usually, however, promotion and advertising concentrate on an established market—teenagers, families, drivers, office personnel, mall shoppers, and so on.

Census tract surveys are helpful in assessing the number of people in the proposed restaurant catchment area and their demographics (age, occupation, income, sex, ethnic background, religion, family formation, and composition). This information assists in determining whether the concept has the market to support it. A recent census conducted by the U.S. Census Bureau revealed that American consumers racked up \$337.7 billion in charges for retail and restaurant services, down 10.1 percent from the previous year.³

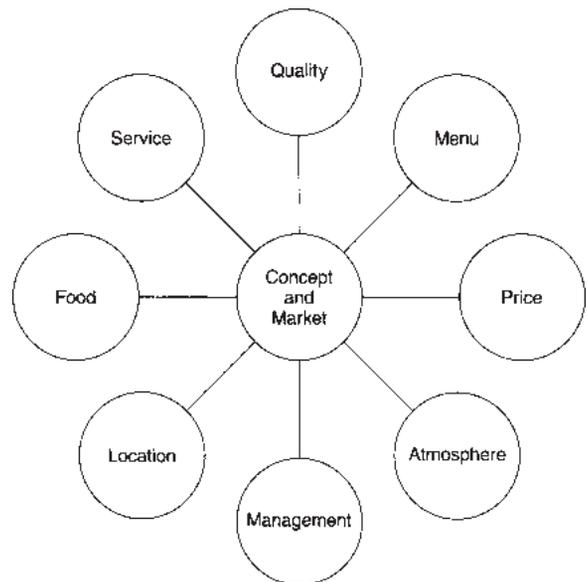


FIGURE 3.1: The concept and market comprise the hub around which the restaurant develops

Successful Restaurant Concepts

T.G.I. Friday's has remained successful over the years because it has stayed close to the guest and concentrated on quality and service combined with a theme of fun. Most cities have an array of exciting restaurants. Some are owned and operated by celebrity chefs, such as Wolfgang Puck's Spago and Chinois in Las Vegas. Some restaurants are owned or part-owned by celebrities. Arnold Schwarzenegger is part owner of Planet Hollywood restaurants. Naomi Campbell, Claudia Schiffer, and Elle MacPherson were part owners of Fashion Café. Michael Jordan owns Michael Jordan's The Steakhouse restaurant in New York.

Other sports celebrities who own or have owned restaurants include Dan Marino, Sammy Sosa, Walter Payton, Junior Seau, and Wayne Gretzky. Television and movie stars have also gotten into the act. Dustin Hoffman and Henry Winkler are investors in Campanile, a popular Los Angeles restaurant. Dive, in Century City, California, was owned by Steven Spielberg. It closed abruptly along with the one in Las Vegas, presumably because they were unable to attract guests for a variety of reasons. It is amazing to think that even with Steven Spielberg behind them, they failed. House of Blues was owned in part by Denzel Washington, George Wendt, and Dan Aykroyd. Musicians Kenny Rogers and Gloria Estefan are also restaurant owners.

A concept created by Lettuce Entertain You Enterprises is Papagus, an authentic taverna that offers hearty Greek delights in warm, friendly, rustic surroundings. *Mezedes*, a variety of traditional bite-size offerings, may be enjoyed with Greek wine and ouzo. The display kitchen adds an experiential atmosphere and offers specialties such as spit-roasted chicken, whole broiled red snapper, traditional braised lamb, spanakopita, and baklava.

The Lettuce Entertain You Group has several outstanding theme restaurants in the Chicago area and beyond. They include Scoози, which recalls an artist's studio and serves Italian country cuisine; Café Ba-Ba-Reeba, a Spanish restaurant featuring tapas, the popular hot and cold "little dishes of Spain"; Shaw's Crab House, a premier seafood house that features the Blue Crab Lounge, an oyster bar offering oysters on the half shell, clams, lobster, and crab dishes. The main dining room serves more than 40 fresh seafood items plus chicken and beef.

Corner Bakery Café literally grew out of baking fresh bread for Maggiano's Little Italy. It offers fresh specialty breads in a bakery atmosphere serving breakfast, lunch, and dinner. Among the newer concepts are Big Bowl, serving fresh Chinese and Thai foods, and De Pescara, an Italian seafood house. Wildfire, an American steak, chop, and seafood restaurant concept, has an aura reminiscent of a 1940s dinner club. At Magic Pan Crêpes Stands (*crêpes* is the French word for "pancakes"), crepes have been folded, rolled, and wrapped around various items for years. Among the fillings are cherries royal, chicken divan, spinach soufflé, chocolate Nutella, and crêpes Suzette. R. J. Grunts, the original Lettuce Entertain You restaurant, has catered since 1971. Music and decor are reminiscent of the 1960s and 1970s, in a casual eclectic setting. The restaurant is known for its award-winning chili, oversized cheddar burgers, and daily vegetarian specials.



The Hard Rock Cafe's theme is a rock-and-roll hall of fame

Courtesy of Hard Rock Cafe

Room service will deliver some of your favorite Lettuce restaurant dishes right to your door.

The Hard Rock Cafe is one of the most successful restaurant chain concepts of all time. Peter Morton, then a young American college graduate in England, realized that London did not have a true American-style hamburger joint. In the late 1960s he borrowed about \$60,000 from family and friends and opened two restaurants named The Great American Disaster.

Morton quickly realized that London needed a restaurant that not only served American food but also embodied the energy and excitement of music past and present. With this objective in mind, he opened the first Hard Rock Cafe (HRC) in London in 1971. The restaurant offered a hearty American meal at a reasonable price in an atmosphere charged with energy, fun, and the excitement of rock and roll.

HRC was an immediate success. Each HRC restaurant is decorated with memorabilia of rock-and-roll stars, including David Bowie's two-tone black-and-white Vox guitar from the movie *Absolute Beginners*, Jimi Hendrix's beaded and fringed suede jacket, Elvis Presley's gold-studded white stage cape, one of John Lennon's guitars, Madonna's bustier, and one of Elton John's outfits.

In 1982, with backing from film director Steven Spielberg, actor Tom Cruise, and others, the first Hard Rock Cafe in the United States opened in Los Angeles. There are now Hard Rock Cafes in San Francisco, Chicago, Houston, Honolulu, New Orleans, San Diego, Sydney, Maui, Las Vegas, and Aspen, to name a few.



Danny Meyer, Union Square Hospitality Group president
 Courtesy of Danny Meyer

One of the great restaurant success stories is that of Danny Meyer, whose “enlightened hospitality” story follows. Danny Meyer, president of Union Square Hospitality Group, is recognized by his peers as one of the nicest people you will ever meet. He has genuine warmth and a passion for what he does. His values and commitment to excellence have catapulted him to the pinnacle of the New York restaurant scene, where he manages his five restaurants and jazz club.

Meyer was born and raised in St. Louis, Missouri. He grew up loving to cook, remembering practically every meal he had ever eaten, adoring festive family get-togethers, and longing to try new restaurants and return to old favorites. During his childhood, Meyer’s family often hosted French children of the Relais & Châteaux patrons with whom his father did business. As a result, many meals at his St. Louis home had a Gallic touch and always included a bottle of *vin rouge*.

During college, Meyer worked for his father as a tour guide in Rome and then returned to the Eternal City to study international politics. He minored in the study of trattorias, spending at least as much time at

the table as he did in the classroom. After graduating he was successful in a couple of jobs—one of which was as a six-figure salesperson for a maker of anti-shoplifting tags. But he gave up his job as the leading salesperson in the company when he decided to pursue his true passion for food and wine.

Meyer gained his first restaurant experience as an assistant manager at Pesca, an Italian seafood restaurant in the newly named Flatiron District of New York City. He then returned to Europe to study cooking as a culinary *stagiaire* in both Italy and France. He would stroll for hours in Rome and scrutinize the menus outside the restaurants before deciding on which one to dine in that evening. In 1985, at the age of 27, Danny created and launched a new breed of American eatery pairing imaginative food and wine with caring hospitality, comfortable surroundings, and outstanding value. Danny Meyer opened a kind of take-off of an Italian trattoria for just \$75,000—half of that coming from skeptical relatives. Union Square Cafe now grosses over \$7 million a year.

A critical success from the outset, Union Square Cafe has twice garnered the coveted three-star rating from *The New York Times*. The restaurant is widely noted as having sparked the dramatic resurgence of the Union Square neighborhood over the past decade. In July 1994, Meyer opened Gramercy Tavern with chef-partner Tom Colicchio. Gramercy Tavern is a renewal of the classic American tavern, offering refined American cuisine and warm hospitality in a historic landmark building.

Union Square Cafe earned the *Zagat Survey*'s number-one ranking as New York's Most Popular Restaurant for an unprecedented six consecutive years from 1997 through 2002. Gramercy Tavern was ranked number-two Most Popular in *Zagat* from 1999 to 2002. In 2003, Gramercy Tavern overtook its sibling restaurant Union Square Cafe (now ranked number two) to become New York's most popular restaurant.

In late 1998, Meyer began welcoming guests to two more restaurants—Eleven Madison Park and Tabla, each situated in a stunning art deco building that overlooks 150-year-old Madison Square Park in the heart of “Silicon Alley.” Eleven Madison Park is a breathtaking, grand restaurant featuring Chef Daniel Humm's bold New York cuisine with a French soul. Its groundbreaking neighbor Tabla serves Chef Floyd Cardoz's exquisite cuisine, which spices outstanding American seasonal products with the sensual flavors of India. Each has already enjoyed widespread critical acclaim.

In spring 2002, Meyer and his Union Square Hospitality Group partners opened Blue Smoke and Jazz Standard at 116 East 27th Street, offering New York mouthwatering real barbecue and soulful live jazz. Blue Smoke and Jazz Standard have been packed to the rafters since they opened, and were named “Best Barbecue” and “Best Jazz,” respectively, by the editors of Citysearch.com. Blue Smoke has led the list of *New York* magazine's “Where to Eat.”

In the summer of 2004, Shake Shack, a “roadside” food stand, opened in Madison Square Park, serving burgers, hot dogs, frozen custard, beer, wine, and more. Danny has also opened restaurants at the Museum of Modern Art—The Modern, Terrace, and Café 2; they bring his unique flair to harmonizing food and art.

Meyer describes his philosophy as enlightened hospitality—if your staff is happy, then your guests will be, too. Meyer gives each of his 400 employees a voucher to dine in one of the restaurants every month. They have to write a report on the experience; Meyer enjoys reading them. Ever the coach and teacher, he says that it is better to have your staff tell you what's wrong than for you to have to tell them.

Meyer is an active leader in the fight against hunger. He serves on the boards of Share Our Strength and City Harvest. He is equally active in civic affairs, serving on the executive committee of NYC & Co., where he also chairs the Restaurant Committee. He is an executive committee member of the Union Square Local Development Corporation and is chair of the Madison Square Park Conservancy. Meyer has been featured on numerous television shows and has spoken at national conventions.

