

What to consider before you open a café.

Opening your own café can be one of the most rewarding experiences ever! It will give you freedom to be your own boss, be in an industry that positively impacts the lives of others, allows you to work amongst the vibrant coffee and hospitality community and, when done right – bring you a profit. To get to this point, there are some critical things to consider prior to starting a brand-new café.

Whether you're a hospitality veteran who's been plugging away as a chef for years or a passionate coffee enthusiast transitioning away from corporate life, this article provides some of our top tips to guide you on your journey. We will cover the need for a clear Vision and Mission to provide direction, the key aspects of a great business plan, some focus areas when seeking a site and lease that's appropriate for your business goals and lastly what professional support you could make use of.

At Five Senses, we love listening to these emerging visions and helping owners create exciting new venues. I've personally opened several successful cafes in the past and, after talking with other café owners and the team here at FSC, have written this guide to help you make the most of our experience. If there's any further way we can help, feel free to reach out and we'd love to chat. Before we get stuck in, let me first note that the following are generalized suggestions – every café dream and situation will be different so consider what's right for you and please, always seek professional advice where applicable.

1. Vision and Mission

Bravely opening a new business for the first time can certainly create some anxiety. These nerves can be calmed through the application of careful planning and a clear outline of your vision and mission. Asking yourself some broad questions early on will help you to understand what type of business you're going to create: what do you want to offer, how will you execute these offerings, who is your target audience (demographic), where are you going to open (location) and why are you opening this business in the first place? The mission is the "why", "what" and the "how," and the vision is the "where." Many organizations combine the two statements but separating them will help distinguish what an organization does and includes tangible goals which the organization strives to accomplish (mission) whilst clarifying the aspirations of the organization and define the direction it's heading in (vision).

Your vision statement should be a big picture goal and what you want to ultimately achieve. Your mission statement focuses on how you will achieve it. Both statements are vital in giving direction to your goals and will help align your further strategic planning, culture, and core values. Your mission statement is a short statement of why you're doing what you do. When you're elbows deep in the operation of your café and a challenge or opportunity comes up, this will be the anchor you can return to check yourself with. From the future goal identified in your Vision, you can unpack your operations: what kind of product or service it provides, its primary customers or market, and its geographical location. How does the business look in 3 to 4 years' time and what are your metrics for success? Be aspirational and state what your dreams are – are you inspiring change in the industry? Are you offering the best selection of coffee to your local community? Having a strong vision that is communicated to your staff team and other stakeholders focus on what matters most in your cafe. By understanding what success means it will help your team achieve it! Without a clear vision your café is threatened with a lack of purpose and will be challenged with conflicting needs.

There are many examples of vision and mission statements but two of my favourites are:

Tesla

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Mission: To accelerate the world's transition to sustainable energy

Vision: Create the most compelling car company of the 21st century by driving the world's transition to electric vehicles

Patagonia

Mission: To use all its resources to defend life on Earth

Vision: Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.

2. Business Planning

The thought of writing a business plan probably doesn't get your blood pumping like a great cup of joe can but they are the key to success for a new business. Much like a Vision and Mission Statement, a Business Plan will force you to think seriously about your concept and write down in detail how you will execute these ideas. By focusing on specific steps, you're much more likely to achieve your short-term and long-term objectives.

Here's a snapshot of the headlines your business plan should cover:

Synopsis: What's your business about and how are you going to stand out

Staff size: What team do you need for the size of your venue and what work are you going to do yourself? Refer to your concept within your Mission Statement and the defining theme of your venue. Regardless of if you're opening a small hole in the wall or a large sit-down space, highlight the different roles and responsibilities you expect to have in your business so you can allocate a budget for salaries.

Capital investment: What money do you need to get things started and where are you sourcing this from? If you're using a loan or lease options, make sure to include this in your broader financial predictions.

Market Analysis: Create a market analysis of who your competitors will be and your target demographic. It should highlight how your cafe will meet local, unfulfilled demands. You should consider how many people need your service currently, is there potential for growth in the market, what obstacles you may face (such as competitors, developments, COVID restrictions) and what opportunities may emerge in the future.
Who will your regulars be?

Point of difference and marketing: How will you distinguish yourself from your competition and how will you communicate this to your customer base? What is the need or want for your business model? Are there proven examples of success? How would you create that need or want? Why do successful examples work? How will you connect with potential customers and tell your story?

