

Open your own bar, nightclub, or pub!

FabJob Guide to
**Become a
Bar Owner**



BRENNA PEARCE

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1. Introduction

Welcome to the *FabJob Guide to Become a Bar Owner*. And congratulations on choosing such an exciting, fast-paced, and rewarding career! In this book we'll take you through everything you'll need to know to start your own bar, as well as where to find additional, helpful resources you will find useful as you embark on your new career.

Bar ownership requires a certain kind of person. Bar owners are often highly gregarious people, people who love meeting others. They're also hardworking, responsible and creative. They're good managers and generally well-organized. Of course, many successful bar owners didn't start out being all these things; they learned as they went along. Sometimes without a lot of help. But you don't need to learn it all on your own, that's why we wrote this guide.

In this book we will look at multiple aspects of opening a bar, including different types of bars you can choose from, options for starting your bar, and where to find financing for your new venture. You'll also learn how to market your bar in order to make people aware that your new

business is open. We'll explore a variety of aspects of running your bar, and learn more about this vibrant, and lucrative, industry.

The guide is full of tips and advice to help you through the beginning phase of your new career and we'll show you where to find even more resources to help you as you progress through the various stages in the development of your new business.

So if you're ready to take a closer look at this exciting career, let's get started!

1.1 An Overview of the Business

1.1.1 What a Bar Owner Does

In some ways, you'll need to be a jack-of-all-trades as a bar owner. You'll need to know a little a bit about everything that goes on in your business. We'll discuss the specific skills and knowledge you'll need in the next chapter, but first, let's take a look at some of the many different jobs involved in running a bar. Remember that, at times, you may need to perform a variety of these yourself.

Here are some of the tasks typically performed by the owner or staff members in a bar:

- Bar Management
- Bartending
- Bookkeeping
- Cooking
- Greeting customers
- Inventory management
- Kitchen management
- Planning promotions and events
- Purchasing
- Serving customers

Although you will likely hire staff members to look after most of these jobs, occasions may arise when you will need to fill in for your regular staff. If you're starting out on a limited budget, you may need to do many of these things yourself with the help of one or two other people. Some of these, like bookkeeping and planning promotions and events, are jobs that you may decide that only you as the owner will attend to.

As the owner, you may also want to be the primary bartender, at least in the beginning. After all, that is why many bar owners get started in this business. Once you're up and running you will likely need to hire a second bartender, especially if you find that you're getting busy. (We'll look at hiring staff for your bar in Chapter 5.)

1.1.2 Types of Bars

There are a lot of choices when it comes to owning a bar. Although some bars don't fit into any of these categories, and some fit into more than one of them, bars typically fall into one of the niches listed below.

Brew Pub

These bars brew their own specialty or craft beers on premises and sell a major portion of their beers off-premises. Themes vary but brew pub menus include beers with a common theme in their names, as well as menu food items that tie into these themes.

Neighborhood Bar

These bars are the most frequent and possibly the least expensive in starting costs to open. This is the type of mini-Night Club to build in smaller towns and cities, with your own ideas on how to spruce up an otherwise dreary Moe's Tavern into something fun.

Nightclub

These are the most expressive in terms of decoration and entertainment. Live music, DJs or jukeboxes, comedy acts, dancing, along with creative gimmicks and even celebrities can be found in the most successful bars of this type. Cutting edge nightclubs make good use of new age furniture, wall graphics, special lighting, unique amenities and dance music.

Sports Bar

Sports bars feature more drinks and usually a menu of food items that target the sports fan. Entertainment is important yet minimal as it mostly consists of one or more televisions for sporting events (a large screen TV with access to on-demand sporting events is also a good addition), with some arcade games and pool tables for additional entertainment. Sports memorabilia worked into the interior décor is common in this type of bar.

Wine Bar

Most wine bars are smaller than the average bar and have a sophisticated, almost intimate personality. Common design features include wooden floors, subtle lighting, easygoing music (such as classical or jazz) and decoration closely related to the theme of your bar.

We'll look at these niches a bit more in-depth in section 3.1.

1.1.3 Bar Services to Offer

In addition to deciding on the character of your bar (that is, the broad category such as a neighborhood pub or sports bar, as well as décor, atmosphere, and general “feel” of your bar), you'll need to decide what sorts of products and services to offer your customers.

Alcoholic Beverage Service

Of course you will be serving drinks, that's the nature of the business. The kind of drinks you will offer is entirely up to you. The three basic types of drinks you will serve in your bar are wine, beer and spirits. Within each category, there is huge variation.

Wines, for example, include whites, reds, sparkling wines, rosé wines, etc., and a vast array of wines categorized by appellation. Beers include both beer and ales. There are wheat beers, light beers, white beers, dark ales, pilsners, lagers, and on and on. Beer lovers are often very loyal to particular brands, too.

Spirits includes the basic liquors such as rum, vodka, scotch, whiskey, gin, as well as liqueurs, aperitifs, brandies, etc. Spirits also include an

incredible diversity of mixed drinks that make use of the almost endless variety of ways that spirits and non-alcoholic ingredients (mixers such as fruit juices, sodas, milk, coffee, etc.) can be combined to produce unique new drinks. And more drink recipes are being invented all the time.