Danny Meyer and his restaurants and chefs have won an unprecedented 10 James Beard Awards, including Outstanding Restaurant of the Year; Outstanding Wine Service; Humanitarian of the Year; Who's Who of Food and Beverage; Outstanding Service; and Best Restaurant Graphic Design. He has coauthored *The Union Square Cafe Cookbook* and *Second Helpings from Union Square Cafe*, both of which have been reprinted many times.



Gramercy Tavern, offering contemporary American cuisine, is New York's favorite restaurant
Courtesy of Danny Meyer

Meyer manages his five restaurants and jazz club with an extraordinary team of partners called the Union Square Hospitality Group. He lives in New York with his wife, Audrey, and their four children.

Another interesting concept was Parallel 33 in San Diego, California. Its creation began when owner Robert Butterfield was working in his garden. As he was working, he began thinking back to the first garden, described in the Bible as Eden and located in the area between the Tigris and Euphrates rivers. When he looked at the map, he discovered that it was on Parallel 33. This became the name of the restaurant that Butterfield and his partner created on Washington Street. Parallel 33's cuisine features dishes from the countries on that parallel, including Japan, China, Tibet, India, Pakistan, Iran, Syria, and Morocco.

Butterfield and Chef Amiko Gubbins had both worked for 10 years as manager and chef at a popular Japanese-themed restaurant and had a following who helped them during the opening and became regulars. They did a detailed business plan and mastered the challenge of going from business plan to opening by putting it all down on paper, determining the break-even point, and finding vendors. They set themselves up as a limited liability corporation and obtained a Small Business Administration loan. The final days before opening were hectic. Juggling permits and investors, they moved ahead by inches, following the business plan each step of the way. They did a lot of local marketing, including door hangers, which, combined with great food well served in an eclectically designed restaurant, created a real buzz about Parallel 33. They opened successfully with introductory prices, which they later eased upward. One of their challenges was to open at both lunch and dinner. The lunch crowd comes in with business on the brain and wants food *now*! Butterfield achieved this with training and the concept of fresh, fast food with plating. Parallel 33 was a successful restaurant for a few years now, because the owners offered something innovative in a good location with exceptional food and outstanding service. Unfortunately, Parallel 33 closed recently. The closure was probably due to the economy or the landlord wanted to jack up the rent, or the partners had a dispute. The lesson we learn is that in tough economic times it is better to be operating a casual or quick service restaurant than an upscale one. Nearly all restaurants have an almost human life cycle: birth, growth, maturity, senescence, and death. There is nothing mystical about the life cycle of restaurants, nor is there an absolute inevitability about a restaurant's success. Restaurants can be revived on occasion, and a few seem to improve with age. The Delmonico restaurants in New York City had a life span of over 75 years but finally expired as successive generations of the Delmonico family lacked the interest and enthusiasm of earlier generations. Chain operations rise and fall in a similar manner. The largest restaurant chain in the United States during the 1930s was Child's Restaurants, also in New York City. The chain was finally purchased by a hotelier because of its tax-loss value to him.

Horn & Hardart had a successful concept that represented the art deco generation and the new industrial strength that emerged after the Great Depression. The concept was the automat. Customers placed coins in a slot over one of a row of boxes and removed a food item from the box. There was a full selection of good-quality food, ranging from hot entrées to petit fours. Behind the boxes



Scoozi is an outstanding theme restaurant that gives the impression of an artist's studio
Courtesy of Lettuce Entertain You

were people working in the kitchen to prepare and put up the food. The concept worked well for a number of years, but, over time, automats became history.

A major reason for a restaurant's decline could be the changing demographics of the area in which it is located. Areas rise and fall economically and socially. The restaurants within them are likely to follow suit. Fashions change. The all-white decor of some of the hamburger chains that flourished in the 1950s became less attractive when other chains moved to color. Top management ages, and the aging is reflected in the operations. The restaurant concept that excited the public when first introduced becomes tired after several years, and its power to excite fades as newer concepts are introduced in the same community. Menus that were entirely satisfactory at one time are no longer appealing.

Restaurant designs and buildings that were novel and attractive when new lose their luster when compared with newer, larger, more expensive designs. In the 1960s, a restaurant investment of a few hundred thousand dollars was enough to produce an imposing building—which by the mid-1970s looked uninteresting compared with restaurants with investments of \$1 million to \$3 million. As restaurant chains were purchased by conglomerates such as W. R. Grace and General Mills, huge sums of money became available for glamour restaurant investments that introduced a new dimension of scale and luxury into the restaurant business.

Current popular restaurant concepts are high-tech, casual contemporary, ethnic, designer, and celebrity restaurants. In the past few years, Mexican, Chinese,

Japanese, and Thai restaurants have become popular. Northern Italian restaurants were hot trends, but have cooled somewhat as a result of the popularity of low-carb diets. Pizza and pasta offered at below \$10 provide around two hours of affordable upscale dining. In saturated markets, a restaurant's being new no longer guarantees customers.

Concept Adaptation

Most concepts that have not been tested need some adaptation to the particular market. One highly successful restaurant opened featuring seafood. The menu, however, was not popular, so it was altered. Several months passed before the place was profitable, but the owner wisely had adapted to the market demands. One of the superhotels in downtown Los Angeles featured dessert soufflés in its restaurant for several months. The soufflés were so popular that four extra personnel had to be employed to keep up with the demand. Restaurant volume of sales increased to the point that the sweet soufflés were no longer needed to entice patrons to the restaurant, and the soufflés were dropped from the menu. They had been used to build volume, but because they were high in labor cost and tended to slow down seat turnover, they were deleted from the menu with no appreciable drop in patronage.

Concept development has always been important in the restaurant industry, but it is becoming more so now that dining districts are developing in almost every community. The restaurant cluster may include family restaurants, fine dining, casual, fast casual, and a variety of quick-service restaurants. An area of just a few blocks may include chain representatives from Bob Evans, Flemings, Applebee's, Red Lobster, Taco Bell, Burger King, Arby's, and Pizza Hut, plus several ethnic restaurants. Each has its own identity. Are they all competing with each other? To an extent, yes; these restaurants may cannibalize each other's guests. Generally, however, different menus and prices attract different markets.

As soon as a restaurant format goes stale for a market, a new concept must be developed. Nearly every major chain is undergoing renovation, adding color, changing its seating arrangements, perhaps trying garden windows, hanging plants, private booths, menu variety, different uniforms, or new menu items.

Changing or Modifying a Concept

Many highly successful concepts that have worked well for years gradually turn sour. The customer base and the demographics change. Morale and personal service may decline. Anthony's Fish Grotto, a well-established seafood restaurant, experienced sales decline over five consecutive years. Extreme changes were needed; the owners decided to hire consultants.

Changes in management policy and operations turned Anthony's around. First, the owner wrote a *mission statement* that included a vision of what Anthony's would look like in the future. The books were opened to employees—a

major innovation. The top-down style of management was replaced by teams that worked on employee scheduling and ideas for a new image. A serving team came up with wait-staff schedules that satisfied all 40 services at one unit. A savings team reduced costs of linen and china.

The concept team worked with designers to create a dining area in the La Mesa, California, store that creates the impression of being in an underwater cave, brightly lit and colorful. The design includes waterfalls and sea animals jutting out from the walls. The new design has helped to attract baby boomers, along with their children.

Copy and Improve

In coming up with a concept for a new restaurant, be a copycat. Look around for winners. Examine their strong points; look for their weak points; find a proven format. Learn the system to avoid mistakes—then improve on it. Initiate and adapt. Great composers build magnificent symphonies on borrowed melodic themes. Similarly, great restaurants take over elements of established restaurants.

There is no such thing as a completely new restaurant concept—every concept is built on ideas from other concepts, through modifications and changes, new combinations, and changes in design, layout, menu, and service. It is pure braggadocio to claim to have a completely new concept. If that were true, there would be no customers because the restaurant would be so strange that people would avoid it. Accepting the fact that every restaurant builds on hundreds of predecessors makes good sense and can help you avoid big mistakes. So be a copycat—but a critical, creative copycat.

Besides copying the format, learn the system by actually working with it before trying to establish your own restaurant. Merely observing an operation is not enough. Dozens of details must be learned, any one of which, if not known, may spell unnecessary trouble. Buying from the wrong vendor, using the wrong temperature for cooking an item, omitting a particular spice in a dressing, or using the wrong formula for a bun can result in high costs and stress for the operator.

A number of Mexican restaurants have been put together by non-Mexicans and are successful partly because several of the key kitchen personnel and wait personnel are Mexican Americans, who lend authenticity to the restaurant. It is probably not wise to try a full-service ethnic restaurant unless the owner/operator is from that ethnic background or has been immersed in it. Another alternative: Go with a business associate who is of the appropriate ethnic background.

You need not be a social analyst to define carefully the potential market if you copy an already successful restaurant. Creative copycats may borrow ideas from a number of operations, reconfiguring them as needed. The style of service may be drawn from a coffee shop, the method of food preparation from a dinner house; the menu can be drawn from a combination of several successful operations in the area, plus one or two modifications in preparation, presentation,

or service. The pricing policy could be a combination of policies already well received by the public. Do not try to establish new taste patterns or vary far from the norm.

Restaurant Symbology

Restaurant symbology—the logo, the line drawings, even the linen napkins and the service uniforms—helps to create atmosphere. In the 1890s, César Ritz dressed his waiters in tails, which helped entice the elite from their mansions to his hotel restaurant, the Carlton in London. Chart House restaurants create a different image by dressing their servers in attractive Hawaiian shirts and blouses. The restaurants have a contemporary nautical decor and are designed with a natural look that harmonizes with the setting. Extensive use of wood and glass gives them a warm feeling. Their biggest draw is their locations, which are nearly all at water's edge.

Symbols include pirates, clowns, and kings. Ronald McDonald is part of McDonald's restaurants' decor and a personalizing element. So, too, are the miniature playgrounds offered by some of McDonald's restaurants. Burger King, which gives children cardboard crowns, competes for customers' attention with Ronald McDonald and Mickey Mouse.

Large companies spend tens of thousands on the graphics that represent them. Restaurant chain logos, often replications of their outdoor signs, are carefully crafted to fit the image the company wishes to project. The independent operator can take cues from the larger companies to come up with symbols and signs that reflect the restaurant's concept.

When a Concept Fails

Provided the operator is competent, a failing restaurant need not be sold. The concept can be changed to fit the market. Conversion from one concept to another can take place while the restaurant is doing business. The name, decor, and menu can be changed, and customers who have left may return if the new concept appeals to them. The old concept may have gotten tired. Customers simply may be bored. Customers who enjoyed the old concept may have moved away and been replaced by a new market. Or a new concept, complete with decor, price, and service, may better appeal to the same market and siphon customers away from the competition.

