Restaurant Industry in India
Trends and Opportunities

A Research Study

Federation of Hotel & Restaurant Associations of India
Restaurant Industry in India - Trends and Opportunities

HVS International (India), Mr. Navjit Ahluwalia, Associate Director and Mr. Dushyant Singh, Consulting & Valuation Analyst
Research, Report Writing

Mr. Shyam Suri, Secretary General, FHRAI
Editing, Report Finalisation

Mr. Pooran Chandra Pandey, Assistant Secretary General (Research), FHRAI
Hotel Questionnaire & Co-ordination

Mr. Raj Rajeshwar Sharma, Computer Data Assistant
Design, Graphics, Pre-press & DTP

Printed by:
Published in April 2004 by:
Secretary General, Federation of Hotel & Restaurant Associations of India
B-82, 8th Floor, Himalaya House, 23 Kasturba Gandhi Marg, New Delhi - 110 001
Phones : (011) 23318781, 23318782, 23322634, 23322647, 23323770    Fax : (011) 23322645
E-Mail : fhrai@vsnl.com    Website : www.fhrai.com

© Federation of Hotel & Restaurant Associations of India (FHRAI), 2004

Price:   One copy free to concerned FHRAI members.
(Additional copies at Rs. 400.00 for    FHRAI members and Rs.600.00 for Non-Members.)
US$50.00 for foreign dispatches
Table of Contents

1. Executive Summary ................................................................. 7
2. Background Scenario and Numbers .............................................. 11
3. Analysis of Questionnaire Responses
   3.1 General ................................................................. 17
   3.2. Trends ................................................................. 19
   3.3. Financials .......................................................... 21
4. Food Trends-At home and abroad .............................................. 25
5. International Restaurant Chains & Franchise Opportunities ................ 29
6. What is my Restaurant Business worth? ...................................... 35
7. Conducting a Feasibility Study .................................................. 41
8. Restaurant Case Studies ....................................................... 55
Foreword

FHRAI has been very active in our research studies, but we have done this first research project on the restaurant industry in India. This present study on Restaurant Industry in India - Trends & Opportunities has been conducted on our behalf by HVS International (India), which is a reputed global consultancy company in the field of hospitality industry.

Some facts and figures on the operations of restaurants in India have been given in this study from a questionnaire response from FHRAI hotel and restaurant members. The statistical analysis in the report has used 165 such responses, which represents about 15% of the 1100 questionnaires which were sent to our restaurant members, both independent and in the hotels. Apart from this analysis, the researchers have also quoted some interesting demographic & economic data about the consumers in India and their expenses on the food services. We are all aware about the boom in the restaurant sector in India, particularly in the metro cities and other large cities. One anecdotal evidence suggests that about two new restaurants are opening in Delhi and Mumbai every week which makes it as 100 new restaurants in the year in these cities. These are in the organised sector, and a huge growth is simultaneously taking place in the unorganized and informal sector also. The Indian economy is on a high growth curve and experts believe that the economy can generate an average 8% growth in the GDP on a sustainable basis for the next few years. This is bound to result in high disposable incomes and higher consumer expenditure in the food service sector.

The report also gives an insight on how to carry out valuation of restaurants and feasibility studies. It also gives average figures of operations and financial ratios for different types and sizes of restaurants. There is also information on global trends in the restaurant industry and names of multinational brands which are active in India and elsewhere. These facts and estimates should be of great interest to new entrepreneurs as well as operators of existing restaurants. The report also has four case studies, which narrate actual experience of 2 failed and 2 successful restaurants. Analysis of these cases should help new entrepreneurs in a better understanding of the factors, which need to be examined carefully in a new restaurant project.

I express my sincere thanks to Mr. Manav Thadani, Managing Director, Mr. Navjit Ahluwalia, Associate Director & Team Leader and Mr. Dushyant Singh, Consulting and Valuation Analyst, HVS International (India) for their work on this study.

I do hope that our hotel and restaurant members will read this research study with interest and it will benefit them and the new investors in the restaurant sector in their operations and projects.

Vivek Nair,
President, FHRAI
Purpose of the Study
The Federation of Hotel and Restaurant Industries in India (FHRAI) engaged HVS International to research the restaurant industry in India and identify both global and domestic food trends. 165 questionnaire responses from independent and hotel restaurants in India provided the statistical basis for analysis of operations and financials of the existing restaurant industry in the country. In addition, a large cross section of professionals involved in the industry were consulted for their views. The report presents the results of the analysis and includes the following:

- Background Scenario and numbers which includes an analysis of the demographic changes occurring in India and their potential impact on the restaurant industry.
- Analysis of responses collected via the questionnaire representing a snapshot of trends in the Indian restaurant industry.
- A summary of key emerging global food trends as well as international restaurant chains that provide franchise opportunities for operators in India.
- A guide on how restaurants are valued and guidelines for conducting a feasibility study before opening a restaurant.
- Real life restaurant case studies on both successful and not so successful restaurants.

Conclusions for each of these sections are summarised below and discussed in greater depth throughout the report. The reader is advised to read the entire report for a comprehensive view.

Background Scenario and Numbers
Based on projections extrapolated from the Third Economic Census conducted in 1990, we estimate that there are approximately 500,000 restaurants in India in the organized sector. This figure is expected to rapidly increase as a result of the changes in demographic and economic factors which are having a significant impact on the restaurant industry in India. Increasing urbanization and rising disposable incomes are characteristics that are common across several emerging economies, particularly in Asia. However, the pace at which this has taken place in India in the last few years is likely to continue over the next decade and will outpace most other economies in the region. In particular, Merrill Lynch estimates a growth in urban consumption at potentially 20% per annum in nominal terms (16% in real terms) for at least the next 5-7 year period. In addition, higher disposable incomes among consumers particularly in the top 25 cities and the trend towards eating out are combining with growth in organized retailing to fuel growth in the foodservice sector.

There are 10 million households in India with average household income of Rs 46,000 per month and 2 million households with a household income of Rs 115,000 per month. Eating out has emerged as a trend, which is prevalent within this elite group. Two of out of every five households in this group eat out at least once a month. There are 100 million 17-21 year olds in India, and six out of ten households have a child that was born in the post-
liberalization era and has grown up with no
guilt of consumption.
Sales by Indian food service companies totalled
Rs 350 billion in 2002. The organized sector is
responsible for approximately Rs 20 billion
worth of sales. Indian consumers spend only 2.4
percent of their food expenditure in hotels and
restaurants (including on premises and take-out
sales). American consumers, by comparison
spend 46 percent of their food expenditure on
away-from-home meals. These demographic
numbers represent a young nation which has an
increased propensity to spend in restaurant and
other food service sectors.

Analysis of responses
An analysis of 165 responses out of 1100
questionnaire sent nationwide revealed some
interesting statistics:

- A majority of respondents (53%) were
  restaurants that achieved an average check
  of between Rs 200 and Rs 400.
- The total number of employees employed
  by 66% of the restaurants is under 40 with
  only 3% respondents employing more than
  100 employees. The sample therefore
  represented mid-size restaurants, which
  are a majority in the country.
- With regards to questions on tip and
  sharing of tips, 83% of the respondents do
  not levy any service charge on the
  restaurant bill. In comparison, 77% of the
  respondents do not charge a service charge
  in banquets. A majority of the respondents
  (60%) have tip pools.

Emerging Food and Restaurant Trends
Some of the emerging culinary trends
internationally include the popularity of health
foods, use of fresh and authentic ingredients,
acceptance of new fusion concepts and
establishing of the chef entrepreneur. In India
multinational restaurant chains had to make a
downward price revision and offer more
vegetarian toppings to increase sales volume.
This led to a dramatic improvement in their
performance. They are also adding more spicy
items in their menus to satisfy Indian taste buds.
International and domestic multi-unit
restaurant groups are expected to drive the
expansion in the restaurant industry in India.
Among the leading trends in this regard would
be the expansion of quick service Asian
restaurants, fusion concepts, restaurants with a
focus on entertainment, and ethnic and regional
cuisine restaurants.

Restaurant Valuations and Feasibility
Studies
There have been very few restaurant
transactions that have taken place in India till
date, largely because the restaurant business
has not yet evolved into a mature business.
However, we foresee a fair bit of activity in this
area in the future: changes in market trends and
competition, spurred by a huge expansion in the
food service industry in all major metro cities,
would cause many restaurants to change hands
from one operator to the other. Restaurant
valuation is a specialised art and appraisers of
restaurant real estate normally consider three
approaches to value: the cost approach, the
sales comparison approach, and the income
approach. Each approach has its own strengths
and weaknesses, depending on the age and
condition of the improvements and whether the
building is occupied by an operating restaurant
or is vacant. The cost approach is used to
estimate the cost of purchasing a site suitable
for restaurant development and building a
restaurant on the site, including the cost of
The sales comparison approach considers recent sales of restaurant properties that are comparable to the subject restaurant property in location, size, and brand affiliation (if the restaurant was in operation at the time of sale). The income approach considers the actual or projected rental income that could be generated by a restaurant business occupying the building.

A feasibility study is much more than a site-location study - this approach involves gathering and analysing a great deal of information, from demographics to design, which helps the operators make a better informed decision about the potential success of a specific concept at a certain location. In order to establish the feasibility of the proposed restaurant, one must first estimate the development costs of the project. By analysing both development cost figures and current market conditions, and by making adjustments for the specific characteristics attributed to the proposed restaurant (such as location, size, facilities, class and so forth), one will be able to derive an appropriate construction cost estimate for the restaurant. This investment has to be compared with the returns being indicated by the income and expense statement to evaluate whether or not the restaurant envisaged is financially feasible.

**Restaurant Case Studies**

Four real life case studies are presented with the attempt to highlight critical factors that determine the success or failure of a restaurant. For each case study, we interviewed the entrepreneur and asked him/her to identify the key lessons learnt in running a restaurant. We describe the experience of each entrepreneur, together with their perceptions of where they were right, or where they went wrong. Two case studies represent entrepreneurs who believed they had the right idea as well as the resources to make a success in the restaurant business, and they succeeded. The other two cases highlight some of the factors that did not allow the restaurant to succeed and both of them had to close down. The studies give the factors, which led to the success of these enterprises.
Background Scenario and Numbers

2. Background Scenario and Numbers

Significant economic & demographic facts
India has arrived on the global roadmap. It is the only country that has experienced acceleration in growth rates of per capita income over the past decade. Almost all other economies have shown growth rates lower than India's through the decade. Also, India's per capita income growth over the past five years (1997-2002) has outperformed that of other developed and major Asian economies, save China.

India's per capita income grew by about 19% in 1997-2002, second only to China, whose per capita income grew by 39% during this period. The only other emerging Asian country that compares with India's growth rates is Korea, which has grown around the same rate as India. Taiwan comes fourth with a growth rate of 13% during the period.

During 1992-2002, India's per capita income grew by 46% - a rise of 980 basis points (9.8%) from the 36.5% growth rate observed during 1982-92. On the other hand, China has shown a decline in growth rate over the decade by as much as 700 basis points (7%). And countries such as Thailand and Hong Kong have seen a fall in growth rates by as high as 6,200 basis points (62%) and 5,100 basis points (51%) respectively.

Increasing urbanization and rising disposable incomes are characteristics that are common across several emerging economies, particularly in Asia. However, the pace at which this has taken place in India in the last few years is likely to continue over the next decade and will outpace most other economies in the region. In particular, Merrill Lynch estimates growth in urban consumption at potentially 20% per annum in nominal terms (16% in real terms) for at least the next 5-7 year period. What explains this phenomenon? The answer lies in the demographic shift that is taking place in India. To put it simply, India is producing a much larger number of young people entering the job market compared to other Asian economies. The number of working-age adults in the country is rising at a fast pace. While this is true of China as well, the pace of increase is faster in India than in China. Thus, even with China's vigorous population policies, its per capita income growth is not rising as fast as India.

The restaurant industry is an important component of our nation's economy, and employment opportunities in this sector should continue to grow in the future as a direct result of the demographic changes taking place. Indian consumers spend only 2.4 percent of their food expenditure in hotels and restaurants. American and British consumers, by comparison, spend 46 percent and 29 percent respectively, of their food expenditure on away-from-home meals. This indicates that there is significant scope for the growth of food service sector in India in the years to come.

A number of factors are driving increased foodservice sales in India:

Growth in personal income- The increase in buying power of Indian consumers is driving the growth in the foodservice sector. Apart from the growth in per capital income, as per figures given above, there are other important factors also contributing to this kind of consumption. Just 2.4 percent of Indian households earn 50% of India's GDP. The top 3.9 million households
have an average household income of approximately $35,000 per annum. According to the National Council for Applied Economic Research (NCAER), as indicated in Table 2-1, high income households in urban India grew at over 21.5% on a compounded annual growth basis between 1995-96 and 1998-99.

<table>
<thead>
<tr>
<th>Income Class</th>
<th>Average Annual Growth in per capita income (CAGR in %), 1995-96 to 1998-99</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Urban</td>
</tr>
<tr>
<td>Lower</td>
<td>-10.8</td>
</tr>
<tr>
<td>Lower-middle</td>
<td>0.9</td>
</tr>
<tr>
<td>Middle</td>
<td>5.3</td>
</tr>
<tr>
<td>Upper-middle</td>
<td>9.9</td>
</tr>
<tr>
<td>High</td>
<td>21.5</td>
</tr>
</tbody>
</table>

* inflation adjusted, comparable over time

Source: NCAER

The consuming classes consist of 40 million income-earners with a per capita income of $4,000 (Rs. 1.8 lakhs) and 10 million with a per capita income of $12,000 (Rs. 5.4 lakhs). Consumers are also migrating up the income chain - from the "have nothing" to the "have some" to the "have more" to the "have lots" and, finally, "have all". These numbers for different income groups are given in Table 2-2.

<table>
<thead>
<tr>
<th>No of Households</th>
<th>Category</th>
<th>Annual Income USD</th>
<th>Monthly Income Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Million</td>
<td>Have All</td>
<td>30,000</td>
<td>115,000</td>
</tr>
<tr>
<td>10 Million</td>
<td>Have Lots</td>
<td>12,000</td>
<td>46,000</td>
</tr>
<tr>
<td>40 Million</td>
<td>Have More</td>
<td>4,000</td>
<td>16,000</td>
</tr>
<tr>
<td>100 Million</td>
<td>Have Some</td>
<td>1,500</td>
<td>6,000</td>
</tr>
<tr>
<td>30 Million</td>
<td>Have Nothing</td>
<td>200</td>
<td>700</td>
</tr>
</tbody>
</table>

Source: IMA Research

Conversion rate of 1 USD = Rs 46 was used for this table.

The consuming classes consist of 40 million income-earners with a per capita income of $4,000 (Rs. 1.8 lakhs) and 10 million with a per capita income of $12,000 (Rs. 5.4 lakhs). Consumers are also migrating up the income chain - from the "have nothing" to the "have some" to the "have more" to the "have lots" and, finally, "have all". These numbers for different income groups are given in Table 2-2.

<table>
<thead>
<tr>
<th>No of Households</th>
<th>Category</th>
<th>Annual Income USD</th>
<th>Monthly Income Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Million</td>
<td>Have All</td>
<td>30,000</td>
<td>115,000</td>
</tr>
<tr>
<td>10 Million</td>
<td>Have Lots</td>
<td>12,000</td>
<td>46,000</td>
</tr>
<tr>
<td>40 Million</td>
<td>Have More</td>
<td>4,000</td>
<td>16,000</td>
</tr>
<tr>
<td>100 Million</td>
<td>Have Some</td>
<td>1,500</td>
<td>6,000</td>
</tr>
<tr>
<td>30 Million</td>
<td>Have Nothing</td>
<td>200</td>
<td>700</td>
</tr>
</tbody>
</table>

Source: IMA Research

Conversion rate of 1 USD = Rs 46 was used for this table.

Shrinking household size- The size of the Indian household has declined over the last few years (from 5.9 people per household in 1990 to 5.5 people in 1998). The total number of households in India has increased by less than 3 percent per year from 1990 to 1998; however, the number of households in middle, upper and high-income segments has grown by 12% annually. Approximately 23.6 million households have been added to the high, upper and middle income segments of Indian consumers from 1990 to 1998. These households have higher disposable income per member and have a greater propensity to spend on food.

Urbanisation- Most high income Indian consumers live in urban India. Approximately 50 percent of households in the high, upper and middle income groups reside in urban areas. Over one-third of urban Indian consumers reside in less than one percent of the total number of cities in India. The percentage of Indians living in cities has increased from 19.9 percent in 1980 to 30.5 percent in 2000.

Growing number of women in the workforce- The number of dual income households where both husband and wife work is increasing. Over 16 percent of the population of Indian women work full-time and spend most of their time away from home; this has been an important factor influencing the trend towards more meals away from home.

Emergence of the Liberalisation Children- There are a 100 million, 17-21 year olds in India, and six out of ten households have a "liberalisation child" (Post 1991). This is a generation that was born in the post-liberalisation era and has grown up with no guilt about consumption.

The rise of the self employed- The proportion of self employed in urban India has risen to above 40%, replacing the employed salary earner as the new "mainstream market". A Hansa Research Group study shows the even in the 'creamy layer', comprising the top two social classes in towns having a population of 10 lakh plus, in urban India, 40% of chief wage earners
Background Scenario and Numbers

in households are shopowners, petty traders, businessman and self employed professionals. Unlike the salary earner, the self employed use products much more to signal success.

**Menu diversification**- High-income Indian consumers are seeking variety in their choice of food. Urban Indian consumers are aware of various international cuisines (Continental, Chinese, Mexican, Italian, Thai and Japanese) and an increasing number are willing to try new foods.

**Super Rich Defined**
The Media Research Users Council (MRUC) undertook a study of the incomes and spending patterns of households and called it The IRS Platinum. The data collected was then analysed by the Communication Channel Planning (CCP) division of Initiative Media.

