

# **STEPS TO SUCCESS FOR RURAL ENTREPRENEURS: STARTING A SMALL RESTAURANT**

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### **Other titles in the *Steps to Success for Rural Entrepreneurs* series**

- Writing Your Small Business Plan
- Starting a Bed and Breakfast
- Starting an Ecotourism Business in Alaska
- Starting a Fish Processing Plant
- Starting a Rural Alaska Lodge
- Starting a Small Rental Business
- Starting a Small Engine Repair Shop

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## **INTRODUCTION**

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*Starting a Small Restaurant* is a practical and easy-to-use guide to opening a restaurant business in rural Alaska. One of a series of handbooks developed to start new Alaska entrepreneurs on the road to success, this handbook takes you step-by-step through the process of assessing the feasibility of your business idea and developing a business plan. While this handbook should be useful to anyone starting a restaurant in Alaska, it focuses specifically on developing a plan for a restaurant in a community off the road system.

This handbook tells you what to consider in the process of setting up your restaurant and how to outline your business plan. For a more detailed explanation of business planning, see *Steps to Success for Rural Entrepreneurs: Writing Your Small Business Plan*. Following the steps laid out in this handbook will help you decide whether or not opening a restaurant is right for you.

If you decide to proceed with your business idea, this handbook will assist you in defining your business goals and developing your strategy for success. It covers:

- How to determine if this is the right business for you
- What your start-up and supplies needs will be
- How to assess local markets, estimate demand, and attract guests
- What licenses and permits you will need
- How to project annual revenues and expenses.

## **DEFINITIONS AND BUSINESS PLAN BASICS**

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Whether you are reading this handbook to learn more about restaurant operations and how to write a business plan, or simply to learn more about this type of business, you should start by considering the different types of restaurants. In the end, it will be your own personality and vision of your future that determine whether you pursue a bakery, a coffee cart, a fine-dining restaurant, or some other type or combination of food service business.

## What types of restaurants are found in Alaska?

You will find two predominant types of restaurants in rural Alaska, and a third that is less common.

- **A fast food restaurant** is an eatery where patrons can order and receive food quickly. The food is often taken to go, with a few seats provided for eating, but typically there is no table service. Fast food restaurants can be a franchise (such as Subway) or an independently developed business idea. The cuisine at a fast food restaurant often consists of standard “American” fare, such as sandwiches, hamburgers, chips, French fries, fried entrees (chicken, fish), and/or pizza, etc. The price per plate at a fast food restaurant averages between \$4 and \$7.
- **A small restaurant** is an eatery that provides patrons with table service. Small restaurant businesses often have a casual, family-style atmosphere, and a limited menu. The facility is often small, with limited seating. The number and type of small restaurants, vary greatly from community to community, as do the menu and number of customers. Some specialize in a certain cuisine, such as:
  - American – similar to fast food menu, but with table service
  - Alaskan – featuring local food, such as halibut, salmon or reindeer
  - Asian regional food, such as Chinese, Indian or Thai
  - European regional food, such as German, Italian or Greek
  - Mexican

Small restaurants may also have local and seasonal menus for patrons from outside the area. This type of restaurant has the strongest potential for success in rural areas, particularly in airport hubs with established traffic. The average price per meal at a small restaurant is \$10 to \$20 a plate, depending on what time of day the food is served.

- **The fine dining establishment** is less common to rural Alaska, and usually found in an urban or even metropolitan setting. This type of restaurant provides a formal dining experience at the premium end of the market, and is the most expensive option. The average meal costs \$20 to \$30 a plate or more, depending on specialty. Very few rural Alaska communities can support a fine dining establishment, because local patrons will only eat there on special occasions.



## What do restaurants provide?

Less time to cook and more disposable income have made dining out a frequent experience for many Americans. The proliferation of fast food and carryout establishments has made the purchase of prepared food more viable too.