In the worst case, a recession hits and customer count at all restaurants drops. Customers may trade down. For example, those who formerly patronized an upscale dinner house now go to a neighborhood coffee shop. The coffee-shop patron turns to quick service. Those who cannot afford to eat out at all drop out of the market completely. The smart restaurateurs downscale their menu prices to retain market share and even build volume. Luxury restaurants seldom lower à la carte prices; instead, they offer a fixed-price meal at a lower price than if the same food were ordered à la carte.

Multiple-Concept Chains

Single-concept chains, such as McDonald's and KFC, have had the greatest success of any restaurants in history. Having a single concept permits concentrated effort on a single system. Nevertheless, the single-concept restaurant chain is changing to a multiple-concept chain, which offers several advantages. Conceivably, a multiple-concept restaurant chain could have five or more restaurants in the same block, each competing with the others, each acquiring a part of the restaurant market.

In fact, this has been done for a long time in order to minimize costs, and will probably be seen more often in the future because of its success in attracting different markets. As early as the 1950s, Lawry's had two separate concept restaurants, across the street from each other, in Los Angeles. The general public had no idea that they were owned by the same company. One aspect of the concepts was directly competitive: Both restaurants featured beef. The company felt that if it did not add another competing restaurant, someone else would, and the area would support two, but only two, beef restaurants.

Generally, where restaurants are clustered, each concept is somewhat different from the others, and as many as 12 or 15 different concepts can be enclosed in the same mall shopping area—as at Marina Del Rey, a comparatively small area near the Los Angeles airport, which has more than 36 restaurant concepts clustered together.

Ruben's and Coco's also share some locations and reduce labor costs by having one general manager for both restaurants with an assistant manager for each.

Within a large market area, such as Los Angeles, Chicago, or New York, the same company may have several concepts, all close to one another but with slightly different decor and menus. Customers do not like to feel they are eating in the same restaurant all over the area, so the restaurants are varied somewhat and carry different names.

The largest of all restaurant companies, Yum Brands Inc., has four concepts: KFC, Taco Bell, Long John Silver, and Pizza Hut. They stand alone, double, or even more concepts.

Sequence of Restaurant Development: From Concept to Opening

Two or more years can pass from the time a concept is put together until a location is obtained, architectural drawings are made, financing is arranged, the land is leased or purchased, approvals for building are secured, construction bids are let, a contractor is selected, and—finally—the building is put in place. The sequence of events (Figure 3.2) may include 14 steps:

1. Choosing a location
2. Business marketing initiated
3. Layout and equipment planned
4. Menu determined
5. First architectural sketches made
6. Licensing and approvals sought
7. Financing arranged
8. Working blueprints developed
9. Contracts let for bidding
10. Contractor selected
11. Construction or remodeling begun
12. Furnishings and equipment ordered
13. Key personnel hired
14. Hourly employees selected and trained
15. Restaurant opened

In some cases, the time may be reduced, especially when taking over an existing restaurant or altering an existing building. Restaurant chains with preplanned restaurant concepts generally reduce the timeline by 6 to 12 months.

PLANNING SERVICES

The person building a restaurant should employ an architect experienced in restaurant design. The architect, in turn, may hire a restaurant consultant to lay out the kitchen and recommend equipment purchases.

The builder may employ one of the relatively few restaurant consultants or can turn to restaurant dealers who double as planners or employ planners. The consultant works for a fee or a percentage of cost. The dealer may also charge a fee, but is likely to reduce or eliminate it if the equipment is purchased from him or her.

The best guide in selecting a planner/consultant is that person's experience and reputation. Remember that any kitchen can be laid out in a variety of ways and still function well. The consultant/planner will require a signed design agreement, including agreed-on fees. The agreement spells out what services will be completed by the designer and usually includes:

- Basic floor plan
- Equipment schedules
- Foodservice equipment electrical requirements
- Foodservice plumbing requirements
- Foodservice equipment
- Foodservice equipment elevations

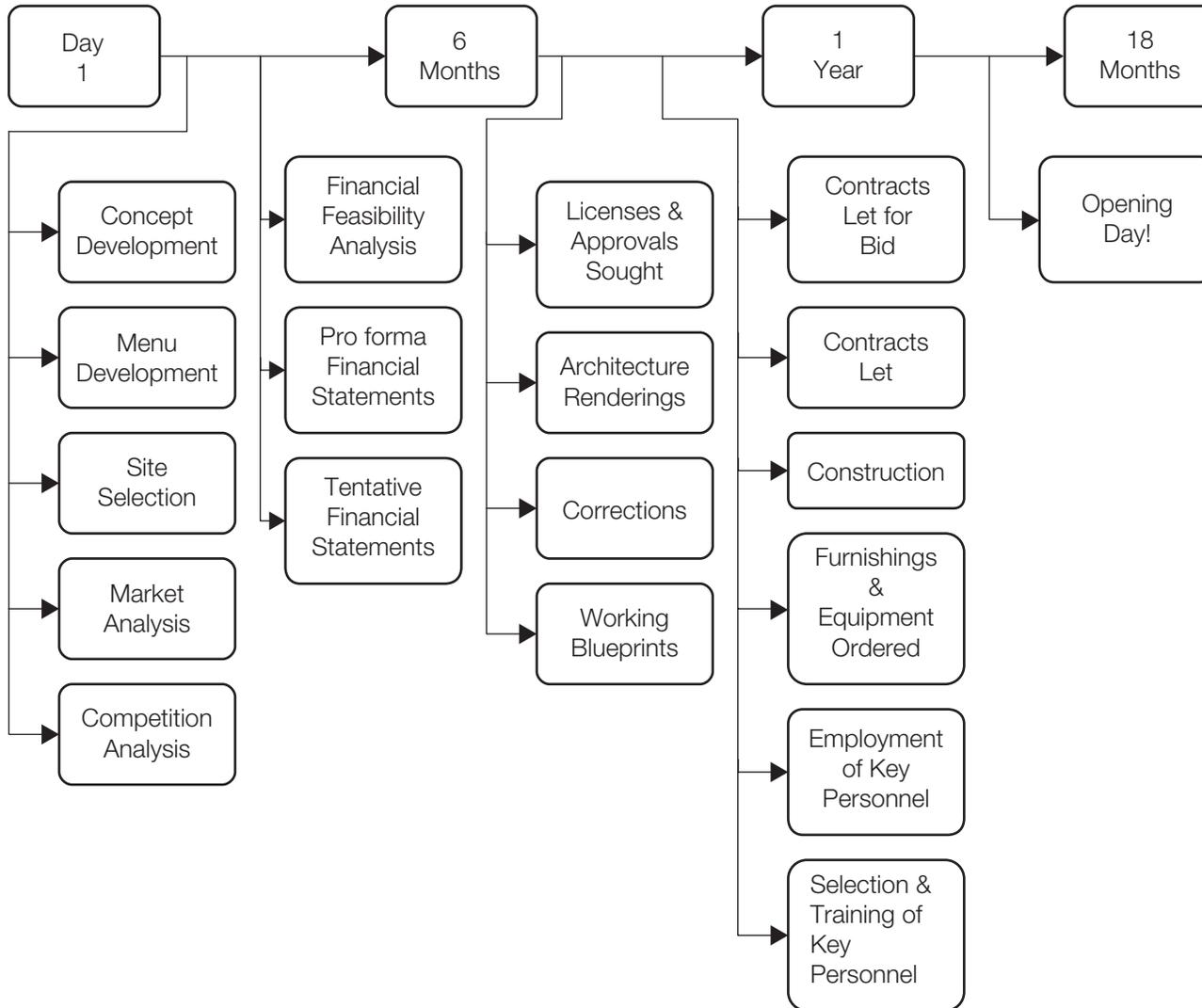


FIGURE 3.2: Timeline showing the sequence of restaurant development



Restaurant interior at City Zen

Courtesy of City Zen

- Refrigeration requirements
- Exhaust air extraction and intake requirements
- Seating layout

COMMON DENOMINATORS OF RESTAURANTS

In formulating a restaurant concept, the planner considers the factors common to all kinds of restaurants. An analysis of these common denominators may suggest a concept that is a hybrid of two or more classifications. Fast-food restaurants take on the character of coffee shops, vending operations may offer limited service, cafeterias may take on the appointments of luxury restaurants, and so on.

Common denominators of restaurants can be compared: the human needs met by the restaurant, menu prices, degree of service offered, space provided for each customer, rate of seat turnover, advertising and promotion expenditures, productivity per employee, labor cost, and food cost.

The planner picks and chooses from among the common denominators to come up with a concept believed to be most appealing to a particular market.

Utility versus Pleasure

What is the purpose of a particular restaurant? Is it there to provide food for nutritional purposes or for pleasure? Up to 75 percent of the meals eaten away from home are for utilitarian purposes, while the other 25 percent are for pleasure. The distinctions are not clear-cut. Depending on the individual, the quick-service experience may be thrilling or boring. For the child, McDonald's may be full of excitement and fun. For a sophisticate, McDonald's can be a drag. The family that visits a Burger King or a Wendy's may find the experience as exhilarating as depicted in the TV commercials. For them, the utilitarian restaurant is a fun place, perhaps more pleasurable than an ultra-expensive French restaurant. McDonald's (and some other fast-food restaurants) has further blurred the line by adding play areas and party rooms. This is a far cry from Ray Kroc's original plan to keep McDonald's entertainment free to encourage quick turnover.

As a general rule, however, pleasure dining increases as service, atmosphere, and quality of food increase. Presumably, pleasure also increases as menu price increases. Many factors intrude on such straight-line correlation.

Degree of Service Offered

As seen in Figure 3.3, restaurant service varies from none at all to a maximum in a high-style luxury restaurant. As menu price increases, so, usually, does service:

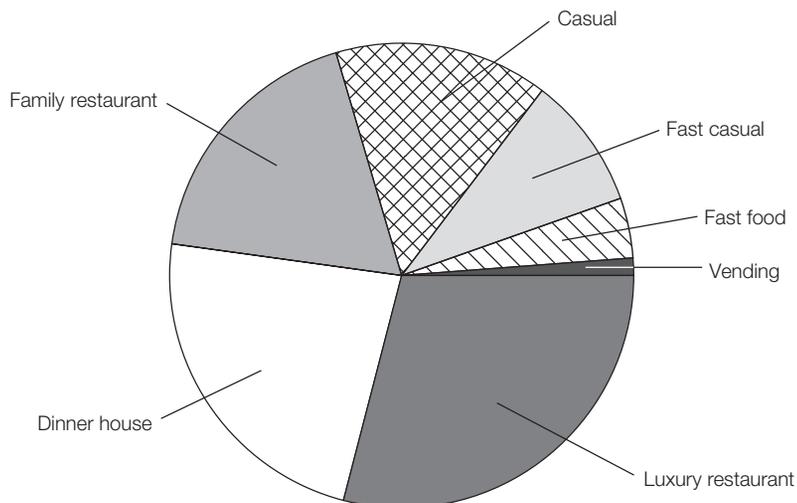


FIGURE 3.3: Different kinds of restaurants require different levels of service

the higher the price, the more service provided. At one end of the spectrum, the vending machine is completely impersonal—no service at all. At the other end, the luxury restaurant, a captain and two buspersons may attend each table. Service is maximal. The customer pays for the food but also for the ambience and the attention of service personnel.

