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RESTAURANTS AND FOOD SERVICE

A playbook for opening and running a restaurant, café or counter-service spot: costs, licenses, the numbers that matter and how restaurants get funded.

TYPE: PLAYBOOK REVIEWED: NOVEMBER 2026 TIME: 15 MINUTES LEVEL: INTERMEDIATE

AT A GLANCE

- Restaurants can build loyal communities, but margins are **thin** and startup costs are **high**. Success depends on controlling **food cost, labor and rent**.
- Test your concept first with **pop-ups, catering or a food truck** before signing a lease. See **I-08 Testing a Main-Street Idea: Pop-Ups, Markets and Pre-Orders**.
- Lenders and investors look at **sales per week, food and labor cost percentages, and location-level profit**.

WATCH OUT

All figures in this playbook are general, illustrative ranges as of the review date. Costs and rules vary widely by city, concept and size. Confirm with local agencies, suppliers and advisors.

Is it right for you?

- Long hours, nights and weekends, especially in the first years
- Physically demanding work and lots of staff management
- Strict health and safety rules
- Rewarding if you love hospitality and your community

Startup costs (illustrative)

Item	What it covers
Lease deposit and rent during buildout	Often 1 to 3 months of rent, plus rent while building
Buildout	Kitchen, plumbing, electrical, ventilation hood, dining room, restrooms
Kitchen equipment	Ovens, ranges, refrigeration, prep tables; used equipment can save a lot
Permits, licenses and inspections	Health, building, fire, signs, liquor if applicable
Point-of-sale and technology	Ordering, payments, online ordering
Opening inventory	Food, drinks, packaging, cleaning supplies
Hiring and training	Wages before opening
Marketing and launch	Signs, website, launch events
Working capital	3 to 6 months of operating costs while sales build

Taking over a **second-generation restaurant space**, one already built out as a restaurant, can cut buildout costs dramatically.

Licenses and permits (common)

- Business license and sales tax permit
- County health department food service permit and inspections
- Food handler and food manager certifications for staff
- Building, fire and occupancy approvals
- Sign permit
- Liquor license, if serving alcohol (can take months and be expensive in some places)
- Music licensing, if playing recorded music in some situations
- See **B-05 Licenses and Permits: Finding What You Need**.

How the money works (illustrative)

Line	Share of sales
Sales	100%
Food and beverage cost	28% to 35%
Labor (including payroll taxes)	25% to 35%
Rent and occupancy	6% to 10%
Other operating costs (utilities, supplies, card fees, repairs, marketing)	15% to 20%
Location-level profit	**Often about 5% to 15%**

After owner pay, loan payments and taxes, many restaurants keep a small share of sales. Your **prime cost**, food plus labor, is the number to watch most closely. Many operators aim to keep it at or under about 60% to 65% of sales.

> EXAMPLE
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> **Marisol's** taquería does **$600,000** a year in sales. Food cost runs **30%** ($180,000), labor **29%** ($174,000), rent and occupancy **8%** ($48,000) and other costs **18%** ($108,000). Her location-level profit is **15%**, or **$90,000**, before her own pay, loan payments and taxes. Her prime cost is 59%.

Numbers to track weekly

KPI	What it tells you
Sales by day and daypart	When you're busy and slow
Food cost %	Portioning, waste, pricing and supplier costs
Labor cost %	Scheduling efficiency
Prime cost %	Your two biggest costs together
Average check	Upselling and menu pricing
Covers or transactions per day	Traffic
Online and delivery share	Channel mix, and app fees that cut margin
Reviews and rating	Reputation

How restaurants get funded

- Owner savings and friends and family. See **R-03 Friends and Family Money: Doing It Right**.
- Equipment financing. See **R-07 Equipment Financing and Lines of Credit**.
- Community lenders and microloans. See **R-05 Microloans and Community Lenders**.
- Bank and SBA loans, often needing experience, a strong plan and collateral, with 2026 citizenship rules. See **R-06 Small Business Loans and SBA Loans**.
- Landlord buildout allowances. See **B-13 Renting Your First Space: Leases Explained (Main Street)**.
- Investment crowdfunding from loyal customers. See **R-09 Crowdfunding: Rewards and Investment**.
- Revenue-based financing, carefully. See **R-08 Revenue-Based Financing**.

Ways to grow

- Catering and private events, often with better margins
- Online ordering and pickup
- Packaged products such as sauces or baked goods
- A second location once the first runs without you. See **G-04 Opening a Second Location**.

Common mistakes

- **Too big a menu**, which drives up waste and food cost
- **Underestimating buildout time and cost**
- **Not tracking food and labor cost weekly**
- **Heavy reliance on delivery apps** whose fees eat profit
- **Opening without working capital**

Launch checklist

- ☐ Test the concept with pop-ups or catering
- ☐ Cost out every menu item and set prices from food cost
- ☐ Confirm zoning, health and fire requirements before leasing
- ☐ Build a budget with a 10% to 20% contingency
- ☐ Plan 3 to 6 months of working capital
- ☐ Set up weekly food, labor and prime cost tracking

Where to go next

- **I-08 Testing a Main-Street Idea: Pop-Ups, Markets and Pre-Orders**
- **L-08 Opening a Physical Location (Main Street)**
- **O-10 Tracking the Numbers That Matter**
- **P-02 Food Trucks, Catering and Home-Based Food**

IMPORTANT
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