

HOW TO START A CAFE BUSINESS

Poster — a point of sale and inventory management for cafes and restaurants

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If you want to open a cafe, you should remember that it requires patience, a strong thirst for knowledge and willingness to spend every waking moment at work. And, of course, you need to decide what type of cafe you want. You can start a coffee shop where the main item is coffee or cafe with regular meals. Whatever the choice is, make sure you know all about it.

A report from [the American Enterprise Institute](#) states that every year Americans spend \$54,857 billion at bars, cafes, and restaurants while spending \$52,503 billion on groceries. Impressive, isn't it? With such high rates, it's not surprising that even a small sector of the industry such as coffee shops is growing every year and by 2021 it is expected to reach \$46.2 billion.

To begin with, you need to have a concrete idea of what a cafe owner does. In reality, he faces nerve-racking work and numerous problems every single day. But rest assured, once you find the right approach the hard work will pay off and bring genuine pleasure. So follow these steps for starting up a successful cafe business.



1. Creating a business plan

4 - 8 weeks

So, how do you start a cafe business? First up, whether you are you [starting a food truck](#) or a coffee shop, you need to write a business plan. Research your competitors, analyze the industry in general, and figure out your target audience. Here are some useful blogs that will help you with research:

- [The New York Times Start-up chronicle](#) – here, ignore the fact that the last updates were back in 2013. In spite of this, the blog presents a few really good “restaurant adventures” that owners have been through.
- [Restaurant Marketing Blog](#)
- [Blog.BodellConsulting.com](#)

There are two options for creating business plans: use professional help or [find business plan templates](#) on the Internet and do it yourself. Business plan consultants charge from \$500 to \$2,000, depending on things like location, timeline, number of pages, etc. But they are pricey, so if you aren't ready to invest money at this level, try to figure out all the aspects of your business on your own. It will help you to have a better understanding of what goes into a cafe business. Check out the [U.S. Small Business Administration website](#) for useful tips and real examples of various types of business plan.

Figure out how much money you need to open a cafe. For example, an average cafe could cost

you from \$200,000 to \$375,000, but the final number is always unique. In the first place, this depends on the concept and business model. It's also important whether you intend to buy new or used equipment. And, of course, location means everything. You don't want to start out paying expensive rents, but at the same time a cafe needs to be well located. And don't forget when doing your calculations to take into account the furniture, equipment, supplies, repairs,

advertising, all kinds of taxes and license costs, and professional fees for designers and business consultants etc.

You can't open a cafe with no money. Whether you use FFF (Friends, Family, and Fools, as it is jokingly called) funding, a retirement account, a bank loan or financing found on [Business.gov](https://www.business.gov), the main thing is to spend your money smartly.



2. Getting licensed

From one to several months

Every business needs to be legal and every state has its own laws. First up, get familiar with every type of license and permit. Visit the [U.S. Small Business Administration](#) and [License Suite](#) websites and check for the kinds of permits and licenses you will need for your particular business. After research, you need to determine the [structure of your business](#) organization.

Here are the three most common business structures:

- **Limited Liability Company (LLC)** — is a legal structure that combines the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership. The number of members (owners) depends on the State. It may consist of a single individual, two or more individuals, corporations or other LLCs.
- **Partnership** — is a single business where two or more individuals share ownership. Each partner contributes to every aspect of the business, including investment, property, labor and skill.
- **Sole Proprietorship** — is the simplest and most common structure. It is an unincorporated business owned and run by one person with no distinction between business and owner.



When the first important step is completed, go ahead and obtain the permits and licenses you need at the federal, state and local levels. Remember, dealing with all the regulations will take a few weeks or more, so start doing the paperwork as soon as you get your financing. Any business serving food must be conscious of their customers' health. So you need to understand the Federal Agencies that control food safety standards, which include cleaning, cooking, management, food diary etc.