Financial predictions: Create a budget that includes setup capital as well as your projected profit and loss(P&L). Spend some solid time brainstorming all of the potential costs to plug in – the more thorough this step of planning is, the more pitfalls and unpleasant surprises you'll avoid further down the line!

Setup capital should include all your initial fit out costs including (but certainly not limited to!) Coffee and kitchen equipment, trades, permits, branding, tables, chairs, ceramics and cutlery etc.

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Your working P&L should try to map revenue and costs over the first 1-3 years and should include overheads (eg rent, utilities, wages, tax), likely income and the required cash availability to buffer the ups and downs.

While your business plan can only attempt to predict future outcomes, it is still vital to try and accurately estimate how much cash will be coming into your business versus what will be spent. This will give you an idea of how much revenue you'll need to generate to turn a profit each month.

There may be busy and quiet periods which will require you to make adjustments. Are you opening in the CBD? Weekends and summer holidays turn the city into a ghost town. Are you a holiday destination? Adjust your P & L to peak and off-peak periods.

Lastly, create a break-even analysis that explains how much revenue you will need to make to break even after you've paid all your overheads. Does your concept allow for profit and if not, how will you fix this? Without generating enough income and being profitable you won't be able to execute your vision! This is a great opportunity to check your business model - reflect and refine your plan based on the insights you learn here.

This is a major, yet invaluable step of planning out any new successful business. Many templates exist online that provide a great guide to begin mapping this out. The VIC Government version is a good starting point that you can access for free [here](#).

3. Location and Leasing

The location of your venue might just be the most crucial decision in deciding the success of your café. A multitude of factors come in to play when choosing a location: local demographic, other businesses in the area, accessibility and visibility, existing infrastructure, leasing terms and site restrictions.

Demographic: Considering your business plan, knowing your audience and who you're catering for is absolutely necessary and will strongly influence where you intend to set up shop.

Ask yourself the question: will the demographics in this area provide the sales numbers I need to sustain my business? If the answer is yes, continue your search in that area! If no, then keep looking for alternative locations. No matter how wonderful the space is, if your target market isn't reachable or going to visit you, your business will struggle.

Are you offering a fast paced, takeaway friendly offering? Office workers will be your prime target, so you'll need a location with a high density of offices within walking distance. Conversely, if you're aiming to create a family-friendly community hub, then a location closer to schools and parks with easy parking would be ideal.

Other businesses: Competitors can be something of a double-edged sword. Whilst they can affect your profitability adversely, they can also help attract a larger pool of customers to the area. Finding a balance between proven ground and saturation is key. Alternatively, you may identify a gap in the market with a soon to be captive audience.

Accessibility and Visibility: The convenience and prominence of your café's location may affect whether customers make you their regular pit stop or even if they'll give you a go in the first place. When thinking of accessibility, think of your target audience. Do you require curb-cuts for wheelchairs or strollers, are you located on a road with a morning clear way? The convenience of accessibility is a huge factor for your customers so make their life easier to reach you.

Be as visible as possible to oncoming traffic and pedestrians. How can you indicate to potential customers that you have awesome coffee and a great café here that they should stop in at? Signage - A frames, awning signs, lightboxes - should be considered first but how else can you attract attention? How about an eye-catching exterior design, the warm glow of lights in your window seating

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or the energy of the music coming through your doorway. Think creatively and consider what would attract yourself to try out a new place.

Infrastructure: When looking at a site the biggest cost will often occur if you're doing a new build in a space that hasn't housed hospitality previously. If you're unable to secure a venue that's already fit for purpose, costs may include structural renovations, installation of kitchen facility, upgrading of utilities and design work for your aesthetic. Labour, utilities and material costs for a small café can add up quickly for even the simplest of jobs so due diligence is required.

Ask yourself these questions: how will customers and staff move through the café, is there enough space for your desired equipment, how many tables and chairs can you fit in the space, and can my kitchen and bar accommodate these numbers?

Consider your initial concept and how the venue suits it. Plot where plumbing, drainage (and grease trap if required), gas and electricals will fit. Does the site have the services these plans require? From there a basic layout of bar and kitchen can form. If your initial concept e.g. a ten-seat cafe serving beautiful coffee and pastry still fits then keep going – if not, think on how much you want to compromise on your vision and at what cost. If the venue is significantly larger, then your financial outlay will increase and so will your operating expenses.

