

Subject: Setting Up In Business

Introduction

The purpose of this report is to provide an essential source of ongoing reference on the aspects of setting up in business. The report provides a comprehensive, but clear and concise review of the key issues that will be faced when setting up in business, and help reduce the perceived barriers.

Reasons For Setting Up In Business

Many people set up in business simply because they prefer to be their own boss and work at their own pace. Other reasons are a reaction to circumstances. A common one is frustration at work. This may be due to a failure to obtain promotion. It may be a dislike of the way the company is run or the people who run it. Or it may be an inability to get ideas, or inventions, adopted. In short, individuals believe either that they are not being given credit for their ability or that they can do it better than their employers.

Unfortunately, redundancy is frequently the reason to get started. It does have the advantage that a career is not at stake - it having already been lost - and that some finance may be available from a redundancy payment. Other reasons come from a desire for independence or the wish to make money. Certainly such people expect to make money but the fun of independent decisions and achievements are more important to many. Indeed, planning for expansion and the achievement of a steadily growing profit record is often wanted as much for the excitement of the game as the additional financial rewards that may result.

The following are the main reasons why people set up in business:

- **Independence.** Some people prefer to make their own decisions and take responsibility rather than being told what to do.
- **To increase rewards.** People setting up their own business often believe that they will earn more than if they were working for an employer.
- **As a result of redundancy.** Some businesses start when an employee is made redundant and decides to use their skills in their own venture. Redundancy payments can be used to finance the business.
- **Commitment to a product/service.** A business may be set up to sell a new invention or because of commitment to a product no-one else wants to produce or to a service which no-one else provides.
- **Hobbies.** Sometimes people decide to extend their hobbies into a business.
- **To satisfy creative needs.** Individuals with creative needs may set up in business to satisfy these needs as they were unable to do so when working for an employer.
- **Particular job.** An individual may want to work in a particular job, but can't find employment and may find that setting up their own business is the only alternative to being unemployed.
- **Dissatisfaction.** An employee may be dissatisfied with their job. Setting up in business is one alternative to looking for a job with another firm.

Some of the advantages of your own business are obvious. There is the opportunity to make more money than is normally possible as an employee. This can mean extra salary and benefits while running the business. It can also mean the chance of a large capital profit if the business is sold.

The attraction of money is strong. However, for many people the freedom that comes from being their own master is at least as important. This freedom includes no interference from others with day-to-day decisions. Also, and possibly more importantly, it gives the opportunity to control the longer-term direction of working life. To achieve both these freedoms as an employee is rare, although some occupations allow one of them. Despite a real increase in freedom, restrictions will remain because a business can only operate within society.

On the one hand this involves the same moral considerations as for any other person in the society. On the other, there are official regulations which affect almost all aspects of business life.

Another advantage can be favorable tax treatment. This is true for the self-employed person who is permitted more allowances against income than an employee. Directors of companies owned by themselves are not self-employed for tax purposes but they usually take more benefits in kind (without paying the tax that equivalent amounts of salary would involve) than is common for an employee.

The attractions of owning a business are considerable. Unfortunately, so are the drawbacks. They are so great that many who like the idea of their own business still prefer to remain as employees. Probably the greatest disadvantage is the lack of security compared with a safe job in a sound organisation. Starting your own business sacrifices this and all its aspects including your pension rights. However, it should not be forgotten that even large employers can fail and loss of their jobs, through redundancy for example, is a risk all employees take.

Thus job security may not be all it seems to be. Nevertheless, it is normally much greater as an employee of a large, well-established organisation than as the owner of a small, new business. To make matters worse, owners of a small business risk more than unemployment if their business fails. At best they will have lost all they have worked hard for. However, further financial hardships may follow because, for example, of personal guarantees given to a bank to secure the business overdraft. This may lead to the sale of all their assets, particularly their private house which is probably their only real wealth. At worst bankruptcy will result. Then, as they try to get back on their feet, they may find difficulty in getting a new job. They may have to accept a lower salary than they would like with limited pension prospects. These are real risks for most small business people and should not be accepted lightly.

Finally, the stress of running your own business is a disadvantage often overlooked. Considerable pressure and long hours of work are common for any entrepreneur. The stress is made worse for sole owners of very small businesses who must their own decisions alone. They often do not have others of their intellectual caliber in the business with whom to discuss major decisions and a common failing is that they do not seek outside advice. At the least this can lead to a sense of isolation and a feeling of loneliness. At worst the stress can produce the loss of friends, ill health and the failure of the business.

Executive Summary

John's – "a steak buffet restaurant," unlike a typical restaurant, will provide a unique combination of excellent food at value pricing with a fun and entertaining atmosphere. John's is the answer to an increasing demand. The public:

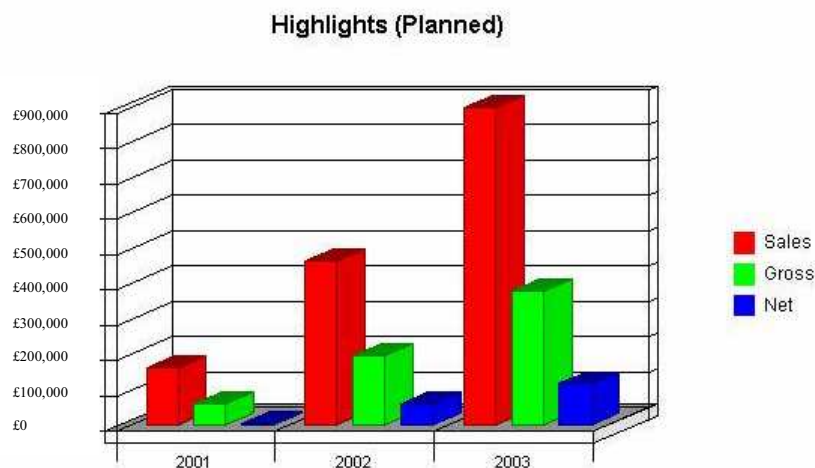
- wants value for everything that it purchases,
- is not willing to accept anything that does not meet its expectations, and
- wants entertainment with its dining experience.

In today's highly competitive environment, it is becoming increasingly more difficult to differentiate one restaurant concept from another. John's does this by being the only buffet concept that features mesquite-grilled, choice sirloin steaks, cooked on our display grill, for one low price. We will be serving top quality, 21-day aged steaks that are hand-cut daily on the premises and seasoned to perfection. Our grill will be out in the open and loaded with steaks cooked to the proper degree of doneness that our customers request. With our high dinner volume, there will be no waiting for a steak since we will have the grill stocked with every degree of doneness. With red meat (in particular, steaks) increasing in demand today, we believe that this feature will ensure our success.