There are several important factors to consider if you are to be successful in this industry:

- **Food** – As mentioned previously, a restaurant is in the business of selling food. You need to provide your patrons with tasty, properly prepared, and affordable food – a product you can go out and sell with pride and confidence.
- **Hospitality** – As the restaurant host, it will be your responsibility to make sure your customers have a positive experience. To build customer loyalty, you will need to welcome your guests warmly, treat them courteously, and make sure they receive excellent service.
- **Safe, family-friendly establishment** – It is important to provide an eatery where people feel safe and find the atmosphere friendly.
- **Cleanliness** – You must ensure your restaurant is presentable, and maintain a rigorous standard of cleanliness and sanitation. There are many rules, regulations, and guidelines that govern a restaurant. A large number of these relate to proper sanitation. Patrons will not trust your food safety if they have the impression your restaurant is unclean.
- In some cases, such as the “Alaskan” style restaurant, the owner needs to provide an **authentic and “one of a kind” dining experience**. If your restaurant provides a good experience, word-of-mouth will be your best advertising.

## What is a business plan and why do I need one for my restaurant?

A business plan is a tool for thinking through the many aspects of starting up and running a restaurant. Writing your business plan helps you define why you are starting a restaurant and keeps you focused as you go into operation. A good business plan:

- Takes you methodically through various elements of the business
- Helps you decide if a restaurant is worth your time and financial investment
- Improves your probability of success
- Helps you think through alternatives and strategies for achieving success.

Very few rural Alaska communities can support a restaurant, because the local population is small. A restaurant may not be a financially viable business in some places.

This handbook walks you through the steps of preparing to write your business plan:

1. Conducting an assessment
2. Developing your restaurant concept
3. Understanding regulatory requirements
4. Assessing your market and conducting research
5. Developing your marketing and customer service plan
6. Developing your organizational plan
7. Developing your financial plan.



## **STEP 1 – CONDUCTING YOUR PERSONAL ASSESSMENT**

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Running a restaurant is about selling food. This might seem to be stating the obvious, but it is easy to lose sight of this objective once you are caught up in the day-to-day operations. It can be very challenging to own, operate, and manage a restaurant. If you want to be successful in the restaurant business in rural Alaska, you should offer a simple, limited menu. As the owner, you will be in charge of cooking, cleaning, and managing employees, if you do hire staff. At first, you may not be able to afford to hire any employees. As the owner, you will also be responsible for keeping the financial records, paying payroll and other bills, ordering supplies, managing advertising, and filing taxes. You can hire outside help to do these things, but this will increase your expenses, reducing your profits.

In addition to all these tasks, you need to find time to sell your food – that is, to attract a core group of loyal customers whose patronage will make your business viable. Developing a marketing plan is an important component of your business that is addressed later in this handbook.

### **What are the benefits of running a restaurant?**

Some benefits of being a restaurant owner include:

- Starting something from nothing
- Earning additional income or creating employment for yourself
- Incorporating a potentially interesting business into your life
- Providing a hospitable place for people to get together in your community
- Meeting new people from around the world.

In short, owning a restaurant puts you in charge of your own career and financial future. You get to make your own choices and enjoy your own success.

### **What are some disadvantages to running a restaurant?**

Major challenges in the restaurant business are the long hours and the unpredictable income. Even if your restaurant is open for only four hours in the evening, you still need to put in preparation and cleaning time, and take care of the managerial and administrative tasks.

It is important to know how much money you need to make, so you can compare your financial projections to this financial goal. Opening a restaurant might not enable you to hit your target. Many restaurants in Alaska experience a seasonal business flow,

depending on the number of summer visitors to the area. Restaurant owners often work a second job in addition to managing the restaurant during the winter months. Not every restaurant in rural Alaska will have the benefit of increased summer traffic.

Remember that successful restaurants do not just make food – they sell it. If you have no interest in sales or do not enjoy actually selling what you make, this business might not be right for you.



### **Why do you want to start a restaurant?**

You need to really understand why you want to go into the restaurant business. Answering the following questions should help you make an informed decision. You may discover it demands more work than you are willing to take on or involves too much financial risk. If you do go ahead, having your reasons written down can also remind you on a particularly hard day why you opened your restaurant.

1. *Why do you want to start a restaurant?*

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2. *How many hours per week are you willing to work to run your restaurant?* \_\_\_\_\_

3. *Are you willing to operate year round?* Yes \_\_\_ No \_\_\_

4. *What yearly income do you need from your restaurant?* \_\_\_\_\_

5. *Are you willing to bleach floors and clean grease traps?* Yes \_\_\_ No \_\_\_

6. *Do you plan on working another full- or part-time job while running your restaurant?* Yes \_\_\_ No \_\_\_

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Good responses to the question why you want to run a restaurant include:

- I enjoy cooking
- I like interacting with and entertaining people
- I want to be self-employed
- I have experience of working in or managing a restaurant.

