

# Why You Need a Business Plan

## Why a Business Plan is Important for Any New Restaurant

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There is an old saying “Failure to plan is planning to fail.” Well, this couldn’t be more true than in the restaurant industry. Restaurants have a notoriously high failure rate. People assume (wrongly) that their particular restaurant is going to be the hit of the town, and they are going to make a small fortune overnight. Most people don’t realize how expensive it is to start and maintain a restaurant. There are so many factors to consider, including fluctuating food costs, payroll and taxes, that many business owners are quickly overwhelmed. For this reason a business plan is essential for anyone thinking of opening a restaurant.

### A Business Plan has Two Main Functions

1. A thorough business plan allows for you to plan your business on paper, including start up costs, annual budget and projected sales. Although a business plan can be time consuming to complete, the end result will help give you a clear picture of how to make your restaurant succeed. A business plan can also help you reduce some risks. For example, you might discover while researching your business plan that there are two other local restaurants with similar concepts as your restaurant. Because you found out in the early stages, you can make the necessary changes without spending any money.
2. The other big reason for creating a business plan is to convince a bank to give you funding. You need to show that you have thought this business idea through and you know what you are doing. If you waltz into the bank and simply tell them your idea, without any data to back it up, they are going to send you waltzing right back out the door. You need to have the necessary numbers to back up the argument that your restaurant is a viable business opportunity.

Creating a business plan is similar to homework. It involves research, writing, and editing. To help you create a stellar business plan that will have banks throwing money at you (well, maybe not throwing, but at least willing to listen to you) take advantage of local economic agencies in your area. The Small Business Administration (SBA) is a great place to find resources and counseling on how to create a winning business plan. The SBA can walk you through almost every part of writing a business plan, as well as help you find all the necessary information, such as local employment rates and population data.

While a business plan doesn’t guarantee automatic success, it is a handy blueprint of where you’re starting and where you want to go.