This plan is prepared to obtain financing for the initial launch of this concept. The financing is required to begin work on kitchen design, architectural plans, manuals and recipe books, site selection, equipment purchases, and to cover expenses in the first year of business. Our positive cash flow will help to offset some of this burden.

The financing, in addition to the capital contributions from the owner and his partner, will allow John's to successfully open and maintain operations through year one. The initial capital investment will allow John's to provide its customers with a value driven, entertaining dining experience. A unique, mid-scale, innovative environment is required to provide the customers with an atmosphere that will induce middle class individuals

to bring family and friends to dine and socialise. Successful operation through year three will provide adequate cash flow to be self-sufficient in year four.



Objectives

John's objectives for the first three years of operation include:

- Keeping employee labour cost between 16-18% of revenue.
- Keeping food cost under 35% of revenue.
- Averaging sales between 2-3 hundred thousand pounds per year.
- Maintaining tight controls on costs and operations and utilising automated computer/Internet control.

Mission

John's will strive to be the premier buffet restaurant in the local marketplace. We want our customers to have the total experience when visiting John's. Not only will our customers receive a great meal, they will also be provided with a fun atmosphere. We will be doing unique things (such as serving all-you-can-eat choice sirloin steaks on a display mesquite grill) that will set us apart from the competition. We will want the dining experience to be as pleasing to the senses.

Our main focus will be serving quality food at a great value. We will feature a large selection of freshly prepared food, most in full view of our customers. We will feature 30 items daily that are full of flavour and zest at an unbelievable price.

Customer satisfaction is paramount. When approached by a customer with a request, our motto will be, "Yes is the answer; what is the question?" We will strive for broad appeal. We want to be the restaurant of choice for everyone: families and singles, young and old, male or female.

Employee welfare will be equally important to our success. All will be treated fairly with the utmost respect. We want our employees to feel a part of the success of John's. Happy employees make happy customers.

We will combine menu variety, atmosphere, ambience, and friendly staff to create a sense of "place" in order to reach our goal of over-all value in the dining/entertainment experience.

Keys to Success

The keys to the success of John's are:

- The creation of a unique, innovative, entertaining, mid-scale atmosphere that will differentiate us from the competition.

- Executions of our primary goal to serve nothing but the highest quality food at unbelievably low prices in a clean, fun environment. We must deliver on this pledge 100% of the time, without exception.
- Controlling costs at all times, in all areas.
- Hiring the best people available, training, motivating and encouraging them, and thereby retaining the friendliest, most efficient staff possible.

Company Overview

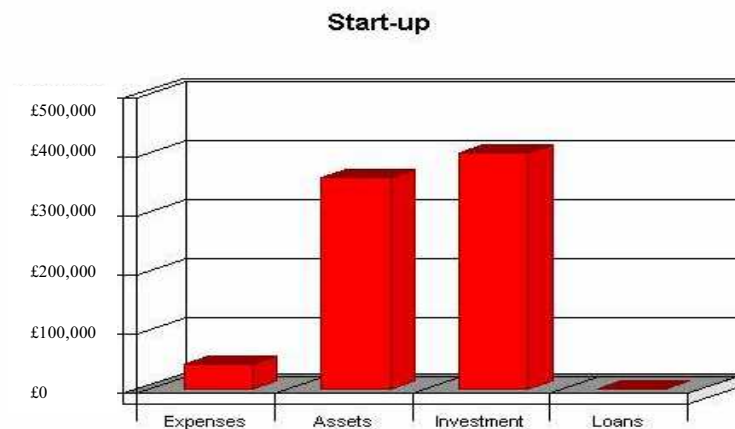
- **Entertaining surroundings** - The restaurant will feature display cooking of our featured choice sirloin steaks cooked over a mesquite grill. Our customers will also be able to view our meat-cutting cooler where steaks are hand-cut daily and aged for 21 days to ensure that they are so very tender. The bakery, salad, and hot food stations will also be visible to our customers while they pick out their favourites from over 30 deliciously-prepared items daily. Our walls will be decorated with Western antiques.
- **Quality food** - John's will serve nothing but fresh meats, crisp salads, delectable side dishes and scrumptious desserts, all served with old-fashioned, homestyle care.
- **1/3 lb. John's Speciality Beefburger lunch** - A special treat will greet our weekday lunch customers from 11:00 a.m. till 2:30 p.m. We will be serving 1/3 lb. John's Speciality Beefburgers off our display grill. The John's Speciality Beefburgers will be ground fresh daily and seasoned with our custom blend of spices designed to enhance their taste. To complement our sandwiches, we will convert one of our hot bars to a cold "sandwich fixing's" bar, with sliced tomatoes, onions, chopped lettuce, pickles, relish and everything necessary to complement our sandwiches.
- **Variety, variety, variety** - A different menu for every day of the week will feature to name a few of our special theme dinners. We will also change the menu items quarterly on these nights to spice things up.
- **Open only for peak business periods** - Buffet food does not keep well during slow time periods because all hot food must be held above 140 degrees Fahrenheit. Therefore, we will close our doors weekdays between 2:30 p.m.- 4:00 p.m. and at 8:30 p.m. nightly except on Friday and Saturday when we will close at 9:30 p.m.
- **Breakfast buffet** - John's will serve a buffet breakfast, offering fresh fruits in-season, cold juices, hot breakfast items, and cook-to-order omelettes from our display grill.
- **Self-service** - Every new customer will receive a guided tour explaining our concept and the self-serve system. By doing this we can exceed our guest perception of service 96.5% of the time. For example, if a customer is expecting to get his own drinks but the owners are walking around pouring coffee refills, we will have exceeded their expectations.
- **Friendly employees** - Our employees will be ringing dinner bells when fresh-baked rolls come out of the oven or our signature steaks are ready. Owners will make table visits a priority, and who knows? Our customers may even see our staff perform a line dance or two! We will dress casually in tailored jeans and ironed logo T-shirts that our customers may purchase for a nominal price.
- **Dinner all day on Sat./Sun** - We will feature our dinner menu all day on Saturday and Sunday. Since both days are busy all day long, we will not shut down at midday.
- **Reduced dinner pricing** - On Monday-Thursday the dinner price will be slightly lower than on Fri./Sat./Sun. since we will add fried shrimp and ribs to the weekend selection.

Start-up Summary

John's start-up expenses cover a wide range of items as shown in the following chart and table. Below is the detailed reasoning behind these estimates:

- **Kitchen Design** - Marbles Ltd will be doing the kitchen design.