Considering the amount of time you must devote to running a restaurant, it would not be realistic to open one to supplement your income or subsistence lifestyle. A successful restaurant can produce a reasonable income, but to do so requires your full-time commitment.



## **Small Business Success Factors**

Small business owners throughout rural Alaska have identified the following small business success factors<sup>1</sup>:

- Do what you love.
- Do what you know.
- Do seek family support – it is essential.
- Do understand that community readiness and support of the business is important and for some businesses essential.
- Do seek out training and technical assistance – it is often necessary.
- Do start small, building up your business success gradually.
- Don't underestimate the role hard work plays in success.

Think about whether you can meet these criteria for being successful in business in rural Alaska. If some pieces are missing, such as community support or training and technical assistance, are you willing to build up support or seek out the training you need? What you do or don't do before you open your doors for business will largely determine your long-term success.

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<sup>1</sup> Viable Business Enterprises for Rural Alaska, University of Alaska Anchorage, Institute of Social and Economic Research, 2008



## **STEP 2 – DEVELOPING YOUR RESTAURANT CONCEPT**

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In this step, you will develop and describe your unique restaurant concept. Your concept should be compatible with your local community, and distinguish what you offer from what existing competitors offer.

Before you decide how you want to sell food through your restaurant, give careful consideration to the available choices and to the characteristics of your community. Key aspects of your restaurant business include available or proposed location, facilities, available goods and services, target market, and guest expectations.

### ***Restaurant Style Choices***

There are several different styles of restaurants to choose from, including:

- Casual Dining – This typical small restaurant caters to all kinds of customers, who go there for the standard menu and the relaxed atmosphere. This concept can incorporate different ethnic specialties.
- Café – A restaurant without table service where customers order food items from a counter and serve themselves.
- Pizzeria – There are two basic choices with a pizzeria. The first is a full-blown restaurant that serves pizza and other food items. The other is to specialize in pizzas for take-out only.
- Coffeehouse – These eateries offer a cozy atmosphere and serve limited food items that are usually sweet, rather than savory. If you are a morning person, you might want to provide a warm stop where customers can pick up coffee and bakery items.

These are just some of the choices for your restaurant concept. Explore others, and stick with the one that seems to fit you best.

### ***Location***

It is critical to evaluate your proposed location and its ability to support a profitable restaurant. You can always tailor the scale and service of your restaurant to community demand. However, your community might not have enough demand to make your business profitable or there may not be room for another restaurant. If your community is very small and already has some type of restaurant or food service, it might be hard to be profitable – unless you have a significant competitive edge over your competitors.

Do your research (eat in other area restaurants) and ask community members what they like and dislike about what is already available. Use the location evaluation worksheet on page 40 to get a better understanding of what your community has to offer, and the competition that already exists.

The second aspect of evaluating location is deciding where to locate your restaurant. You want to put your business in a location with heavy foot or car traffic, around areas where people work, near large gathering areas, or within walking distances of schools, sports facilities, or other places where community members congregate. The best location for you will depend on the scope of your restaurant and the layout of your community. You want to be visible and easily accessible to people doing other things in your community. If in doubt, ask around the community to learn where others think the most convenient location would be.

If you are targeting visitors to your town more heavily than residents, you might want to position your business closer to the airport or the major hotels/roadhouses /B&Bs in town. Your largest percentage of customers will come from within a one-mile radius. This might constitute your entire community, or you may have to stop and study the traffic of your community more closely. There is no easy answer to location, but the choice is important, and needs thoughtful consideration.

### ***Facilities***

Facility needs will vary depending on the type of restaurant that you plan to open. In small rural Alaskan communities, the most successful restaurant is likely to be a café. This type of restaurant often has an order counter with a wall-mounted menu, where people order food and wait to pick up their orders. The restaurant might also provide tables or booths inside, so customers can sit and eat their food in the restaurant. Or, it might be a to-go restaurant that only provides food to take, but has picnic tables outside the building.

Almost any space can be turned into a restaurant with enough money for remodeling. As you look to build, buy, or lease your restaurant, you will want to find the facility best suited to your needs. Depending on availability of space and your restaurant vision, the space you occupy could range from a small, one-room kitchen to a more standard facility with a large kitchen, storage space, and dining area. It is important to know that more tables do not necessarily mean more profit. In fact, some restaurant owners report just the opposite.

