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3 Key Steps to Starting Your Hospitality Business

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Starting a Hospitality Business is a Creative Process

Starting a hospitality business is a creative process, you've thought about your vision so much, you can almost touch it and you can literally see people lining up at the door, ready for a feed of the menu that you've identified as the next big thing. Sometimes, we think with our hearts and although instinct is important, a few facts and a little insight might prevent you from making a few wrong turns.

Feasibility sounds complicated doesn't it? When you break it down, it's just a process, you're investigating financial commitments, environmental aspects, business life cycles, the lease and the building, the local area, the people and their behaviours.

Below is a helpful list that will get you on your way, if you cover most of these items off pragmatically, your fantastic idea will come to life in the right area, with the right budgets and you won't look back and think "I wish I'd looked in to this a little more."



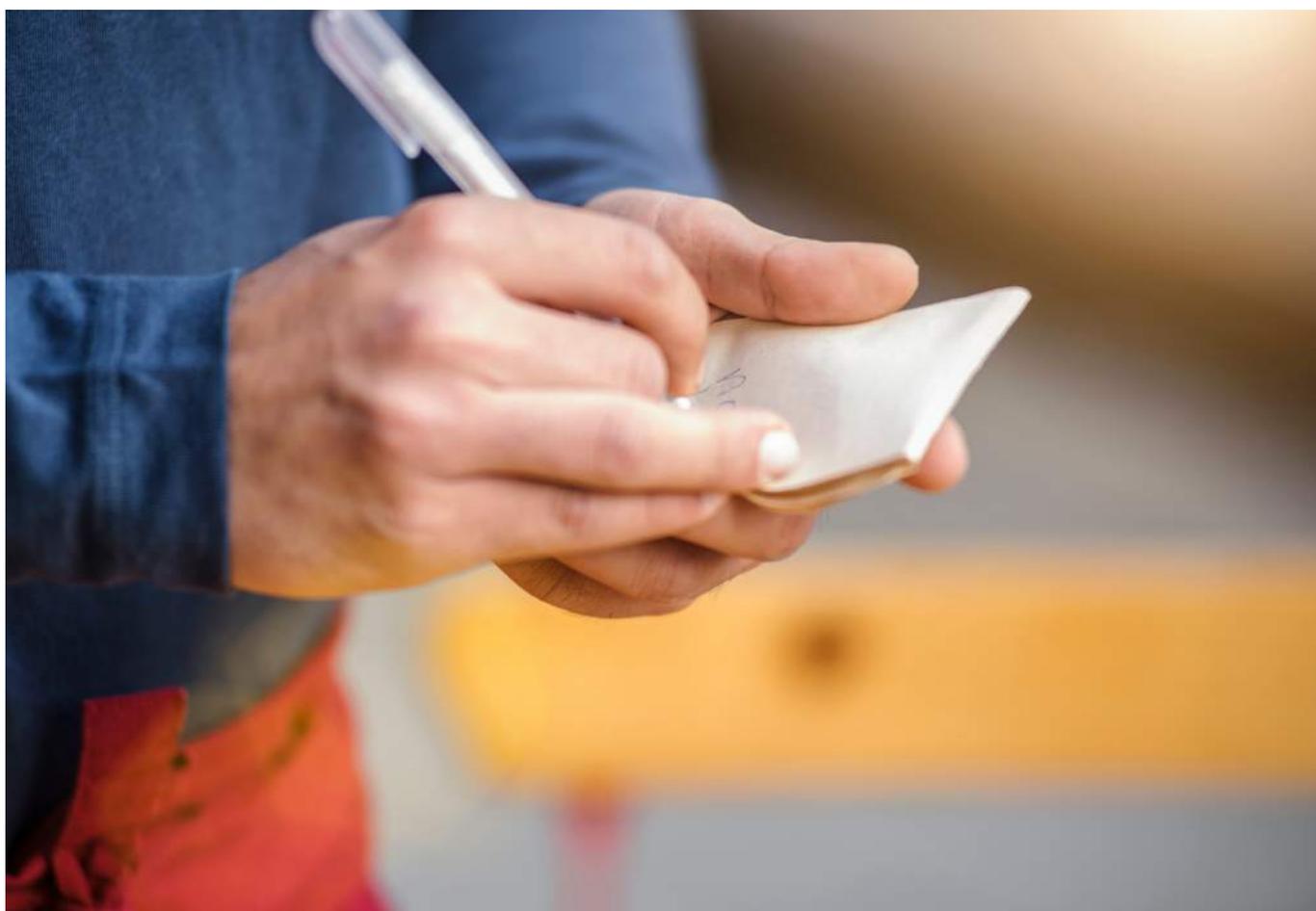
Financial

The desired outcome from your financial feasibility is to investigate whether you can afford to go ahead or not. The number one reason for failing in hospitality isn't because it was a bad idea, it's usually because people run out of working capital to run the business and therefore don't have the time or the funds to get it over the finish line. Investigating your financial commitment's is your first step.

There are four important numbers that you need to know:

1. The total project cost including the fit out and the period where you've taken possession, you have overheads and you must train your staff.
2. The weekly breakeven, how much do you need to take to sleep soundly at night?
3. The return on investment, how many years will it take to return your initial outlay?
4. Cash flow, have I planned my finances well, can I sustain a period where the business may not perform as well I'm expecting it to?

In addition to this you need to have a forecast profit & loss over a 3-year period, it's best to plan this across a low (performing lower than expected), medium (average) and high (better than expected) fluctuation and don't pay too much attention to the high forecasts, blue sky is motivational but you need to hope for the best and plan for the worst.





Environmental

You need to make sure that its always easy to do business with your customers and its easier for your customer to do business with you. This sounds obvious, but, small points can make a real difference across several areas and things can also be in the pipeline that alter how you approach the business.

Remaining accessible is important, look for good parking and good rail routes near to your store and make sure there are no plans to reduce the parking times or add parking meters, this may affect the dwell time of your customers, which in turn will reduce the spend per head. The local council may be dubious about how much more traffic you may generate and can sometimes ask for a traffic report that can cost in the region of \$5,000 so look out for that one by taking the right advice from a town planner.