- **Architectural Plans** - Wakes Designs Ltd will do our architectural plans.
- **Travel/Lodging** - Travel expenses for John Shah to monitor construction, hire, and train staff.
- **Manuals/Handbooks/Recipes** - All are estimates for typing, printing of employee training information, laminating recipes for kitchen use, and binders for all manuals.
- **Pre-opening Labour** - This will cover training of employees as well as cleaning and organising the restaurant prior to opening.
- **VIP Lunch/Dinner** - We will host both a VIP lunch and dinner. This will serve the dual purpose of training our staff and introducing ourselves to the community. The list of individuals invited will come from the Chamber of Commerce. We will pick a local charity to be the beneficiary of our event. A guest will receive an invitation for themselves and one other to attend our event free-of-charge. We will run the lunch on Monday, followed by the dinner on Tuesday, with our Grand-Opening on Wednesday.
- **Building/Land/Equipment** - There are two methods available for the growth of John's. We can build from ground up or we can do conversions from the existing building.



Start-up	
Requirements	
Start-up Expenses	
Kitchen/Architectural Plans	£24,000
Travel and Lodging	£2,000
Design of Logo	£2,500
Manuals/Handbooks/Recipes	£1,320
Recruiter Fees/Help Wanted Ads	£3,500
Pre-opening Labour-staff/Trainers	£1,750
Uniforms	£2,450
VIP Lunch/Dinner	£4,825
Office/Miscellaneous Expenses	£6,500
Total Start-up Expense	£48,845
Start-up Assets Needed	
Cash Requirements	£60,000
Start-up inventory	£25,000
Other Short-term Assets	£40,000
Total Short-term Assets	£125,000

Long-term Assets	£160,000
Total Assets	£285,000
Total Requirements	£333,845
Funding	
Investment	
John Shah	£200,000
Investors 2 & 3	£190,000
Other	£0
Total Investment	£390,000
Short-term Liabilities	
Unpaid Expenses	£0
Short-term Loans	£0
Interest-free Short-term Loans	£0
Subtotal Short-term Liabilities	£0
Long-term Liabilities	£0
Total Liabilities	£0
Loss at Start-up	(£48,845)
Total Capital	£341,115
Total Capital and Liabilities	£341,115

The following is a comprehensive outline of all the essential resources required in order to get the business up and running:

Plant & Equipment

Premises
Vehicle
Dishes
Shop fittings
Fridge Freezer
Gas Cookers
Extractor Fans
Cooking Utensils
Storage Cupboards
A Till
Tables & Chairs
Cutlery

Labour

Chefs
Waiters
Cleaners
Vehicle Driver

Licences

Licence to serve food on the premises

Finance

Capital
Float
Petty Cash

Foodstuff

Fresh vegetables
Cooking oil
Spices
Fresh Meat

Main Services

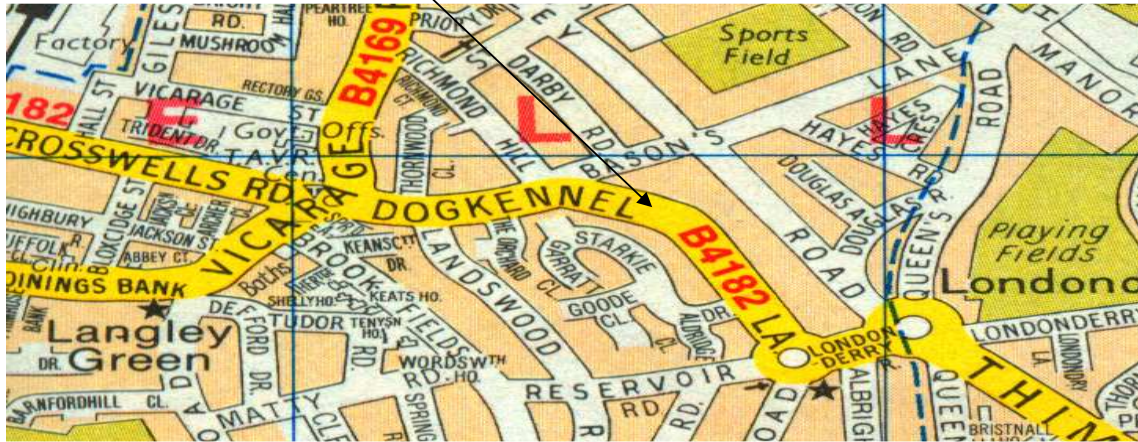
Gas
Electricity
Water
Drainage
Business rates
Telephone
Business Insurance

Miscellaneous

Napkins & Rings
Table Cloths
Candles & Holders
Menus
Waiter/Chef Uniforms

Business Location and Facilities

Previous employment as a part time cook and waiter in the family restaurant business has inspired my ambition to run my own restaurant. The restaurant would be named “John’s” and would be one of the first of its kind in Britain. The restaurant would be located at Dogkennel Lane, Oldbury, Warley, West Midlands, and would benefit from passing trade due to its



prominent location which is well known and easily accessible to customers. Oldbury would be the ideal location because:

- there is no restaurant in Oldbury which provides such a service
- unemployment is relatively low in the area
- it enjoys busy holiday trade at weekends and in the summer

Dogkennel Lane is a busy and lively shopping area mainly consisting of terraced type properties converted into businesses. The businesses mainly comprise of 5 grocery shops, 1 supermarket, 4 clothing shops, 2 insurance brokers, 1 newsagency, 1 petrol station, 1 post office, 1 travel agency, 2 banks, 1 charity shop and 1 fish & chips shop. The surrounding environment consists of residential properties and office buildings. At the back of the restaurant premises would be a car parking facility for customers. Although there is a main free car parking facility provided by the local council for shoppers on Dogkennel Lane. The premises have sufficient storage space, seating capacity for a maximum of 50-150 people and large kitchens for cooking.

The restaurant would be located close to suppliers and customers, though distant from competitors. The only competitor ‘Arfaan Moonlight Tandoori Takeaway’ is somewhat 3 miles away, and does not provide an in-house restaurant facility.

John’s will range in size from 2,000-5,000 square feet and will seat from 50-150 customers. The restaurant will feature authentic western antiques such as Native American blankets, cowboy gear, and horse tack. We will equip the restaurant with a state-of-the-art sound system connected to an old-time juke box where our customers will be able to select their favourite country and western songs for free. The restaurant will be built to our prototype specifications: clean lines, open, and pleasing to the customer.

The site/building selection has been chosen based upon the following list of criteria:

- Community size minimum of 40,000 people within five miles.
- High visibility.
- Easy access to parking lot with a minimum of 120 parking spaces.
- Mid-to low-cost land not to exceed £200,000.
- Heavy blue-collar worker makeup in the community.
- No overabundance of competition in the trade area.

All of these qualities are consistent with John's goal of providing a top quality, entertaining dining experience at an unbelievably low price. We want "word of mouth" to be our best form of marketing, where our customers cannot believe the value of their dining experience and can't wait to tell their friends and neighbours

Services

John's will provide quality-dining seven days per week. We will only close our restaurant on Christmas. The restaurant will be open for lunch and dinner. All meals will be self-serve buffet style offerings for a fixed price.

