

FROM FOOD VAN TO RESTAURANT

A guide for food entrepreneurs



The Restaurant Consultant's step by step guide

PLANNING & RESEARCH

1 Start with a business plan

A short one is sufficient at this stage. There are many templates that you can populate. Research what you don't know.

2 Observe the competition

What are they doing right? What could be improved? Who leads and what sets them apart from the rest? Talk to other restaurant owners.

3 Define market segments

What segments of the market you want to target for your establishment. How will you let them know about your business?

4 Observe trading patterns

Visit your ideal locations during several time slots. Observe the movement of people and the levels of business.

5 Average spend per head

How many customers will you serve per day? How much money will they spend? What will the cash flow look like?

6 Initial outlay by opening

What sums will you have spent on the property, design, fit out, equipment, marketing and PR, management/team hiring and training, website, professional fees etc? When will you break even?

MARKETING & LAUNCH

7 Seats and team members

How many seats will the restaurant have and how many team members will you need to hire to serve your clientele? Plan for recruitment & training.

8 Get marketing ready

Think about the name of your business. Is the website available? Consider registering your brand. Market your venue.

9 Trade as company

It's good to trade as a company. You may have to register for VAT.

10 Consider tech

There are a lot of technologies, apps and websites to help a restaurant business. Electronic tills are not expensive and you'll need terminals to accept credit card transactions.

11 Health & Safety

Familiarise yourself with health and safety, food safety, HACCP, COSHH, fire and alcohol licensing regulations. There are many courses that you could attend.

12 Ready?

Always do a soft launch to rectify any teething problems. Try to be on the floor making sure all of your customers are delighted. Enjoy the journey.

Tips from a property consultant

WHAT TO DO?



Understanding the challenges

Your company will require very good brand presentation material. The landlord wants their income to be secure by having a company that will enhance capital and rental value long term.



Personal accident policy

Cold food sales and coffee shops A1, hot food A3, take away A5 planning use. Under 1600 sqft of A1 can be converted to A3 without consent as permitted development.



Landlord & agent requirement

An enticing brand, media brand profile, a quality fit out plus accounts showing net profits at 3 X the rent to be paid. If not then they may settle for a rent deposit of 6 to 12 months.



Making an offer

After the negotiation you must provide the detailed terms and these need to be thought through properly. You need a landlords pack to go with your offer with all references etc.



Types of deals

Usually you will buy or take a new lease direct from a landlord. Most food operators like 10-25 years for security. You may pay a premium for a new lease certainly if you are buying a lease with A3 use.



Finding properties

There are business for sale websites, Shop Property or individual agent's websites. For a fee you can appoint an agent to make the search for you, and most will do so speculatively but only as your sole agent.

APPOINTING AGENTS

All companies rely on agents to keep them up to date. Agents act as filters, and as a go between, while adding credibility to a brand, as the agent may be much better known in the property market than the client.

They can often source information and contacts better. The agent should be able to outline all your property outgoings on the chosen property and even guide you as to your potential sales and prepare your landlord's pack.

How to avoid mistakes



Avoiding personal guarantees



Research the market & price you are paying is reasonable



Have a building survey done before you exchange



Have a Landlord's pack ready from day one

KEY TENANCY CONSIDERATIONS

Rent

Payable either monthly or quarterly in advance. Sometimes a tenant can agree a rent that is inclusive of all other expenses such as service charge, insurance and rates. On longer term leases the landlord will review rent generally once every 5 years on an upwards only basis to the greater of the current rent and the market rent at the time of the review.

Service charge

If the property forms part of a larger building or has areas that are used in common by you and other tenants, then it is likely you will be required to pay towards the cost of these through the service charge. You might want to consider agreeing a cap on your contribution or certain exclusions to keep your liability down.

Tips from a commercial property lawyer

LEGAL ESSENTIALS

Insurance

Usually, the landlord will be responsible for insuring the property and you required to repay your proportion. Have 3rd party insurance for protection of damage that prevents you trading or if damage that the landlord has not insured against.

Business rates

A landlord will be keen to fill a vacant unit not just to receive some income but also to pass on the business rates liability to the tenant. You may seek to avoid this extra cost by agreeing an all-inclusive rent.

Dilapidations/repairing

Often a tenant is required to keep the property in good repair and condition and ensure it is returned in that state at the end of the term. Agree a schedule of condition when you take the lease to ensure no onerous rectification requirements at term end.

VAT

It is likely that the landlord will be registered for VAT and be charging this on top of the rent. Consider whether you should register for VAT to enable you to recover the VAT you spend.

Security of tenure

A landlord is likely to insist that any lease is excluded from the Landlord and Tenant Act 1954, meaning that you, as tenant, would not have an automatic right to renew your term when it expires. You need to negotiate new terms upon expiry of the lease if staying at the premises.

Rights

It is crucial that your lease or licence grants you the rights you need to operate. Items such as seating outside your demise, signage, car parking and access are some of the important issues you will need to consider.

Tips from a commercial property lawyer

LEGAL ESSENTIALS

Permitted use and planning

To avoid delays consider early on property use and extent of your proposed works. If the existing use needs changing, the building is listed or your fit out works are potentially substantial then likely need planning consent. Your restaurant will need to have a valid premises/liquor licence in place.

Alterations and fits outs

The landlord will want to approve any alterations to the property and Often, they will need to see plans and a specification and will require a separate licence for alterations documenting and consenting to your proposals.

Break rights

You might want to terminate the lease early. Useful if you are not sure how well you will trade and gives added flexibility. Often a landlord will require a few months notice and insist that the property is vacant and all rents paid up to date. Sometimes a landlord will insist on a penalty payment if break the lease.

Assigning or underletting

Another way of removing your obligations under the lease is having the ability to assign it to another party or to grant an underlease to another party. To do this you will probably need to get the landlord's consent.



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