

# LET'S TALK BUSINESS

*Ideas for Expanding Retail and Services in Your Community*

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## Evaluating Downtown Restaurant Opportunities

by Bill Ryan\*

Restaurants are an essential component of a vibrant, mixed-use business district. They serve a variety of market segments including nearby residents, shoppers, office workers and tourists. Market data on your area can suggest what types of restaurants might make sense for your downtown. This article provides information on collecting and analyzing data to identify possible restaurant concepts.

### Downtown Location Analysis

Location is a critical factor in restaurant planning. Traffic visibility and accessibility provide important indicators of the level of exposure a new restaurant would receive at a downtown location.

Similarly, "demand generators" in the community need to be identified as they contribute to restaurant utilization levels. Company offices and manufacturing firms, hospitals, colleges and retail stores typically generate a significant amount of restaurant business, often from nonresidents coming into the community.

Finally, market demand for a downtown restaurant may be positively impacted by future increases in downtown employment, expansion or new construction of commercial buildings, new residential housing, and street and transit improvements.

### Restaurant Demand

Residents of the primary trade area are an important market segment for existing and future dining operations in the downtown area. While daytime workers and tourists are important sectors, the resident population usually represents a sizable market whose dining expenditures can be fairly accurately estimated.

Demographics data can be used to compare your trade area with other communities and the state. Comparisons can be made in the following categories:

- *Household Income* - Per capita expenditures on

food away from home rise dramatically for households with income of \$30,000 or more.

- *Age* - Households headed by persons between the ages of 45 and 54 spend the most per capita on food away from home.
- *Household Composition* - One and two-person households have the highest per-capita spending on food away from home. The addition of young children reduces per capita spending.
- *Occupation* - Persons employed in managerial and professional occupations have the highest per-capita spending on food away from home.

Estimates of consumer spending for food away from home is available from the U.S. Bureau of Labor Statistics, Consumer Expenditure Survey. This data can be merged with demographic data to estimate dining-



out expenditures for each household income category in your primary trade area. Consumer expenditure data is also available from private data sources.

Lifestyle segmentations systems such as ACORN™ consumer classification data from CACI™ Marketing systems can be used to learn about dining-out activity among household groups in the primary trade area. These systems can provide information on the frequency of dining-out and types of operations frequented. Lifestyle data of day-workers, tourists and other non-residents can also be analyzed based on their place of origin.

The National Restaurant Association has identified five major groups of frequent diners. Using demographic information and lifestyle segmentation data, you can estimate what portion of your market may fall within these five, potentially important groups:

- Busy parents of children - often involved in after-school activities and sports and use drive-thru and carry-out restaurants.
- Older adults and empty nesters (down-scale) - eat on-premise at inexpensive sit-down restaurants, buffets and fast food eateries.
- People who are convenience driven and dislike cooking (with no young children) - use a variety of carry-out sources including restaurants and grocery stores.
- Young, urban professionals with no kids - dine at higher-priced restaurants.
- Educated adults driven by taste and craving - eat at mid-priced sit-down restaurants and use delivery.

Survey and focus group research can help assess dining demand specific to your particular community. Questions useful in your evaluation of restaurant demand from these market segments include:

- How often do you dine out by meal period?
- How often do you dine out by type of restaurant?
- How often do you come downtown for dining or entertainment?
- What types of cuisine would you like downtown?

### Restaurant Supply

All restaurants in the downtown area and major competitors elsewhere in the primary trade area should be identified and analyzed to assess what types of operations exist and how busy they are. While you are particularly interested in the downtown mix of restaurants, it is important to include other prominent establishments that are popular in the community but exist elsewhere in the primary trade area.

Information about these establishments should be collected including business name, address, concept, customer volume by period (slow, moderate, busy and very busy) and their success factors. A thorough analysis of

existing competition is essential in identifying viable concepts that might be missing in the downtown area.

### Possible Restaurant Concepts for Downtown

A concept is a combination of ideas that forms the foundation for a particular type of restaurant operation. A concept can include theme, menu, service style, hours of operation, price, entertainment and atmosphere.

Using information collected (on the downtown location, demand and supply); the next step involves identifying potential restaurant concepts that fit the marketplace. Certain dining concepts may emerge as more suited to the area than others. For example, the presence of downtown office workers may suggest opportunity for a deli-style sandwich shop focusing on weekday business. The presence of a theater may suggest opportunity for fine dining operations or espresso coffeehouse.

Sample Restaurant Concepts			
Banquet Rooms	Delicatessens	Irish	Pubs and Taverns
Barbecue	Espresso Coffee	Italian	Seafood
Beer Gardens	House	Japanese	Soul Food
Bistro	Family Restaurant	Kids Entertainment	Spanish
Brew Pub	Fast Food -	Korean	Steakhouses
Cafes	Chicken	Kosher	Sub Sandwiches
Cajun	Fast Food - Fish	Mexican	Swiss
Caribbean	Fast Food - Ham-	Micro Breweries	Thai
Chinese	burgers	Middle Eastern	Vegetarian
Coffee Shops	Foods-Carry Out	Oriental	Vietnamese
Continental	French	Pancakes	
Deli	Greek	Pastry Shops	
Deli-Bakery	Indian	Pizza	

The demand for each concept should be critically evaluated. Is demand greater than the supply of restaurant seats now available? Do the types of restaurant concepts considered for downtown have the capability to attract customers away from existing competition? Do the types of restaurant concepts considered for downtown have the capability to encourage consumers in the primary trade area to dine out more frequently?

Based on your evaluation, you can draw initial conclusions regarding the viability of various concepts. However, because of the complexity of a restaurant business, this analysis is not intended to be a complete feasibility analysis. Each restaurant concept identified in this analysis should undergo more detailed study that addresses covers served, pricing and financial pro forma development.

More detailed guidance in completing this analysis is available in the Downtown and Business District Market Analysis web-based toolbox, a collaborative effort between the University of Wisconsin - Extension and the Wisconsin Main Street Program of the Wisconsin Department of Commerce. The toolbox is available at: <http://www.uwex.edu/ces/cced/dma/>

Sources: Conducting a Feasibility Study for a New Restaurant, National Restaurant Association, 1998. Ebbin, Robert, What Households Spend on Food Away from Home, Restaurants USA, August 2000. The Frequent Dinner Customer, National Restaurant Association, 1997.

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