Lease terms: Commercial leases are legally binding contracts, so you need to be certain before going ahead. The biggest question that must be asked is: can you afford it? The budget you put together previously will help answer this. If your rent, rates and other overheads are high then you must be particularly certain your revenue can accommodate this. The industry standard is that rent should be no more than 15% of your annual income.

Make sure you seek good legal advice and instruction from a lawyer before signing any documents. Some of the terms may need to be worked out and extrapolated upon such as: length of lease and options, rent increases and reviews (CPI or fixed percent), necessary insurance coverage, maintenance and repair and any make good clauses.

The owners of some sites may be open to fit out contributions or rent-free periods which can be invaluable to help soften the blow of some of your setup costs.

Your local council may require certain permits are filed before work can commence on your new café. It's advisable to speak with your council about things like change of use, structural alterations and everything that is required before signing a lease to avoid major unexpected costs and delays.

4. Site Restrictions

Obviously if you're opening a café, you will want your lease to permit this activity with no future exclusions. Make sure that this is written in your lease contract as well as no restrictions on activity (operating) times. It's worth checking currently that there are no council or local area restrictions also. You may find that you need development approval before you can fit out your cafe with the necessary fixtures and fittings (such as commercial kitchen equipment and coffee machines). As such, how long it takes to get the necessary approvals may be another expense to consider when negotiating the terms of your lease.

Should your building be old, investigate if there is any heritage overlay attached (your council will have this information) as this could greatly affect your ability to make alterations be it structural or otherwise. There are certain levels of heritage overlay meaning you might be able to gut the interior but not touch the outside or should any work be done, it must adhere to strict criteria, all of which can add to the cost of your build.

Lastly, strict rules limiting signage and advertising on your premises could severely limit your business growth so make sure you understand and negotiate what is and isn't allowed under your lease.

5. Business Support

At any stage between preparation and operation of your new café, there are matters that require professional guidance and advice. Reaching out to the right people can streamline your launch and significantly reduce your stress.

Once you've thought of a name for your venue it's time to register the name and business. There are several ways in which your business can be legally structured, and your accountant is best placed to advise you on your particular circumstance. Small business must also comply with GST, BAS, PAYG and superannuation as well as food handling regulations and council permits.

A good accountant will help establish your business structure, complete tax and GST registrations as well as assist in finance options. Your accountant can help you with budgeting and ensure you're on the correct trajectory once up and running too.

A lawyer that is experienced in commercial lease law will be able to assist in negotiating amendments to a lease and ensure all is sound from a legal perspective.

Local Councils can be a fantastic source of information. They require permits are met prior to works or operation so speaking with them early is crucial and can often save time with useful advice. Should the task of a mountain of permit paperwork overwhelm you, Town Planning consultants exist to help traverse the red tape. If your budget allows for it, utilising such a service could speed up your timeline and help avoid any jargon you're unfamiliar with.

Unless you're a fantastically skilled tradie yourself, chances are you'll need employ the service of professionals to complete your fit out. Whether you want to oversee things yourself and project manage a range of individual trades from electricians, plumbers, plasterers, builders etc or utilise a shopfitter who will manage the entire process is a matter of preference. Speak with several companies and get quotes for cost and time as well as recommendations from past jobs to see the quality of their work.

Marketing for a new business is crucial to gain an audience that translates into a physical one. Whilst many of you are likely proficient with social media, having a branding agency create targeted content that is engaging with your specific audience can deliver a polished result for improved impact. Many agencies can assist in broader branding support to make sure your business identity is consistent across all areas and effectively sets you apart from your competition.

Conclusion

Well, we've covered a lot of the key areas to consider prior to opening your new café! Obviously starting a new café is a challenging task and requires a lot of effort but by taking some of these steps in preparation, you're much more likely to succeed.

Remember to start on the big picture – why are you opening this café in the first place and where do you want it to be in 3 or 4 years' time? From there, get really stuck into planning as all time spent here is going to pay dividends once you start signing leases and spending money. This is a great opportunity to reality-test your dreams and help make things more concrete.

As you move through you the critical phase of finding and signing a lease, make sure to test location against your business model and financial planning. Once you hit 'go' on a site, you'll be all steam ahead.

And remember, no café owner is an island: reach out for professional assistance, experienced advice and guidance wherever you can. There's no one-way to successfully open a café but follow these tips and your life will hopefully be easier and more focused.

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Good luck in your new café journey!

Sign up for our newsletter for more valuable guides, news and info from the café world and feel free to reach out if you have any questions or would like some assistance.