Some bars serve more of one category than others. If you want to open a wine bar, then you will serve more wine than anything else. Some bars serve the basics like beer and ale and highballs or straight spirits. Other bars, like nightclubs serve a broad spectrum of drinks from every category. We'll look at some options for choosing the type of bar you want to open in section 3.1.

Food Service

There are some jurisdictions that require you to serve food if you are running a bar. What kind of food you may want to serve also depends on the type of bar you are running. Nightclubs, for example, typically don't serve much in the way of food. If you do decide to offer food, there is really no limit to the choices of food to offer. Here are some ideas:

- Pub fare (typically, appetizers like chicken wings and other finger foods, burgers, fries, sandwiches, etc.)
- Full menu (much like a restaurant, with a concentration in certain types of cuisine)
- Catering (an extra service usually offered on-site for private parties and other events)
- Tapas (originally a variety of appetizers that came from Spain, although now evolving beyond that in North America)
- Ethnic cuisine (either full menu or just finger foods and appetizers)
- Etc.

Although a full treatment of food service is outside the scope of this guide, if you would like to learn more about this aspect of the bar business, you'll find everything you need in the [FabJob Guide to Become a Restaurant Owner](#).

Entertainment

People who visit bars often do so because of the entertainment the bar offers. Again, the choice of entertainment to offer depends somewhat on the character of your bar. (You wouldn't offer a head-banging rock band as entertainment to a wine crowd at your wine bar, for example.) The entertainment you offer should reflect the general atmosphere of your bar.

Here are some typical offerings:

- Big screen TVs, and additional, smaller TVs scattered throughout the bar
- Comedy shows
- Darts
- DJs
- Karaoke
- Live bands
- Pool tables
- Shuffleboard
- Video games

Events

In addition to your regularly scheduled entertainment offerings, you can (and should) also host special events. These help to get more people interested in your bar and increase your market visibility. They also keep your regular clientele interested and returning.

Here are some of the events you could host:

- Tournaments (pool, darts, shuffleboard, etc.)
- Sports-themed parties during the Super Bowl, NHL playoffs, World Cup Soccer, Olympics, etc.
- Holiday-themed parties

- A special appearance by a particular performer (for example, a tribute band)

1.2 About the Industry

1.2.1 A Growth Industry

The alcoholic beverage service industry is one of the most stable industries in the country. Even in tough economic times, people still need to get out and enjoy themselves occasionally. While recent economic developments have affected most industries, in many ways the beverage service sector has done well in spite of tougher times.

In 2009, the sale of alcoholic beverages made up a \$60 billion industry and this industry continues to grow, despite some setbacks due to the recent downturn in the economy. The most recent economic census data from the U.S. Census Bureau show that, while the number of establishments serving alcohol decreased by 8% during the previous five years, sales per establishment actually increased from \$233 thousand to \$307 thousand. This indicates that the alcoholic beverage industry has seen significant growth in sales over that period (a growth rate of 32%), despite declining numbers in establishments. This also means that you're in a good position to enter an industry where the competition is a bit less intense than it has been in the past.

Other encouraging news comes from the National Restaurant Association (NRA). According to the NRA, despite a downturn in performance among restaurants (an industry that includes alcoholic beverage service establishments) in the last few years, the numbers have been steadily rising since 2009. Sales and customer traffic remain fairly steady. The NRA's Restaurant Performance Index (RPI), which measures the health of the industry by looking at factors like sales, staffing, customer traffic, capital expenditures and so on, shows that this sector is definitely on the rebound. You can read more at www.restaurant.org/pressroom/pressrelease/?ID=2071.

1.2.2 The Failure Rate Myth

You may have heard the discouraging statistic that "90% of all bars and restaurants fail within the first year" or some similarly high number. This figure has actually gained widespread notoriety, and was used

publicly by at least one celebrity chef. However, one widely quoted study indicates that the failure rate of restaurants and bars is not nearly that high.

In 2005, H.G. Parsa and colleagues at Ohio State University conducted one of the only available studies into restaurant failure rates, using data from 1996-1999. While the study was conducted in a limited market area, it is widely regarded as being indicative of failures across the industry generally. Here are the cumulative numbers according to the Parsa study as published in Cornell University's Hotel and Restaurant Administration Quarterly (August, 2005):

- Number of new establishments that fail in the first year: 26%
- Number of new establishments that fail in the first two years: 45%
- Number of new establishments that fail in the first three years: 60%

As you can see from these cumulative numbers, 26% fail in the first year, 19% fail in the second year, and 15% fail in the third year. The failure rate actually drops over time. There are a number of reasons for this.

According to this study, entitled *Why Restaurants Fail* (available at www.econ.ucsb.edu/~tedb/Courses/Ec1F07/restaurantsfail.pdf), all of the restaurants that failed did so because of factors directly within the owners' control. In other words, these businesses didn't have to fail, they did so because of actions undertaken by their owners.