Competitive Comparison

John's will have broad customer appeal due to our casual family atmosphere, wide variety of food offerings, and low price points. We will not only compete with the casual segment restaurants, but also with the family value steak restaurants.

In competing against the casual theme restaurants, we will have the following advantages:

- Lower price point for a complete meal. If our consumer is a steak lover, their John's meal is almost half what they would pay at a theme restaurant.
- There will be no tipping at John's, since we are self-service. This will reduce the actual customer cost of our dining experience by 10-15%.
- Speed of service will be instant: no waiting for a steak, salad, beverage, or dessert. Everything will be readily available: hot, juicy, fresh, and cooked as requested.
- Our portions will be "just right". Since we are "all-you-can-eat" the portion size meets the need, rather than a pre-determined amount meant to suit the "average" person.
- Variety is the name of our game. Customers will choose from over 30 different items prepared fresh daily. It is often difficult to meet the dining requests of each family member due to individual tastes. However, at John's, there will be something for everyone, every day of the week.
- We will provide more entertainment than our competition. Our customers will view our meat-cutting cooler as they walk in; they will watch us cooking 20-40 steaks at a time on our mesquite grill; and they will see us preparing and cooking their hot entrees, desserts, and salads. We want our customers to feel a part of the "John's" dining experience.

In competing against the family value steak restaurants, we will have the following advantages:

- We will serve better quality food than our competitors. Nightly, we will offer choice sirloin steaks that are hand-cut daily and aged for 21 days. With our higher dinner price points, we will feature better quality items on the buffet. Not only can we afford to do this, but it will also limit the amount of steaks that our customers will consume per visit. Even though some customers will eat 4-5 steaks, the average still remains at 1.2 steaks per customer.
- We will offer a lower price point at lunch than our competition and feature a fresh John's Beefburger, hot and juicy off our display grill, plus the buffet. Our customer could pay the same price at a quick service restaurant, QSR, but only receive a burger, fries, and a drink.
- Our surroundings will be more entertaining than our competitors.
- Our food will be fresher since we will close weekdays between 2:30 p.m. and 4:00 p.m., and shorter evening hours.
- Our customers will not encounter service problems. Our competitors still feature servers who bring beverages, extra plates, and dinners if ordered. Their servers, which traditionally handle as many as 10 tables at a time, frequently have trouble being everywhere at the same time. With John's, everything is out front and ready for our customers. We will explain our service policy up front and, therefore, never let them down.

- There will be no confusing menu board when customers arrive at our restaurant. One price will be stated, with everything included. Some of our competitors have 10-foot-long menu boards, which are overwhelming to customers and difficult to read. Others try to up-sell and ask too many questions while reeling off specials of the day. After all is said and done, they sell 90% buffets and 10% dinners. We've made it simple: one price, everything included. And we've put steak back on the menu where it belongs - right on top.
- We will not need trays for customers carrying drinks, plates, silverware and napkins from the cash register at John's, everything is conveniently placed in the dining room near the food stations.
- We will be able to staff our restaurant with 25% fewer employees than our competition. With no need for servers, only one cashier, shorter operating hours, and out-front servicing of our food bars, we can efficiently run with a reduced staff.
- There is no tipping at John's, since we are self-service. This will reduce the actual customer cost of our dining experience by 10-15%.

Sales Literature

Currently, there is not any sales literature produced for John's. However there are plans to produce three different pieces once we open. All should be relatively inexpensive to produce and most will be accomplished in-house by using desk top publishing. Below are the pieces that we are planning to produce.

1. **Table Toppers** - will explain concept and differences between lunch/dinner, "Theme Nights", selling gift certificates, announcing job opportunities.
2. **Brochures/Handouts** - will explain that we can handle large parties, banquets; another will list our daily-featured entrees.
3. **Direct Mail Piece** - will explain our concept, list prices, and show inside photographs of our restaurant. We will produce and mail this after our first quarter of operation.

Technology

John's will invest in a single high-speed computer to provide a fast and efficient connection to the Internet and also be a link to our cash registers. We will also order online, email, and have a Web page.

Market Analysis

John's is faced with the exciting opportunity of being the first mover in the "all-you-can-eat steak buffet" concept to become a national player. The consistent popularity of steak, combined with a value price point in a buffet concept, has proven to be a winning concept in other markets and will produce the same results nationally.

In looking at our market analysis, we have defined the following groups as targeted segments. The only exception comes when we define our targeted segment for lunch. We firmly believe, and have witnessed, that a much broader appeal exists for this midday time slot because we have priced it so low and feature our John's Speciality Beefburger. Below are our targeted market segments.

- **Age** - Seniors, Baby-Boomers, young married couples with children, and blue-collar workers of all ages.
- **Family Unit** - We will appeal to young families with new babies or mature families with children under the driving age. Most of our family units will have two wage earners.
- **Gender** - We will equally target both sexes with a slight skew for males due to their heavy consumption of red meat.
- **Income** - We will appeal to the high side of low-income individuals and to all in the middle income bracket.
- **Occupation** - We will target the blue-collar workers, young professionals with a family, and most of middle class individuals.

- **Education** - secondary/college/university students.

By our definition, we will have very broad appeal for our concept. It is our goal to be the restaurant of choice for the largest dining audience in the UK.

Market Analysis							
Potential Customers	Growth	2001	2002	2003	2004	2005	2006
Lunch	6%	2,888	3,061	3,245	3,440	3,646	3,867
Senior Dinner	6%	932	988	1,047	1,110	1,177	1,210
Children (3-10)	6%	1,406	1,490	1,579	1,674	1,774	1,830
Weekday Dinner	6%	2,172	2,302	2,440	2,586	2,741	2,930
Weekend Dinner	6%	2,958	3,135	3,323	3,522	3,733	3,890
Total	5.99%	10,356	10,976	11,634	12,332	13,071	13,727

Target Market Segment Strategy

John's intends to cater to the bulk of middle class individuals. We have chosen this group for several important reasons. First and foremost is the sheer size. With our restaurant seating almost 150 people, we will need a broad base and mass appeal to fill them. It is our goal to have "something for everyone" every day on our menu.

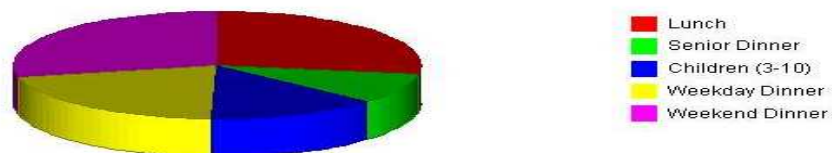
Secondly, it is a very heavy restaurant user group. Last year middle class individuals, dined out an average of 3.7 times per week (that's once every other night). They are on limited or fixed incomes and seek a value/price relationship that will not stretch their budgets.

