



how to avoid the budget trap

“In order to successfully enter a new market any food or drink outlet must exceed standards set by incumbent competitors.

So there is no point in opening a restaurant or café that fails to meet peoples’ expectations, which will almost invariably have been set by large chain operators spending large sums to attract carefully targeted groups of customers.

If you try to launch a new restaurant or café into a crowded market without doing things right you won’t get a second chance. Ugly doesn’t sell. If you don’t spend enough to solve this problem, which may be more that you want to spend, then you’ll probably waste all of your money.

In my view, it is a failure to appreciate these simple facts that leads to the failure of most new food and drink ventures. I call this the budget trap. This help sheet describes a common scenario.”

A novice restaurateur or coffee shop owner has partly devised a concept and sales offer. They may even have acquired premises. They have raised funds based on their own estimation of the likely fitting out costs or a loose quotation provided by a general builder. It is unlikely they have done enough proper market analysis to find out if their concept is best suited to their locality. So they have costs and market opinion based on gut feeling and don’t really know what customers want or what the true costs will be. On this basis they can’t predict their true break-even or capital requirements.

Next the novice restaurateur finds a suitable architect or designer specialising in food outlets. Most of these specialist designers are reluctant because they have seen novice clients fall into the budget trap many times; this reluctance is sensed by the restaurateur who becomes wrongly suspicious of the designer’s good motives.

The specialist designer discusses the project and possibly makes a site visit. They may analyse local competitors. They then express a





rough view that the construction budget should be, for example, £2000 per square metre.

At this stage, based on other similar experiences, the designer may express concerns about the viability of the concept. They may say that it is pitched too low to the market and the cost per metre should be higher putting up the estimated set up costs or break even.

The novice restaurateur, already being suspicious, considers this advice but has a budget of £1000 per square metre. They haven't fitted a restaurant before but they assume the specialist designer is wrong or advising them to spend more out of self-interest. They don't see the need to use specialist fit out contractors to get the most out of the expert design. Some or all of these matters aren't discussed openly but the parties still agree to go ahead. The would-be restaurateur thinking that the designer has deliberately overstated the costs and the designer thinking that the client can raise enough money.

The budget trap has now been set!

The project proceeds and the designer produces drawings with which the client is happy. The next stage of more complex drawings is

produced, often taking days or weeks. Everyone is happy.

Next the designer suggests some specialist fit out contractors to build the outlet properly. A specification is drawn up that includes many items that the novice restaurateur forgot to include in their budget. The tenders are returned and they are all around, for example, £2000 per square metre. Double the funds the client has raised but in line with the designer's predictions.

Guess what happens next? Well if there isn't a dispute, then the design gets cut back. The costs of providing basic services to the restaurant, such as heating, ventilation, kitchens and toilets are always about 65% of the total. These costs can't be reduced, they have been designed to minimum building standards set by law. So, the cuts happen in the furnishings, light fittings and decorations.

The project goes ahead but now the budget trap has been sprung. The restaurant or café does not compare well with the incumbent competition. Customers do not come, or if they do, they are unimpressed and they don't return. Word spreads, quickly these days because of social networking. The venture fails, sometimes within weeks, and all the investment is lost.

How to avoid the budget trap

Ask your designer and contractors to work with a specialist quantity surveyor who will provide truthful, independent and detailed advice about project costs before your project commences or as soon as initial drawings have been prepared.

Make sure the costing advice is then updated regularly throughout the project.

Of course the quantity surveyor will charge for this service but these charges will be a small proportion of the total costs and represent an investment to make sure you plan your finances properly and don't get trapped.



Beautiful, successful, branded restaurants and coffee bars like this one cost large sums to build and design

Executive Summary

If you want to open a truly successful restaurant or cafe, you'll need to spend enough to beat incumbent competitors.

This may be more than you want to spend.

If you spend less than this amount, there's a higher risk that you're going to lose all of your money.

Don't assume you can find a way to spend less and still get a better result than the major competitors. They didn't get where they are by spending any more than they had to.

Don't jump to the conclusion that an experienced designer is wrong about costs even if they seem sky high to you. Find out properly from an independent quantity surveyor.

If you don't do these things you'll run out of money before you open or soon afterwards and you'll be trapped.