IRS Platinum defines super rich as any household that has a colour television, refrigerator, washing machine and a car. The study was restricted to Mumbai, Delhi, Ahmedabad, Bangalore, Chennai, and Pune - the cities having a high proportion of households that satisfied the above criteria. These towns account for 39 percent of all the super rich households that reside in urban India today.

It is interesting to note that metros such as Calcutta and Hyderabad are missing from the list. These cities would have definitely qualified by the normal demographic parameters. They missed out since the penetration of one or more of the listed durables was low in these otherwise large metros.

A sample of 5,226 households was surveyed by ORG-MARG on behalf of MRUC to understand the lifestyles of the affluent, with media and consumer habits of such individuals and their households. Only 3.4 percent of the households in those six metros qualified to be included in the Platinum category.

The average monthly household income (MHI) of a Platinum household is Rs 23,000. And, interestingly enough, every month, 60 percent of this amount is spent to maintain the life and style of the household.

**Well-heeled Capital of India**
As per the study, every second Platinum household is in Delhi. Mumbai comes next, but the probability drops down to one out of five. It is true that today, Delhi is, by far, the city of the super rich of India. The city's Platinum households have an average income of Rs 24,450. Mumbai earns the highest (Rs 31,970) and Bangalore earns the least (Rs 20,180). The chief wage earner of the family is highly educated. In terms of occupation, he is predominantly a businessman in Mumbai, Chennai and Ahmedabad. In the other cities he is either an officer or an executive at a senior level. Moreover, eighty-eight per cent of Platinum households' adult members have a college-level degree.

In these households the housewife is also highly educated (68 per cent are at least graduates). However, in spite of their high education, only 17 percent are working, either full-time or part-time. The average household size is 4.5, which reflects the nuclear structure of the families. 85 percent of this elite group has its own house and is gradually going in to buy its second TV set. Almost all the households in this group have a cable and satellite connection.

**If you have it then spend it**
The interesting part is the information that IRS Platinum provides on the monthly family expenditures. The patterns are indeed very
revealing. On an average 61 percent of MHI is spent to maintain the life and style of these elite households. It rises to 69 percent in Ahmedabad and drops to 56 percent in Chennai. The expenditure is tracked across 20 heads ranging from the monthly electricity bill to the amount spent on last eating out. On an average, each head accounts for about 5 percent of the total expenditure. The highest amount goes for monthly provisions accounting for almost 17 percent of the total spend.

**Chennai is the surprise package**

At city level certain interesting patterns emerged. Chennai had the highest average monthly telephone bill. Its residents spend the maximum on personal care products as well as on cosmetics. Likewise, they spend the maximum while eating out, on alcohol and beverages, on buying gifts and also on charity and donations. Bangalore pays the highest monthly rents, and spends the highest among all cities on maintenance and on travelling and conveyance.

In terms of occupation, it is the reflection of the Indian economy with 44 percent focussing on the manufacturing sector. Within this, engineering goods alone account for 8 percent of them. This is the largest skew across all the three sectors put together. Financial services including banks (5.5 per cent) and the current favorite, IT and software (4.2 per cent) stand out amongst the rest.

In terms of their media habits, as expected, almost all the Platinum households can be easily reached through either the print or the television. Radio has lost out (25 percent), but of those tuning in, almost 90 percent are tuning into FM. However, unlike the West, predominantly they tune in at home. But the surprise package is Internet. It has already overtaken Radio (30 percent). Platinum households are spending more time on the Internet than on reading.

**Number of Restaurants in India**

It is difficult to assess the number of restaurants in India. They receive their licenses from the local municipal authority, which is mainly a licence from the point of view of health and hygiene. In certain bigger cities, there is also a requirement of a license from the local police for starting operations. Restaurant establishments in semi-urban and rural areas, which may also include road-side restaurants and dhabas on inter-city roads and highways, may not be possessing any license, from any authority. It is, therefore, difficult for anyone to compile statistics of all the restaurants in India.

We believe that the best effort in this regard has been made in the government census. We have figures available from The Third Economic Census which was conducted in all cities/union territories except Jammu and Kashmir during 1990, along with the house listing operations of the 1991 population census. We have not been able to access the economic census which may have been done in 2000, as part of the population census of 2001.

The economic census of 1990 divided hotel and restaurant enterprises in two categories, Own Account Enterprises (OAE) and Establishments (Estt). The figures of the two categories have been separately given for rural and urban areas. Table 2-3 reflects the break-up of hotel and restaurant establishments for rural and urban India. Table 2-4 reflects data relating to the state-wise distribution of hotel and restaurant enterprises in the country.
Table 2-3 No of Hotel and Restaurant Enterprises in India

<table>
<thead>
<tr>
<th>Location</th>
<th>OAE</th>
<th>%</th>
<th>Estt</th>
<th>%</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>459,134</td>
<td>42.6</td>
<td>133,240</td>
<td>12.4</td>
<td>592,374</td>
<td>55.0</td>
</tr>
<tr>
<td>Urban</td>
<td>243,044</td>
<td>22.5</td>
<td>242,888</td>
<td>22.5</td>
<td>485,932</td>
<td>45.0</td>
</tr>
<tr>
<td>Total</td>
<td>702,178</td>
<td>65.0</td>
<td>376,128</td>
<td>34.9</td>
<td>1,078,306</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: The Economic Census of India, 1990

If we assume that there may have been a growth of 6% annually in hotels and restaurant establishments after 1990, the number of establishments would have doubled in the 12 years up to 2002. We therefore estimate that there are approximately 2.2 million or 22 Lakh hotel and restaurant establishments in India in the year 2002. We further estimate that of the total figure, approximately 500,000 restaurants qualify as establishments in the organized sector with more than 20 seats, an entrance door, a menu card and waiter service. As the number of lodging or hotel units in these figures would not be more than 20,000 or 30,000, we can presume that the entire figure of 22 lakhs can apply to the restaurant sector. For restaurants, the growth patterns would be different for different cities, with metro cities achieving about 15-20% growth and smaller cites about 5%.

The eating out culture
Eating out has evolved into a popular trend among Platinum households. Two out of five such households eat out at least once a month. This is highest in Bangalore (43 percent) and lowest in Pune (33 percent). It is estimated that Indians spend Rs 350 billion annually on eating out. Moreover, of this Rs 350 billion, the organised sector accounts for only Rs 20 billion, suggesting a tremendous potential for growth in this area.

An analysis of National Accounts Statistics data with regards to private final consumption figures (PFCE) reveals interesting insights as well. The national accounts provide disaggregated data for 37 consumption categories. Although the overall PFCE is available for 2001-02, the disaggregate data is available up to 2000-01. There were only nine PFCE segments that have recorded continuous high growth performance and include hotels and restaurants.

Another survey that captures eating out habits is the Readership Survey. Table 2-5 and Table 2-6 illustrate the eating out habits of the sample by city and for the country as a whole. The survey helps in identifying certain trends as regards the use of restaurants and frequency of their use. The results indicated that Bangalore scored the highest in terms of the percentage of respondents eating out more than once a week followed by Kolkata and Chennai. On a broader level the all India average of respondents rarely eating out was 70%, once again indicating the potential that exists for the food service sector in the country in the years to come.

Table 2-4 Geographical Distribution of Hotel and Restaurant Enterprises

<table>
<thead>
<tr>
<th>State/UT</th>
<th>Own Account Enterprises</th>
<th>Establishments</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>69,979</td>
<td>26,504</td>
<td>96,483</td>
</tr>
<tr>
<td>Arunachal Pradesh</td>
<td>446</td>
<td>1,029</td>
<td>1,475</td>
</tr>
<tr>
<td>Assam</td>
<td>12,005</td>
<td>14,713</td>
<td>26,718</td>
</tr>
<tr>
<td>Bihar</td>
<td>39,822</td>
<td>21,599</td>
<td>61,421</td>
</tr>
<tr>
<td>Delhi</td>
<td>10,917</td>
<td>10,642</td>
<td>21,559</td>
</tr>
<tr>
<td>Goa</td>
<td>1,740</td>
<td>1,189</td>
<td>2,929</td>
</tr>
<tr>
<td>Gujarat</td>
<td>14,759</td>
<td>12,945</td>
<td>27,704</td>
</tr>
<tr>
<td>Haryana</td>
<td>11,971</td>
<td>5,426</td>
<td>17,397</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>7,931</td>
<td>3,214</td>
<td>11,145</td>
</tr>
<tr>
<td>Karnataka</td>
<td>60,093</td>
<td>34,429</td>
<td>94,522</td>
</tr>
<tr>
<td>Kerala</td>
<td>71,472</td>
<td>27,483</td>
<td>98,955</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>39,248</td>
<td>24,412</td>
<td>63,660</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>47,828</td>
<td>52,237</td>
<td>100,065</td>
</tr>
<tr>
<td>Manipur</td>
<td>2,174</td>
<td>794</td>
<td>2,968</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>2,222</td>
<td>3,100</td>
<td>5,322</td>
</tr>
<tr>
<td>Mizoram</td>
<td>1,010</td>
<td>619</td>
<td>1,629</td>
</tr>
<tr>
<td>Nagaland</td>
<td>589</td>
<td>949</td>
<td>1,538</td>
</tr>
<tr>
<td>Orissa</td>
<td>34,811</td>
<td>18,007</td>
<td>52,818</td>
</tr>
<tr>
<td>Punjab</td>
<td>10,006</td>
<td>6,694</td>
<td>16,700</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>29,426</td>
<td>14,820</td>
<td>44,246</td>
</tr>
<tr>
<td>Sikkim</td>
<td>261</td>
<td>398</td>
<td>659</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>85,563</td>
<td>36,637</td>
<td>122,200</td>
</tr>
<tr>
<td>Tripura</td>
<td>4,096</td>
<td>1,254</td>
<td>5,350</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>73,911</td>
<td>28,760</td>
<td>102,671</td>
</tr>
<tr>
<td>West Bengal</td>
<td>68,179</td>
<td>26,508</td>
<td>94,687</td>
</tr>
<tr>
<td>Others</td>
<td>1,719</td>
<td>1,766</td>
<td>3,485</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>702,178</strong></td>
<td><strong>376,128</strong></td>
<td><strong>1,078,306</strong></td>
</tr>
</tbody>
</table>
### Table 2-5 Dining out Habits for seven Indian Cities

<table>
<thead>
<tr>
<th>Eating Out In Restaurants</th>
<th>Delhi (000's)</th>
<th>Greater Mumbai (000's)</th>
<th>Chennai (000's)</th>
<th>Kolkata (000's)</th>
<th>Hyderabad (000's)</th>
<th>Bangalore (000's)</th>
<th>Ahmadabad (000's)</th>
<th>Pune (000's)</th>
<th>Source: Readership Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>More Often Than Once A Week</td>
<td>113 1.4</td>
<td>162 1.4</td>
<td>135 2.7</td>
<td>260 2.8</td>
<td>96 2.2</td>
<td>175 4.7</td>
<td>23 0.8</td>
<td>34 1.5</td>
<td></td>
</tr>
<tr>
<td>Once A Week</td>
<td>240 3.1</td>
<td>319 2.7</td>
<td>139 2.8</td>
<td>183 2.2</td>
<td>148 3.4</td>
<td>281 7.6</td>
<td>47 1.6</td>
<td>74 3.3</td>
<td></td>
</tr>
<tr>
<td>Once A Fortnight</td>
<td>211 2.7</td>
<td>320 2.7</td>
<td>152 3.1</td>
<td>115 1.2</td>
<td>127 2.9</td>
<td>271 7.3</td>
<td>80 2.7</td>
<td>65 2.9</td>
<td></td>
</tr>
<tr>
<td>Once A Month</td>
<td>579 7.4</td>
<td>976 8.3</td>
<td>675 13.7</td>
<td>362 3.9</td>
<td>268 6.2</td>
<td>492 13.3</td>
<td>228 7.7</td>
<td>243 10.9</td>
<td></td>
</tr>
<tr>
<td>Once In 2-3 Months</td>
<td>470 6</td>
<td>1232 10.5</td>
<td>546 11</td>
<td>448 4.8</td>
<td>229 5.3</td>
<td>318 8.6</td>
<td>277 9.4</td>
<td>277 12.5</td>
<td></td>
</tr>
<tr>
<td>Less Often/Only At Festivals</td>
<td>495 6.4</td>
<td>941 8</td>
<td>610 12.3</td>
<td>2143 23</td>
<td>134 3.1</td>
<td>293 7.9</td>
<td>253 8.6</td>
<td>235 10.6</td>
<td></td>
</tr>
<tr>
<td>Rarely/Never/Can't Remember</td>
<td>5477 70.3</td>
<td>6792 57.9</td>
<td>2283 46.2</td>
<td>5442 58.4</td>
<td>3150 73.1</td>
<td>1817 49.1</td>
<td>1611 54.7</td>
<td>1143 51.5</td>
<td></td>
</tr>
</tbody>
</table>

### Table 2-6 All India Urban Dining out Habit

<table>
<thead>
<tr>
<th>Eating Out In Restaurants</th>
<th>All India Urban (000's)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>More Often Than Once A Week</td>
<td>3068</td>
<td>1.7</td>
</tr>
<tr>
<td>Once A Week</td>
<td>4568</td>
<td>2.5</td>
</tr>
<tr>
<td>Once A Fortnight</td>
<td>3800</td>
<td>2.1</td>
</tr>
<tr>
<td>Once A Month</td>
<td>10046</td>
<td>5.5</td>
</tr>
<tr>
<td>Once In 2-3 Months</td>
<td>9858</td>
<td>5.4</td>
</tr>
<tr>
<td>Less Often/Only At Festivals</td>
<td>14599</td>
<td>8.0</td>
</tr>
<tr>
<td>Rarely/Never/Can't Remember</td>
<td>127822</td>
<td>69.6</td>
</tr>
</tbody>
</table>

Source: Readership Survey
3. Analysis of Questionnaire Responses

3.1 GENERAL

This study of Restaurant Industry in India- Trends & Opportunities is based on data and comments provided by members of the Federation of Hotel and Restaurants Association of India. In order to reflect a comprehensive view of the restaurant industry, we have included comments and data from both chain affiliated and independent restaurants.

About 1,100 questionnaires were sent out nationwide to independent restaurants and hotels. A total of 165 restaurants responded, of which 90 responses were from the metro cities of New Delhi (18), Mumbai (43), Kolkata (2), Chennai (6) and Bangalore (10). The remaining 75 responses reflected a homogenous mix from 44 cities in India with the maximum responses from Pune (11), followed by Agra (8) and Jaipur (5). However, it is important to note that responses for the financial data were not as complete when compared to the general questions. This factor combined with our stringent criteria to accept only validated financial data resulted in fewer responses, providing us a total of 72 usable responses. As the data in the following paragraphs shows, the respondents belong to the upper end segment of restaurants in India. They are the ones who are more organized to respond to questionnaires. This may not be a negative factor for this study, as they are usually trend setters which others follow.

Composition of Participating Restaurants

The survey indicated that 40% of the respondents were restaurants located within a hotel. A slightly larger proportion (41%) were independent restaurants operating a single unit and 19% were multi-unit restaurants operating two or more units. Moreover, 40% of the restaurants that participated in the survey were owned by sole proprietorships, 15% were through partnerships and 40% were private limited companies. Large hotel and restaurant companies were conspicuous by their absence and contributed only 1% of the total responses. This can also be explained by the fact that large hotels do not maintain detailed/accurate financial break-up of costs by restaurant, as they use a number of central services like a common laundry, housekeeping and security and, in most cases, a central kitchen.

Highlights & Characteristics

Table 3.1-1 on page 18 summarizes the responses to Section I of the questionnaire and provides a view to some important characteristics representative of restaurants in India.

- The majority of respondents (53%) were restaurants that achieved an average check between Rs 200 and Rs 400. The second-largest group, comprising 36% of the respondents, had an average check of between Rs 400 and Rs 650. A much smaller percentage of restaurants, 5% and 6%, had an average check of either over Rs 650 or below Rs 200, respectively.

- 60% of the respondents indicated full liquor service and 5% indicated a license for only wine and beer. 35% of the respondents served no alcoholic beverages.

- Multicuisine restaurants, serving a variety of cuisine including Indian, Continental
and Chinese, constituted a fairly large segment (17%) of the respondents to the survey.

- Recorded music (62%) is the most widely used entertainment in the restaurants. A number of respondents (17%) use live bands.

- The response with regards to the site and building on which restaurants are located drew an almost equal response between owned and leased. This is also indicative of the fact that a majority of restaurants responding to the survey (63%) have been in the business for over ten years and only 6% of the respondents have been in business for under two years. As leasing restaurant buildings is a fairly recent trend, we assume that, had the respondents been skewed towards more recent entrants, the percentage of sites leased as opposed to owned would have been higher.

- Almost all respondents are open for lunch and dinner. 44% of the respondents are open for breakfast and 13% responded as being open for nearly 24 hours. Most of the last two categories must be hotel restaurants.

- The survey indicated that the majority of restaurants (38%) are between 50 and 100 seats.

- The total number of employees employed by 66% of the restaurants is under 40 with only 3% respondents responsible for employing more than 100 employees.

- Over one-third of the restaurants responded to having renovated their restaurant in the last one year but an equal number also had not renovated for over three years. The average amount spent per restaurant on renovations was Rs 9 lakh.

- A majority of restaurants (73%) responded that they did not have a loyalty program. In fact, we believe a much larger percentage of restaurants do not have any loyalty programs, but some hotel respondents may have confused restaurant loyalty program with the hotel loyalty program.