It is interesting to compare the productivity and profitability of a luxury restaurant with those of a casual or popular-concept restaurant. The casual restaurant can quickly train personnel replacements and pay relatively low wages. The French restaurant relies on years of experience and polished skills. It is also relatively inefficient. The chain restaurant relies on system and replication, the French on individuals. The chain markets its restaurants; the French restaurant attracts limited patronage with ambience, personality, word of mouth, and public relations.

Restaurant service breaks down into seven categories: vending, quick service, fast casual, casual, family restaurant, dinner house, and luxury restaurant. Figure 3.4 shows that different kinds of restaurants have different seat turnover levels.

The degree of service offered probably correlates with menu price and pleasure—at least, that is the expectation of the diner. Here again, there are many exceptions, and as the expectations are purely psychological, a number of factors can intrude on the correlation.

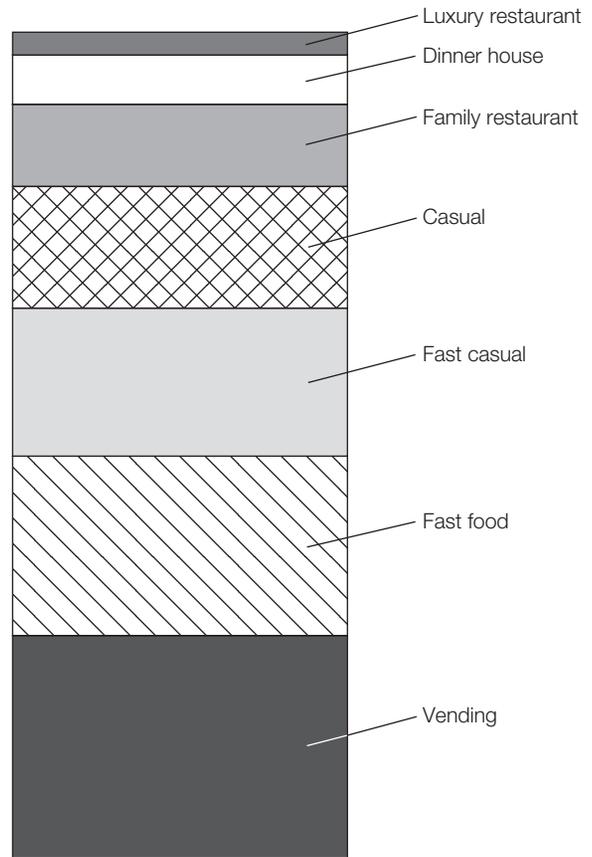


FIGURE 3.4: Different kinds of restaurants have different seat turnover levels

Time of Eating and Seat Turnover

Utilitarian eating is often accomplished in double-quick time, while the customer of a luxury restaurant who spends \$75 to \$100 per person for an evening out may savor every minute of the total experience, plus the pleasure of anticipating the dining experience and the pleasure of remembering it. Telling one's friends about the truffled turkey can be worth the price of the meal, a conversation piece adding luster to the dinner. At the other end of the spectrum, the stand-up diner in New York City can hardly be expected to be enthralled by the experience.

The seat turnover and speed of eating correlate with the restaurant classification, but not perfectly (see Figure 3.4). In some restaurants, the family style can offer speedy service and fast turnover and still provide an enjoyable atmosphere

for its customers. Turnover is also highly correlated with the efficiency of the operation; turnover in two restaurants of exactly the same type can vary widely because of layout and management.

SQUARE-FOOT REQUIREMENTS

Figure 3.5 suggests the amount of space per customer needed by each type of restaurant. The restaurant customer, in effect, rents space for dining. The drive-through restaurant provides no dining space at all; the customer’s automobile is the dining room. Coming up the scale a bit, the customer may walk to a counter and receive some service. The coffee shop provides counter and booth seating and a nominal kitchen, while the luxury restaurant needs upholstered chairs and 15 to 20 square feet of space per patron, plus the kitchen equipment to handle the more extensive menu.

The square-foot requirements and the turnover in patrons per seat per hour are listed in Figure 3.6.

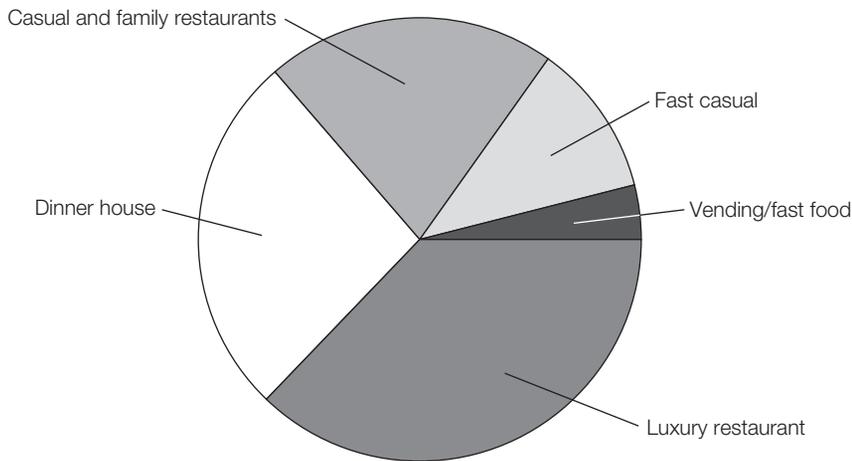


FIGURE 3.5: Different kinds of restaurants have different space-per-guest requirements

	Dining Room (square feet per seat)	Turnovers in Patrons (per seat per hour)
Fast casual	10–12	1.75–3.0
Dinner house	15–17	1.25–1.75
Deluxe restaurants	13–18	0.5–1.25
Casual restaurants	11–15	1–2.5

FIGURE 3.6: Square-foot requirements and turnover rates

Source: Jay R. Schrock

MENU PRICE AND COST PER SEAT

Menu pricing correlates highly with the degree of service offered, the time of eating, the labor cost, the amount of space offered the customer, and the cost of the restaurant itself.

It might be expected that the cost per seat of a restaurant varies directly with the other factors mentioned. This is true to an extent, but there are wide variations. Some of the chain dinner houses cost \$18,000 per seat or more, whereas a small neighborhood restaurant may cost from \$6,000 up. Some of the quick-service restaurants are very costly per seat, much more so than the family restaurant. Cost per seat thus does not correlate well with the restaurant classifications presented.

CORRECT NUMBER OF SEATS

Theoretically, a given location will support a given number of seats with a particular concept. A 120-seat restaurant may be right for location X, while a 240-seat restaurant would be wrong. Restaurant chains go through a period of evolution to arrive at the right size to suit their concept. Companies such as McDonald's, Denny's, and Pizza Hut have developed as many as three sizes of restaurants to fit different locations.

Surveys show that 40 to 50 percent of all table-service restaurant customers arrive in pairs; 30 percent come alone or in parties of three, 20 percent in groups



The Hard Rock Cafe's theme has been popular for years

Courtesy of Hard Rock Cafe

of four or more. To accommodate these parties, consultants recommend tables for two that can be pushed together. Booths for four, while considered inefficient for some restaurants, are ideal for family places. Larger groups can be accommodated at several small tables placed together, in booths for six, or at large round tables. The floor space required per seat will vary according to the restaurant's service or atmosphere. Luxury and table-service restaurants require 15 to 20 square feet per seat, coffee shops and luncheonettes should allot about 12 to 17 square feet for each seat, while cafeterias need just 10 to 12 square feet per seat or per stool.

For the beginning restaurateur, it is probably better to build too small than too large. If the restaurant is excessively large for the location, it will be only partially filled. A crush of customers creates ambience and excitement.

Some restaurants are too large for their markets. Better to shut down some rooms, if possible, so that customers can be seated with other customers. Few people like to sit in a large room with only a handful of other people present.

Advertising and Promotion Expenditures

In advertising and promotion, expenditures may vary according to the type of restaurant. Figure 3.7 shows the percentage of sales spent on advertising and promotion among types of restaurants. The vending machine operator spends

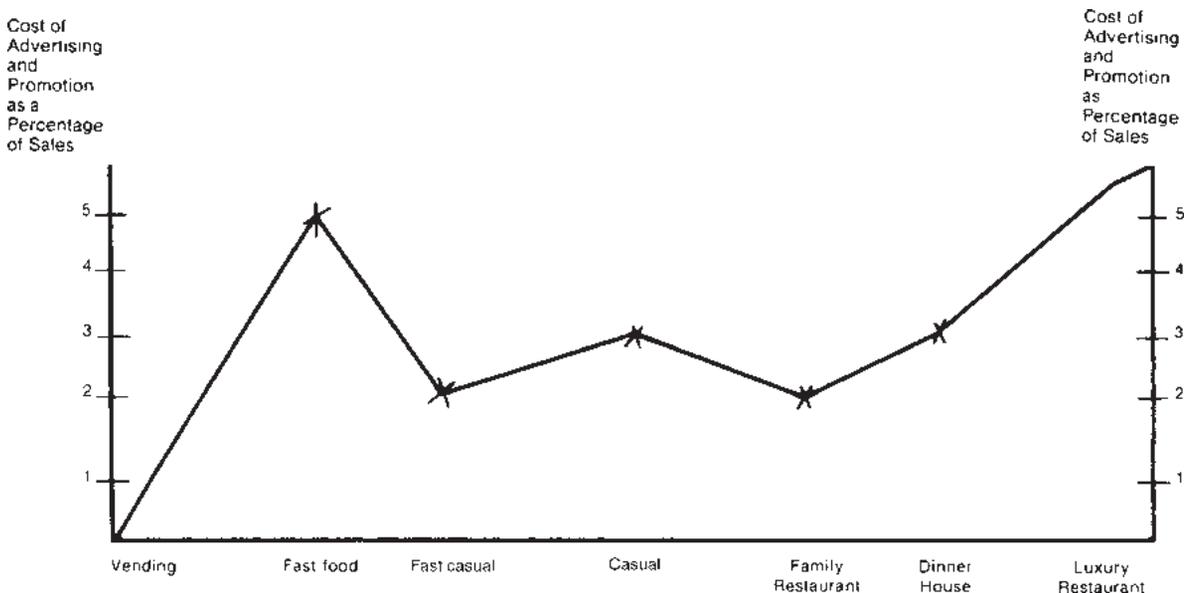


FIGURE 3.7: Advertising and promotion expenditures for various types of restaurants

little or nothing in advertising. Quick-service restaurants are likely to spend 4 to 5 percent of their income on advertising, more than is spent by the casual, fast casual, or family restaurant or the dinner house. At the far end of the spectrum, the restaurant featuring fine food may spend heavily on public relations. Promotion may take the form of entertaining food columnists, the proprietor's being seen at the right places at the right times and with the right people, and the cost of paying a public relations firm for keeping the restaurant in the news.