No matter what you decide, your facility should be well-ventilated, with the ability to easily add water hookups and expand the ventilation systems and drainage of the building. The building's design should offer a large storage cabinet or closet, along with plenty of freezer space. The building should be well-lit and meet all building codes for

your area. Cooking, storage, and dining space separation can be useful and also give your restaurant a more professional appearance. You should examine the water, electrical, and waste capacities of the building, to make sure they can support a busy restaurant. A word of caution – converting a very large older space or building into a restaurant may be challenging, due to the cost to heat and maintain the building. A smaller space will likely serve you better.

Secondly, the building may require remodeling to be accessible and safe. For example, to meet code, the building might need more than one exit. Sharp corners, low ceilings, and blocked hallways should be eliminated. Not only do these requirements meet health, safety, and building codes, they will also lower the potential for injured workers and customers, which will lower your liability.

Depending on your style of restaurant, pricing, and the size of your community, you may wish to spend some money developing a theme or color scheme for your restaurant. To further establish your business identity, could incorporate other elements such as a slogan or a character that features on your building or product wrappings. Most important, however, is to ensure that your space is clean, fresh, and the appropriate size for the type of food service you provide.

### ***Guest Expectations***

The following is a brief overview of key factors and questions to consider as you start up your restaurant. Prior to opening, you need to decide the following:

- **Operating hours** – Your restaurants should be open for all scheduled hours, and the schedule should be clearly displayed.
- **Smoking restrictions** – Most restaurants in Alaska have gone non-smoking. If you want to allow smoking, make sure you are complying with local health codes.
- **Use of alcoholic beverages** – If alcohol will be served, you must obtain the proper permits from the Alcohol Beverage Control Board. Many rural Alaska villages ban the sale of alcoholic beverages, so this will not be a consideration for some restaurant owners.
- **Payments accepted** – Will you accept credit cards and checks as payment? Will you accept out-of-state checks?
- **Hospitality** – How are you going to create a hospitable environment? This is the key ingredient to a successful guest business.



Now that you know more about opening a restaurant, you should be able to answer the questions below. This will help you determine your overall readiness for owning and operating a restaurant.

*Are you comfortable with all people?* Yes \_\_\_ No \_\_\_

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*Are you the type of person who keeps calm in bad situations?* Yes \_\_\_ No \_\_\_

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*Do you take criticism well?* Yes \_\_\_ No \_\_\_

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The answers to your location evaluation worksheet will help you decide which type of restaurant you should open, what other services you should offer, and how many customers you might expect every day. Use these answers as a starting point to refine your restaurant concept.

In addition to the location questions above, you should think about your own personality. Are you an early riser or do you prefer to stay up late and sleep in? If you like getting up early you might prefer to open a bakery or coffee cart, rather than a small dinner restaurant.

Another important question to consider is whether you are pursuing a restaurant because you like food or because you like people. If you are starting a restaurant because you like people, choose a type of restaurant that provides opportunities for interaction with others. If you really don't care for a lot of personal interaction, consider starting a bakery or catering service that demands more operational focus.



## STEP 3 – UNDERSTANDING REGULATORY REQUIREMENTS

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The next important question to address is, “What legal or regulatory responsibilities do I need to comply with?” Because restaurants have potential health and safety impacts, they typically are subject to local, state and federal requirements. It is up to you to find out what specific requirements apply to your situation, and to comply with them. This step introduces you to the regulatory requirements for starting a restaurant.

There are certain precautions you should take to guarantee customer satisfaction and limit liability issues. It is highly recommended that you seek professional support (attorney, accountant, architect, engineer, etc.) prior to opening your restaurant. Investing extra money at the outset of your restaurant operation can save you much more time and money in the future. If you don’t meet regulations, you could be subject personally to civil and even criminal liability, and might receive negative publicity that could put you out of business.