Lastly, this group will see a large growth in their numbers over the next decade. If we can continue to meet and exceed their expectations, we should witness same store sales growth over this time period. We will, however have to stay focused on their changing needs and menu choices to maintain their loyalty. For the most part, this group is in a hurry, due to heavy time demands at work and home, so our buffet style of service suits them.

Our lunch strategy is dual purposed. First, we are featuring fresh ground John's Speciality Beefburgers with all the fixings to fill individuals craving for hamburgers. Most peoples idea of lunch is a quick sandwich, not a heavy meal. Half of our hot food selection will be replaced with sliced tomatoes and onions, pickles and relish, and chopped or leaf lettuce. Our customers will pick up their John's Specialty Beefburger at our display grill, add melted cheese or hot BBQ sauce, and help themselves to the hottest French fries seasoned with our special blend of spices. What's not to like about a hot, juicy John's Speciality Beefburger served right off the grill.

Second, we want to keep the price point at lunch as low as possible to keep us in competition with fast-food restaurants. We are only slightly above the QSR segment and we offer much, much more. Not only do our customers get a sandwich, drink, and fries but also a salad, dessert and a selection of hot food items. By reducing the hot food assortment from dinner, we will be able to keep our food cost in line with the reduced price. All in all, this is a win-win strategy that will broaden our customer base at lunch to include singles, teens, and professionals while still maintaining our core market segment.

Market Analysis (Pie)



Market Needs

Taken from a recent Consumer Reports on Eating Share Trends (CREST) survey, below are the needs we will focus on in John's. Our core group:

- Seeks strong value.
- Wants variety and flavour in its food.
- Looks for speed of service.
- Wants an entertaining dining experience.

Insists upon a clean, friendly, and attractive dining environment.

Business Analysis

The restaurant industry in the U.K. has experienced rapid growth in the last 10 years and is now moving into the mature stage of its life cycle. Many factors contributed to the large demand for good restaurants in the UK today. People want more leisure time. There are more two-wage earner families today, and more discretionary income. The competition is strong, with many formidable chains competing for the consumer pound. It is almost impossible today to strike off into a new, unique, untried venue. Only the strong will survive and prosper.

Due to intense competition, restaurateurs must look for ways to differentiate their place of business in order to achieve and maintain a competitive advantage. The founders of John's realise the need for differentiation and strongly believe that combining the popularity of steak with the buffet concept is the key to success. The fact that no other national chain has entered this arena as yet presents us with a window of opportunity and an entrance into a profitable niche in the market.

Business Participants

In the United Kingdom today, there are 3,349 chain restaurants that compete for the U.K. restaurant pound. This number does not take into account the thousands of sole proprietor restaurants that dot the England landscape. These chain restaurants accounted for £108,238,150,121 pounds of business in 2000. In the segments that competed against us there were:

- 40 chains in the cafeteria segment
- 1421 chains in the casual dining segment
- 274 chains in the family dining segment
- 1676 chains in the quick service segment

Restaurant Industry Overview: 2000

2000 was a prosperous year for the restaurant industry. While not every chain was as successful as it could be, consumers stepped up and continued to increase their use of restaurants. They appeared to have happily paid a bit more for a meal. They don't seem to need promotions to be inspired to buy. At the same time, operators, particularly chains, appeared fairly cautious. Though there were some rocky points in the British economy over the course of the year, things finished up on a high note, and prospects bode well for 2001.

Gross Domestic Product (GDP) percolated along at a growth rate of roughly 4%. The remarkable thing about the GDP is how strongly it finished the year. Disposable personal income grew a little under the pace it set the past two years. The unemployment rate continued to decline throughout the year, and the Consumer Price Index (CPI) popped above 2% but stayed remarkably low.

Concerns about the sustainability of the current economic boom appear to have had a strong impact on the restaurant industry within the operator community. In 1998, after three years of strong increases, the rate of growth for restaurant units dropped to zero. This is the first time since the recession at the start of the 1990's that the number of restaurants did not grow.

Among chains as a whole, however, smaller chains (under 99 units) were the ones that saw unit counts decline. The most aggressive growth group remains the chains that number between 100 and 500 units.

The conservative behaviour of the operator community might have led to a lacklustre year for the industry if it weren't for the fact that consumers kept right on buying more restaurant prepared foods. In 2000, the number of

meals and snacks purchased from a restaurant per person grew to 158 occasions per year (nearly half the days in a year), another all-time high.

The combined boosts in traffic counts and customers check averages resulted in a 6.5% increase in consumer spending at restaurants. The industry has achieved the longest and strongest expenditure growth ever recorded in the 25-year history of CREST.

All in all, 2000 has been a great year for the restaurant industry. Sales are increasing, consumers continue to use restaurants more often and in more situations, and the restaurant companies have managed themselves so that, on balance, they are in a fairly healthy condition. Every segment and every category grew.

Industry Marketing Overview: 2000

In 2000, campaigns focused on the classic themes of value and quality. As a result of the thriving economy, however, chains added additional elements to their campaigns. For instance, chains approached advertising with greater creativity to differentiate themselves within the marketplace. Chains also focused more on customer service.

Regardless of the message, consumers perceived operators to be dealing less this year. For the third year in a row, the rate of dealing did not increase. The trend that had never been seen before continues to stretch. This is not all a case of operators offering fewer deals, however. Many of the deals that are offered have been in place for many years. Consumers may no longer perceive combination meals and £0.99 premium sandwiches as deals. The upside of this is that consumers may be sensitive to special deals when they are introduced. The downside is that it's tough to come up with a price with more magic appeal than £0.99.

Restaurant Industry long-term Future

In the near term, it looks as though two things are likely to happen: restaurants may not have the resources to expand as fast as they did in the early 1990's, and consumers are likely to continue to increase their demand for prepared meals and snacks. Well-thought-out and well-managed restaurant companies have not enjoyed the market valuations that the dot-coms have in the past year. It seems that nothing the industry can do will attract capital the way it did earlier in the 1990's. In spite of continued same store sales increases, the lack of interest that the industry generates in the financial markets could keep restaurant operators in a conservative frame of mind in the near term. That lack of financial resources combined with the restrictions faced in the labour market should hold unit development back.

These operators will be wondering how to get more out of the property they already have. One of the ways to do this is to raise prices. They have been doing this with fair success for the past couple of years and are likely to continue to push the envelope in this respect. In addition, they are likely to want to get into new business segments: expand into breakfast, offer takeout or delivery service, experiment with snacks. Those ideas will require partnership with manufacturers to develop and design those new concepts within the existing chains.

Fortunately, consumers are likely to continue to do their part in the market. Over the long term, consumers have spent about 5% of their disposable personal income on food away from home. That number has stayed almost flat since 1930. Given the stability of this number, you can expect that total spending in the industry will grow no more than a shade faster than income. All prospects look good for income growth so we are likely to see continued 3%-5% growth. That should be plenty of room for everyone, provided people/money are available.