[Centers for Disease Control and Prevention \(CDC\)](#)

[FDA Meeting Food Safety Goals](#)

[The New FDA Food Safety Modernization Act \(FSMA\)](#)

[U.S. Food and Drug Administration \(FDA\)](#)

[Centers for Disease Control and Prevention \(CDC\)](#)

3. Creating a concept and brand identity

1-4 weeks

Develop a logo, a color palette, a layout that will remind people of your venue and which represents your personal style. The concept should combine interior design, cuisine, strong customer service relations and a pleasant atmosphere in general. This will all help make people want to spend more time in your cafe.

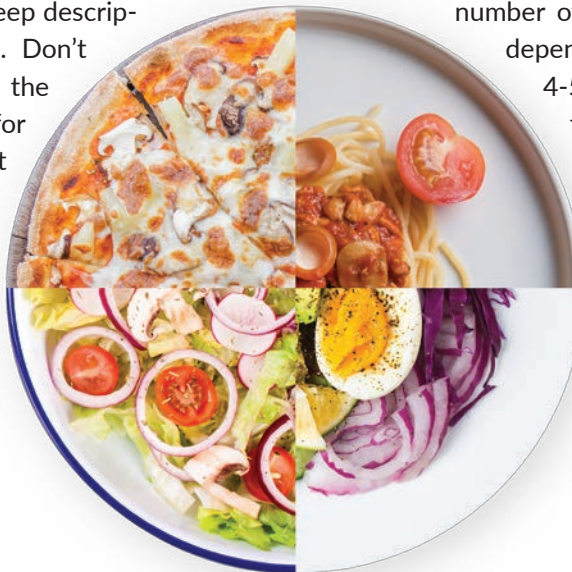


4. Developing a menu

1-2 weeks

The menu is a reflection of your cafe's style and concept. That is why a menu must be well designed: dish and drink descriptions should be interesting but not complex. Always mention major ingredients and keep descriptions short and simple. Don't put too many items on the menu: It is really hard for customers to pick out just the right number of dishes when a cafe menu has three pages for a single category. A massive menu selection means a huge inventory, huge waste,

cost control issues, and confusion for your customers. The number of menu items depends on your cafe type. For example, a coffee shop menu may include 16-20 types of drinks (the number of hot and cold drinks will depend on the time of year), 4-5 types of sandwiches, 5-7 types of desserts. When it comes to design, there is a heap of variety. All you need is imagination, and websites like [Pinterest](#) for inspiration. But don't make your layout too overwhelming.



5. Finding a perfect storefront

1-8 weeks

Good location is already half your success. A cafe doesn't have to be located in the heart of the city, but it should have good visibility and a busy environment. In this way, a cafe will attract everyday passers-by. But remember, the better the location you pick, the more expensive it is going to be. If you can't afford a well-located, big, spacious cafe, then give preference to location over size. A small and cozy coffee shop is always a great option to start with. If your budget allows, make sure the place has usable pavement space to put out a few chairs and tables. This is bound to be a big plus for your cafe.



6. Designing a cafe

2-4 months

As for design, the best option is to trust a professional. A designer will help you pull together and combine all your ideas into one general picture. She/he will plan your cafe's space according to the fire, ventilation and other building codes in force. Your cafe should have three areas: production, dining, and restroom. And all of them must be properly equipped. And then there are the interior designers – they are really expensive, so don't despair if you can't afford them. At the outset, a lot of cafe owners create the look of the place themselves. In this case, for inspiration use Pinterest and interior magazines like [Dezeen](#), [Restaurant & BarDesign](#) etc. Also, [Houzz](#) is a great app for picking and buying furniture.



7. Buying equipment

1-2 weeks

The next step is purchasing comfortable furniture, plumbing facilities, and commercial kitchen equipment. Your choice depends on the design, the menu, and your budget. To save money you may even opt to buy used cafe equipment.