Where possible look for a pavement license, outside seating is a great way to lay out your stall and give the right first impression, think twice if you can't

have outside seating due to council planning and items such as benches, dustbins and loading areas.

Heritage listed buildings look great, they offer a heap of character and can be such a huge part of your concept when used with their original features. Bear in mind that colours, signage, windows, stairs and other protected items may affect your overall plan and it can be costly to replace items that need to remain true to the original design.

The weather can affect your business massively, look at the local cafes and restaurants and who is getting the most business at what times, is it because they catch the sun in the morning or the afternoon? Who is struggling due to windy conditions where their building lends little protection? Being by the sea is amazing, when the sun is out and the temperature is great, but, will it perform well across the colder months when the setting isn't as attractive and the sea isn't driving a great deal of footfall.

Local area, people & their behaviours

Finding the right location isn't always a science, do you head for an area that has high footfall and lots of competition or an area that appears to have nothing and you are going to fill that all important gap?

If you are in a quiet area, some insight in to consumer behaviours can help you here. Look at the retail stores, are they high quality, do they offer home furnishings, clothes and other luxury items that may be purchased with a high level of disposable income or are they \$2 shops and discount stores that offer little or no quality. With a busy area, like a shopping centre, you really are looking to offer something that no one else does, make sure your position is unique and that you can out compete across quality, service and price.

Of course, you must make sure that your concept fits the local market too. Local councils give great facts about the demographics and these include age, gender, employment, home ownership, rental levels, average incomes and average home loan or rental values. This information is key to ensure that you have a good fit for your concept, if home ownership is high, it may indicate that the area has a lot of retirees and when there is a large level of rentals it points towards an age group that appreciate convenience, speed and affordable luxury across food and drink, their disposable income is a "leisure dollar" and gets split across retail, food and beverage and entertainment more than any other age group so value for money is absolutely key.



Look out for our next guide on feasibility in the areas of leasing, property conditions, and business life cycles.

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Carlos Swinton-Lee has over 20 years' hospitality experience spanning most sectors including bars, cafes & restaurants. He is the owner of Bar & Restaurant Consultants who specialise in hospitality start-ups and business growth. BrandWorks works closely with Carlos and his team, helping bring the visions of innovators and operators to life through end-to-end strategy and design.

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