---

**Table 3.1-1 Composition of Participating Restaurants**

<table>
<thead>
<tr>
<th>Type of Ownership</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole Proprietorship</td>
<td>19</td>
</tr>
<tr>
<td>Partnership</td>
<td>40</td>
</tr>
<tr>
<td>Government Owned</td>
<td>-</td>
</tr>
<tr>
<td>Private Company</td>
<td>40</td>
</tr>
<tr>
<td>Public Limited Company.</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Organisation</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent (operates one unit)</td>
<td>41</td>
</tr>
<tr>
<td>Multi-Unit (operates two or more units)</td>
<td>19</td>
</tr>
<tr>
<td>Hotel restaurants</td>
<td>39</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Primary Type of Business</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fine dining (average check over Rs. 650)</td>
<td>5</td>
</tr>
<tr>
<td>Fine dining (average check over Rs. 400)</td>
<td>36</td>
</tr>
<tr>
<td>Fine dining (average check over Rs. 200)</td>
<td>53</td>
</tr>
<tr>
<td>Any Other (Average check below Rs. 200)</td>
<td>6</td>
</tr>
<tr>
<td>Limited service (only quick service / fast food)</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liquor Service</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full liqour Service</td>
<td>60</td>
</tr>
<tr>
<td>Only Wine and Beer</td>
<td>5</td>
</tr>
<tr>
<td>No alcoholic beverages</td>
<td>35</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Primary Menu Theme</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indian Mughlai</td>
<td>22</td>
</tr>
<tr>
<td>Indian Fast Food</td>
<td>10</td>
</tr>
<tr>
<td>French / Continental</td>
<td>9</td>
</tr>
<tr>
<td>Western Fast Food</td>
<td>4</td>
</tr>
<tr>
<td>Regional (eg. South Indian etc)</td>
<td>12</td>
</tr>
<tr>
<td>Coffee Bar</td>
<td>4</td>
</tr>
<tr>
<td>Asian (chinese, Indonesian, Japanese, Korean)</td>
<td>15</td>
</tr>
<tr>
<td>Mexican</td>
<td>2</td>
</tr>
<tr>
<td>Italian</td>
<td>4</td>
</tr>
<tr>
<td>Multicuisine</td>
<td>17</td>
</tr>
<tr>
<td>Any other</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Entertainment in Restaurant</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live band / Show</td>
<td>17</td>
</tr>
<tr>
<td>Television Monitor</td>
<td>18</td>
</tr>
<tr>
<td>Recorded Music</td>
<td>62</td>
</tr>
<tr>
<td>All the above mentioned entertainment</td>
<td>2</td>
</tr>
<tr>
<td>Any other</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Site on which restaurant is located</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land owned</td>
<td>30</td>
</tr>
<tr>
<td>land leased</td>
<td>11</td>
</tr>
</tbody>
</table>

---
3.2 TRENDS

Section II of the questionnaire was designed to highlight emerging trends within the restaurant industry in India. The questions covered a wide area ranging from employee hiring and motivation to locations and menu themes for new restaurants.

Highlights & Characteristics

Below, we highlight some of the important trends that emerged from the analysis of the responses received.

- Referrals were ranked as the first choice as an avenue to recruit staff, followed by advertising, placement agencies and internet sites. Some respondents indicated campus recruitments, walk ins and direct applications as other avenues used by them in this regard.

- Higher Salary, followed closely by Growth Prospects, were the leading motivation factors indicated by respondents.

- Respondents chose business people as their most important customer group. This is perhaps in line with the characteristics of the majority of restaurants participating in the survey.

- More than 80% of the respondents felt that the culture of eating out has increased over the last three years.

- With regards to what would be their success formula for a new restaurant in terms of menu theme, 28% of the respondents chose Multicuisine, 17% chose Indian Mughlai, 16% chose Asian and 10% pointed to regional Indian.

- Almost half the respondents preferred their restaurants to be located in a commercial...
The survey indicated that the majority of restaurants (38%) would price a new restaurant they opened between an average per cover of Rs 200 and Rs 400.

Over one-third of the restaurants use imported raw food materials and 44% stock imported alcoholic beverages.

A majority of restaurants (59%) responded that they did not import or use imported kitchen or restaurant equipment. However a significant 41% did.

With regards to questions on tip and sharing of tips, 83% of the respondents do not levy any service charge on the restaurant bill. Among the 17% who do levy a service charge, the median with regards to the percentage charged is 8%.

In comparison, 77% of the respondents do not levy a service charge in banquets. Banquets is mostly a hotel activity and it is possible that those who said yes, were hotel restaurants. However, the 23% that do, have a median charge of 10%. A majority of the respondents (60%) have tip pools.

Interestingly, where restaurants levy service charge as part of the bill, the median percentage retained by management is 25% as compared to 10% in case of tip pools. Also, the median percentage retained by service staff is much higher in the case of tip pools (97%), as compared to a situation where service is charged and the money distributed more equitably among all staff with the service staff retaining a lower figure (53%).

Table 3.2-1, summarizes the responses to Section II of the questionnaire on the trends.

**Table 3.2-1 Trends as indicated by respondents**

<table>
<thead>
<tr>
<th>What avenues do you use to recruit staff</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertisements</td>
<td>2</td>
</tr>
<tr>
<td>Internet Sites</td>
<td>4</td>
</tr>
<tr>
<td>Placement Agencies</td>
<td>3</td>
</tr>
<tr>
<td>Referrals</td>
<td>1</td>
</tr>
<tr>
<td>Any Other</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What do you consider the most important ways to motivate staff</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher salary</td>
<td>1</td>
</tr>
<tr>
<td>Flexible working hours</td>
<td>4</td>
</tr>
<tr>
<td>Increased training</td>
<td>3</td>
</tr>
<tr>
<td>Modern restaurant/kitchen equipment</td>
<td>5</td>
</tr>
<tr>
<td>Growth prospects</td>
<td>2</td>
</tr>
<tr>
<td>Any other</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Who is your most important customer group?</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business People</td>
<td>1</td>
</tr>
<tr>
<td>Tourists (out of town)</td>
<td>3</td>
</tr>
<tr>
<td>Families/housewives</td>
<td>2</td>
</tr>
<tr>
<td>Parties for children</td>
<td>4</td>
</tr>
<tr>
<td>Young people (15 to 30 age group)</td>
<td>5</td>
</tr>
<tr>
<td>Any other</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Which success factors are most important to you?</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of food</td>
<td>1</td>
</tr>
<tr>
<td>Entertainment</td>
<td>5</td>
</tr>
<tr>
<td>Quality of service</td>
<td>2</td>
</tr>
<tr>
<td>Promotion/Marketing</td>
<td>4</td>
</tr>
<tr>
<td>Restaurant setting/décor</td>
<td>3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Do you feel in the last three years the culture of eating out has</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased a lot</td>
<td>58</td>
</tr>
<tr>
<td>Remained the same</td>
<td>6</td>
</tr>
<tr>
<td>Increased marginally</td>
<td>29</td>
</tr>
<tr>
<td>Decreased</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>If you were to build another restaurant today what in your view will be a success formula?</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>What would be your Menu theme</td>
<td></td>
</tr>
<tr>
<td>Indian Mughliai</td>
<td>17.4</td>
</tr>
<tr>
<td>Indian fast food</td>
<td>15</td>
</tr>
<tr>
<td>French/Continental</td>
<td>1</td>
</tr>
<tr>
<td>Western Fast Food</td>
<td>5</td>
</tr>
<tr>
<td>Regional (eg. South Indian etc)</td>
<td>10</td>
</tr>
<tr>
<td>Coffee Bar</td>
<td>5.16</td>
</tr>
<tr>
<td>Asian (Chinese/Indonesian/Japanese/Korean)</td>
<td>16.1</td>
</tr>
<tr>
<td>Mexican</td>
<td>0</td>
</tr>
<tr>
<td>Italian</td>
<td>1</td>
</tr>
<tr>
<td>Multi Cuisine</td>
<td>28</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Would you prefer to be located in/attached to</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>A hotel</td>
<td>26</td>
</tr>
<tr>
<td>In a commercial Market</td>
<td>48</td>
</tr>
<tr>
<td>Residential Area</td>
<td>14</td>
</tr>
<tr>
<td>A transportation center (airport, railway station)</td>
<td>13</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What kind of Restaurant would it be?</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fine dining (average check over Rs. 650)</td>
<td>11</td>
</tr>
</tbody>
</table>

Table 3.2-1.
### Analysis of Questionnaire Responses

**3.3 FINANCIALS**

Section III of the questionnaire was designed to capture the financial structure of the restaurants in India. The questions covered the profit and loss account. The section below highlights some of the important trends that emerged from the analysis of the responses.

**Understanding Medians & Means**

This section utilizes medians for reporting results. A median is defined as the middle value of all amounts reported for a specific line item. For example if we received nine responses for number of employees-8,4,2,6,9,7,5,1,3- these numbers would be arranged sequentially (in order of size) -1,2,3,4,5,6,7,8,9- and the middle value, 5, would be the median. 50% of the responses received are below the value and 50% are above.

In conjunction with medians, lower quartiles and upper quartiles are used to give a further description of the sample results. Medians are used most often as we believe that the median gives less biased results compared to averages which are sum of all figures divided by the number of figures. Medians keep the results from being skewed by a few abnormal respondents with higher or lower figures. For example if a few responding restaurants incurred very large operating losses, those losses would be divided equally among all restaurants (when using mean calculations) and would reduce the average net profit of the entire group which, for the most part, may have reported respectable profits.

Quartiles divide the responses into four equal parts, with medians still being the middle value. The "lower quartile" is the value that separates the lowest 25% of the respondents from the sample when arranged sequentially, while the

---

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you use imported materials? Food and non alcoholic beverages</td>
<td>37%</td>
<td>63%</td>
</tr>
<tr>
<td>Alcoholic spirits</td>
<td>44%</td>
<td>56%</td>
</tr>
<tr>
<td>Kitchen or restaurant equipment</td>
<td>41%</td>
<td>59%</td>
</tr>
<tr>
<td>What is your policy on tips?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you levy service charge in Rest. Bills</td>
<td>17%</td>
<td>83%</td>
</tr>
<tr>
<td>% of bill amount</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Do you levy service charge on banquets?</td>
<td>23%</td>
<td>77%</td>
</tr>
<tr>
<td>% of bill amount</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Do you have a tip pool?</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>How do you dispose off the service charge?</td>
<td>Median</td>
<td></td>
</tr>
<tr>
<td>Retained by Management</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>Managers</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Service Staff</td>
<td>53</td>
<td></td>
</tr>
<tr>
<td>Kitchen Staff</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Others (e.g. office cashier, security, etc)</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>How do you dispose off tips pools?</td>
<td>Median</td>
<td></td>
</tr>
<tr>
<td>Retained by Management</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Managers</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Service staff</td>
<td>97%</td>
<td></td>
</tr>
<tr>
<td>Kitchen staff</td>
<td>29%</td>
<td></td>
</tr>
<tr>
<td>Others (e.g. office, cashier, security)</td>
<td>10%</td>
<td></td>
</tr>
</tbody>
</table>

* 1 is the highest and 5 lowest
** Please see definition of median on page
upper quartile defines the boundary of the upper 25% from the lower 75%. Stated another way, 50% of all responses fall between the lower quartile and the upper quartile. For example if we receive 99 responses for a specific items and the responses were numbered 1 through 99, the median (or middle value) would be 50. The lower quartile would be 25 (25% of the responses would be below 25) and upper quartile would be 75 (25% of the responses would be above 75). Fifty percent of the responses would fall between the lower and upper quartiles.

It will become evident in reading this report that columns do not always total when medians are involved. The reason behind this is that each line item is analysed separately. In Table 3.3-1, when all amounts are arranged sequentially, the median total sale per seat is Rs 81,638. This figure is based on the 69 restaurants that gave us information for this specific line item. The median per seat for total food and beverage sales are Rs57,659 and Rs 18,564, respectively. These two amounts were analysed on a sample of 61 and 40 restaurants respectively, which gave us separate food and beverage sales. Different sample sizes are one reason why figures do not add up to the total shown.

There is another reason that columns in the table do not total. When using medians, it is important to remember that the median food sales, the median beverage sales and the median total sales figures reported probably represent the results of three different restaurants, even thought the sample size of each may be equal. This also holds true for lower and upper quartiles.

### Highlights & Characteristics

Table 3.3-1 summarizes the responses to Section III of the questionnaire and highlights some important findings. A total of 69 respondents completed the financial section of the questionnaire.

<table>
<thead>
<tr>
<th>Table 3.3-1 Trends as indicating by respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Average Check</td>
</tr>
<tr>
<td>Median Total Sales per full time equivalent employee</td>
</tr>
<tr>
<td>Median Total Sales per Square foot</td>
</tr>
<tr>
<td>Median Income before income taxes as % of total Sales</td>
</tr>
<tr>
<td>Median Total Cost of Sales</td>
</tr>
<tr>
<td>Median Total Cost of Sales (by seat)</td>
</tr>
</tbody>
</table>

- The median average check for the respondents is Rs 241.
- The respondents reported income before taxes of approximately 5% of sales.
- Median total sales per full time equivalent employee is Rs 311,974.
- The survey indicated that the median for the percentage of food sale to total sale was 76%. Beverage sale accounted for the remainder 24%.
- The median cost of sales as percentage of total sale was 40%.

Table 3.3-2 presents the income and expense statement of the 69 respondents who provided financial data. The data is presented both as a percentage of total sales and as amount per seat.

- The survey indicated that the median for the percentage of food sale to total sale is 76%. Beverage sale accounts for the remainder 24%.
- The median cost of sales as percentage of total sale is 40%
- The upper quartile of income before income taxes is 11% and the median is 5%.
## Table 3.3-2 Percentage of Total Sale and Amount per Seat

<table>
<thead>
<tr>
<th>Where it Came From</th>
<th>Percentage of Total Sales</th>
<th>Amount Per Seat (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower Quartile</td>
<td>Median</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food Sales</td>
<td>78%</td>
<td>76%</td>
</tr>
<tr>
<td>Beverage Sales</td>
<td>22%</td>
<td>24%</td>
</tr>
<tr>
<td>Total Sales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Cost of Sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food 1</td>
<td>44%</td>
<td>43%</td>
</tr>
<tr>
<td>Beverage 2</td>
<td>37%</td>
<td>32%</td>
</tr>
<tr>
<td>Total Cost of Sales 3</td>
<td>47%</td>
<td>40%</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Wages</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Direct operating expense</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>Music and Entertainment</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Marketing</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Utility Services</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Restaurant Occupancy Costs</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Repair and Maintenance</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Other Operating Expenses/ (Income)</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total Restaurant Operating Expenses</strong></td>
<td>37%</td>
<td>30%</td>
</tr>
<tr>
<td>General and Administrative Expenses</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Corporate overheads</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Total Operating expenses</strong></td>
<td>45%</td>
<td>49%</td>
</tr>
<tr>
<td>Interest Expenses</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Other Miscellaneous Expenses</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Income before income tax</strong></td>
<td>2%</td>
<td>5%</td>
</tr>
</tbody>
</table>

1 Food Cost as percentage of Food Sale
2 Beverage Cost as percentage of Beverage Sale
3 Total F&B Cost as Percentage of Total Sale

Note: While reviewing Table 3.3-2, it should be borne in mind that for each line item the number of responses received varied thereby making it necessary to view data in terms of medians and not as averages. Also Income before income tax as a percentage can not be derived from simply subtracting total expenses from the revenues shown above for exactly the same reason. Each revenue or expense line item must be viewed in isolation, however the total expenses and income before income tax lines indicate the macro picture as indicated by respondents in the survey.
Introduction
When restaurateurs want to spot emerging culinary trends they go to what they consider the ultimate source - customers. Anecdotal evidence from restaurant customers is only one way to spot trends. The print media and television play a big role in establishing culinary concepts and preferences, with food columnists and TV chefs endorsing one trend over the other. However, the single-biggest factor influencing culinary trends is population demographics. Some important demographic changes have emerged in recent times: increased number of working women with little time to cook at home; a population that travels more and is exposed to international cuisine; a population which is more concerned about its health; an increase in expatriate population; and an increase in disposable incomes. And, beyond all these factors, is an indefinable spark that makes one culinary item succeed and another fail. Chefs are always looking for the next big thing, something that will set them apart and put them on the map. Sometimes it succeeds; sometimes it doesn't.

The following section presents an overview of what culinary professionals and industry analysts say are some of today's exciting international culinary trends.

East meets West
Whether it is called fusion or eclecticism, blending cuisines is one of today's hottest culinary concepts. Fusion is carefully selecting foods from parts of the world that are not geographically close and combining ones that go well together. The combinations are numerous-Thai and French, American and Indian, Southwest and Asian. Here are some trends:

CHINO - LATINO
"Cuisine du Soleil" with Chinese cooking styles and some exotic flavours.
Example: Mezza 9 in Singapore

INDO-LATINO
"Cuisine du Soleil" with strong Indian Tandoor preparations and typical herbs and marination.
Example: Frangipani at The Oberoi in Mumbai

NIPPON - SOUTH AMERICAN
Lukewarm Sushi, Sashimi with noodles and vegetables marinated in Wasabi-Soy dressing. Japanese type salads and Ceviche.
Example: à la Nobu in London or Felix in Hong Kong

PACIFIC RIM
"From down under" Australian flavours and food product mixing; Hawaiian and Japanese food; cooking fusion with lots of seafood and a Californian spirit.

FRENCH THAI
European ingredients cooked in Thai style
Example: à la Vong (Jean Georg Vongerichten) also coming to India soon.

Healthful and Flavorful
Obesity has become a "four-letter-word" for all aspects of the food industry, whether grocery or restaurant-related. Consumers are looking for healthier choices and flocking to flavourful ethnic cuisines such as Asian and Mediterranean foods. With an emphasis on ingredients such as vegetables, grains and fish,
these cuisines appeal to the health-minded consumer. Accordingly, food businesses are responding and reacting in a variety of ways. Below are some of the current restaurant concepts in USA that are addressing health issues.

