

Discussion: Restaurant Entrepreneurs

Assume you are consulting with a group of entrepreneurs who are starting a restaurant. They have \$1,000,000 to invest. The landlord is proposing \$4,000 monthly rent on a five-year lease plus 7% of gross sales over \$25,000. The building is 3,000 square feet and your clients figure that approximately 60 percent of the square footage will be the dining area and 40 percent will be for everything else (kitchen, common area, bathrooms, etc.). A general restaurant averages around 15 square feet per person in its dining area. The owners want to open for breakfast and lunch, from 7AM to 2PM, with an average table turnover rate of 1 hour. During an average shift, the restaurant will need at least two cooks, a dishwasher, five waitstaff/bussers, and a floor manager. Your clients want to know if it is possible to make money at this venture before they sign the lease. Without regard to the initial investment, what kinds of information do you need to gather to complete your analysis?

For instance:

What are some of the fixed costs of such a venture?

What are examples of variable costs?

Are there any mixed costs, or costs that are hard to categorize? What are they, and how would you account for them?

How would you go about preparing a cost-volume-profit analysis for this restaurant?

CC LICENSED CONTENT, ORIGINAL

- Discussion. **Authored by:** Joseph Cooke. **Provided by:** Lumen Learning. **License:** [CC BY: Attribution](#)