

Food for thought if the cafe culture

By PAM KERSHAW

So you want to join the cafe society. Perhaps run a little cafe by the sea in Sydney, learn to make the perfect lane, chat to the regulars as you whip up their breakfast omelet.

While a cafe can be very lucrative if well located and well run, it can also be a fairly demanding business.

As a result, there is a high turnover of cafes and a high burnout rate among inexperienced operators, says Lola Lang, the principal of Lang Consultancy NSW, a specialist hospitality industry broker.

She says it is essential that new operators think carefully about what they want from a cafe, and what sort of commitment they can make.

"Years ago people were quite prepared to work six- or seven-day weeks, day and night," she says.

Now, the most sought-after cafes in Sydney are five-day-a-week operations, located in the city or North Sydney commercial belts where they do not open nights or weekends.

These cafes are popular with couples with young children who want to enjoy family evenings, whereas some large families will take on a day/night business and split the work between family members.

Other prospective owners do not want to take on additional staff, and seek limited hours and a hands-on cafe they can operate themselves.

"A lot of people are looking for very easy operations where they do not have to do extensive cooking," Lang says.

"They require very simple production of food, sometimes because they do not have experience or are not prepared to take on a cook or chef,"

Australia's trend towards healthy eating, with lots of salads and vegetables rather than fried foods, means cafes can succeed with simple menus and an owner who has a "flair for cooking" rather than professional experience.

But be aware your primary food skill will be the operation of your espresso machine.

"It's essential to be able to

make good coffee, because coffee is what draws people into cafes," Lang says. "If the food is good and the coffee is not, this can become a problem."

While good coffee will bring in business, how important is a high pedestrian location with plenty of passing trade?

Location is "terribly important", but Lang quite often sees cafes achieving excellent results even though they are not in high pedestrian areas.

"I have seen cafes open in obscure places and do extremely well. The rentals are lower, and they end up with far higher net profit," she says.

An appropriate rental level is one of the key decisions operators need to make about a cafe.

"Some high rentals can be justified by the turnover, but rental has to be a certain proportion of the turnover or you are really working for the landlord," she says.

You should seek a long lease — at least three or five years with the option to renew — or make sure you can sign a new lease.

Plant and equipment should

be of a good standard, Make sure it is fully owned rather than leased by the owner.

And if you do hanker after a beachside location, remember it may be seasonal. "These businesses will generate a certain amount of income in the warmer months, and less in the colder months," Lang says.

A courtyard in any Sydney cafe is an advantage. "Alfresco cafes are particularly highly sought-after, and anything with outdoor seating is snapped up fairly quickly," she says.

But having surveyed the market, you may decide you would rather start a new cafe.

Lang cautions the inexperienced against doing this, because the outlining can be costly. "It's far more costly than most people realise, but if you buy an existing business you are paying the depreciated value for plant and equipment."

Anthony Holmes, an accountant with Hall Chadwick, says you must also consider the time and effort required to set up the business, along with possible teething problems in establish

ing operating systems and procedures. Uncertain customer demand is another issue, as it may lead to a higher risk of failure.

But there are advantages to opening a new cafe.

"It can be set up and developed as you wish, you avoid the cost of purchasing goodwill and you avoid inheriting business ill-will," Holmes says.

Buying a franchise is another option. Benefits include ongoing training, along with standardised, proven operating systems and procedures.

The pulling power of the franchiser's name and group advertising help promote the business.

Holmes says the disadvantages include the cost of the initial entry fee and the ongoing royalty based on sales.

"There is also a loss of independence through conforming to the franchise procedures," he says. "If the business idea is a passing fad, new, or not well known, the franchisee runs the risk of collapsing with the franchise."



Lola Lang... careful thoughts