The most promising concept, mostly because it has the muscle of Darden Restaurants (Red Lobster, Olive Garden, Bahama Breeze, all in the United States) behind it, is Seasons52 (www.seasons52.com). The test restaurant for this casual dining concept is in Orlando, Florida. Its name refers to the fact that every week of the year different foods reach their peak of freshness and taste and the restaurant’s menu changes and adapts accordingly. Calories typically range from 300 to 375 for entrees, entrée salads and sandwiches and from 100 to 200 for appetizers, soups, and desserts. The trick to a 200-calorie dessert? Each is referred to as a "mini indulgence" and each of the eight small selections fits in a tall shot glass.

Founded by an executive from yogurt maker Stonyfield Farms, O’Naturals (www.onaturals.com) is true to its name. The four Maine and New Hampshire units pride themselves on offering all-natural and organic items ranging from steak and chicken to vegan options plus children’s choices.

With three units in the Chicago area, Wheaton, Illinois-based The Fitness Café (www.fitnesscafe.net) positions itself as a healthy alternative to fast food. The owners believe in lifestyle change, not dieting. All menu items list grams of calories, protein, carbohydrates, fats, and fiber and sport names like The Firm, The Flex, The Crunch, and The Ironman. In India too, we have a similar trend with the opening of the health juice café chain marketed under the brand Amoretto’s.

Back to Basics

Although fusion food remains hot in many kitchens, other chefs and industry experts herald the resurgence of simple foods and flavours. The trend in foods is going back to basics. People are tired of fusion food because it became confusion food. It became anything goes with blending of everything. People are starting to say, "We’ve had enough, just give me a good steak."

An increase in dining out has also spawned the need for restaurants with casual, simple fare such as brasseries, bistros and trattorias. That is not to say fine dining is out.

"Comfort food" may have become a cliché - as in "comfort food TV" - but the desire to simplify and slow down is very real. In difficult times, which were witnessed for restaurants in USA post 9/11, we strive for something we can rely on and hold on to, even if it’s just a really good sandwich from the local deli, a dish of fresh-from-the-oven roast chicken, or a wonderful dark chocolate truffle. Food and dining are being called upon to be less and do more. The eating experience must still be fast, convenient, and if at all possible, healthy. Yet it is just as important for it to not only be good value but also provide us with relief and reassurance. Fussy frou-frous and opulence for its own sake are unnecessary. Many of the old French classics - like coq au vin - are really very simple food.

Chefs go casual;
Chains go chic

Upscale chefs are opening more casual restaurants in New York, like Danny Meyer’s Blue Smoke, Michael Lomaneco at Noche, Tom Colicchio with Craftbar and Wichcraft, Bradley Ogden’s Parcel 104 in California. "Roadside cooking being reworked for the Wine Country crowd" is the way San Francisco Magazine (July
Food Trends – At home & abroad

2003) characterizes Market, a St. Helena, California-based restaurant recently opened by a former chef from Jardinère and the ex-wine director from The French Laundry. They are cooking up mac 'n' cheese and pairing merlot with meatloaf and were recently named one of the "Best New Restaurants in America" by Esquire's (November 2003).

More chains are bringing classically trained chefs on board and are adding culinary-buzzword ingredients to their menu items like sun-dried tomatoes, pesto sauce, bruschetta, focaccia, and baguette. McDonald's, the granddaddy of them all, has almost single-handedly brought chipotle, barbacoa and carnitas into mainstream lingo with their Chipotle Mexican Grill chain. Even in India, McDonald's Wraps, which are Mexican in origin, are selling in huge numbers.

Even the quick takeout-lunch-at-your-desk has become gourmet and somewhat highly-priced. Takeout lunch five years ago was a Big Mac and fries; now it's roast chicken with mozzarella and basil on warm focaccia, and the cost has risen accordingly, with a price tag for sandwich, soup, and a soda between USD10 and USD15.

Living Raw

Today's food news is filled with the new restaurants and folks devoted to raw food. A growing number of people believe that eating "living foods" extends youth and staves off disease. Heat, they maintain, depletes food's protein and vitamin content and concentrates any pesticides. More important, it destroys food's natural enzymes which, enthusiasts claim, facilitate digestion. The premise is that only humans cook their foods and only humans suffer widespread sicknesses and ailments. One of the restaurants getting the most press coverage over "raw" is Roxanne's. Located in Larkspur, California it is the first raw restaurant to cast raw as haute cuisine dining. Another popular raw dining spot is Quintessence in Manhattan which has 3 locations.

Clearly, this is a style of eating that will not spread to the masses. It will have its day in the press and create interest and conversation. Will it have a lasting impact on cooking and dining? Perhaps. Yes it is extreme, but such movements can have residual-to-lasting impact. Don't dismiss it in total.

The Ubiquitous Sandwich

Sandwiches are CHIC! From simple to decadent, hand-held to knife-and-fork, from calorie-laden to light and healthy, whether a snack or a full meal, as a comfort food or as an adventurous new cuisine experience, sandwiches fit into every aspect of today's lifestyles and are constantly being reinvented. Upscale restaurants are adding lots of new twists to this classic sandwich.

.. BLT, GOAT CHEESE, AVOCADO & BASIL, TOASTED ONION ROLL - Gustavino's, New York
.. LOBSTER BLT - SWEET PEA REMOULADE ON COUNTRY WHITE BREAD - Chadwick Restaurant, Beverly Hills, CA
.. TEMPURA BATTERED FISH BLT WITH BACON, LETTUCE, TOMATO & MAYO ON A SOFT BUN SERVED WITH JERK FRITIES & BACON AVOCADO RANCH OR ADD BACON OR AVOCADO - Cuba Libre, Philadelphia
.. RAWAS WITH RICADO ROJO, A YUCATAN RED SPICE MIX WITH TOMATO, BELL PEPPER, CUMIN AND GARLIC IN PITA- Basilico, Mumbai
.. GRILLED ZUCCHINI, AUBERGINE, BELL PEPPERS AND SMOKED SCAMORZA - Olive, New Delhi
India is also seeing the spread of sandwiches with the opening of Subway and the Irish chain O'Brien.

**Chef-driven Cuisine**

With such diversity in culinary trends, there is something for every chef to add to his or her menu. But the real trend may be for chefs to expand beyond what analysts have defined as "what's hot and what's not" and to explore their own culinary creativity. A few who have become international legends are Daniel Boulud, Alan Ducasse, Jean Georges Vongerichten, Rick Bayless, Thomas Keller, Nobu Matsuhisa, Charlie Trotter, Alan Wong, Douglas Rodriguez, Jerry Traunfeld, Floyd Cardoz and Arun Sampanthavivat.

**Better Ingredients**

Savvy chefs have come to the conclusion that they're not going to come up with some brilliant cooking methods. Instead they are concentrating on using better ingredients.

**Food Trends specific to India**

Although all the above trends being witnessed in USA are applicable to India, some specifics attributable to restaurants here are:

- An increasing trend toward vegetarian food and an increasing trend of reduction in red meats
- Fast food is finally here to stay. There have been some failures but the success of McDonalds, Pizza Hut and Domino's Pizza have caused some people to eat their words. It is, however, important to note that the Indian consumer wants "international desi" and that the Indian palate is indeed addicted to a certain level of spice. Any new international entrants would ignore this fact at their peril.
- There is a tremendous future for regional Indian cuisine restaurants. There are very few authentic restaurants offering regional Indian cuisine and that is an area that could witness significant growth over the next few years.
- An increasing trend of freestanding international cuisine restaurants serving Italian, Mediterranean, Thai, Spanish, Korean, and other exotic cuisines.
- The spread of Indian fast food as popularised by Haldiram's, Nathu Sweets and others continues and remains a very large market.
- Pizzas, Burgers, Indian Tandoori, Chinese, South Indian & Thai continue to dominate the take away business and is growing at double digit annual rates.
5. International Chain Restaurants & Franchise Opportunities

Introduction
The last few years have seen significant increase in the number of new restaurants opening in most major Indian cities. This has, in many ways, coincided with the revolution that has taken place in the retail space, which has spawned new locations for restaurants in the malls which have developed.

Two types of developments have clearly emerged: one, the growth of multinational restaurant chains and two, the birth of home grown brands like Barista, Café Coffee Day, Mainland China and many others. Internationally, large chains dominate the restaurant business and stand-alone outlets are a small percentage. As the restaurant industry in India grows, more and more international chains will attempt to establish franchise networks, while domestic entrepreneurs will try and establish new restaurants under an established brand name. This will not only be a trend prevalent in independent restaurants but will also apply to hotel restaurants. Many hotels that need a "prestige" label are turning to third parties with the right credentials and we will see increased activity in this area in India as well.

Franchising, which is very popular in the United States, is spreading fast to developing nations. This is partly aided by the strategy that some franchisors are adopting. While some franchisors grow in their own country and regions, others take their concepts overseas in search of new customers. Subway looked to Bahrain, a small, oil-producing country in the Middle East in their first exploration outside U.S. borders. Today, not counting Canada, Subway has close to 800 international franchises. If we were to include Canada, the number skyrockets to 2,000. The company's size has helped them export their concept successfully.

KFC began venturing overseas in the 1960s, and was the pioneer in doing business through international franchises. McDonalds then started developing aggressively, followed by Subway. Now Subway uses a pioneer program where they encourage American franchisees to find a partner in another country and work to take the Subway experience there.

Whether sandwiches in the Middle East or upscale dining uptown, the outlook for food franchising in the next decade continues to look strong for savvy restaurant chains, according to The Entrepreneur's Source. We have, in this section, listed some prominent trends and popular brands within those trends. This section is not an exhaustive list of franchise opportunities but has been provided as a ready reckoner for potential investors looking to invest in a restaurant franchise. The list also does not include the more traditional franchise opportunities but is an attempt to highlight the latest emerging companies and trends. Moreover, this is the list of franchising brands working in the international market and particularly the USA. Many of them may not have a presence in India as yet.
11 Trends & 101 brands...
It is important to remember that almost all chains started as stand alone outlets before becoming multi unit ventures. Below, we outline some of the significant international trends and brands.

Noodles, wok, sushi & Co …
Tasty and healthy, pan-Asian food has never been more popular: Wok and noodle bars are popping up all over the world be it, often, with a very modest roll-out strategy. Some of the Asian chains that have gained much popularity are:

Big Bowl, Stir Crazy Café, Wok Wok, Wok Away, Flat Top Grill, Noodles & Co, Mark Pi, Sushi Samba, Sushi Doraku, Haru Sushi, Chowking, Café de Coral, Azie, Asia Noria, Wagamama, Nobu, Quiet Revolution, Yo Sushi, Lo Sushi, New Culture Revolution, Blue Elephant, Busaba Eathai, Roy's, Itsu, Sushi Map, Matsuri, Sumo, Amoî, Nudelland, Sushi & Soul, Thara Thai, Zao Noodle Bar, Dragon Inn, Pei Wei Asian Diner, Pick Up Stix, Mongolian Barbecue, Dim Sum Court, Cool Basil, Elephant Jump, Golden Leaf, P.F. Chang’s, Chilli Club, etc. ... Our own China White, Mainland China, Oriental Bloom, Yo China, Stir fry, Noodle bar.....

Quick / Fast Casual
The fastest growing segment of the restaurant industry is the fast casual dining concept. Restaurants in this segment borrow some of their concepts from counter service fast food restaurants like Burger King and Taco Bell and still provide an atmosphere and menu more the likes of casual dining at Chili’s or Bahama Breeze.

Among the fastest growing chains in this category are Panera Bread, Corner Bakery, Chipotle, Culver's, Cosi, and Potbelly Sandwich Works. These restaurants are quickly becoming the new neighborhood coffee shops. They are the place to meet after jogging, to get together while the kids are at pre-school, to relax between sales calls, to treat an aunt or grandma to a meal out, or to bring a son or daughter for a special lunch.

What sets these properties apart from competition is an eating area that is similar to a "sit-down" restaurant combined with good-value, high quality menu items. Freshness and quality are the mantras of these menus. Bold flavors are another distinguishing characteristic. Robust profiles continue to be a main feature in new menu offerings, taking cues from ethnic pantries. Italian, Asian, Southwestern, Caribbean cuisine and heat from chilies and peppers dominate. Some of the chains that have acquired prominence are:

Corner Bakery, La Madeleine, Panera Bread, Au Bon Pain, Cosi/Xando, La Ferme, Cojean, Le Pain Quotidien, Partie De Campagne, Gust, Bert's, Atlanta Bread Company, Piadina, Great Harvest Bread, Bread Shop, Briazz, House of Bread, Noodles & Co., Garland, Rubio's Baja Grill, Baja Fresh Mexican Grill, Qdoba, Chipotle, New West Ranch House, Fazoli's, Via Gio, Bio.it, Wingstop, Exki, Enorm, Itsu, La Table d'Oliviers & Co, Oh !... Poivrier !, etc. ...
Fresh Choice Express, Sweet Tomato, Souplantation, Soup C°, Soup Opera, Soupworks, Soup + Salad, The Quiet Revolution, Itsu, Fixo, Coco's (Italie), Exki, etc.…

Black Gold
The Starbucks story epitomizes "imagine that" in every sense. When the company went public 11 years ago, it had just 165 stores clustered around Seattle and in neighboring states. At the time coffee was a 50-cent morning habit, and your local diner was the pusher of choice. Skeptics ridiculed the idea of $3 coffee as a West Coast yuppie fad.

Today the company, which does not franchise, has over 6,000 stores in more than 30 countries, with three new stores opening every day. The strategy is simple: Blanket an area completely, even if the stores cannibalize one another's business. A new store will often capture about 30% of the sales of a nearby Starbucks, but the company considers that a good thing: the Starbucks-everywhere approach cuts down on delivery and management costs, shortens customer lines at individual stores, and increases foot traffic for all the stores in an area. Every week 20 million people buy a cup of coffee at a Starbucks. A typical customer stops by 18 times a month; no American retailer has a higher frequency of customer visits. Sales have climbed an average of 20% a year since the company went public. Even in a down economy, when other retailers have taken a beating, Starbucks store traffic has risen between 6% and 8% a year. Perhaps even more notable is the fact that Starbucks has managed to generate those kinds of numbers with virtually no marketing, spending just 1% of its annual revenues on advertising. (Retailers usually spend 10% or so of revenues on ads.)

Barista pioneered the café culture in India and rapidly spread nationwide with its 'Espresso Bars', with 65 outlets already in operation. Café Coffee Day is another name that has made its presence felt, with existing 30 outlets in 6 cities. It plans for 200 cafés, 400 coffee stores and 3,000 coffee vending machines to post a turnover of Rs. 6.5 billion by 2004. Craze, that just opened its first outlet in Delhi, plans 5 more soon, carrying a by-line 'not just coffee'. Qwiky's, a concept originally conceptualised for the US urban locations by two young Indian entrepreneurs, Sashi and Syam of Silicon Valley, is yet another name that tasted instant success when its cafes opened in India. With an investment of Rs 70 million, the chain has already made its presence in 6 cities with 20 self-owned outlets. Its product/service basket not only offers coffee and light snacks but also includes lifestyle merchandise like T-shirts, books, magazines, greeting cards, coffee mugs and home espresso machines. Some of the chains that have established themselves internationally as well are:

Starbucks, Caribou Coffee, Diedrich Coffee, Seattle Best Coffee, Mc Café, Columbus Café, Scapucci, Café Nescafé, Malongo, Costa Coffee, Coffee Republic, Caffé Nero, Puccino's, BB's Coffee & Muffins, Madisons, Caffe Ritazza, Viva, Aroma, Jamaica, Il Caffe Di Roma, Cafe & Te, Expresso Illycafe, Plantaciones de Origen, Segafredo Boutique, Il Caffe Di Fiori, Lavazza, World Coffee, Café Einstein, Wiener's Kaffeebar, Cafeterio, Balzac Coffee, San Francisco Coffee Company, Testa Rossa Caffébar, Woyton Coffee, Java Java, etc. …

Italian …
Italian food has been the flavor of the moment for a good few years now, but it wasn't so long ago that the only types of pasta available in
supermarkets were spaghetti and macaroni. Pasta consumption has doubled since the 1980s, and it is now considered to be American food, eaten 1 to 3 times per week. Indian supermarkets like Crossroads, Food World, Nilgiri and all major neighborhood grocers now stock Italian pasta brands. At least three new Italian restaurants have opened in the capital in the last one year and we are aware of at least two new freestanding restaurants which are planned for opening by early next year. Some of the international chains that have gained much popularity are:

Maggiano's, Buca Di Beppo, Vinny Testa's, Romano's Macaroni Grill, Cosi, Carluccio's, Fuzio Universal Pasta, Johnny Carino's, Italiani's, Timpano Italian Chophouse, Pepperoni Grill, Pasta Pomodoro, Pasta Basta, Café Di Fiore, Il Fornaio, Bice Ristorante, Zio's Italian Kitchen, Bravo! Cucina Italiano, Piatti, Cucina! Cucina! Italian Café, Palomino Euro Bistro, Strada, Est Est Est, Del Arte, BistroRomain, etc. …

French....
Brasseries and bistros offering traditional, simple, French food are in vogue. This is a trend that has not caught on in India so far, but we believe that in the next few years there will be at least half a dozen restaurants serving bistro food in the country. Some of the chains that one should watch out for are:

Mon Ami Gaby, Balthazar, L'Adresse, Café Rouge, Au Pied De Cochon, Fouquet's, Mimi's Café, La Madeleine, Mignon, Chez Gérard, Le Colonial, Oh!..Poivrier !, Spoon Food & Wine, etc. …

Fusion or Mix & Match …
Restaurant concepts based on fusion of two cultures or cuisines are very popular in Europe and the United States. Some of the chains that have acquired prominence are:

Bahama Breeze, Sushi Samba, Samba Room, Pipa Tapas y Mas, Suva, Bongos Cuban Café, Kuhunaville, Fogo De Chao, Zoza's, Blue Elephant, Little Buddha Café, Bodegon Colonial, Planet Thaï, Compagnie Des Comptoirs, Ô Québec, Mundaka, etc. …

Eat-ertainment...
Customers have more choices than ever, higher expectations than ever, and more marketers competing for their attention than ever. So how do you break through all of the clutter and capture the attention of customers suffering from sensory overload? By creating experiences that are so distinctive, so compelling, that they stand out in a crowded landscape. Some of the chains that one should watch out for are:

Hooter's, Bubba Gump, Mars 2112, Margarita Ville, Dave & Buster's, House Of Blues, ESPN Zone, Gameworks, Buddha Bar, Barrio Latino, Club Med World, Nirvana Lounge, La Bodéga Fait Son Cirque, etc...