Main Competitors

Everyone that sells prepared meals is our competition because we all compete for the same home meal replacement pound. However, there are two segments of the restaurant industry that are our main competition: the casual dining steakhouse concept and the family value steak restaurant.

Marketing

Our strategy is based on serving our niche markets well. The seniors, baby-boomers, families with young children, blue collar workers, middle income individuals, who can all enjoy the dining experience at John's. What begins as a customised version of a standard product tailored to the needs of a local clientele can become a niche product that will fill similar needs in markets across the U.K. We are building an infrastructure so that we can replicate the product, the experience, and the environment across broader geographic lines. Concentration will be on maintaining quality and establishing a strong identity in each local market. The identity becomes the

source of “critical mass” upon which expansion efforts are based. Not only does it add marketing muscle but it also becomes the framework for further expansion.

Marketing Strategy

A combination of local media and local store marketing programs will be utilised. Local store marketing is most effective, followed by radio, then print. As soon as a concentration of stores is established in a market, then broader media will be explored. We believe, however, that the best form of advertising is still “word -of-mouth”. By providing an entertaining environment, with unbeatable quality at an unbelievable price in a clean and friendly restaurant. Therefore, the execution of our concept is the most critical element of our plan.

Positioning Statement

Our main focus in marketing will be to increase customer awareness in the surrounding community. We will direct all of our tactics and programs toward the goal of explaining who we are and what we are all about. We have no plans to join in the coupon/discounting wars nor the birthday or frequent buyer clubs upon which others have embarked. We will price our products fairly, keep our standards high, and execute the concept so that word-of-mouth will be our main marketing force.

Pricing Strategy

All menu items are moderately priced. While we are not striving to be the lowest priced restaurant around, we are aiming to be the value leader.

Marketing Tactics

We will employ three different marketing tactics to increase customer awareness of John’s. Our most important tactic will be word of mouth/in-store marketing. This will be by far the cheapest and most effective of our marketing programs. The second marketing tactic will be Local Store Marketing (LSM). These will be low-budget plans that will provide community support and awareness for our facility. We plan on doing approximately two or three LSM programs per marketing quarter. The last marketing tactic will be local media. This will be the most costly and will be used sparingly to supplement where necessary.

Marketing Programs

Word Of Mouth/In-Store Marketing

- Table tents.
- Wall posters.
- VIP party.
- In-store tour given to every new customer.
- Outdoor marquee message changed weekly.
- Grand opening celebration.
- Yearly birthday parties.

Local Store Marketing

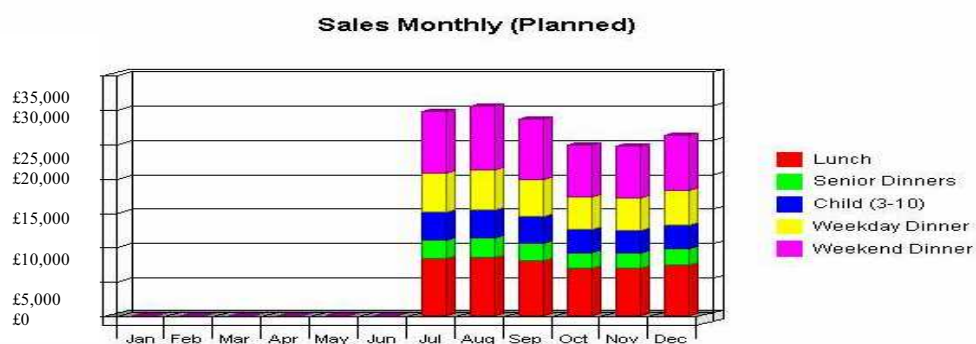
- School programs - perfect attendance.
- Local charity car wash site.
- Customer raffle for western apparel or John’s artefacts.
- Free John’s “T” shirts to customers that line dance with us.

Local Media

- Direct mail piece - containing interior pictures of our restaurant, our prices, “Theme Nights”, and an explanation of our concept.
- Radio campaign - complete with live remotes on our parking lot. We will pick the three top local stations with which to place our short and catchy ads. We will also sponsor radio call-in contests with free meal coupons to John’s as the prize. We will trade our complementary dinner coupons for free radio time. We will also make “live on the air” presentations of our food products to the disk jockeys, hoping to get the reactions broadcast to the listening audience.
- Newspaper campaign - placing several large ads throughout the month to explain our concept to the local area.
- Cable TV - will be a possibility if we can secure favourable rates with enough frequency.

Sales Forecast

Opening day for the restaurant to open is scheduled for July 1, 2001.



Sales Forecast			
Sales	2001	2002	2003
Lunch	£37,845	£195,843	£241,000
Senior Dinners	£13,659	£52,659	£95,000
Child (3-10)	£22,023	£77,021	£130,000
Weekday Dinner	£28,474	£92,474	£171,000
Weekend Dinner	£50,605	£116,603	£255,000
Total Sales	£152,606	£534,600	£892,000
Direct Cost of Sales	2001	2002	2003
Lunch	£16,595	£93,545	£98,850
Senior Dinners	£6,380	£19,930	£36,650
Child (3-10)	£11,708	£29,457	£65,250
Weekday Dinner	£13,366	£38,866	£78,500
Weekend Dinner	£25,562	£45,812	£130,750
Subtotal Direct Cost of Sales	£73,611	£227,610	£410,000

Sales Programs

Below are the programs that we will develop to kick open the restaurant.

1. **Grand Opening** – The new restaurant will have outdoor signs in place as soon as possible. We want the marquee and road sign to announce that something new and exciting is coming to the neighbourhood. Once the shell of the building is up, we will begin mounting large banners announcing that we will open soon. At the grand opening, we will attach rows of pennants to our building, outdoor sign, and pole lights to attract attention. All of this is low cost but has proven to be highly successful.

2. **VIP Parties** - We will host both a VIP lunch and dinner. This will serve the dual purpose of training our staff and introducing us to the community. The list of individuals we invite will come from the Chamber of Commerce. We will choose a local charity to be the beneficiary of our event. All guests will receive an invitation for themselves and one other, to attend our event free-of-charge. We will run the lunch on Monday, followed by the dinner on Tuesday, with our Grand-Opening on Wednesday.
3. **Point of Purchase (P.O.P.)** - We will use table toppers to explain the concept and differences between lunch/dinner, "Theme Nights" sell gift certificates, announce job openings. Brochures and handouts will explain that we can handle large parties, banquets. Another brochure will list our daily-featured entrees.
4. **Direct Mail Piece** - A stand-alone piece measuring 6" by 7.5" in size, once folded, will be produced in full colour on heavy weight paper. Inside will be all the important details of John's. We will explain our menu, prices, hours of operation, "Theme Nights" method of service, and provide a locator map.
5. **Radio** - We will create one short, humorous, music-based radio commercial, in both a 30- and a 60-second spot. Both commercials will have a 10-second blank bed where we can mention something specific about the restaurant.
6. **Newspaper** - We will create several different size ads, generic in nature, to be used for any store in the chain.
7. **Restaurant Marketing (RM)** - We have three RM programs in our current arsenal. The three that we will use during the initial marketing wave are the customer raffle, charity car wash (free car wash while you dine with us), and our school/college/university program (students receive a free meal).