Labor Costs as a Percentage of Sales

Productivity per employee correlates highly with the various elements, moving from a high point at the quick-service end of the classification scale to a low point in a luxury restaurant or at a country club. Here, too, there are exceptions, depending on management skill, the layout of the restaurant, and the menu.

As might be expected, labor costs vary inversely with productivity, as shown in Figure 3.8. Quick-service restaurants operate at comparatively low labor costs. Labor costs are covered in more detail in Chapter 8.

Planning Decisions That Relate to Concept Development

Who Are the Target Markets, the Customers? Children, teenagers, young married couples, families, businesspeople, retirees, low-income people, high-income people, the adventurous, the sophisticated—anyone who is hungry could be your target market.

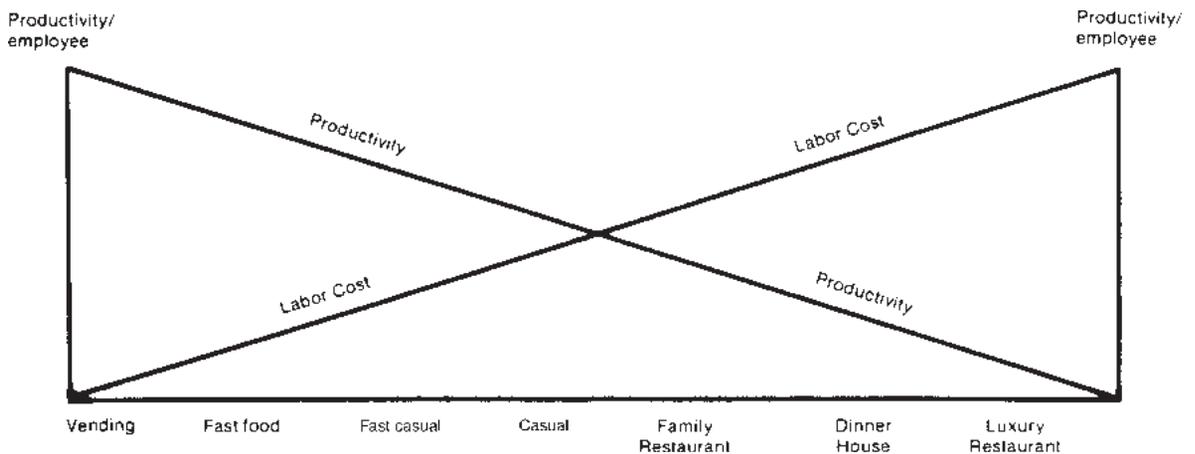


FIGURE 3.8: Productivity and labor cost per restaurant employee

Buy, Build, Lease, or Franchise? Building is usually the most time-consuming of these options and can require two or more years from concept to completion. Arranging for financing, employing an architect, buying the land, getting the necessary approvals, and formulating contingency plans all eat up time and money. In franchising, the problem is to pick the right operation and to recognize that most major decisions have already been made and will continue to be made by others.

Food Preparation from Scratch or from Convenience Items? How much of the food will be prepared on the premises? How much will be purchased ready for heating? How many of the menu items will be prepared from mixes, soup bases, and other convenience food items? Some restaurants prepare everything possible from fresh ingredients. Others prepare everything possible from convenience items and have a definite policy of cutting preparation time to the minimum. Most restaurants make some items and buy others. Chain operations often produce some foods in a commissary, then have them delivered for final preparation at the various unit restaurants. Even upscale restaurants usually purchase most of their desserts and pastries.

A Limited or an Extensive Menu? Will the location and the concept support a limited menu, or does the concept call for an extensive menu requiring a large population base to support it?

How Much Service, Limited or Full? The operator can pick from a wide range of service degrees, from vending to walk-up, carry-out, cafeteria, drive-through, and on up to luxury full service. Which best fits the concept and market?

Young Part-time Employees or Older Career Employees? Much of today's foodservice industry is staffed by teenagers, people in their early 20s, and people who receive minimum or slightly above minimum wage. Some restaurants employ a range of age groups and depend on career employees rather than part-timers. Most restaurants offer at least some part-time positions.

Paid Advertising or Word-of-Mouth Advertising? How will the target markets be reached—paid advertising, public relations, promotions, or largely by word of mouth? A number of successful restaurants have a definite policy of no paid advertising. Others rely heavily on paid advertising, still others on promotion or a combination of advertising and promotion, particularly the use of coupons.

Grand or Quiet Opening? Will you open with a bang and fanfare, or open quietly on Monday morning and allow the crew to ease into volume operation?

Electricity or Gas? This decision is not an either/or proposition—some pieces of equipment can be gas fired, others wired for electricity—but the decision is an important one because installation is only part of the total cost. What is the cost of operating gas versus electric equipment, and what are the advantages of each type? Regional utility rates are a factor. In some locations, electricity is cheap; in others, it is expensive.

Profitability

Now for the famous last-but-not-least factor: *profitability*. Without a doubt, the most profitable restaurants are in the quick-service category. The larger quick-service purveyors have produced dozens of millionaires and more than a few multimillionaires. A number of franchisees have acquired chains within the chain, multiple units clustered within an area. With predominantly minimum-wage personnel, high sales volume, the use of systems, and excellent marketing, the quick-service business is the all-out winner. Oddly enough, few restaurant-management students opt for quick-service management, believing it lacks the variety, glamour, and opportunity for self-expression found in restaurants offering more service and style. The professional restaurateur sees the restaurant as an ego extension. The investor usually cares most about profitability and what it takes to maximize profits.

Mission Statement

A mission statement drawn up by the restaurant owner can encapsulate his or her objectives for the business. The statement may be brief, such as the one for Max's Restaurant:

To be the most admired restaurant of choice where people celebrate and cherish great food and excellent service every day, all the time.⁴

Or it could be more encompassing, as in Restaurants Unlimited's Clunkerdagger restaurant in Spokane, Washington:

Clunkerdagger is the premier place to spend an unforgettable dining experience. Greeted with the glow of the fireplace and the warmth of our staff, our goal is to delight you with our exquisite menu selection and our gracious approach to hospitality.⁵

A mission statement can be explicit about the market(s) served, the kinds of food offered, and the atmosphere in which the food will be served. The ethical standards to be followed can be stated as part of the mission statement or written as a separate code of conduct. The goals to be followed in relating to

patrons, employees, vendors, and the community can be included. Darden Restaurants (which includes Red Lobster, Longhorn Steakhouse, Olive Garden, Bahama Breeze, Capital Grille, and Seasons 52), states something of the moral character of the company:

At Darden, we have a passion to make a meaningful difference in the lives of others, which is captured in our core purpose: to nourish and delight everyone we serve. We work to achieve that goal by delivering great guest and employee experiences and by enhancing the quality of life in the communities where we do business through volunteer involvement and philanthropic support!⁶

Several advantages accrue to the restaurant owner/management that takes the time to spell out a mission statement. The exercise forces owners to think through and put in writing an explicit statement about what the restaurant is all about, a statement that is sharp and to the point and can focus the energies of management and employees and set forth the responsibilities of the enterprise in its relations with patrons, employees, vendors, and the public.

Mission statements can include input from employees. Discussions with employees can mobilize their thinking about the restaurant's purpose and reason for existence. There should be no hesitation about stating the profit motivation and such goals as cleanliness, customer service, and customer delight.

A code of ethics or conduct may strike some people as naive. They are meant to encapsulate an organization's beliefs and values, which must be internalized and used as a guide in all training sessions, given to all new employees, and explained in detail.⁷ It places a burden on restaurant owners, managers, and employees to live up to the code, reminding them that ethical behavior begins at the top and assuming a commitment to following the highest standards in personal cleanliness, food protection, service, and employee relations. One clause can address striving to price food to provide fair value and fair profit to investors. It does no harm to state that the restaurant expects employees and vendors to be scrupulously honest and pledges to do the same.

A mission statement is a useful part of the work plan needed to support a loan application from the Small Business Administration, bank, or other loan source. A mission statement should contain these three elements:

1. The purpose of the business and the nature of what it offers
2. The business goals, objectives, and strategies
3. Philosophies and values the business and employees follow

Concept and Location

What makes a good location for a restaurant? The answer depends on the kind of restaurant it is and the clientele to which it appeals. Is the location convenient and accessible for the potential clientele, the target market of the restaurant? The

restaurant appealing to the professional for lunch usually must be relatively close to where professionals work. For some groups, the only food service in which they are interested is one within the building. For others, it is anywhere but within the immediate area, providing they can be back in their offices within an allotted lunch period.

Roadside restaurants, especially those on superhighways, are favored by the automobile traveler. Locations within a community (rather than on the edge of town) and on a major highway are plus factors. Brand-name restaurants such as McDonald's, Olive Garden, and Outback Steakhouse appeal to the stranger in the community looking for a known standard of quality and price. The traveler knows the menu prices and is fairly certain of the food quality and sanitation standards in a McDonald's, whether it is located in Massachusetts or New Jersey.

Will the size of the potential market support a particular type of restaurant? A quick-service hamburger restaurant may need only a population of 5,000 to support it, while a Polynesian restaurant might require 200,000. A casual restaurant may do well with only a few thousand potential customers, while a gourmet restaurant may need 100,000 people in its potential market. The marketing manager for one upscale dinner-house chain feels that a population of 250,000 within a 5-mile radius of one of their restaurants is needed for support. If the unit is located on a freeway, the radius might be extended to 10 miles.

The price structure of a restaurant is a major determinant in establishing its market. The \$45-average-check seafood restaurant may appeal to 5 to 10 percent of the population, while a \$12-average-check Mexican restaurant may appeal to 60 percent. Neither restaurant needs a major highway location to be successful. The public is more apt to search them out because of the specialized menu and service and because, normally, there are fewer of them from which to choose.

Criteria for Locating a Restaurant

The semimonthly magazine *Restaurant Business* publishes an annual Restaurant Growth Index, the purpose of which is to list the best and worst places to open a restaurant in the United States. Quite correctly, the editors say that selecting a restaurant site or a restaurant city is both a science and an art. Certain areas have too many restaurants. A few are good places to buy or build a restaurant, depending on the area's share of employed persons, working women, income level, population age, and food consumed away from home. Certain towns are losing population, others gaining. Pittsfield, Massachusetts, in a recent survey, was ranked last as a growth market partly because it was losing population and its business future was not promising. Chicago was at the other extreme, ranking number one in restaurant sales in the country. It was followed by New York City, Los Angeles, Washington, D.C., Atlanta, Boston, Detroit, and Philadelphia.