Take Away
The term Home Meal Replacement may not always accurately describe today's takeout scenario. Although it's true that many consumers want home cooked food, there are many, especially the high-spending customers who are looking for restaurant food. They just want it at home. People don't want, and cannot afford, to eat out on every dining occasion, but they want--and have become accustomed to--restaurant-caliber meals. The real action in restaurant convenience meals may come from the specialty market arena. The Brennan family spent three years developing Foodies Kitchen, which debuted in Metairie, Los Angeles in July 2003. Customers can select some signature
dishes from Commander's Palace, like Turtle Soup, as well as gourmet grocery items and wines. Some of the chains that are very active in the take out arena are:

Bennigans, Buca di Beppo’s, Chili’s, Foodies Meal Market, Famous Daves, Mövenpick Marché, Mon Ami Gabi, Outback

**Mediterranean**
Restaurants focusing on Mediterranean cuisine are in fashion for their flavorful and healthy cooking. Chains that have established themselves well are:

Medi (NY: Vergé), Olives, Le Sud, La Maison de Charly, Casa Sud, Villazur, La Table d’Oliviers & Co, La Cigale Orientale, La Compagnie

**The Big brands are coming!**
Des Comptoirs, etc...

The big brands like Haagen-Dazs, Ben & Jerry etc are all expanding both at home and in international markets. Most large brands are looking at India with keen interest and it is only a matter of time before some more big brands enter the domestic market. Some of the chains to watch out for are:

Häagen-Dazs Café, Ben & Jerry, Chesterfield Café, MCM Café, Latina Café, Eurosport Café, Foster’s Australian restaurant, Segafredo Boutique, Expresso Illycafé, Tchibo, Romboust, Malongo café, Café Nescafé etc...
6. What is my Restaurant Worth?

This section examines how to value a restaurant business including its real estate and personal property. It may be noted that few restaurant transactions have taken place in India till date, largely because the restaurant business has not yet evolved into a mature business. However, we foresee a fair bit of activity in this area in the future: changes in market trends and competition, spurred by a huge expansion in the food service industry in all major metro cities, would cause many restaurants to change hands from one operator to the other.

Another important factor affecting real estate and restaurant valuation in most developed countries is the presence of large, well-established chains whose financial statements and restaurant sales are accessible and therefore aid the valuation process immensely. We believe that the need for valuations will also be driven to a large extent by real estate investment trusts as and when they begin operating in the country, and a small percentage of their holding could be restaurant real estate.

Restaurant Valuation
Restaurant operators often need to know the approximate value of their restaurant business and/or real estate and personal property, even if they are not currently contemplating sale of the business. Knowledge of value becomes important for a variety of reasons. Some of the reasons include refinancing of the real estate; dissolution of a partnership or sale of stock representing a majority or minority interest in the business; insurance settlement after a fire or natural disaster; and settlement of an estate upon the death of an owner.

Restaurant value can be separated into at least three components, which include the value of the business (business enterprise value), the value of the personal property (furniture, fixtures, and equipment), and the value of the real estate. Real estate value can be broken down further to leased fee value (value to the landlord of the lease encumbering the property), leasehold value (the value of the tenant's interest in the lease), and the value of the simple ownership interest in the real estate. In the United States, approximately one-half of the restaurants occupy a leased building and land, and slightly less than one-half own the building and land. In India, the historical trend was that the majority of restaurants owned the building and land, but with the advent of large number of shopping malls in metro cities, this is fast changing.

Business Value of a Restaurant
The table below shows a statement of income and expenses for a hypothetical restaurant. In this example, the value of the leasehold interest in the real estate has been removed by subtracting rent paid to the landlord from income. The remaining earnings - before income taxes, depreciation and amortization (EBITDA) - equal Rs 1,930,000. This is the cash flow available to cover a return of and on the investment in personal property, and a return to the business component of the going concern value of the restaurant. The return requirements for the non-real property components are typically significantly higher than the return to the land and building. As the net income allocated to the personal property and business is received by the business owner after all
occupancy costs have been paid, including rental income attributable to the land and improvements, the risk of the operator is significantly higher than that of the landlord.

Table 6-1 Statement of Income & Expense

<table>
<thead>
<tr>
<th>My Restaurant</th>
<th>Amount</th>
<th>% of Gross</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SALES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>10,000,000</td>
<td>74%</td>
</tr>
<tr>
<td>Beverage (alcoholic)</td>
<td>3,500,000</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Total Sales</strong></td>
<td>13,500,000</td>
<td></td>
</tr>
<tr>
<td><strong>Sales per day</strong></td>
<td>36,986</td>
<td></td>
</tr>
<tr>
<td><strong>Covers Per Day</strong></td>
<td>125</td>
<td></td>
</tr>
<tr>
<td><strong>APC</strong></td>
<td>296</td>
<td></td>
</tr>
<tr>
<td><strong>COST OF SALES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>3,500,000</td>
<td>35%</td>
</tr>
<tr>
<td>Beverage (alcoholic)</td>
<td>1,050,000</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Total Cost of Sales</strong></td>
<td>4,550,000</td>
<td>34%</td>
</tr>
<tr>
<td><strong>GROSS PROFIT</strong></td>
<td>8,950,000</td>
<td></td>
</tr>
<tr>
<td>(Total Sale minus Cost of Sale)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>2,025,000</td>
<td>15%</td>
</tr>
<tr>
<td>Direct Operating Expenses</td>
<td>1,080,000</td>
<td>8%</td>
</tr>
<tr>
<td>Music and Entertainment</td>
<td>540,000</td>
<td>4%</td>
</tr>
<tr>
<td>Advertising &amp; Promotion</td>
<td>270,000</td>
<td>2%</td>
</tr>
<tr>
<td>Utility Services</td>
<td>540,000</td>
<td>4%</td>
</tr>
<tr>
<td>Repairs and Maintenance</td>
<td>270,000</td>
<td>2%</td>
</tr>
<tr>
<td>Administrative &amp; General</td>
<td>540,000</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total Restaurant Operating Expenses</strong></td>
<td>4,725,000</td>
<td>35%</td>
</tr>
<tr>
<td>Franchise/Management Fee</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Licenses</td>
<td>270,000</td>
<td>2%</td>
</tr>
<tr>
<td>Insurance</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Income before Occupancy Costs</strong></td>
<td>3,955,000</td>
<td>29%</td>
</tr>
<tr>
<td><strong>Occupancy Costs</strong></td>
<td>2,025,000</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Earnings before Taxes, Depreciation &amp; Interest</strong></td>
<td>1,930,000</td>
<td>14%</td>
</tr>
</tbody>
</table>

The Capitalization Rate or Cap Rate is a ratio used to estimate the value of income producing properties. Put simply, it is the net operating income divided by the sales price or value of a property expressed as a percentage. Investors, lenders and appraisers use capitalization rates to estimate the purchase price for different types of income producing properties. A market capitalization rate is determined by evaluating the financial data of similar properties which have recently sold in a specific market. Capitalization rates for a restaurant operator’s invested capital typically fall into one of three ranges: for an efficient, profitable operation with new equipment, good location, and expectations of strong annual growth in revenue, a capitalization rate of 13% to 19% is appropriate. Stable, mature restaurants with a track record of steady cash flows, but annual growth in sales attributable to inflationary menu price increases, may use cap rates ranging from 15% to 25%. Capitalization rates for restaurant businesses with declining revenue may range from 20% to 30% in order to cover the increased risk. The following table indicates the value range for the hypothetical restaurant business based on the three scenarios listed above. The values shown include the depreciated value of personal property, which must be subtracted from the total capitalized value to isolate the business value.

Table 6-2 Statement of Income & Expense

<table>
<thead>
<tr>
<th>EBITDA</th>
<th>Capitalization Rate</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimistic Scenario (Growing)</td>
<td>1,930,000</td>
<td>16%</td>
</tr>
<tr>
<td>Median Scenario (Stable)</td>
<td>1,930,000</td>
<td>21%</td>
</tr>
<tr>
<td>Pessimistic Scenario (Declining)</td>
<td>1,930,000</td>
<td>27%</td>
</tr>
</tbody>
</table>

The personal property within a restaurant consists of its furniture, fixtures, and equipment (FF&E). On average, restaurant equipment has a useful life of ten years. In the example above, we will assume that the original value of the furniture, fixtures, and equipment was Rs 20,00,000 and it is now seven years old, or 70% depreciated. On a straight-line basis, the value in use of this personal property would be:
What is my Restaurant Worth?

Rs20,00,000 x 70% = Rs 14,00,000,
Rs12,062,500 - Rs14,00,000 = Rs10,662,500
deprecated value in use

Subtracting the depreciated value in use of the
furniture, fixtures, and equipment from the
three values indicated in the table above, the
value of the business ranges from Rs 5,748,148
to Rs 10,662,500.

There are other variables to consider in the
valuation of the restaurant business, such as the
immediate need for capital improvements,
which may also need to be deducted from the
capitalized value of the business and personal
property. This approach uses only one year of
cash flow, which does not account for future
variation in cash flow. However, the above
method of valuing a restaurant business will
give a "ball park" indication of value.

Estimating the Value Of Land And
Improvements

It is also important to value a restaurant's real
estate and improvements, i.e., the building,
landscaping, and parking lot. Restaurant
improvements are typically designed to
accommodate a specific concept or type of
restaurant, and may require extensive
remodeling to suit the needs of a different owner
or tenant if the original restaurant operator
vacates the property, even if the improvements
continue to be used as a restaurant. The value of
the improved site and restaurant building
components may be higher or lower than the
original cost to purchase and prepare the site
and build a restaurant building, depending on
the age of the improvements and whether the
building is occupied by an operating restaurant
business.

Appraisers of restaurant real estate normally
consider three approaches to value: the cost
approach, the sales comparison approach, and
the income approach. Each approach has its
own strengths and weaknesses, depending on
the age and condition of the improvements and
whether the building is occupied by an
operating restaurant or is vacant. The cost
approach is used to estimate the cost of
purchasing a site suitable for restaurant
development and building a restaurant on the
site, including the cost of landscaping the site.
The sales comparison approach considers
recent sales of restaurant properties that are
comparable to the subject restaurant property in
location, size, and brand affiliation (if the
restaurant was in operation at the time of sale).
Adjustments are made to the sales prices of the
comparables to account for differences between
the comparables and the subject property. The
income approach considers the actual or
projected rental income that could be generated
by a restaurant business occupying the building.

Cost Approach

The first method of valuing restaurant real
estate presented is the cost approach. New
restaurant buildings and the underlying land are
often purchased by individual investors or
REITs (Real Estate Investment Trusts) at a price
that reflects the cost of purchasing a vacant
parcel of land and constructing, and equipping,
a chain-affiliated restaurant on the site.
Investors often prefer chain-affiliated
restaurants because chains have a track record
of past success and ample financial data upon
which the investor can base the decision to
purchase. Typically, investors purchase
restaurants in order to lease them to operators.
These sale/leaseback transactions are
considered financing vehicles, as opposed to
"arm's-length" real estate sales transactions. The
purchase price is negotiated based on the rate of
return required by the investor and the amount
of rent the operator of the restaurant business
can afford to pay, based on the sales expected to be generated by the restaurant business operation. The price paid is an "investment value" rather than a "market value" because the terms of the purchase are tailored to meet the requirements of an individual investor, and are not necessarily a reflection of what a "willing buyer and willing seller" would agree to in an open market.

Because a new restaurant building is usually designed with a specific concept in mind, it is appraised as a "going concern." The appraiser of restaurant real estate most often will provide the client with an opinion of the "value in use" of the property operating as a specific brand or concept. "Value in use" for a restaurant is based on the premise that the value of restaurant real estate is dependent on the restaurant business producing a revenue stream great enough to cover the return on capital invested in the land and improvements. Until such time that the restaurant operation reaches a stabilized level of revenue, the highest value indication, when a building is new, is often derived using the cost approach, and is identified in the industry as the "full value" of the land and building.

After a restaurant property is four years old, the cost approach begins to lose its validity. Restaurant properties are purchased in the resale market for two main reasons including anticipation of rental income in the future to the owner of the property (rent to the landlord), and occupancy by an owner/operator of the restaurant. The income approach carries more weight than the cost approach for these properties.

Sales Comparison Approach
A second method, the sales comparison approach, or market approach, attempts to value the subject restaurant real estate based on the selling prices of similar properties. This approach is the least reliable of the three valuation approaches when applied to restaurant real estate, because it is almost impossible to find a sale of a restaurant property that is truly comparable to a subject property. This is true even if the comparable's concept and chain-affiliation are the same as the subject property and the comparable is in the same geographical area as the subject property. Many subjective adjustments must be made to the sale prices of the comparable restaurants to arrive at an indication of value for the subject property. Typically, the appraiser makes adjustments to comparable sale prices for differences in conditions of sale, location, access, visibility, and volume of business generated by the restaurant compared to the subject property. However, it is very difficult, if not impossible, for the appraiser to truly identify the reasons, concerns or attractions that motivated the buyer and seller to make their purchase and sale decisions. This is the greatest weakness of the sales comparison approach.

In addition, allocating the sale price between real estate, personal property, and business value is always problematic. Nevertheless, the sales comparison approach is used by appraisers to derive capitalization rates to be applied in the income approach to value, and to provide a range of values for the subject property that can be used as a test of reasonableness for the values indicated in the cost approach and the income approach.

Allocations of sale prices are problematic because business value can make a significant difference in the sale price of an operating restaurant. For example, say that two identical fast food restaurant buildings (same square footage and seating capacity) are situated on plots of similar size in a city in USA in front of a
What is my Restaurant Worth?

neighborhood shopping center. One of the restaurant buildings is occupied by a McDonald's restaurant, and the other building is owned by an independent restaurant operator and is called "Smoking Pizza." The McDonald's property sells for $1,800,000 and the other property sells for $750,000. Assuming both restaurants are in operation at the time of sale, the sale price represents a "value in use," which may be higher or lower than the "market value" of the real estate if it were to become vacant. The difference in sale price may be attributed to business value over and above the value of the land, improvements, and FF&E (furniture, fixture and equipments). This is an important consideration in valuing restaurant property for ad valorem property tax purposes. An assessor is typically instructed to exclude business value so that only the value of the real estate, and in some states personal property, is taxed.

Income Approach

A third approach to valuing restaurant real estate is the income approach. In this approach, the appraiser assumes that the property is rented to the restaurant operator at market rent, even if the property is owned by the operator and no rent is paid. This assumption is made in order to isolate the income to the land and building from income attributable to the investment in furniture, fixtures and equipment (personal property), and the return to the restaurant operator for taking the risk of running a business (business value). The economics of the restaurant business dictate that an operator cannot pay more than 8% of gross revenue in occupancy costs and still have an adequate return of and on the investment in FF&E, and an equitable return on the capital invested in the operation of a restaurant business.

Typically, rent on the land and building ranges from 7% to 10% of the gross sales of the restaurant for fast food or quick service restaurants. It could be slightly higher at 10% to 12% for more upmarket restaurants. There may be different variations but overall rent should be in this range if the restaurant operation is to be successful over the long term. There are exceptions to this range, as in the case of a food court in a retail mall. Percentage rent in a food court can be as high as 10%-15%, but this is mitigated by the large volume of customers generated by the mall retailers and the fact that the restaurant operates in a small space and shares a large dining area with the other operators in the food court.

Valuing the land and building in use as a restaurant requires knowledge of market rent for similar type properties in the restaurant's neighbourhood. If there is no lease encumbering the property, the appraiser assumes that the restaurant is leased at a market rent. If the property is encumbered by a long term lease at below market rent, with no additional rent based on a percentage of the restaurant's sales, the value of the land and building may be negatively impacted.

If the operating restaurant is paying rent based on a minimum rent plus a percentage of gross sales, the income approach to value may indicate a value for the subject real estate, which is higher than the cost to buy the land and build a restaurant on it. On the other hand, if the restaurant has ceased operation and is no longer a going concern, the "going dark" value of the vacant restaurant building may be far lower than the "value in use" when the restaurant was in operation.

When the income approach is used to value the land and improvements of a proposed
restaurant, the value derived depends heavily on the projection of the restaurant's stabilized gross revenue estimated by the appraiser. Because the real estate's "value in use" is directly related to the potential revenue generated by the restaurant, the indication of value is only as reliable as the projected restaurant's food and beverage sales. The projection of stabilized gross sales can be estimated with relative confidence in the case of a chain-affiliated restaurant with a past operating history in multiple locations. However, projecting revenue for a new restaurant concept requires experience in the restaurant business supported by market research in the area where the restaurant is to be built.

The combined "value in use" of the land and restaurant building can be approximated by capitalizing the net income stream that would flow to a hypothetical landlord, after the deduction of vacancy and credit loss, and management expenses, assuming the building and land is leased to the restaurant operator at market rent. The key determinant in calculating the value of the subject property is the selection of an appropriate capitalization rate. For example:

Annual food and beverage sales Rs 13,500,000
Multiplied by rent percentage 7.0%
Annual rent
(Potential Gross Income) Rs 9,45,000
Less: Management Expense @ 2% Rs 18,900

Net Rental Income Rs 9,26,000
Net Rental Income ÷ Capitalization Rate = Value of the Land & Building
Rs9,26,000 ÷ 9.5% = Rs 9,747,368
Rs9,26,000 ÷ 10.0% = Rs 9,260,000
Rs9,26,000 ÷ 10.5% = Rs 8,819,048

As shown in this example, a one-percentage point difference in the capitalization rate results in a difference in value of approximately Rs 9,28,321. This emphasizes the importance of choosing a capitalization rate that is derived from the market by analyzing comparable sales and interviewing buyers and sellers who are actively involved in the market for restaurant real estate investments.