Milestones

The following table lists important milestones, with projected dates and budget responsibility. The milestones schedule indicates emphasis on planning for sales strategies.

Milestones			
Milestone	Start Date	End Date	Budget
Grand Opening Materials	5/1/01	7/1/01	£500
VIP Lunch & Dinner Party	6/1/01	7/3/01	£4,825
In Store POP - Table Tents, Posters	4/1/01	7/1/01	£2,500
Direct Mail Piece	12/1/01	1/1/02	£7,500
Radio	11/1/01	12/1/01	£7,500
Newspaper	10/1/01	11/1/01	£7,500
RM project #1	9/1/01	10/1/01	£500
RM project #2	10/1/01	11/1/01	£500
RM project #3	11/1/01	12/1/01	£500
Totals			£31,825

Sources Of Advice Consulted

There is a variety of organisations that provide help and advice for new businesses. They range from those set up by the government or private organisations to individuals with certain skills. Advice can be in the form of:

- a telephone call to a specialist who can help;
- a detailed discussion on the best way to run a business;
- telephone calls to organisations providing funds;
- training videos or seminars run by enterprise agencies;
- specialist information on markets and types of business.

Various sources of advice were consulted on setting up in business and all provided valuable advice based on my business idea. The advice clarified that it is essential to consider whether the business is likely to be a success and that setting up the business without careful planning can lead to problems. Therefore it is essential to plan the business before finally setting up in order to avoid such problems.

The business must be able to support me and therefore demands greater commitment, both psychological and financial, and more courage because of the greater investment and greater risk of failure. To achieve this the chosen business idea must be the right one for me, and I will need to prepare myself thoroughly as possible for the plunge. It is no use being half-hearted.

The advice highlighted the following points which should be taken into consideration before setting up in business in order to avoid failure:

- location
- finance
- premises (renting, leasing or buying)
- legal requirements
- marketing
- taxation and insurance
- customers (who are they)
- suppliers (where are they)
- competitors (who are they)
- risks involved
- constraints
- recruitment of staff
- overheads
- pricing structure
- keeping business accounts
- equipment required

Type of Business Ownership & Legal Requirements

Partnership

A **partnership** is an agreement between 2 and 20 people to take joint responsibility for the running of a business, to share profits and to share the risks. There are no legal formalities to complete when a partnership is formed.

A partnership means:

- shared ownership
- shared decision making
- a shared workload
- shared profit
- shared liability for debts.

Ownership

The partners own the business equally, unless this is stated as otherwise in the partnership agreement. There has to be a minimum of two partners and, in most cases, a maximum of twenty.

Control

The control of the business is the equal responsibility of all of the partners, unless the partnership agreement says otherwise, and decisions made by one partner are always binding on the others. In many partnerships there is a certain amount of delegation – meaning that particular partners are made responsible for particular jobs.

Finance

Each partner is required to contribute some capital and they share out the profits and the losses between all of the partners, unless stated otherwise in the partnership agreement. The partnership has a greater supply of funds as there are at least two people bringing their personal resources to the business

Establishing the Business

Individuals may enter into a partnership with one another without any real formal written agreement, but in practice they usually draw up a **deed of partnership**. Essentially this is a set of rules which will hopefully help avoid disagreements between the partners.

The partnership agreement usually includes the following:

- the amount of capital to be contributed by each partner
- the ratio in which the profits and losses are to be shared. Usually this is worked out in relation to the amount of capital each of the partners has put in. So, in other words, the more capital each partner has put in, the more profits he or she will be entitled to
- the salaries, if there are any, that are going to be paid to specific partners
- the rules for admitting and expelling partners
- the voting rights of partners - they may have an equal or an unequal share of the decision making
- the rules for ending the partnership and the distribution of assets once the partnership is dissolved
- the working arrangements of the partnership.

Where one of the partners contributes a disproportionate amount of finance it is doubly important to draw up a deed of partnership. If no deed of partnership is drawn up the arrangements between partners will be subject to the Partnership Act 1890. These are basically that:

- profits and losses are shared equally
- all partners have an equal say the running of the business
- all partners must agree before new partners can be admitted.

Debts

In partnerships, all partners have what is known as unlimited liability. This means that any debts incurred by the partnership have to be met by all the partners up to the limits of their personal wealth. Each partner is responsible for the entire debts of the partnership, whether they have caused the debt themselves or not.

Profits

According to the 1890 Partnership Act profits are shared equally. A partnership deed is able to vary this. All the profits go to the owners – the partners.

Taxes

Partners are classed as being self-employed. Thus they pay National Insurance contributions at the self-employed rate, income tax on the profits of the business and VAT, if the turnover is high enough.

Dissolution of Business

When a partnership ends, there are a number of formalities to be observed which are set out in the Partnership Act 1890. Subject to agreement between the partners, a partnership can be dissolved:

- at the end of a previously agreed fixed term
- at the end of what has previously been agreed to be a single undertaking
- by one partner giving notice to all the other partners that they wish to dissolve the partnership.

In addition, a partnership can be dissolved in the following circumstances:

- by death, in a two-partner partnership (in other cases the partnership agreement will normally state the procedure to be followed upon the death of a partner)
- by bankruptcy of one of the partners – although the other partners can agree before the dissolution to continue without the bankrupt partner
- through the occurrence of an event that makes it unlawful for the business of the firm to be carried on
- by order of the court – when a partner becomes in any way permanently incapable of performing their part of the partnership contract
- when one partner is guilty of committing an act that brings discredit or bad publicity to the firm
- where there are wilful or persistent breaches of the partnership agreement
- when the business can only be carried on at a loss
- where circumstances have arisen that, in the opinion of the court, make it just and equitable that the partnership be dissolved
- where a partner becomes so mentally ill as to be no longer capable of managing their affairs.

Once dissolution has been decided, the Partnership Act 1890 set out the rules for the distribution of the assets.

