

Commercial kitchen

ADVERTISING FEATURE

Make a profit from risky business

Running a restaurant is a perilous and complicated business, and the design and contents of its kitchen, the way this "engine room" operates and the standard of its staff, are vital ingredients in determining whether the business succeeds or fails.

The importance of getting things right is underlined by an Australian Bureau of Statistics survey of cafes, restaurants and catering services, which shows that during 2006-07 half of the restaurants employing four people or less operated at a loss.

One of Australia's top experts on restaurants, Ken Burgin, points to a 50 per cent ownership turnover rate in all restaurants including the larger ones, and says that, on average, they only last two years before the owners are out. Ken has successfully owned and operated Sydney restaurants, and now teaches other owners how to operate their businesses profitably through his managing and marketing resources website at www.profitablehospitality.com.

"There are lots of reasons why restaurants fail," he says, "but one is that there are just not the efficiencies there — perhaps on the equipment side — that give them the low costs that they need.

"The kitchen is really the engine room. There are three principal costs — labour, food and beverage costs. Beverage costs depend on whether you are licensed for wine or coffee or juices, but with food costs the more you actually cook and make yourself, the lower your costs will be.

Ken says a lot of smaller food outlets such as coffee lounges and cafes buy in most of what they sell. "The muffins they sell are marked up and sold again, but that's just retailing and it's not running the business to its full advantage," he says.

"The fundamentally important issue for people to remember is that they're in the manufacturing business. If you can make it yourself, your costs might be between 10 and 15 percent. If you just buy and re-sell it, your costs are going to be 50 per cent.

"Even some restaurants do this — on the dessert side for instance — they can be very profitable items but there's a level of skill needed to make them, so they are just bought in."

Ken suggests that people can save themselves a lot of money and heartache by having an experienced con-



sultant help them set up their restaurant — including helping them to choose the right building and location.

"People often have very set ideas on the concept and the style and the menu and that's fine because they are things that can be changed on the run," he says. "If people don't like the food you are serving you can change that overnight, but when it comes to equipping the place I see people making two kinds of mistakes.

"One is over-capitalisation, buying expensive equipment they don't need. For instance, display counters like the ones they have in big food courts. Those things can cost between \$10,000 and \$20,000 dollars and often they're too big.

"If you'd bought a \$20,000 one when an \$8000 one would have been enough — boy! That's a lot of money wasted.

"On the other hand, there can be under-capitalisation — in providing refrigeration for instance — there's often just not enough storage so they can save money by buying in bulk, or there might be inadequate cooking

facilities.

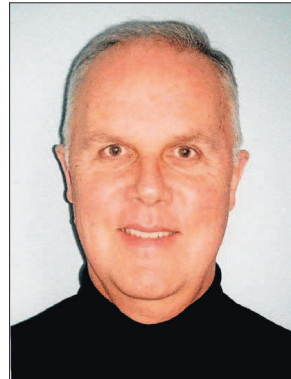
"Anyone can start up a restaurant. If you want to start an electrician's business you have to have your license and qualifications, but anyone can open a food business basically.

"There are very minor requirements such as getting some food safety training, but so long as your premises are up to code and the drainage and the tiles are in the right places on the wall, anyone is able to open up.

"It's not just the technical aspect of cooking that they don't have to be trained in, they don't have to have business training either."

Restaurant & Catering Australia, a national organisation representing the nation's 40,000 restaurant businesses, says the ABS report showed the costs of food product rising by 7.1 per cent, rental by 9.7 per cent and wages by 10 per cent a year.

"The report shows how difficult the restaurant business really is yet restaurants still keep opening their doors and serving great product to hungry Australians," Restaurant & Catering Australia's chief executive officer John Hart said.



FROM TOP: The kitchen is the engine room; Ken Burgin.

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