Complex Valuation
After each of the three approaches to value has been considered, the appraiser reconciles the three indications of value, or range of values, to reach a conclusion of value for the subject property. The weight given to each approach to value may vary depending on many factors including the age of the improvements, whether the property is vacant or occupied, the length of time the restaurant has been in operation, the creditworthiness of the restaurant operator, and the availability of comparable sales of similar restaurant properties. In conclusion, the valuation of restaurant real estate and business value is complex and dependent on many variables.

Courtesy: Richard D. Williams, HVS International
Conducting a Feasibility Study

As the costs of opening a restaurant and running it profitably continue to climb, restaurateurs need to be as certain as possible that the kind of operation they envision has a very good potential for success at a particular site. One way to find out is to conduct a feasibility study. A feasibility study is much more than a site-location study - this approach involves gathering and analysing a great deal of information, from demographics to design, which helps the operator make a better informed decision about the potential success of a specific concept at a certain location.

To guide operators through this analysis, we have put together this section which offers a step-by-step process for market research techniques to determine whether a proposed site is suitable for a restaurant and, if so, which combination of restaurant characteristics offer the best chance for success.

Obtaining the information is relatively easy, but turning it into conclusions about the site and restaurant concept is a much more difficult task. A restaurateur's judgement, personality and standards of excellence can make an enormous difference in whether a restaurant sinks or swims, and all of those qualities are difficult to measure.

Reasons for going into the restaurant business

Please tick off whichever of the following are the reasons you know will make you successful in the restaurant business.

- I like food.
- I often eat in restaurants and know good food.
- I make a great Biryani.
- My parents always wanted me to be a great chef.
- My spouse is a great cook and will be the chef.
- I know someone named Querishi who will be my chef.
- I have this secret recipe I got from a restaurant in Europe.
- I know why other restaurants didn't make it.
- There's this restaurant down the street that went broke and the rent is only....
- Most restaurants don't open for breakfast.
- I will specialize in .... (fill in the empty space).
- Everybody likes Mughlai (or insert your own cuisine choice) food.
- I will beat the competition with lower prices.
- Running a restaurant is no different from any other business.
- I grow special herbs in my garden.
- I will not allow tipping.
- I was successful in an export business.
- I took a Cordon Bleu course by correspondence.

If even a single one of the above reasons is your prime motivation for going into the restaurant business, you may be in trouble from the start.

In a free enterprise society, it is anyone's right to go into business just as it is often their privilege to close up shop - sometimes in bankruptcy. One business where going broke is easier than any other is the restaurant business. Walk down any block in any reasonably large town in the United States or in Europe where the restaurant
market is mature and where restaurants are likely to be and you will probably see one or more buildings with signs in the window proclaiming "Opening soon under new management" or "Closed for renovations". The chances are that, before those signs appeared, a restaurant operated unsuccessfully, and another one is going to open there soon.

The restaurant business in most cities is spread so thinly that for any new restaurant to open, another one must have gone broke. However, there always seems to be another entrepreneur to take over and risk life savings in the restaurant business.

**Investment cost**
To put up a restaurant building on owned land can cost anywhere from Rs 1,00,00,000 to Rs 5,00,00,000. Even taking over leased premises, purchasing necessary restaurant equipment and furniture (FF&E), and making leasehold improvements can require as much as Rs 10,00,000 to 10,000,000. In our survey, the median amount spent of FF&E was Rs 20,00,000 with the median for total restaurant investment being Rs 45,00,000. If you have to finance 70% to 75% of that, the debt service charges (interest and repayment of principal) may put you in the poorhouse before you can start making a reasonable return on your own investment.

**Return on investment**
Successful restaurants, very successful ones, might make as much as 20 paise profit on each sale of one Rupee. A reasonably successful one might make 10 paise. The average restaurant that manages to survive might make 3 to 5 paise; but when that 3 to 5 paise is related to the amount of money the owner invested, it might end up being less than the amount that could have been earned in interest by leaving the money in the bank. And money in the bank requires no hard work, long hours, or high risk.

**High risk**
The risk in the restaurant business is high. In North America, about one-third of all restaurants in business today will turn over within a year. Within three years, 50% of them will be out of business. Only 20% will survive to their fifth anniversary.

In India we are not so thinly spread at this point in time and there are a lot of opportunities for well-researched concepts.

The independent restaurant operator has even more of a struggle than the operator who is part of a chain or franchise. Also if you have a dream of owning your own restaurant and letting someone else run it for you, beware! More than one absentee owner has gone broke because he or she has allowed the manager to lose money.

Other absentee owners think that the restaurant makes money out of liquor so the food operation doesn't matter. A liquor license is not a right to print money. For example, "salting the bar" is a classic rip-off by bartenders who bring in their own bottles of liquor, sell the contents, make no record of the sales, and pocket the cash. You will never know the difference if you are not around to see what's happening.

**What kind of restaurant is for you?**
One of the earliest decisions you are going to have to make is the type of restaurant you wish to operate.

1. **Family or Commercial**
Family restaurants in India are generally multicuisine type with a medium price range. If they have a liquor license, it is usually restricted to beer and wine. Décor is bright. Parking is a now a necessity since customers (the family
unit) generally arrive by car. Price range of the menu items has to appeal to the average family income. Location is important as it should have proximity to a residential area or shopping complex.

Operating hours are generally from noon to midnight. Staff are generally friendly and efficient, but not necessarily highly trained. Investment is medium to high.

2. Cafeteria
Cafeterias require large traffic volumes. Location is critical to encourage this volume. Shopping centers and office buildings are good locations. Self-service is typical in cafeterias with menus somewhat limited but covering soups, entrees, desserts, and beverages.

Cafeterias often require large preparation areas. Staff are minimally trained. Beer and wine may be offered. Speed of service is essential to handle the traffic volume. Hours will depend on the location (for example, school, office building). There are some examples of these in Mumbai and Bangalore.

3. Gourmet
Gourmet restaurants generally require a higher investment than the others discussed so far. They require an ambience and décor that costs money. This type of restaurant caters to those who require a higher standard and are willing to pay for it. Success depends on establishing a reputation that will attract repeat business.

Prices are higher because of the investment required and because of the reduced seat turnover. Food and beverage offerings must be carefully selected because of the clientele. A good variety of wines is essential. Staff must be highly trained.

Even though the lunch trade is important to such restaurants, the evening period is often where the emphasis is placed, with leisurely dining an advertising feature.

4. Ethnic
Ethnic restaurants feature the foods of a specific region or country. Ethnic restaurants can run the gamut from family restaurants (e.g., Chinese) to gourmet (e.g., classical French) cuisine. Décor fitting the ethnic motif is important, as is menu design, staff uniforms, and training.

To be successful, ethnic restaurants must serve authentic food, which means food preparation staff must be well trained and knowledgeable. Price range can be from budget to elevated. Beer, wine, and liquor may or may not be served. Investment may be high because of décor and trained staff.

Location can be variable, and the emphasis is on evening meals, although luncheon business with lower prices is not precluded.

5. Fast Food
In India, fast food restaurants have mushroomed in the past 20 years, in keeping with the greater mobility and changing lifestyles of the urban consumer. Franchising is prevalent in this type of restaurant. These restaurants can be eat-in or take-out, or a combination of both.

The menu is limited, and prices are relatively low. You can choose one particular kind of food to feature. For example, ethnic food of one type or another can be sold in a fast food format. Because of low prices, a high traffic volume (pedestrian and / or automobile) is critical.

A fast food restaurant has to stay open long hours, and generally seven days a week. Alcoholic beverages are not usually offered. Staff training may not be highly critical unless it is a franchise operation where the franchisor generally sets standards of service and food
quality that must be maintained at all times.

**Your menu**
The type of restaurant you plan to operate can dictate in part the type of menu you must have. This is particularly true of ethnic restaurants where the people you serve expect to see certain familiar items on the menu.

Commercial and family restaurants also tend to offer common items that customers expect. However, even in cases where your restaurant type dictates certain menu items, you still have flexibility in other menu items. For example, even a seafood restaurant has to offer alternatives such as chicken for those who are not seafood eaters.

1. **General menu requirements**
   In general terms, your menu needs to be balanced, nutritious, and varied. This balance must also consider what your customers are likely to want, and not just what you think they should have.

   Important aspects of menu composition are the texture, flavor, and color of food, complementary food items (potatoes, vegetables, salad), garnishes, aroma, taste, and appearance. The way you put together all these tangible and intangible ingredients is going to decide, in large part, whether or not you will have customers.

2. **Menu presentation**
   Your written or printed menu creates the first impression about what you offer, your range of offerings, and your selling prices. This may well attract customers into your restaurant; but it is the sense of satisfaction, of having received value for money from your food offerings, as well as the service received, that is going to bring customers back.

   Keep this in mind when you choose your menu design, printing type, size, and colours. You want a menu that reflects the style and theme of your restaurant. For example, some smaller restaurants with menu items limited by season, availability, etc., find it easier to write the daily menu on a blackboard. This way, customers are not irritated by being told that an item they want is not available that day.

3. **Effect of menu on pre-opening decisions**
   Your menu will affect a number of your major pre-opening decisions. Some of the more important ones are listed here.

1. **Location**
   Your menu can dictate your location, and vice versa. For example, if you are going to open a Mediterranean restaurant, it might not work too well on a busy road. You might be wiser to consider locating it in an area where there is a large upwardly mobile population to draw on.

2. **Building**
   Your menu can affect the size of building you require. A short-order take-out restaurant will require considerably less space than a sit-down restaurant. But even sit-down restaurants require different amounts of space.

   A cafeteria that has a limited menu may require less food preparation area than a gourmet restaurant with an extensive menu. This, in turn, affects seating area. A cafeteria may only require 10 to 12 square feet of seating area per customer, whereas a fancy dining room may require 15 to 20 square feet.

3. **Equipment**
   Your menu directly affects your equipment needs and thus the investment required. Generally, the more extensive the menu, the more varied your equipment will need to be. If all you are selling is burgers, hot dogs, fries, and soft drinks, your equipment requirements are minimal compared to a restaurant with 20 or 30
menu items requiring a variety of different cooking methods and possibly even some specialized equipment.

If your investment budget is limited, you will probably have to simplify your menu to fit what you can afford to invest in equipment, furnishings, décor, and table settings.

4. Service
Your menu, combined with the type of restaurant you plan to run, usually dictates the level of service you will offer. In a cafeteria, or fast food take-out restaurant, the customers expect to provide their own pick-up service.

Thus, your menu has a direct impact on your labor cost. For example, fast food restaurants have menus that allow them to employ lower-skilled employees who are often hired at minimum wage, whereas a gourmet restaurant's menu will require employees who have more experience, knowledge, and skills in food preparation and table service and who expect to be compensated with higher pay.

5. Purchasing methods
Your menu has a direct impact on your purchasing requirements and practices. For example, if you plan to serve seafood, you must consider how each type of seafood is to be ordered. In other words what grade, size, and specific cut is needed? How will seafood be purchased (fresh or frozen), and how will they be stored before using?

6. Food cost
The largest single cost for a restaurant is the food. Your menu reflects directly on this cost. Food cost is the price you pay for food in relation to the price you sell it for. The ratio of food cost to retail sales is expressed as a percentage.

7. Alcoholic beverages
Finally, depending on the laws in your area and for your type of restaurant, your menu is going to dictate the kind of alcoholic beverages you serve. For some restaurants, this is not a problem. People do not generally expect to buy alcoholic beverages in a fast food, or deli, or limited menu restaurant. A fine dining restaurant on the other hand may require a fair variety of wines.

Finding a Site
Once you have settled on the type of restaurant you wish to have, the organizational form it will have, and the advisers you need, you need to seek out a suitable site. It is assumed that the general location of your restaurant has been selected. In other words, you have made a decision about the general area in which you wish to do business, and you are now down to the choice of a specific site within that location.

You have two choices. You can find a good existing site and plan your restaurant's décor, menu, and prices to fit that site. The other alternative is to know in advance exactly what type of restaurant you want and find a site that fits.

a. Importance of site
Site selection can be critical. The objective in site selection is to find a spot that will bring in the greatest number of customers at the lowest cost to you. Sites are often selected because of their proximity to where the restaurant owner lives or because the premises happens to be vacant or the price attractive. Do not fall into this trap unless you have subjected the site to some suitability tests.

1. General suitability
A practical general rule is to select a site that suits the needs of the customers who are the
market for your restaurant. You need to be sure of the specifics of the restaurant you are interested in to understand its particular site and market requirements.

2. Site specialists
If you are unfamiliar with the market requirements of your particular restaurant, you may want to use a site specialist. The services of site selection companies include analysis of population density, customer profiles, access and traffic flows, the drawing power of other restaurants in the area, visibility of restaurant and signs, the average sale you should have per square foot or seat, and the effect of any nearby competitors or potential new competitors. Note, though, that assessing a commercial site is both complex and tricky. It is more art than science, and even the specialists can go wrong.

b. Visibility, Accessibility and Suitability
Three extremely important aspects of a good site are visibility, accessibility, and suitability. Each of these will be briefly discussed.

1. Visibility
Visibility of the restaurant may be more important to the customer who arrives at your front door by automobile than it is for the pedestrian, but even for the pedestrian it is important.

2. Accessibility
A second factor in site location is accessibility, again particularly for those arriving by automobile. An ideal situation is where flow in traffic and around the site reduces the effects of such things as right turn restrictions that prevent the motorist from easily approaching the restaurant.

3. Suitability
Even with good visibility and easy access, the suitability of the site is a critical factor. For many restaurants, the greatest site limitation is space for parking. The space required for parking is usually greater than that required for the building.

c. Downtown and shopping centres
You might also want to compare the pros and cons of a downtown location or a shopping centre or mall in the suburbs.

1. Central Business District (CBD)
In a Central Business District there are generally more potential customers than in a suburban area. However, what is critical is whether or not these potential customers can be part of your market. If not, then your market must be from people outside the area, in which case traffic and parking considerations are critical. Also, in a downtown area you can expect higher rent and operating costs.

2. Major shopping malls
Major shopping malls are distinguished from neighbourhood markets. Shopping malls serve communities of 50,000 to 500,000 people, and are generally between a 10-minute and 40-minute drive from residential areas.

3. Neighbourhood Market
Neighbourhood shopping centres serve local populations from 50,000 to 200,000 people and are either within walking distance, or a few minutes' drive, from the majority of the population. Your market is generally limited to those living in the immediate area and because parking is often a problem you may have to rely on the walk-in trade. Not all restaurants are suited to that.

Renting premises and equipment
As a restaurateur, chances are you will start your new business in leased or rented premises. The last thing you should consider doing when starting a new restaurant (unless you have a lot of money to invest) is buying land and/or an
existing building. In fact, some money lenders will not lend to new restaurateurs for the purchase of such assets.

Generally, most first-time business owners invest far too much money in bricks and mortar (the building) when they should be leasing that asset, particularly in the early days. To a lesser degree the same is true of equipment and fixtures.

It is in these early years that the risk is often the greatest, and you may not be able to afford the heavy debt load that owning land and / or a building and expensive equipment obliges. Even if you are investing your own money, you may want to keep some of it in reserve for meeting the losses in the first few months.

**Advantages of leasing**

Some advantages of leasing are:

a. Under a lease arrangement you have the obvious advantage of not having to provide capital to buy the property. Any capital that you might have is then available for investment elsewhere.

b. Your borrowing power is freed up to raise money, if required, for more critical areas of the business.

c. Lease payments on a building are generally fully tax deductible.

d. Owned land is not depreciable for tax purposes, but the cost of leasing land is tax deductible.

e. Any leasehold improvements that you make to the building are generally amortized over the life of the lease rather than over the life of the building. The lease period is normally less than the building life, thereby providing a tax saving.

**Disadvantages of leasing**

Some disadvantages of leasing are:

a. In a lease arrangement, any capital gain in the assets accrues to the landlord and not to you. In a similar way, at the expiry of the lease, the value of the future profit of the business that you have worked hard to build up does not benefit you unless the lease is renewed.

b. The cost of a lease may be higher than some other form of financing.

c. It may also be more difficult for you to borrow money with leased premises if there are no assets (other than a lease agreement) to pledge as collateral.

**Market analysis**

Every restaurant must be concerned with its market. The word "market" is defined in terms of people, their money, and their desire to exchange it for your food and service.

A restaurant’s market is generally limited to a particular area (e.g., an area or a city), and it may be further limited by such things as competition and customers’ preferences. Market analysis is based on the assumption that your restaurant must be developed around the customers’ wants and needs in order to satisfy those customers. Customers are, therefore, the reason for being in business.

a. **Market Analysis**

Before you open a new restaurant, have a survey done. This survey will ultimately serve to determine if your sales goal can be met, and it will aid in your financial planning. For a large restaurant, you may need to use a specialist in market research to provide you with pertinent market information and to develop a specific
market forecast and action plan to serve that market.

b. Market Research
In other cases, in-depth market research may be necessary to support your sales projections, to demonstrate that there is a large enough market to provide you with sufficient customers, and to show potential lenders that your sales projections are realistic.

1. Identify your trading area
In market research, you need to define your restaurant's trading area. The definition of your trading area will show you how many people live and / or work within it. That does not mean these people will all be customers of your restaurant. Only a certain proportion of them are potential restaurant customers, and because of competition from other restaurants in your trading area you can only expect to obtain a share of that market.