Advantages and Disadvantages of Operating as a Partnership

Advantages:

- (a) A larger amount of capital can be raised.
- (b) Responsibilities, expertise and experience can be shared for the common good of the business.
- (c) There is no need for large capital; the environment is not cumbersome or impersonal as with large companies; everyone knows everyone else and so close contact and cooperation is maintained.
- (d) Partnerships are suitable for small businesses with no need for a large injection of capital and those businesses that prefer operating on a family basis.
- (e) Privacy of business affairs can be ensured, apart from information that has to be provided for tax purposes, the finances of the partnership are kept private.
- (f) All the partners are provided with equal incentives to work for the interests of the firm. They have all provided capital from their personal resources and can participate fully in the management of the firm.
- (g) Less formality, publicity and expense are involved in forming a partnership as opposed to a company.
- (h) The partners easily cover holidays, days off and sickness.

Disadvantages:

- (a) Unlimited liability means that in the event of dissolution a partner may be called upon to make good outstanding debts of the firm from their personal assets.
- (b) Business decisions require consultation and agreement of all the partners and this may not be always forthcoming.
- (c) The partnership has a lack of continuity. Death or bankruptcy will result in the dissolution of a partnership, unlike a company, which enjoys perpetual succession.
- (d) A partnership cannot raise capital by issuing shares or debenture and the facilities for raising capital are more restrictive when compared to a company.

Summary

- A partnership is where two or more people agree to run a business together.
- In a partnership, the key things are shared – these include decision making, workload, profits, losses and liability.
- A Deed of Partnership sets out the aims of the business, the duties of the partners and how responsibilities are to be shared.
- A Deed of Partnership should prevent disagreements.

Sources of Finance

In order to set up and operate the business, finance is required. Many sources of finance will involve some form of borrowing. Some types of finance are available for short periods of time only, while others are available for many years. Large sums of money may be borrowed to pay for all start-up costs such as premises, equipment and first stock.

Types of Finance:

These can be broken down into three broad categories.

Owners' Funds - these consist of money put or invested into the business by the owner. Owners' funds or capital is permanently invested in the business. It is not a loan so the owner will not earn any interest on this money.

Borrowed Funds - this is sometimes called debt finance as it will involve the business in obtaining some form of credit or loan and therefore going into debt to someone. Any form of borrowed funds will probably involve an interest charge and will have to be repaid. Depending on the type of credit, money can be borrowed for just a few days or for several years.

Grants - a wide range of grants are available to businesses to help them start-up and expand. The sums given will vary to the size of the business receiving the grant, what it is to be used for and the organisation giving it. Government grants may come from the EU as well as from central and local government.

Short-term Finance:

Short-term finance can be given for any period between one day and three years and will take the form of:

- **Family/relatives/friends:** certain amounts of money can be borrowed from family/relatives and friends. An agreement can be made whereby the borrower will pay interest on the amounts borrowed.
- **Bank overdraft:** an agreement with a bank to overspend the business's account, up to a specified limit. The business will go into the 'red' and interest will be charged according to the amount overdrawn and the time involved, and is usually slightly lower than interest on a bank loan. Businesses can arrange permanent overdraft facilities with the overdraft changing as money flows into and out of the business.
- **Building societies:** these also provide a source of finance and can be short/long-term. Interest is payable on the loan and an agreement is made for re-payments. Depending on the amount borrowed, loans may be secured or unsecured. Interest repayable tends to be slightly lower compared to borrowing from a bank.
- **Independent financial institutions:** there are various financial institutions which can loan money. Interest rates are usually much higher when compared to banks/building societies. Again loans can be secured or unsecured, repayments are made monthly, and loans can be for a short/long-term.
- **Short-term loan:** a specific sum of money is borrowed for a fixed time period. Interest will be charged on the full amount borrowed and is slightly higher compared to a bank overdraft. The loan will be for a particular purpose. Most of these loans will be repaid monthly.
- **Hire purchase:** this is a method of buying equipment by paying for it in instalments. The full price paid is likely to include a charge for interest. The business buying the equipment will not own it until the final payment has been made. Finance Houses specialise for providing funds for such agreements. If the buyer falls behind with repayments the finance house can legally repossess the item. Finance houses are less selective than banks when granting loans. Hence their interest rates are higher.
- **Trade credit:** arrangements with a supplier to postpone payments for goods and services received until an agreed date. In most cases this will be 30 days of credit but it depends on the reputation of the business. Paying for goods and services using trade credit seems to be an interest free way of raising finance. However, many companies encourage early payment by offering discounts. The costs of goods is higher if the business does not pay early. Delaying the payment of bills can also result in poor business relations with suppliers.
- **Factoring:** when a business sells their products they send an invoice stating the amount due. The invoice provides evidence of the sale and the money owed to the company. Debt factoring involves a specialist company (the factor) providing finance against these unpaid invoices. A common arrangement is for a factor to pay 80% of the value of the invoices when they are issued. The balance of 20% is paid by the factor when the customer settles the bill. An administrative and service fee will be charged.

Medium-term Finance:

Medium-term finance is given for between three and ten years. It consists of:

- **Term loans:** these are similar to short-term loans but the banks often offer a wider range of conditions. Interest rates might be either fixed or variable. Repayment might be made in instalments at the end each year or might be made at the end of the loan period. The loans might be for larger amounts.
- **Leasing:** the leasing company will buy the asset and then lease it to a business (the lessee). The leasing agreement will be for a fixed time period, after which it might be renewed or a new agreement reached for a more up-to-date piece of equipment. The lessee will pay a regular payment for the use of the asset. The leasing company may be responsible for repair costs but the lessee will not own the asset.

- **Instalment credit:** this is the same as hire purchase but will be arranged for longer time periods and probably for larger sums of money.

Long-term Finance:

Long-term finance is given for 10 years or more and can be in the form of:

- **Term loans:** the same as for medium-term loans but may be for as long as 20 years. Any lender would make sure that the borrower had sufficient security in case the loan could not be repaid.
- **Syndicated loans:** for very large loans, a group of banks or other financial institutions might jointly provide the money. This would spread out the risk of non-repayment.
- **Mortgage loans:** these are loans for the purchase of land and buildings. These may involve very large sums of money and so may be for between 20 and 35 years.
- **Sale and leaseback:** an asset, particularly land and buildings, may be sold to a company specialising in leasing. The seller then leases the property back from the buyer. This gives the selling business a large sum of money, but it no longer owns the property and it will have to pay out a regular sum of money for its use.

Conclusion

When setting up in business, the entrepreneur will be faced with many problems and challenges. The way in which the entrepreneur works will probably be different to that of an employee. The responsibilities of the business would fall onto the owner. Great personal commitment is needed. The entrepreneur must be able to come up with new ideas and 'keep going' even if things get tough. This means that the entrepreneur must be single minded and self-sufficient.

Organisation of time is very important. The entrepreneur must decide what is to be done and place tasks in order of priority. Working long hours will place great stress on their personal and social life and their family and friends. The entrepreneur must also consider the skills they have and whether they are enough. When the business is set up there are legal and operational tasks that must be carried out. Most importantly, the owner will need to sell themselves and the company in order to survive.