

Next

It costs how much to start a restaurant?!

We're here to help your restaurant get out there and get cookin'. In this guide, we'll break down common startup costs and show you how to get your business thriving.

Starting a restaurant is a big financial undertaking when you add up licensing, insurance, building improvements and equipment. On top of that, profit margins can be slim, labor costs are high and employee turnover is a norm for the industry.

Despite the challenges, you are well on their way to fulfilling your passion.



Opening a restaurant can cost anywhere from \$175,000-\$750,000

Around 60% of new restaurants fail within the first year while nearly 80% close their doors permanently before their fifth anniversary. Full service restaurants tend to only have profit margins of three to five percent on average, while quick service restaurants and food trucks average better at six to nine percent.

You can set your restaurant up for long-term success. Of course, depending on a restaurant's operations these budgeting buckets are more of a suggestion, but here's a look at some of the main costs and how you can plan your next steps:

Legal and licensing fees

Administrative fees can sneak up on a hopeful restaurateur as they focus on other things like menu and location.

Insurance expenses

Most restaurants have complex insurance needs from day one. From protecting everything from inventory to staff, there's a lot of details to keep track of.

Building improvements & equipment

The right location and ambiance can be crucial to a restaurant's success, especially in the world of social media.

Starting from scratch: Licenses and legal fees

The first thing you will need to open a new restaurant is a business license. Fees vary from state to state, so they'll need to research exactly how much it costs locally. It can range from around \$75 to \$500.

If you're planning to serve alcohol at the restaurant, you'll also need a liquor license, and that can be expensive. This is especially true in states with a quota on the number of liquor licenses available.

Because of all the paperwork, a prospective business owner may want a lawyer to review all the documents and ensure everything is in order. Legal fees might add anywhere from \$500 to \$2,000.



Did you know?

Many states require proof of general liability insurance to get a business license. You can get an immediate certificate of insurance to submit to the state when you purchase your general liability policy with NEXT.

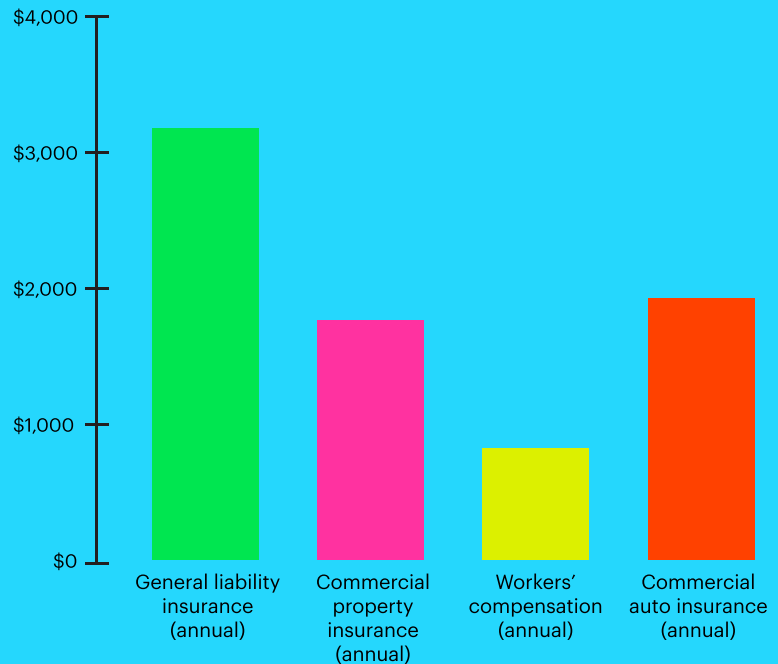
There are laws in 30 states that allow any business that serves alcohol to be held liable for selling or serving alcohol to inebriated individuals who cause an accident. NEXT's liquor liability can be endorsed onto the general liability policy for as little as \$150 per year.

In a pickle: Insurance

Since insurance needs vary depending on the size and nature of your restaurant, we've provided some guidance to help you get the right coverage.

Restaurant insurance essentials:

- General liability for bodily injury, property damage and foodborne illness — liquor liability can be added for damages caused by the sale or service of alcohol
- Commercial property for food spoilage and business income interruption
- Workers' compensation to protect their employees and stay in compliance with state laws
- Commercial auto for deliveries and catering



Icing on the cake: Remodeling, equipment and final details

When it comes to setting up shop, restaurant owners need to budget for three main things:

- Remodeling a new space
- Kitchen equipment
- Finishing touches

Remodeling

It all depends on the type of work done. New construction can cost around \$650,000, while retrofitting a space for food service can be upwards of \$425,000. Existing restaurant space renovations can run \$275,000.

Remodels can start at \$160 per square foot, but you should budget more if you're based in an expensive city like New York or Philadelphia.

Equipment

Depending on the space, the kitchen can account for as much as 75% of the entire budget.

For example, if you have a small coffee café, the average amount spent on kitchen equipment is \$40,000. However, if you're opening a larger, fine dining restaurant with powerful refrigeration and ovens, it could cost around \$196,250.

Design and advertising

You may want to hire an interior designer, which can cost at least \$85 per square foot. There's also details like the point of sale system, music system and signage. For a 1,500 square foot space (the size of an average Starbucks), design could cost anywhere from \$127,000 to \$750,000!

When the restaurant is Instagram-ready and you've already sent out invitations to the soft opening, there are just a few details left: launching a well-planned advertising campaign to spread the word, and hiring and training key employees. Pre-opening costs range from \$10,000 to \$50,000 (champagne included)!

NEXT HELPS YOU GET THE RESTAURANT INSURANCE YOU NEED

At NEXT, we offer customized [restaurant insurance](#) packages that make it easy for restaurant owners to get the coverage they need to protect their business. They can mix and match the policies they need so they have just the right amount of coverage.

We're here to help get cookin' with your new restaurant. NEXT's customizable restaurant business insurance lets new restaurant owners get tailored coverage in less than 10 minutes and immediately print a certificate of insurance.

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