2. Analyse the competition
For example, if a trading area with a target population of 50,000 can only support two restaurants of your kind, and there are already two in the business, you would have to seriously consider whether a third could survive. Alternatively, if the two already there are surviving only marginally because of poor management or other reasons, you could possibly move in and take away sufficient business to thrive.

3. Research the demographics
In addition to knowing the boundaries of your normal trading area, you also need to know as much as possible about the demographics of the people living and / or working there. Demographics are statistical information about people such as their age, sex, marital status, average family size, average household income, education levels, ethnic origin, and average annual spending on dining out.

If your restaurant is going to cater to the business clientele, then your demographic research must investigate such things as business hours, number of employees working in the area, and the dining pattern of those employees. For example, do they bring their own meals with them, eat at company cafeterias, or patronize local restaurants?

4. Find a gap
If you find that you are going to be competing in a market that is successfully filled by other restaurants, you may have a problem. It is best if you can find a gap that is not being filled by others. Ask yourself what unique menu items or services you can offer that differ from what others are offering.

c. Market Segment
These questions are very broad in nature and need to be refined to produce more specific information that allows market segmentation. In other words, it is unlikely an individual restaurant will sell to a broad range of possible users or customers.

The product that you sell has a major impact in determining who your customers will be. For example, a gourmet restaurant will be patronized by a narrower segment of the market than a fast food restaurant.

1. Quality
Quality of food plays an important role. A standard commercial or family restaurant will cater to a different segment of the population than a restaurant appealing to a specific ethnic group or a health-conscious clientele.

2. Price
Price is also a factor in market segmentation and can, to a degree, dictate the market segment you are dealing with. But price alone may not
be the only significant factor. A special segment of the market will pay a higher price for similar menu items if the service in the restaurant is better or if it comes with a reputed brand name. Sometimes if a hype is created, the same results can also be achieved. On the other hand, another segment of the market looks first for low prices and is less concerned about quality.

3. Competition
The existing competition may also dictate the market segment that you must concentrate on. For example, if your choice of location for a Mexican food restaurant is an area already well served by firmly established Mexican food restaurants, you may have to change your thinking.

d. Potential sales volume
The main purpose of this market analysis is to establish your potential sales volume. This will become the forecast for your initial income statements.

One way to do this is to convert a percent of your traffic count or trading area population into potential sales. For example, if 2,600 shoppers visit your planned location in the mall you might estimate that 5% of them could be customers for your restaurant and 5% x 2,600 = 130.

Your projected sale will have to be above your projected break-even sale point, which will be dependent on your investment and your monthly fixed and variable costs. If it is not, you may have to do your sums all over again. Or in some cases change your concept or drop the project altogether.

The Competitive Market
An integral component of a market area's supply and demand relationship that has a direct impact on the performance is the current and anticipated supply of competitive restaurant facilities. To evaluate an area's competitive environment, the following steps should be taken:

- Identify the area's restaurant facilities and determine which are directly and indirectly competitive with your restaurant.
- Determine whether additional restaurants (net of attrition) will enter the market in the foreseeable future.
- Quantify the number of existing and proposed restaurants available in the market.
- Review the average per cover, number of covers, market orientation, facilities and amenities of each competitor.

This analysis will help calculate the total current market size in terms of number of people eating out in the area at each price point. As your restaurant is expected to compete with them for market share, based on your unique features and competitive strength, you need to calculate your restaurants penetration over its fair market share in order to arrive at the possible sales volume for the restaurant.

Financial plan
Before you venture into the restaurant business, you need a financial plan. You use a financial plan just like a map when travelling by car; it helps you get where you want to go. A properly prepared plan will guide you in operating your restaurant and help you allocate your resources effectively and profitably; moreover it will allow you to raise the necessary funds to operate your restaurant successfully.

A combined market and financial plan (often referred to as a feasibility study or a project report by professionals who prepare them) is an
in-depth analysis of the operational and financial feasibility of a new restaurant, rather than an entrepreneur's guess that a new restaurant will be economically viable.

A feasibility study, or plan, is not designed to prove that a new venture will be profitable. An independent plan professionally prepared by an impartial third party could result in either a positive or a negative recommendation. If you prepare your own plan, you should take the same hard approach. If the forecast results are negative, both you and any potential lenders of funds for your new restaurant should be happy the idea goes no further.

However, even if the forecast is positive, it is not a guarantee of success. A plan can only consider what is known at present and what may happen in the future. Since the future is impossible to forecast with absolute accuracy, and since so many unforeseen factors can come into play, there can be no guarantees.

In other words, a plan may reduce the risk of a particular new venture, but it does not eliminate that risk. Your completed market research results will form the foundation for your financial plan.

**Financial Analysis**

In a formal feasibility study for a major restaurant, you might need much more detail than has been suggested so far. In fact, the financial analysis section of a feasibility study is usually broken down into the following subsections:

a. Capital investment required and tentative financing plan

b. Projected income statements for at least the first year and for as far ahead as five years

c. Projected cash flow statement for at least the first year and for as far ahead as five years

d. An evaluation of the financial projections and the economic viability of the new restaurant.

Since the preparation of the financial analysis can be a fairly complex matter that requires the expertise of someone with an accounting background, it is recommended that you use a professional consultant or accountant. Also, lenders from whom you wish to borrow money are more likely to be convinced to part with that money if the feasibility study is professionally prepared.

Finally, if the financial projections made by an impartial third party appear to be negative, it is better that you know this now rather than two or three years down the road after your restaurant is bankrupt.

**Forecast of Income and Expense**

In forecasting revenues and expenses for the restaurant, you need to identify your fixed and variable costs. The fixed component is adjusted only for inflation, while the variable component is also adjusted for the percentage change between the facility usage that produced the known level of revenue or expense.

**Food & Beverage Revenue**

Food and beverage revenue is generated by the restaurant and bar. Food sales also include the sale of coffee, tea, milk and fruit juices, which usually are served as part of a meal. If there is no service of liquor, beer or wines, the soft drink sales also would be included in this category. A beverage sale includes revenue from the sale of wine, spirits, liqueurs, and beer. These sales do not include coffee, tea, milk, or fruit juices, which normally are served with meals and, therefore, are considered food.
In order to forecast the projected guest count visiting the restaurant you need to divide the week into weekdays, which include Monday to Thursday and weekend, which comprises of Friday, Saturday and Sunday. Your interviews with existing restaurant owners in the area will indicate the trends and the busiest days in the week. The guest count in restaurant parlance is called covers and the average per cover (APC) is simply the total sales divided by the number of guests. It is different from the number of seats in the restaurant. If the restaurant has 50 seats and serves 100 guests at lunch time because on the average every seat is used twice over, then it would have had 100 covers for lunch.

The sales forecast for the first few months may fluctuate either because it takes time for people to realise that the restaurant is open or because a large number of people are attracted to a new restaurant. It can be low because a new facility may take time to pick up or it may be high in the beginning because of the novelty factor and the initial curiosity of customers. The forecasts for the first few months may seldom work out as per the plan.

**Expenses**

You will then need to estimate your operating expenses. Table 7-1 outlines fixed and variable components along with industry benchmarks of all expense items expressed as operating ratios. These figures represent typical ranges as a broad benchmark for operating ratios in freestanding restaurants in India. Please note that wages and all other staff-related costs as well as utilities are fixed costs. On the other hand, food and beverage costs, which depend on daily turnover of guests, are considered variable costs.

**Cost of Sales**

Cost of sales is the total of cost of food and beverage sold. This is generally calculated in the following way:

Opening inventory + Purchases - Closing Inventory = Cost of Sales

<table>
<thead>
<tr>
<th>Table 7-1 Industry Benchmarks of Operating Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
</tr>
<tr>
<td>Sales</td>
</tr>
<tr>
<td>Cost of Sales</td>
</tr>
<tr>
<td>Gross Profit</td>
</tr>
<tr>
<td><strong>Controllable Expenses</strong></td>
</tr>
<tr>
<td>Payroll</td>
</tr>
<tr>
<td>Employee Benefits</td>
</tr>
<tr>
<td>Direct Operating Expenses</td>
</tr>
<tr>
<td>Music &amp; Entertainment</td>
</tr>
<tr>
<td>Advertising and Promotion</td>
</tr>
<tr>
<td>Utilities</td>
</tr>
<tr>
<td>Administrative &amp; General</td>
</tr>
<tr>
<td><strong>Occupation Expenses</strong></td>
</tr>
<tr>
<td>Rent, Property tax, and insurance</td>
</tr>
<tr>
<td>Interest</td>
</tr>
<tr>
<td>Franchise Royalties</td>
</tr>
<tr>
<td><strong>Income before Depreciation</strong></td>
</tr>
<tr>
<td>Depreciation</td>
</tr>
<tr>
<td>Net Profit before Income Tax</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Salaries and wages
This category includes the regular salaries and wages, extra wages, overtime, vacation pay and any commission or bonus payments made to employees. The entire restaurant payroll generally is included under this category.

Employee benefits
This category includes retirement and health insurance. Other items considered to be benefits are welfare plan payments, pension, accident and health insurance premiums, hospitalisation and group insurance premiums. Also listed under employee benefits are education expenses, employee parties, employee sports activities, awards and prizes, and transportation and housing. We have assumed all employee benefits to be covered under Salaries and Wages. The employee benefit costs may also be greater for larger chain restaurants as they tend to have more rules abiding and generous HR practices.

Direct operating expenses
Expenses directly involved in providing service to the customer; such as uniforms, laundry, linen, china, and cleaning and paper supplies, are considered operating expenses. Also included are utensils, kitchen fuel, menus and drink lists, flowers and decorations, contract cleaning, auto or truck expense, parking, and licenses and permits.

Advertising & Promotion
This group of expenses includes selling and promotion expenses, such as direct mail and entertainment costs in promotion of business (including gratis meals to customers). Also, the cost of advertising through newspapers, magazines or trade journals, outdoor signs, and radio and television is included. Public relations and publicity (including fees and commissions to advertising or promotional agencies) and royalties are included in this category.

Utility services
This section is composed of the costs of all fuel except that charged to direct operating expenses in the account "kitchen fuel." Water, ice and refrigeration supplies, and the removal of waste are also included. The cost of oils, boiler compound, fuses, grease and other supplies, plus any small tools used in the operation or maintenance of the mechanical and electrical equipment, should also be charged to this account.

Repairs and maintenance
The following items constitute repair and maintenance expenses: painting and decorating; plastering; upholstering; m e n d i n g curtains; and maintenance contracts on elevators, signs and office machinery. Repairs to dining room furniture, refrigeration, air conditioning, building, floors, plumbing and heating are charged to this category as well. Repairs to dishwashing and sanitation equipment, kitchen equipment and office equipment are also included here.

Administrative and General expenses
This group of expenses is commonly considered as overhead and includes items that are necessary to the operation of the business rather than those connected directly with the service and comfort of the customer. This account should be charged with the cost of all printed matter not devoted to advertising and promotion, such as accounting forms, account books, restaurant checks, office supplies, cash register and other checking supplies, letterheads, bills and envelopes. All postage, except amounts applicable to advertising,
should be charged here. The cost of telephone equipment rental, local and long-distance calls should be charged to this account, with the exception of calls chargeable to marketing. Other items charged to this account are data processing costs, dues and subscriptions and insurance costs (other than those included as employee benefits or fire and extended coverage on the premises and contents). Commissions on credit card charges collection fees, cash shortages, professional dues and protective services are also considered general and administrative expenses.

Restaurant occupancy costs
Rent, taxes and property insurance are occupancy costs. These are sometimes called "fixed charges", since they usually are determined by the financial set-up of the restaurant and usually not by the trend of its business.

Feasibility Analysis
In order to establish the feasibility of the proposed restaurant, you first must estimate the development costs of the project. By analysing both development cost figures and current market conditions, and by making adjustments for the specific characteristics attributed to the proposed restaurant (such as location, size, facilities, and class and so forth), you will be able to derive an appropriate construction or setting up cost estimate for the restaurant. This investment has to be compared with the returns being indicated by the income and expense statement to evaluate whether or not the restaurant envisaged is financially feasible.
8. Restaurant Case Studies

Introduction

In this section we present four real life case studies in an attempt to highlight critical factors that determine the success or failure of a restaurant. For each case study, we interviewed the entrepreneur and asked him/her to identify the key lessons learnt in running the restaurant.

Below, we describe the experience of each entrepreneur, together with their perceptions of where they were right, or where they went wrong.

CASE STUDY 1

A restaurant which closed down

This restaurant was opened in Delhi by an entrepreneur who is about 50 years old. He worked in the hospitality industry for 25 years, his entire working career. Initially, he worked in a few family-owned restaurants based in Lebanon, Cyprus and England for about 8 - 10 years. After returning to India, he worked in the five-star hotel segment, both at the hotel and corporate level, reaching senior-level positions, and as a consultant in between some of his jobs. As he had a long-standing wish to have his own business, he took the plunge and opened a restaurant of his own in November 2002.

Restaurant and Facilities

The restaurant was located in Connaught Place in New Delhi, the oldest and most prominent commercial area in the capital city. He rented the ground floor premises of a building, paying Rs 2 lakh as monthly rent for 2700 square feet of area. The restaurant had 120 seats and provided a mixed cuisine including Indian, Chinese and Continental. It was targeted at an upmarket clientele, served lunch and dinner, and had average cover revenues of Rs 120. The restaurant did not have a bar license and did not acquire one before the restaurant closed down. Apart from rent, there were fixed monthly expenses of about Rs 1.5 lakh on items like wages, electricity, water, telephone and so forth. Taking into account all variable expenses, the break-even point was determined at a sales volume of Rs 12,750 per day.

The restaurant started well and achieved average daily sales of about Rs 15,000 during the period between November 2002 and February 2003. However, sales soon started to decline, reducing to an average daily figure Rs 5,000 in the months May-July 2003. The entrepreneur had the operation evaluated by a financial consultant and, based on the consultant's advice and own judgement, closed the restaurant in August 2003, 10 months after opening. He has not considered re-opening it at any other location, and has returned to being a consultant.

The restaurant had initial investments of Rs 40 lakh in décor, equipment and so forth. The entrepreneur also had a partner, a much younger person, who contributed Rs 5 lakh as equity. Both persons worked full-time on the venture, and were 'on the job' from 7 a.m. to 11 p.m. Taking into account the pre-opening expenses and financial considerations (bribes) and recurring losses to different government authorities, the two partners lost about Rs 60 lakh in their venture.
Reasons for failure
Mentioned below are reasons why the restaurant failed, based on the version provided by the main entrepreneur and our own analysis.

1. Soon after the restaurant opened, the Delhi Metro project was commenced in Connaught Place (CP), resulting in a lot of digging and disruption. The project forced traffic diversion within the CP area, and restricted the space available for parking. Lack of parking space around the restaurant became a very severe constraint. This prevented upmarket customers from coming to the restaurant by car. We feel that the entrepreneur could have known this in advance. The plan for the Delhi Metro was known before he opened the restaurant, and it was also known that the project would affect the CP area sooner or later.

Moreover, the CP area has suffered traffic congestion and parking-related problems for many years now, and these problems are known to the public. It is also known that some of the other traditional restaurants in this area have been losing sales over the last few years and some have closed down recently. Also, there are a large number of restaurants in CP and many offer cuisine similar to that offered by the subject restaurant. At the same time, it is also true that new food outlets continue to open in the area, but many of recent entrants are branded restaurants, and mostly in fast food.

2. The entrepreneur feels that, because of parking problems and other factors, CP has become downmarket as a location for restaurants. Although there are upmarket customers at lunch time, these are few in number; the majority of persons lunching in CP are middle to junior-level professionals. Also, many of the customers that visit CP's restaurants from elsewhere come by buses, and are obviously low spenders. Their average spend tends to range between Rs 35 to Rs 50 per cover, and hence they often prefer snacks over full meals. It is known that fast food restaurants and ice-cream parlours are doing very well in the CP area, compared to fine dining restaurants.

3. We also feel that the entrepreneur should have, or could have, studied his market better. A survey of existing establishments should have been done, as also a detailed study of the customer profile. Having been in the industry for a number of years and with wide contacts, he could have had access to restaurant owners and managers in the CP area. He mainly went by his own view that CP is a large commercial area and is visited by a large number of upmarket shoppers. He should have commissioned a professional feasibility study for his project.

4. The entrepreneur himself says that he could have, instead, taken up space in a residential shopping center in Delhi, or in one of the shopping malls or multiplexes in neighbouring Gurgaon or Noida. He also feels that he paid too much rent and could have taken a much cheaper place at another location. The high fixed cost led to early failure and closing of the restaurant.

5. Considering his costs and other factors, the entrepreneur believes the main reason for his failure to be poor location. Although CP may not be a poor location for some other kind of outlets but it was for him. This was particularly so after the commencement of the Delhi Metro-related work. The entrepreneur's experience brings to mind a saying oft-repeated by teachers, trainers and consultants to the hospitality/foodservice industry: the first three requirements for the success of a hospitality
6. He is bitter about having to bribe government departments, saying that he paid about Rs 4 lakh through various channels to get started. He would have had to pay another heavy amount, had he gone ahead with his plans for a liquor license. These expenses should have been budgeted for in advance. This is the way of life in India and all entrepreneurs know about it.

7. The entrepreneur also feels that he spent extra on everything: the décor need not have been so fancy; he need not have hired such expensive, qualified staff, but should have settled for lower wages at all levels. His head chef came from a five-star deluxe hotel. Having been used to five-star set ups in his career, his ideas of suitable salary for the manager and staff were also inflated. Moreover, he feels that he bought too much inventory rather than buying for the shortest time period possible. He was left with a lot of inventory of dry items after he closed.

8. He also did not have enough or perhaps no financial backup; having spent the money he could afford in the first instance. Whatever backup he had was put into the enterprise when losses started. He reached a stage where he could not fund the losses and was forced to close down.

What are the lessons to be learnt from this case study? It is the usual scenario of going by hype and being convinced that "I know best". There was lack of study and market research. It was also a classical case of spending too much and being confident of success. The entrepreneur did not imagine that sales would go down so soon after opening and he would need to put in more money, which he eventually did not have.