While this information is valuable, more important is the amount and intensity of competition already existing, information that can be learned only by on-site study or experience. Help can be had from a local or regional expert on the local situation. It is well known that restaurant competition is intense in major cities.

LOCATION CRITERIA

Restaurant personality, style of service, menu price, and management call for particular criteria in site selection. What is good for one restaurant may not be good for another. The focus is on the potential market. How convenient will it be to the customers' place of residence or work? Will they feel that they are getting value for their money whether the menu price is low or high? Chain-restaurant executives ordinarily define site or location criteria carefully based on experience. Some of the more obvious location criteria follow.

- Demographics of the area: age, occupation, religion, nationality, race, family size, educational level, average income of individuals and families. This information is available at the U.S. Census Bureau, at www.census.gov and Demographics Now at www.demographicsnow.com.
- Visibility from a major highway
- Accessibility from a major highway
- Number of potential customers passing by the restaurant (potential customers might be only travelers going through a community, drivers, local workers)
- Distance from the potential market
- Desirability of surroundings

These factors are then weighed against costs: leasehold cost, cost of remodeling an existing building, cost of buying an existing restaurant.

Some location factors are critical, and if a site does not meet them, it must be ruled out as the restaurant location. Establishing the critical factors in determining location is your first job.

The atmosphere of a restaurant must fit the location. Even though it may be part of a chain, your restaurant can be different from the other units. The ethnic background of a community, its income level, and number of children per family are important. McDonald's, Burger King, and Wendy's are moving away from having a standard design for all locations. If the neighborhood is affluent and the demographics indicate an older population, the restaurant is likely to be broken up with more partitions, suggesting gracious dining rather than the fast-food look favored by younger populations.

SOME RESTAURANTS CREATE THEIR OWN LOCATION

Dinner or family-style restaurants need not place the same high priority on convenience of location necessary for casual and quick-service establishments. In

effect, the restaurant creates the location if the food service and atmosphere are desirable. The point is proved by the many undesirable locations that have failed as restaurants for as many as 10 different owners but are taken over by an eleventh and within a few weeks are packed with customers.

Because this is true, developers and community officials are often eager to entice a successful restaurant operator into a new shopping center or an area that has fallen on bad times. Decaying communities offer particularly attractive terms to operators with a proven track record. A successful restaurant can attract hundreds of people and rejuvenate a shopping center, mall, or other area.

A colorful personality restaurant may be successful in a location relatively poor with respect to surroundings, distance from market, accessibility, and convenience. Such a restaurant would be that much more successful in a prime location. One owner of a successful chain of Mexican restaurants in California considers the usual location factors relatively unimportant. He feels, and experience has proved, that people will search out his restaurants. Consequently, he buys failing restaurants located in less desirable locations, remodels them, and attracts a large clientele. Other restaurateurs say that “even with the best location, it is difficult to succeed in the restaurant business—therefore, go only for the best.” Prime locations, however, require a good deal more money for lease costs.

SOURCES OF LOCATION INFORMATION

Location decisions are based on asking the right questions and securing the right information. Real estate agents are prime sources. A few specialize in restaurant brokerage. The real estate agents involved (there is usually at least one) are primarily interested in making a sale and gaining a commission. Real estate commissions are ordinarily based on 6 percent of the building’s selling price and 10 percent of the selling price of raw land. A \$200,000 land deal brings the agent up to \$20,000 in commission. (Keep in mind that commissions often can be negotiated.) With this kind of incentive, it is little wonder that the agent may push a sale to the disadvantage of the buyer or the seller. To protect their interests, owners need multiple sources of location information. The agent usually can provide valuable information about the site and probably knows the community, its income level, growth patterns, traffic flows, restaurant competition, and the restaurant scene in the area.

Other sources of information are the chamber of commerce, the banks, the town or city planner, and, believe it or not, other restaurant operators. Town and city planning officials can provide traffic and zoning information. Current zoning information is critical, but no more so than what zoning officials are planning for the future. Is an area scheduled to be rezoned? Can a lot be split? Zoning reflects politics, and even if one group of officials plans one way, the next group may change the plan. The builder hopes for a lot to be rezoned up. Sometimes it is rezoned down. A change in zoning classification can mean a change in value of hundreds of thousands of dollars.

A number of communities have placed moratoriums on building for reasons such as protecting the environment or maintaining the status quo. Rapidly growing communities sometimes stop all building because utility or sewage systems are incapable of keeping up with the growth. In areas not served by a public sewage system, the construction of a restaurant may not be feasible because of the need for a sewage system with a large drainage field. An existing restaurant in such an area may be in a favorable competitive position for several years.

Building a restaurant is always nerve-racking, but it can be disastrous for an investor who encounters unexpected delays in getting permits, materials, and labor. A Howard Johnson's franchisee who was building a restaurant was unable to get the orange-colored roof for a number of months, which almost sent him into bankruptcy. Some communities refuse to allow a particular design of restaurant, and more and more building codes are specifying low-key architecture with minimal signage.

A look at the highways on the outskirts of some cities tells why the planning commissions are placing more restrictions on restaurant buildings and signs. Restaurants and motels crowd each other, each with a large neon sign, giving the strip an unsavory appearance.

Basic demographic information about the people in the area can be obtained from the Census Tracts for Standard Metropolitan Statistical Areas, available in local public and university libraries. The number of renters or homeowners, income levels, and so on for the particular site in question can be abstracted from these tracts in a few minutes. A plethora of information about people in a given area is available from government sources. Specialized demographic research companies will provide the information within a day or two for a moderate price. The larger chains use such companies routinely, but the individual should probably also use them to save time. Information such as population growth, decline, density, income levels, number of children, ethnicity, and other consumer facts are readily available for any given area in the United States. These companies do not research information themselves; they merely collect it from other sources and put it into usable form. All such information is valid only if it is relevant. Location experts working for chains have made big mistakes in selecting sites that were not right for a particular restaurant. The novice site analyst may have more problems.

A mom-and-pop operation may produce a living for its owners in a small town, while a restaurant with a heavy capital investment would be a loser economically. What might be an excellent location for a posh restaurant in one year could be a loser the next, as competition moves in and the fickle elite restaurant diners move on to the new "in" place.

Locations wax and wane in desirability, depending on a number of conditions, including the general economy, the nature of the residents of the area, the presence or absence of new or declining buildings, changing traffic flows, and security. This

means that the restaurant operator must be continually alert to general conditions in an area and be ready to change the menu or change the concept, if necessary, or even move out.

Census tracts used to be the standard measure. Now ZIP plus Four (extended ZIP codes), which can contain as few as 15 households or only one business park, is more widely used to gather information.

With the proliferation of chains and changing lifestyles, people are less inclined to travel far to a restaurant. As a result, decision makers have to be even more precise in determining where new restaurants should go.

TRAFFIC GENERATORS

Look for built-in traffic generators, such as hotels, business parks, ball parks, indoor arenas, theaters, retail centers, and residential neighborhoods. Olive Garden, the chain of Italian dinner houses operated by Darden Restaurants, pursues a two-pronged growth strategy in which it moves into new markets as well as fills out markets it already operates in. To reduce development costs, the chain purchases restaurant sites and converts them to its own units.

KNOCKOUT CRITERIA

Failure to meet any one of the following criteria should knock out a site as a restaurant location. There would be no point in exploring that site further.

- *Proper zoning:* If a site is not zoned for a restaurant and it is not likely that it can be rezoned, there is no point in pursuing that site.
- *Drainage, sewage, utilities:* If a site is impossible to use because of the unavailability of certain utilities, or if there is a possibility of being washed out by a flood, or if it has major drainage problems, it must be rejected.
- *Minimal size:* The plot must be of at least the minimal size for a particular restaurant. A freestanding coffee shop ordinarily calls for something like 40,000 square feet. The plot must be big enough, in most cases, to permit adequate parking spaces. A 200-seat restaurant, for example, in some cities calls for a least 75 parking spaces. Other building codes specify at least half as many parking spaces as seats in the restaurant.
- *Short lease:* If a lease is available for less than five years, the site may be undesirable for most restaurant styles.
- *Excessive traffic speed:* Traffic traveling at an excessive speed (more than 35 mph) past a location distracts from a site. Thruway and interstate highways are exceptions when off- and on-ramps are convenient to the site.

- *Access from a highway or street:* This is most important. An easy left turn into the lot may be an important criterion. In one instance, a new traffic light preventing a left turn reduced the volume of sales of a restaurant by half. The site may be all right for a style of restaurant different from one that depends on high traffic flow.
- *Visibility from both sides of the street:* The fact that a site is cut off from view may rule it out as the location for some styles of restaurants.

OTHER LOCATION CRITERIA

- *Market population:* Each style of restaurant depends on a certain density of foot or car traffic past the location and/or a minimum residential population within a given radius of the location. Many restaurants call for a resident population of 15,000 to 20,000 within a two-mile radius. Some sites call for 50,000 cars to pass the location each day.
- *Family income:* A high-average-check restaurant normally calls for families of high income within a two- to five-mile radius. A lower-average-check restaurant could well succeed in a lower-income area.
- *Growth or decline of the area:* Is the area getting better or worse economically? Is the population rising or declining? If the trend is worse, the restaurant's life span may be brief.
- *Competition from comparable restaurants:* Is the area already saturated with hamburger restaurants, coffee shops, family restaurants, or dinner houses?
- *The restaurant row or cluster concept:* The idea is older than the medieval fair. It can be found in the row of snack bars, preserved in Vesuvian ash, in Herculaneum in Italy dating back to the first century A.D. Putting a number of restaurants together may add to the total market because people will come a greater distance to a restaurant row than to separately located restaurants. However, in a restaurant row, only one or two hamburger restaurants may be viable. The usual cluster concept may site 35 or 40 restaurants in a small area, but ordinarily each offers a somewhat different theme, menu, and atmosphere. If the restaurant row is located in a particularly charming area, such as Marina del Rey in southern California or the Wharf area in San Francisco, each restaurant adds to the total ambience. The whole is greater than the sum of its parts. A restaurant row must be part of or near a large population base.

SUBURBAN, NOOK-AND-CRANNY, AND SHOPPING MALL LOCATIONS

Depending on menu and style of operation, restaurants do well in a variety of locations: suburbs, cities, near schools, in shopping centers, industrial parks, stadiums, and in high-rise buildings. McDonald's, for example, after a heavy emphasis on suburban expansion, turned to the nooks and crannies, those locations that are completely walk-up, without parking. Being a part of a shopping mall has many advantages, but the high cost of rent may preclude the success of some

restaurants. Also, some styles of restaurants do much better in shopping malls than others, although almost every type of restaurant does well in one shopping area or another. Finding the correct area is the real trick.

Should the restaurant be placed within the covered mall itself or be freestanding on mall grounds? The management of Fuddrucker's restaurants chooses the latter. Their clientele, mostly children accompanied by parents, gains the security of the mall and its parking facilities without being lost among the dozens of other mall stores.