Some of the key factors to success, according to the Cornell study, are:

- A well-defined business concept
- Family and spousal support of the business
- Great product and operation (the study found that these were more important even than location)
- Extensive prior planning
- Flexibility to adapt a business plan to changing market and other circumstances
- Owner's skills and knowledge

So if you've been hesitant to start your own bar because you've heard the 90% "statistic", you can relax, because it's just not true. In fact, after reading this guide, you will be positioned to enter this industry well-armed with the skills and knowledge you will need for success.

1.3 Benefits of Being a Bar Owner

If you've been looking for a career that offers excitement, freedom, and financial independence, then this is the one for you. If bringing pleasure to others, personal freedom, or earning an excellent income appeal to you, then you've found the right business. Being a bar owner offers these opportunities and more.

Bringing Pleasure to People

As a bar owner you'll bring pleasure to countless numbers of people now and into the future. People go to bars to have fun. You'll be the person who provides them with that fun. You'll meet all kinds of interesting people as a bar owner.

Almost all bars become focal points for fun in their communities. Your bar will be a place that people talk about and recommend to their friends and family. Some bars even become so well known that people, even high-profile celebrities, visit from far away in order to come and enjoy the atmosphere and entertainment value that these bars represent.

Freedom

Another benefit is the feeling of freedom that comes with being the master of your own destiny when you run your own business. Owning your own business will give you freedom in numerous ways.

For example, you'll have the ability to manage your business as you see fit and not under the yoke of someone else's supervision. You can come and go as you please, although in the beginning your new business will likely need your close care and attention.

Owning your own bar also allows you to channel your own creativity and vision into your business, which is a wonderful personal outlet for many people. You'll have the freedom to indulge your imagination

when it comes to creating an exciting new bar concept for your market or dreaming up exciting promotions and events.

Be Your Own Boss

Many of the bar owners we interviewed expressed being their own boss as one of the most rewarding aspect of their careers. If you're coming into this industry from a full-time day job, think of the independence you will have by being your own boss. No more nine-to-five, and you can come and go as you please.

Terry Brooks, owner of SideBar in New York City told us:

"I enjoy being my own boss and having freedom to essentially do what I want when I feel like it. After spending six years tied to a desk on Wall Street, owning bars has allowed me a lot more freedom to enjoy life. Also I enjoy meeting and getting to know our customers."

Many day jobs are unappealing, not only because they involve working to grow someone else's business, but because that work can be monotonous and repetitive and involve little in the way of excitement and challenges. Owning your own business has its risks, but it also offers potential rewards commensurate with the effort you put into it. The decisions and creativity and flexibility required of you as a business owner can be challenging, but to those well-suited for such challenges, therein lies the thrill.

Lucrative Income

Another important reward is the lucrative income that is possible in this industry. Bars range from small neighborhood pubs to huge, flashy nightclubs featuring multiple dance floors or even multiple locations. While many bars start off small, and it often takes time to break even and then start making a profit, growing the business carefully over time can be very financially rewarding.

While operating a bar requires a lot of work, the potential financial rewards (in addition to the personal rewards) can be significant indeed. As a successful bar owner, you can earn from tens of thousands of dollars in annual profits to a hundred thousand dollars or more. Some bar owners even become millionaires.

1.4 Inside This Guide

The FabJob Guide to Become a Bar Owner is organized to help take you step-by-step through the basics you will need to open and operate your own bar. The chapters are organized as follows:

Chapter 2 (“*Getting Ready*”) explains how to develop the skills you will need in order to succeed as a bar owner. We’ll introduce you to the basics of bartending and bar management, then cover ways to learn more about these topics. You will also discover how to learn from other bar owners and where you can look for opportunities to work at a bar in order to learn more about the career. You’ll also find resources for learning more on your own.

Chapter 3 (“*Starting Your Bar*”) will help you decide what kind of bar you want to open. This chapter discusses different specialty niches for bars, such as pubs and nightclubs, and will help you decide whether to buy an existing bar, operate a franchise, or open a new bar. It also explains what you need to get started, including your business plan, an in-depth look at start-up budgeting, where to find financing, and other important aspects of bar business start-up.

Chapter 4 (“*Setting Up Your Bar*”) offers the information you need to actually set up your new business. It gives advice on supplies and equipment you’ll need, how to outfit your bar and kitchen, software you might want to invest in, and where to buy it all.

Chapter 5 (“*Running Your Bar*”) takes you into the day-to-day challenge of running your bar once it’s open. We’ll also introduce you to Point of Sale systems and how to profitably price your drinks. In addition, this chapter covers financial management, building wealth, hiring and working with staff, and more.

Chapter 6, (“*Getting and Keeping Customers*”) will show you how to market your bar to get new customers and ways to keep them coming back. We’ll look at ways you can make people more aware of your bar and your concept and offer some ideas about ways to get free publicity, special events you can hold to get and keep people interested, and other customer service issues.

By following the steps in this guide, you will be well on your way to living your dream of being a successful bar owner. So let’s get started.