CASE STUDY 2
The restaurant that failed twice

The entrepreneur is 55 years old, and holds a graduate degree. During the early days of his career, he managed an agency for two-wheelers and four-wheeler commercial vehicles in Jallandhar. Presently, he produces bakery and confectionery products in his factory in Okhla, New Delhi, something he has been doing for the last 15 years He supplies to the retail market, to hotels and restaurants, has a wide range of products and a good reputation. He also runs an agency for some machinery as a side business, from the same premises.

First Restaurant Project
Being in the bakery business, the entrepreneur was very keen to have a retail confectionery counter-cum-restaurant of his own. Having travelled to Europe several times to acquire bakery machinery, he discovered that the new trend at bakery eat-ins was to make the confectionary behind the retail counter. Its fresh-from-the-oven appeal created a sales attraction for take-home purchases by customers. The entrepreneur thought that the same concept would do very well in a major Indian metro - customers would like to visit and buy from a confectionery outlet where products are being made fresh, partly within their visible range. The success of outlets such as Hot Breads, which work on the same concept, reinforced the entrepreneur's confidence in this particular foodservice idea.

The entrepreneur also had access to the machinery which had been sent by his England-based collaborator to India for an exhibition. In fact, the collaborator was willing to give the machinery to him without cash payment, and
join him as a partner in the new restaurant venture, his share being the cost of the machinery. The two partners selected a site in the shopping centre in East Patel Nagar in New Delhi and hired a space of 1800 square feet. There was a Domino's Pizza outlet next door. The total capital investment was Rs 75 lakh: Rs 30 lakh from the English partner and Rs 45 lakh from the Indian entrepreneur. This was entirely spent on décor, equipment and some pre-opening expenses.

Operational costs included Rs 65,000 per month as rent, which was to be increased to Rs 85,000 after six months. The entrepreneur employed 20 persons on a monthly wage bill of about Rs 65,000. Accounting for another Rs 25,000 for electricity, the total operational costs came to Rs 90,000 per month, which was, of course, in addition to the food cost. Break-even sales were calculated at Rs 12,500 per day. The entrepreneur hired a manager at Rs 12,000 per month; he had earlier worked in Wimpy's and Hot Breads. The manager created a team of his own choice. Since the entrepreneur had other businesses as well, he visited the restaurant for about 2 hours every day and trusted the manager to run the shop professionally.

The restaurant remained open from 8.30 a.m. to 10.30 p.m. It had a comprehensive range of about 125 products and apart from counter sales, it also had a restaurant with 25 seats. Being a bakery and confectionery there was much emphasis on breakfast-time sales. A baker was sent by the English partner from England to stay for the first 20 days and he trained the staff in the craft. Since the entrepreneur himself is a strict vegetarian, he ordered that all products must be strictly vegetarian and even the cakes were made without eggs. Apart from the wide range of bakery and confectionery products, the restaurant also included pizza, soups and sandwiches in the menu.

The restaurant did not do well from the very beginning. The break-even sales of Rs 12,500 was not reached on any single day. Most customers were from nearby residential homes and there were no walk-in or transit customers who usually come to the shopping centres from other areas. The highest sale was Rs 10,000 for a few days, but it eventually trickled down to Rs 5,000 per day. The entrepreneur closed the restaurant exactly 12 months after it was opened.

Second restaurant project
The entrepreneur was still convinced about his concept of bakery-cum-restaurant. He thought that the location in East Patel Nagar was not suitable and the concept would succeed in a better locality in Delhi. He hired a place in the East of Kailash Community Centre, opposite a cinema hall. There was a Nirula's across the street. One again, he rented out 1800 square feet of space, and opened a similar restaurant with another name, five months after he closed the first restaurant.

All machinery and equipment were transferred from the earlier restaurant to the new one. The Englishman remained his partner and they spent another Rs 15 lakh on interiors. The rent was Rs 75,000 per month on a graded scale, to go upto Rs 1 lakh per month after six months and Rs 1.25 lakh per month after 12 months. Other operational costs remained more or less the same as in the first restaurant, with slight increases. The breakeven sale was calculated at Rs 16,000 per day. The product range was extended and he included non-vegetarian products along with the strictly vegetarian items. Cakes and pastries made with eggs were sold. Buffet lunch and dinner, at a reasonable
price of Rs 65 per head, were also on offer.

In addition to the cinema, Lady Shri Ram College, a well-established girls college, was close, at a walking distance. The college also had a hostel. Moreover, with the restaurant being situated in a community center having a large commercial area, and some residential colonies nearby, there seemed, from the entrepreneur’s viewpoint, a large and varied enough target market to tap into.

Having learnt from his previous experience, the entrepreneur tried to do things better this time. He made some pre-opening advertisements and his market research team visited nearby houses and shops. He also devoted more of his time to the project.

However, the restaurant did not succeed. In the first month, the sales were Rs 20,000 per day mainly because there was a good Hrithik Roshan movie playing at the cinema. However, sales started to drop off from second month and were down to an average of Rs 7000 per day during the summer of 2001. The entrepreneur realised that he would have to spend more money in advertisements and also put in place staff, equipment and two-wheelers for home delivery. He had, by this time run out of money, as the little reserve funds that he had were used up to cover the losses of the past few months. He had no other sources of funds. He, therefore, had to close the restaurant 14 months after it opened.

**Reasons for failure**

1. The entrepreneur did not engage anyone for a feasibility study or a market survey to assess the restaurant concept i.e. the right location for the concept, the potential clientele, the product range for that location and that customer profile, and so forth. He believed that he knew this business very well, because of his bakery manufacturing experience, and was convinced of his concept. Moreover, he could not wait to get started with is restaurant project. He did not make a project report, or even take the help of a chartered accountant or financial consultant, for expense and earning projections.

2. Unlike Greater Kailash-II, which is a prosperous south Delhi locality, East Patel Nagar is mostly middle-income. East Patel Nagar’s residents are not used to Western-style confectionery and are usually not willing to pay a price for it. They are more the type to go in for Indian fast food. The entrepreneur thought he would be able to generate their interest in a new product range. Not only this, he felt his restaurant would even transform eating-out behaviour in this locality. This failed to happen.

3. The entrepreneur realised that his insistence on totally vegetarian items in the first restaurant was wrong. Although there may be a small percentage of people who may insist on vegetarian confectionery, a large number of people want proper cakes and pastries with a
A proper recipe which may include use of eggs. He lost a number of customers on this account.

4. In the new location, he did get the advantage of the cinema, but it was an average, even below-average cinema which did not get the better movies. Its visitors were typically from the middle and lower income groups, who were not inclined to spending money at a restaurant after having bought movie tickets, and preferred to return home. Also, most of the cinema-goers were not attracted by western-style confectionary and food items. Furthermore, because of conflicts among the cinema's owners, very little was being spent on its upkeep, which adversely affected the cinema's market perception.

5. Moreover, there were no retail shops in the locality, and the banks and offices that exist there did not provide him any significant business. Another target market - college-goers from LSR - also failed to appear. In both restaurant projects, he was wrong on the choice of location. The entrepreneur says that in East Patel Nagar he would have done better with an Indian fast food restaurant. The second restaurant was also in an unsuitable location, according to his post-closure analysis. He would have been better off at a shopping mall. At the locations chosen by him, he was ahead of his time for his product range.

6. He feels his biggest mistake was to spend all his funds on equipment and interiors and not retain funds for operational losses and additional expenses. He ran out of funds within a few months. In the second restaurant, he was keen to spend money on advertisements and a home delivery system but did not have any funds left with him. The entrepreneur now feels that he should have only spent 50% of his funds on capital expenditure and expenses and retained the balance 50% as reserves.

7. Moreover, his concept should have been either a confectionery store, or a restaurant. It was a poor mix of the two. As he had expertise in making bakery items, he should have just had a small counter-based store, in an area of 300 to 500 square feet, with limited staff. The number of such small stores could have been increased in the city, based on the success rate. Trying to run a 25-cover restaurant with a confectionery shop involved too much space and operational expenses, and did not have the USP of either a good confectionery counter or a good restaurant. The entrepreneur's view that the European style bakery and restaurant will attract customers did not work well in his chosen locations.

8. He is also bitter about having to pay bribes to Government officials. He goes to the extent of proving that many of these good looking regulations are not for health and safety of consumers, but for the benefit of officials. After he paid the required 'fees' to the MCD health officer, he never even came to visit the premises and sent the certificate from his office.

CASE STUDY 3
No Shortcuts to Success

The entrepreneur is 30 years old, is well-educated, affluent and well-traveled. She has a passion for food and the restaurant business but does not have formal culinary education. Hailing from Kolkata, she moved to Delhi when very young. At the age of 16, she joined the family business of exporting marble. This provided her with the opportunity of travelling to Europe; her sojourns saw her trudging across Europe with a bunch of cross-cultural
companions, predominantly Italians. During this time, she stayed with her Italian friends in their homes and got a peek into their lifestyle, culture and traditional cuisine.

During the entrepreneur's many business trips to Italy to test samples of granite and buy machinery, she developed a liking for Italian cuisine. Soon, this liking turned into a passion, and she learnt the art of Sicilian cooking from Marchessa Anna Tasca Lanza, owner of one of Italy's finest vineyards, who bartered her secret recipes in exchange for recipes for Indian cuisine. Her mastering the fine art of Italian cooking coincided with the complete boredom that was creeping in as far as the marble business was concerned. At 22, the entrepreneur quit her family business and came to Delhi.

The first Restaurant

In 1994, influenced by and at the same time fired by her experience in Italy, she, then 21, returned to Delhi to start what was then possibly the city's first Italian eatery, Mezzaluna (Italian for a crescent-shaped knife with a handle on either end) in Hauz Khas Village. The restaurant offered a Mediterranean platter, but the focus was on Italian food.

The total capital investment in the restaurant, which was located on a 1300 square feet site was Rs 10 lakh. This amount was entirely spent on décor, equipment and some pre-opening expenses. The monthly rent paid was Rs 20,000. The restaurant, with 35 seats, was targeted at an upmarket clientele, served lunch and dinner, and had a per cover average revenue of Rs 700. It did not have a bar for liquor and did not acquire one before the restaurant closed down. Apart from rent, there were fixed monthly expenses of about Rs 1.8 lakh on other items, like wages, electricity, water and telephone. Accounting for the variable expenses, the breakeven point came to sale of Rs 15,000 per day.

At the time, first boom of freestanding restaurants had just begun and, although Hauz Khas Village was considered a trendy place, the approach to its eateries and shops was through dung-splattered by-lanes. The entrepreneur discovered that the small clientele which she had developed wasn't enough to make ends meet. After suffering losses for 29 months, Mezzaluna was sold to a keen buyer. The entrepreneur's reasons as to why she believes the restaurant did not work are:

1. "I misjudged the Indian palate. Back then, Indians had not been fully exposed to international cuisine and wanted the 'tried and tested' fare."
2. The restaurant's location proved a hindrance in the restaurant attracting its target market - high-spending customers.
3. The excise laws did not permit giving a liquor license to free standing restaurants in that location.
4. Independent restaurants could not import ingredients and food products.

Second Restaurant: Vama in London

In 1996 armed with the wisdom of hindsight, a battalion of seven chefs, and an ardent foodie friend, she opened a restaurant in London. The restaurant, serving northwest frontier cuisine, crawled into the crowded eatery space of London's 'hot, happening, hyped' Chelsea district. The cost to set up Vama was very high, close to about 400 thousand pounds sterling and it took about two years to break even. The 90-cover restaurant, having an average spend of 40 pounds per person, was a true learning experience. London has on an average, 70 restaurants opening every year, and 135
shutting down. Good publicity and a celebrity clientele helped Vama turn into a sensation. Some of the key success factors were: quality product, focused market, and a location to suit the restaurant. After 40 months and having ensured that the restaurant was up and running with the best team possible, the entrepreneur returned to India.

Finally.....Stupendous Success
In 2000, she once again decided to open an Italian restaurant in New Delhi. This time around she was determined to steer clear of the mistakes during her Mezzaluna experience. Running Vama in London had taught her both good hospitality and how to manage restaurant operations; this learning came in very handy for her new restaurant venture, in Greater Kailash-II (GK-II).

The entrepreneur was very certain she wanted to select the right location. She knew that in order to get a liquor license she would have to be in a commercial area. She chose GK-II, because despite being a central location in affluent south Delhi, it was relatively peaceful.

The 3000-square foot taken up was decorated to create the right ambience. It has off-white walls, Italian marble flooring, an anytime coffee bar, table top games (chess, backgammon) and ample 'food for thought' - books from the entrepreneur's personal collection. The total capital costs associated with the 80 cover restaurant was 80 lakh. Initially the monthly fixed operational costs were about 5 lacs per month, however very soon as business started picking up, more staff resulted in additional costs. A rent review took place this year, and now the restaurant operates on a fixed operational cost of approx 6.5 lacs per month. This would work out to approximately 30% of the total revenues, but there is one catch, the food costs are very high as most ingredients are imported and work out to be approx 40%. Today she has a large clientele that simply laps up the Italian food served at the restaurant and is counted among the best restaurants in India. She changes the restaurant menu every two months and is behind the kitchen range every night.

Some of the reasons she attributes to the success of the restaurant that others should learn are:

1. Right location for the concept
2. Involvement in everything about the restaurant
3. Curtail capital costs-spend on the important things-ingredients, staff, training etc.
4. Research your market and your competition
5. Keep up with the standards
6. Innovation of menu, every few weeks to keep the interest of regular clientele
7. Most important: heart-felt hospitality towards every client

Although she claims it to be fun, there are no expansion plans in other parts of the country. One of the reasons is that she does not want to spread it too thin so that it becomes out of her reach to control it. Moreover, "it's tough to run a restaurant business in India," she says.

Ask her the secret of being a successful entrepreneur and she says, "Learn everything about the business you are doing and then give it your best shot. You can't go wrong then!"
CASE STUDY 4
First Fine Dining Five Star Restaurant

It takes a lot of courage and conviction to open a new restaurant in an area that has suddenly been flooded with a large number of restaurants and bars of all kinds, especially one that requires a large investment. A major travel management company sought to diversify its portfolio to include the hospitality industry and embarked on its plan by opening its first outlet in the form of a Chinese (Szechwan) restaurant in July 2003. It is probably NCR Delhi's first large fine dining restaurant outside of a Hotel, located in Gurgaon. The 150 seater restaurant, kitchen and other support areas occupy approximately 8000 sq.ft. of space. The restaurant alone is approximately 5600 sq.ft. The travel company owns the building where the restaurant is located, a factor that mitigated some of the risks. No costs, however, were spared in retaining the best talent to design the outlet, and a renowned Hong-Kong based firm was hired to design the interiors, kitchen and lighting. The restaurant houses a 116-seater dining area inclusive of Two Private Dining Rooms accommodating 12 persons each, and a Lounge Bar to accommodate 33 persons. A state-of-the-art open kitchen forms a unique salient feature of this restaurant. A team of specialist Chefs from the Szechwan province of China, have been flown in and they provide the key element in churning out authentic Szechwan cuisine which the restaurant claims its specialty.

Conception
Interestingly, the idea to diversify into the hospitality industry traces its roots to the events of 9/11 following which the travel business all over the world received a serious review in the wake of security, and in most cases, a severe cut-back on existing trends was the outcome. India was amongst the worst hit by this recession and its magnitude encompassed the entire service industry as a whole, with the fall-outs affecting related peripheral services also.

The travel management company's bold and aggressive outlook, however, escalated their entry into a new business that would help them diversify, yet remain within the folds of their core competence of the service industry. Starting a restaurant fit nicely into their larger objective of the setting up of a hospitality division, and the Chinese restaurant took shape. They already owned the real estate where the restaurant was to be located but being a Grade "A" commercial building, they were alert to the aspect of not wanting the restaurant to be an irritation to the other occupants of the building, or the complex as a whole. The restaurant, therefore, was conceptualized with very high hygiene and design standards that sought to totally eliminate any smoke or food odor which might have an adverse impact. Some of the elements inducted to realize this objective, such as a Reverse Osmosis (RO) Plant, an Effluent Treatment Plant (ETP) to complement the Grease Traps, a Gas Bank complying with every rule in the book, did increase the development cost of the project immensely, but formed an integral part of the Business Plan. It further, emphasized the owning company's uncompromising eye for detail and commitment towards safeguarding the environment around its project.

The total project cost of setting up of the restaurant, not including cost of real estate, was in excess of Rs. 2.85 crores. This amount was spent entirely on design-décor, equipment, back-end development and some pre-opening
expenses. A monthly rental on prevailing costs per sq.ft. was sought to be incorporated on the P&L, even though the estate was owned by the parent company. The restaurant was targeted at the up-market clientele populating its surrounding areas, and its revenue streams include lunch, dinner, snacks, and corporate take-aways. An average meal cover cheque between Rs.550 - 650 was envisaged. Apart from rental, there were fixed monthly expenses on items such as wages, electricity, water, repair & maintenance. Keeping in mind the same, the break even works out in excess of six figures per day, but the restaurant has managed admirably on the same so far.

Some of the reasons the entrepreneur’s attribute towards the success of the restaurant that others could bear in mind are:

- Be a long term player.
- Provide a value for money experience incorporating a combination of Food, Service and Ambience, in that order.
- Be selective in the choice of cuisine and ensure versatility in the style of cooking, within the given framework. This will ensure your weaning the clientele towards your core competence in the authentic style of cooking.
- No compromise in the quality of ingredients, and to ensure consistency and authenticity in the quality of food every time.
- Listen to your clientele. Ensure their comments are acknowledged in every way, even the critical ones. Build client relationships/loyalty and increase high recall and mind share.

However, the restaurant is still in its first nine months of working and all keen observers, and of course the management, will be keenly watching its progress over the next 2 years.