The character of the operation should fit the character of the shopping mall. The Magic Pan, with its high-priced crepes and omelets, high-style appointments, and rotary crepe-pan cooking center, should be located where value is appreciated in terms of decor rather than quantity of food—that is, a mall serving an affluent community. A McDonald's restaurant was put in a posh Lexington Avenue area of New York City—and failed. A McDonald's as part of a military base shopping center is usually a winner.

MINIMUM POPULATION NEEDED TO SUPPORT A CONCEPT

How much population is needed to support a particular style of restaurant—5,000 people, 10,000, 25,000, or 50,000? When a nationally advertised chain such as McDonald's or Burger King comes into a smaller community, that restaurant is likely to have a higher frequency of repeat patronage than it would in a large city. The fewer resources for entertainment a town or city has, the larger portion of business the restaurant will receive. Big cities have shops, restaurants, and thousands of options for the consumer. Put a McDonald's in a quiet little town like Kona on the big island of Hawaii and see what happens. People who do not know how to spend their free time because there are few choices are more apt to frequent a center of activity like a quick-service restaurant. It is new, it is fairly inexpensive, the food is in the American menu stream, and that is where the people assemble.

DOWNTOWN VERSUS SUBURBAN

Many restaurants have faded or failed because of the exodus of the middle class from the downtown area, leaving the restaurant perhaps a luncheon crowd but no one for dinner. The situation has changed back in a number of cities. Townhouses are being built, and the two-person income has enabled many families to rent high-priced downtown apartments. The high density of people living on any one block of New York City helps account for the large number of New York restaurants.

A restaurant's business may be tied to entertainment. When a popular movie is showing, crowds come; when a poor movie is showing, the restaurant has empty seats. Downtown restaurants appear in unusual places: in basements, in lobbies of old apartment buildings, in storefronts, on riverfronts, in department store complexes. Old churches become restaurants, as do converted firehouses, railroad stations, and libraries. Rents can be cheaper, depending on the neighborhood, or they can be considerably higher than in the suburbs, as much as double per square foot.

That an area, whether downtown or suburban, already has more than enough restaurants does not necessarily mean that a new one will not succeed. Is there a market gap to step into? Most towns and cities have more than enough restaurants. The proposer of a new one thinks that his or her place will better satisfy a particular market, provide more interest, be more exciting, have a more charming decor, provide more theater, serve higher-quality food, and so on. New restaurants continually displace old ones.

AVERAGE TRAVEL TIME TO REACH RESTAURANTS

Most diners-out select restaurants that are close by, near home, work, or shopping. Generally, restaurant patrons will travel an average of 15 to 18 minutes to reach a hotel, steak, full-menu, or fish restaurant. People often spend about 10 minutes when going to cafeteria and department-store restaurants. In other words, consumers are willing to spend more time traveling to eat in a full-service specialty restaurant and for meals that are family occasions. People will travel an hour or more to reach a restaurant with a high reputation, especially if the meal celebrates an occasion. The same people want fast food or take-out food to be only a few minutes away.

MATCHING LOCATION WITH CONCEPT

A particular site may be right for a coffee shop but wrong for a dinner house or a fast-food place. It may be right for an in-and-out burger restaurant but wrong for a sit-down hamburger restaurant. The size of the lot, visibility, availability of parking, access from roads, and so on, all have an impact on the style of restaurant that will fit a location.

Restaurant sites have been known to fail six or more times running and then become highly successful with a new concept that fits the area and the competition. Sometimes, when a restaurant begins to fade, the owner feels that nothing much can be done except to do a better job, spend more on advertising, perhaps replace the present employees. This may be true, but often the only thing that will save the restaurant is a change of concept.

RESTAURANT CHAIN LOCATION SPECIFICATIONS

Restaurant chains usually have location specification details spelled out for use by real estate agents and potential franchisees. For example, this list shows critical criteria selected by a restaurant corporation headquartered in California:

- Metropolitan area with 50,000 population
- 20,000 cars per 24 hours on all streets of exposure; 24-hour traffic, at least four-lane highways
- Residential backup, plus motels, shopping centers, or office parks

- Minimum 200-foot frontage; approximately 45,000 square feet of land (If the restaurant is in a shopping center, a freestanding pad for a 5,000-square-foot building and adequate parking are necessary.)
- Area demonstrating growth and stability
- Easy access and visibility
- Availability of all utilities to the property, including sewer

The same company illustrates how its restaurant would be placed on a parcel of land. Minimum width of the parcel would be about 170 feet, length about 200 feet. Motorists must be able to enter the property by making left turns from the street. Typical layouts for this company are shown in Figure 3.9.

Here are the site criteria for a Carl's Jr., a quick-service hamburger restaurant that now includes Hardee's and La Salsa.

- Freestanding location in a shopping center
- Freestanding corner location (with a signal light at intersection)
- Inside lot with 125-foot minimum frontage
- Enclosed shopping mall location
- Population of 12,000 or more in 1-mile radius (growth areas preferred)
- Easy access of traffic to location
- Heavy vehicular/pedestrian traffic
- An area where home values and family income levels are average or above
- Close to offices and other activity generators
- A parcel size of 30,000 to 50,000 square feet
- No less than 2 or 3 miles from other existing company locations

Owners of nearly all new quick-service restaurants consider installing drive-through windows, which in some locations are used by more than half the patrons.

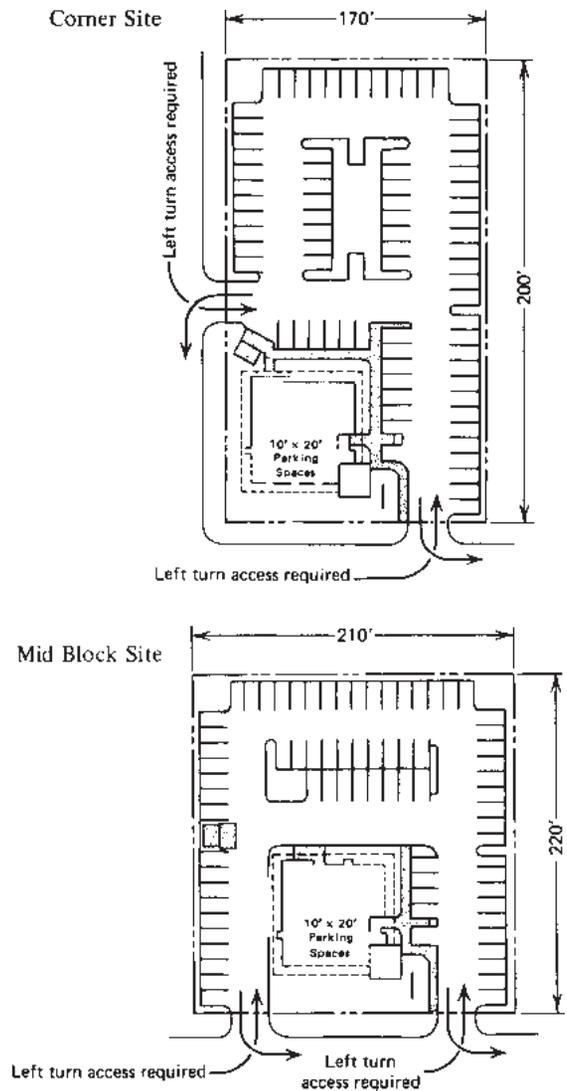


FIGURE 3.9: Typical freestanding family/casual restaurant layout

TAKEOVER LOCATIONS

Being short of capital or wishing to minimize risk, the beginning restaurateur often starts by leasing or buying out an existing restaurant. The restaurant may be failing; the operator may wish to retire. If a restaurant is a failure, the new entrepreneur feels that he or she can do it better, or has a better concept for the location. Takeover situations can always be found.

Terms for the restaurateur can be favorable—little cash required and the building and equipment available for lease. The new restaurateur thinks: How can I lose? But he or she can and often does lose because the location is not right for the restaurant concept or format.

Often the entrepreneur changes the concept from a coffee shop to a dinner house or family restaurant with hammer and nails. The exterior may be covered or repainted, and the interior decor changed by adding or removing booths, moving walls, lowering or raising ceilings, or adding artifacts or color. If the restaurant is successful, a takeover in another location is undertaken. Once the concept has proved itself, the company begins to select its sites more carefully, according to strict criteria, and builds its own restaurants or finds interested investors to build according to specification.



Blue Point Coastal Cuisine is a popular seafood restaurant in San Diego's Gas Lamp district
Courtesy of Dave Cohn

RESTAURANT TOPOGRAPHICAL SURVEYS

Ray Kroc, founder of McDonald's, liked to pick locations for his restaurants from a helicopter. Flying over a community, he could see the churches, schools, and traffic patterns.

An alternative to this approach can be achieved using a town or city map and plotting the location of existing restaurants on the map. This bird's-eye view provides a valuable perspective.

Nearly every restaurant in a community is listed in the yellow pages of a phone book, and it is not difficult to classify restaurants in a way that will identify potential competition. If the planned restaurant is a coffee shop, all the coffee shops in the area should be marked on the map; they constitute direct competition. Seeing all of the restaurants in an area on a map gives some idea of the degree of restaurant saturation.

Of the hundreds of restaurants located in Pomona Valley, east of Los Angeles, quick-service restaurants predominate and compete vigorously with each other. The hundreds of restaurants might all do well in a more heavily populated urban area, which means that the number of restaurants is excessive, a not unusual situation. Only two or three high-style, high-check-average restaurants can be supported. Several Mexican restaurants can be sustained. A few other ethnic restaurants do fairly well, as long as the owner is the operator and is helped by family. The would-be restaurant operator in this Pomona Valley area would determine if the selected concept is needed. Is there a market gap, a group of people not being served the kind of food or offered the kind of service and atmosphere that the proposed concept would provide?

COST OF THE LOCATION

Finally, and critically, can the concept and the potential market support the location selected? A restaurant has two potential values, its real estate value and its value as a profit generator. The two values should be considered separately. A restaurant building may actually detract from the real estate value, especially if the building has failed as a restaurant one or more times or is unattractive. On the other hand, the real estate value may be greater than the operational value.

A restaurant buyer is concerned with the real estate value, a potential lessee less so. A person wanting to lease a restaurant, however, must consider the real estate value (or its potential value) because, if the value increases, the owner will increase the rent—unless the lease agreement is written to prevent such an increase.

Potential changes in property zoning by local or state zoning boards can affect market value. Will highway changes be made in the near future that will affect the value of the property? Is the area going downhill or being revitalized? Is the area getting better or worse for a particular kind of restaurant? As an area changes, the kind of restaurant that will be supported also changes. A declining-income



One example of a takeover location is Cantina Latina, which is the dream turned into reality of Amanda Garcia and her son, Christian, and daughter, Alexandra. One of Amanda's fondest memories was playing accordion with her church group as a young girl in Colombia. During concerts, the aroma of fresh bread baking and hot chocolate steeping was the impetus for taking long breaks. When she was a teenager, life transported her to the island of Puerto Rico, where she discovered the exotic flavors of roast pork, sweet ripe plantains, and rice with pigeon peas, and her Costa Rican husband, Albert.