Pros of used cafe equipment:

- Used equipment will help save cash for other expenses.
- Because of the high levels of competition, some new restaurants will fail and owners try to sell off all the equipment as fast as they can, so



there's a good chance you can buy equipment at bargain basement prices.

- Typically, these sellers want to off-load their equipment and recover their money as fast as they can. If you are buying several items from a single seller, try to get a discount or, if you are lucky, get another item (a kettle, perhaps) as a gift.

Cons of used cafe equipment:

- Higher chances of malfunction.
- Most used equipment won't have a return policy.

- Repairs may cost you as much as new equipment with a warranty.

The equipment list should fit your cafe type. For example, to open a Coffee Shop you need:

- Coffee and beverage equipment (espresso machine, coffee grinder, frappe and smoothie blenders, coffee and iced tea brewers, hot water dispenser etc.).
- Refrigeration and warewashing equipment (reach-in refrigerator, ice machine, bakery display case, underbar sink, dishwasher etc.).
- Coffee smallware (espresso tampers, measuring cups and spoons, scales, frothing thermometers etc.).
- Disposable Coffee Shop Supplies (paper and plastic cups and lids, coffee sleeves, straws, take-out cup carriers etc.).



8. Picking a POS system

Few days - to choose a POS system

From 15 minutes to one day - to install a POS system

It is important to pick a good POS system. It should be easy to use, affordable, and do a lot more than just process sales and accept payments. The system should include inventory and staff management, customer data gathering, marketing tools and other features that will make it easier to run your cafe.



9. Finding suppliers and distributors

2-8 weeks

After signing-off the eventual menu, make a list of ingredients, adding extra for storage. The best way to get fresh stuff for your kitchen is to seek out a local farmers' market. To find a food supplier near you, check out [USDA's Farmers Market Directory](#), [LocalHarvest.org](#), [FMI.org](#) or [Better Business Bureau](#). You definitely should visit the largest international foodservice marketplace [NRA Show](#) in Chicago. There you can chat with chefs and restaurant and cafes owners, learn new trends and, most importantly, exchange experiences with both beginners and industry oldtimers.



10. Hiring and training kitchen and waitstaff

2-4 weeks

When all preparations are complete, it's time to begin hiring employees. Your staff needs salary, payroll taxes, unemployment insurance, and health insurance. The salary of employees mostly depends on experience, qualification and language skills (in case you are considering the option of hiring non-US citizens). Be sure that you don't hire more people than you need.

Post help-wanted ads online ([Monster](#), [Craigslist](#), [CareerBuilder](#) etc.) or put a sign in the cafe's door or window, wait for applications and interview all candidates.



During the interview, pay attention to their ability to maintain customer service relations, learn and perform basic mathematical functions.

Your employees must be completely familiar with the menu, know how to work with the POS system and how to use your equipment. [Motivate and encourage your employees](#) with a bonus scheme. Dinners on the house and mini-breaks every few hours usually make a positive influence on your staff's mood and work discipline in general.



11. Promoting your cafe

2-4 weeks

Make sure people are aware of your cafe opening. The best way to reach people is the Internet, so create a business account on Facebook and share information and news with your followers on social media. Visual content is more sharable and has a powerful influence on audience, so take high-quality pictures of your cafe's interior and food. Use as many methods as you can to promote your place and [attract new visitors](#):

- Create loyalty programs and integrate them with popular foodie apps such as [Loyal Blocks](#) and [LevelUp](#).

- Use paid ads on [Facebook](#), [Google AdWords](#), and [Bing](#). Set up location targeting (select locations where your ad can be shown) to engage audiences from your area. Learn how to do this on Facebook, Google AdWords, and Bing by clicking the hyperlink.
- Enter partnerships with delivery services, [Tripadvisor](#), [Eater](#) and create a [Yelp](#) account.

We hope this article will help you avoid the most common mistakes at the beginning of your career and make up your mind about turning your business idea into reality.

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