Next stop was Los Angeles, where she was introduced to the exquisite Mexican food and the joys of motherhood. Later the family moved to Tampa, where they built one of the first major tortilla factories in the Southeast. After a few years they sold that business and traveled extensively throughout Costa Rica, the Caribbean, and Mexico, wishing that someday they would open their own Latin American restaurant.

A family partnership was formed, and the name Cantina Latina, brainstormed over a few margaritas, was registered. They searched for several weeks to find a suitable location. Finally, one was found in a plaza in Sarasota, close to a high-volume supermarket

across from a major shopping mall. The location was good — with plenty of visibility, easy access, and parking. There had been a restaurant at the location, but it was run down. In fact, the stoves and other kitchen equipment did not work. After lengthy negotiations with the previous owners' lawyers, a price was agreed on for the furniture and fixtures. Then a five-year renewable lease was signed with the building's owner. The cost per square foot was excellent value for the Garcias, and the common area maintenance (CAM) fee was reasonable.

Cantina Latina opened on December 27, 2002, and there's a good reason for that — by opening in the 2002 tax year, they were able to take some deductions for that year. Before opening, the Garcias had to obtain all the necessary permits and get the licenses required for operating a restaurant. All licenses take a lot of paperwork but are necessary. In Florida, the Bureau of Alcohol Tobacco and Firearms (ATF) issues the liquor license. This involved a visit to the local police station for fingerprinting, and the ATF did an extensive background check. Eight weeks later, the Garcias had their liquor license. For the Health Department permit, it was necessary to register with the state, county, and city. They took the Safe Serve certificate and called the health department shortly before opening, and

after an inspection were issued a permit.

Cantina Latina's concept initially called for a kind of TJ Fat's style of service — where guests ordered at the counter, seated themselves, and were served their food. After a while, the Garcias asked their guests if they would prefer table service, and they said yes. So, the service style was changed to please the guests. The Garcias are now on their way to success, by virtue of having selected a great concept, with delicious food in a convenient location at a value price. A copy of the menu and beverage list is shown in Chapter 4.



Cantina Latina is the creation of Amanda, Christian, and Alexandra Garcia

Courtesy of Cantina Latina

area may need a lower-average-check restaurant, a quick-service restaurant, or a coffee shop. As affluence grows, more dinner houses can be introduced.

The cost depends on location. The cost of construction may be \$200 to \$250 per square foot, exclusive of land. A lease may run as high as \$20 per square foot or more per month. If restaurateurs pay only \$1.50 per square foot per month for a lease, they cannot expect to get the same traffic compared with a location that costs \$14 per square foot. Many restaurants that opt for the high-rent district are operating with a smaller footprint—less square feet—in an effort to balance the higher lease costs. They are also doing more take-out meals. Like everything else, you get what you pay for.

VISIBILITY, ACCESSIBILITY, AND DESIGN CRITERIA

Visibility and accessibility are important criteria for any restaurant. Visibility is the extent to which the restaurant can be seen for a reasonable amount of time, whether the potential guest is walking or driving. Good visibility is vital to a quick-service restaurant and may be slightly less important to a full-service restaurant. There is a higher correlation between the quick-service restaurant and good visibility.

Accessibility relates to the ease with which potential guests may arrive at the restaurant. Parking, for example, may be a problem, as may access from the freeway or other traffic artery.

The restaurant has been likened to a theater. Restaurant design has two main components. The first is the stage setting and various props that the audience or guests experience; this is called the front of the house. The second is backstage, or the kitchen, storage, and service areas. The space allocation for backstage is usually 30 percent of the total square footage, depending on the type of restaurant.

The design of both the back and the front of the house needs to correlate with the theme of the restaurant. Design and the volume of business are reflected in each area: the exterior, the entrance and holding area, the bar or beverage area, the dining area (including the table arrangements), the kitchen, and receiving (including access for deliveries), and storage and trash areas. Space is a major issue in restaurant design because it costs money yet is vital to maintaining a balance between the overcrowded restaurant and the more spacious restaurant with too high an average check.

One of the most important elements in a restaurant is its lighting. With the wrong lighting, the restaurant's entire design will suffer; with the right lighting, the entire restaurant design could flourish.

Color needs to be selected in tandem with lighting because the two need to be in harmony. Color and light interact with one another to create a mood. Darker colors tend to “come out” and make a room look smaller, although they may also give a feeling of greater intimacy. Lighter colors tend to recede and make a room appear larger. Pastel colors help guests relax more than do primary colors. Quick-service restaurants use bold colors (and hard seats) combined with bright lights to ensure that guests move on after about 20 minutes.



Remi, in New York, is an Adam Tihany–designed restaurant that is both elegant and festive
Courtesy of Tihany Design. Photo by Peter Paige

Many restaurants use color as a mark of recognition, whether it is on the actual building or on awnings. These may have the psychological effect of attracting people to the restaurant.

The layout of the dining area, especially the tables and seats, the traffic lanes, and service areas, requires careful consideration and usually several mock-up scale drawings. Designers can do this on computers. Will the tables have cloths? If so, what color? Or will there be a wooden, tile, or other hard surface? Will there

be cloth or paper napkins? Will the seats be wooden, upholstered in fabric, or vinylized? Will there be a hardwood floor, tile, or carpet? These and many other questions need answers that will conform to the overall theme of the restaurant.

Location Information Checklist

To avoid overlooking location factors, the major chains develop checklists of information for evaluating a site, a recapitulation of the factors that experience has shown to be important for their style of operation. All of the information called for in the checklist that follows may not be needed to judge a particular site, but the list can call attention to factors that might otherwise be overlooked. The checklist is most relevant when evaluating a potential building site.

1. Dimensions and total square footage of site
2. Linear footage of site frontages
3. Distance and direction from nearest major streets
4. Average 24-hour traffic on each frontage street
5. Number of moving traffic lanes past location, widths, medians
6. Traffic controls affecting the location
7. Posted speed limits of adjacent streets (Some chains specify that traffic past a location not exceed 35 mph.)
8. On-street parking
9. Parking requirements: stall size, aisle width, number of stalls required
10. Landscaping and setback requirements for parking lot
11. Topography regarding necessary grading, slope characteristics, streams, brooks, ditches, flood conditions
12. Type of soil (natural and undisturbed, loose fill, compacted-fill soils); visible boulders, rock outcroppings, lakes, ponds, marshes
13. Drainage (public gravity-fed storm system; retention system on-site required)
14. Existing structures
15. Type of energy available (natural gas, LP gas, electric power)
16. Sanitary sewer availability
17. Underground utilities
18. Present zoning classification; any restrictions on hours of operation
19. Use and zoning of adjacent property
20. Building limitations
21. Character of surrounding area within 1 mile (office and industrial, tourist attractions, retail areas and shopping centers, motels and hotels, theaters, bowling alleys, schools, colleges, hospitals)
22. Population and income characteristics (number of people within 1 to several miles, typical occupations, median annual family income, ethnic makeup, housing value ranges, trade area population)

23. Agencies requiring plan approval:
 - Federal Housing Authority (FHA)
 - Water resources
 - State conservation authority
 - Local planning commission
 - Local health department
 - Environmental Protection Agency (EPA)
 - Other
24. Status of annexation for sites not in municipal limits
25. Signage (pole-maximum area, height allowed, setback; building-area allowed; remote entrance signs, area allowed, height allowed)
26. Construction codes:
 - Building
 - Mechanical
 - Plumbing
 - Fire
 - Building regulations covering design for people who are handicapped
 - Other approvals required to obtain building permit
27. Restaurant competition within 1 mile of site (fast food, cafeteria style, family restaurants, coffee shops, dinner houses)
28. Offering price of property

In addition, real estate brokers submitting the information are asked to supply location maps, assessors' maps, plant maps, legal descriptions, zoning maps, chamber of commerce data, aerial photographs, and other available data.

Summary

The concept should reflect the requirements of the market and location menu; service and decor should complement the concept.

Successful concepts exist for both independent and chain restaurants. Some concepts that were successful are now no longer in use. This suggests that fads come and go. Many so-called gimmick restaurants have stood the test of time. The restaurant life cycle varies from a few weeks to several years. The more focused the concept is on a target market, the greater the chance of success. Concepts often must change to keep in step with changing markets and economic conditions.

The sequence of restaurant development has many steps between concept and operation. A mission statement will help keep the restaurant operation on a straight course of action toward a common goal.

Key Terms and Concepts

Degree of service	Restaurant concepts
Different and better	Sequence of restaurant development from concept to opening
Mission statement	Topographical survey
Profitability	Utility versus pleasure
Protecting the restaurant name	

Review Questions

1. In concept development, you select a given style of service: counter tray, cart, arm, or French. Which will fit your concept best, and why?
2. Which kind of restaurant is likely to have the greatest productivity per hour? Which will require the most advertising and promotion and the most dining room space per customer? Which has the greatest likelihood of the highest return on investment?
3. Roughly what percentage of meals eaten out are purely for pleasure?
4. Most college and university students majoring in hotel and restaurant management are not interested in fast-food restaurants. Why not? What distinct advantages do such restaurants have? What disadvantages?
5. What is the relationship between your logo and your restaurant concept?
6. Suppose your name is Joe Smith. Would you have any legal problem naming your restaurant Smith's?
7. Comment on the statement "Behind every restaurant there is a concept."
8. List five factors that together help formulate a restaurant concept.
9. How are restaurant image and concept related?
10. In what way do several existing restaurants close to a site affect the desirability of that site for another restaurant?
11. Can a particular site be wrong for one restaurant, right for another? Explain.
12. The desirability of a given restaurant location changes with time. Give three reasons why this is true.
13. Why may a community give favorable terms to a reputable restaurant operator to start a restaurant in a section of town that is deteriorating?
14. What location criteria would you suggest for a restaurant featuring diet foods?
15. What colors would you suggest for a high-style Italian restaurant?
16. A luxury, white-tablecloth restaurant has a rheostatic lighting control. How would you use it and for what purposes?
17. Why or why not would you use upholstered soft seating in a quick-service restaurant?

18. What kind of restaurant location can exist without parking?
19. In building a restaurant, what amount of money should you expect to invest per seat?
20. Suppose you have \$80,000 with which to start a restaurant and no possibility of borrowing additional capital. What kind of restaurant should you consider and how would you go about getting started?

Internet Exercise

Go online and look for three chain and three independent restaurant concepts that appeal to you. Share your findings with your class.

Go to www.census.gov and www.demographicsnow.com to look up the demographics in the area that you are planning a restaurant or the area where you live. Note the interesting demographics of the area.

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