The government strictly regulates the food service industry. It is subject to local, state, and federal control. Health and safety standards are of paramount importance. Your restaurant will need to comply with health and safety regulations and/or permits, including:

- Licenses and permits
- Health and safety standards
- Alaska Administrative Code - 18 AAC 30.400
- Insurance requirements and considerations
- Reporting considerations

### ***Business License***

A standard State of Alaska business license is required for a restaurant. This costs \$100 a year, and can be acquired easily from the Department of Commerce, Community and Economic Development (DCCED). Applications are also available at the DCCED website ([http://www.commerce.state.ak.us/occ/apps/BLEC\\_Start.cfm](http://www.commerce.state.ak.us/occ/apps/BLEC_Start.cfm)). You will need to provide your name and address, the name of the business, and the appropriate NAICS business code. The entire list of business codes is posted on the website, along with guidance for choosing your code. You can also call 907-269-8173 (Anchorage) or 907-465-2550 (Juneau) for more information.

### ***Food Service Permit***

To distribute food, you will need a food establishment permit from the state health department. One way in which the food service industry differs from others is that restaurants are routinely inspected by federal, state, and local inspectors. Remember, an inspector is there to ensure that your business is offering a safe and clean place for people to eat and socialize. Look on this as an opportunity to show how hard you strive to meet and exceed these standards.

Health inspectors will want to make sure all areas of your operations meet legal standards. A health inspector will be concerned with food storage, food preparation, food display, employee health and cleanliness, the design and installation of equipment, the cleaning and storage of equipment and utensils, sanitary facilities and the construction and maintenance of the restaurant facility. The health department can provide you with specific guidelines. Typical areas of consideration and attention are:

- From the front door to the kitchen, a restaurant must be up to par regarding sanitation and regulations. This means your kitchen and dining areas should have a routine of cleaning, as well as upkeep when cleaning cannot be done. The construction and shape of the building are a concern. Kitchen floors have a lot of traffic and spills. Routinely cleaning these areas and keeping things in good shape will prevent inspectors from citing you for violations, and will make customers happy.
- Aside from the actual building, a restaurateur must ensure that his/her employees wear appropriate uniform, including hairnets and gloves. Gloves must be worn whenever an employee is in contact with food. Employees must also be vigilant in washing their hands.
- Specific food service requirements include the use of either an automatic dishwasher, in which the plate temperature reaches 160 °F during a fill cycle, or hand washing in a three-compartment sink using approved chemical sanitizers and air drying.
- Safe food handling practices must be observed, and all food must be obtained from an approved source. No food or locally harvested products that have been canned or frozen by locals or the restaurant owner should be used in food preparation. A restaurant should only serve food which is manufactured, produced, prepared, packaged, stored, transported, and served according to the stringent EPA and FDA regulations, so as to be pure, free from contamination, adulteration, and spoilage.

### ***Fire Department Permit***

Your local fire department and/or the state fire department may require you to obtain a permit if your business is open to the public. In most cases, you will need to secure a permit prior to opening for businesses. The fire department may also schedule periodic inspections to ensure that your facility continues to meet regulations.

### ***Health & Safety Standards***

It is important to take general health and safety standards into consideration. A preliminary site investigation conducted by the health inspector (state fire marshal) could be requested, and followed by a final inspection and license application. An approved water supply and sewage disposal system is required. Any existing septic tank and drain field must be adequately sized. Some other examples of health standards are: facility cleanliness, including floors, walls, and ceilings; no sleeping accommodations in areas where food is stored, prepared, or served; and various other health-related regulations.

- Water/Sewage/Solid Waste  
Water must be potable and from a source approved by the health inspector. The greatest concern is that the water supply meets the purity standards for bacteria and nitrates. There must be an adequate and potable running water supply, with hot and cold running water to all sinks. There must be properly designed and approved sewage and solid waste disposal. There must be easy cleanup and covered containers for trash disposal located inside and outside. There must be an adequate number of containers provided to hold garbage and refuse between pickup services.
- Plumbing  
There should be no cross connections between potable and non-potable water supplies. A non-potable water system may only be used for fire protection or air conditioning. Pipes carrying non-potable water must be clearly labeled. The potable water system must have devices to prevent backflow and back-siphonage at equipment/fixtures, unless a permanent air gap at least twice the diameter of the water-supply inlet separates the water-supply inlet and the equipment/fixture's flood rim. Grease traps must be accessible for cleaning. Dishwashing machines, refrigerators, steam kettles, potato peelers, and ice-storage bins may not be connected directly to the sewage system. When a dishwashing machine is located next to a floor drain, the waste outlet from the machine may be connected directly on the inlet side of the floor drain trap. Equipment drain lines cannot discharge wastewater directly onto a floor.

- Sinks

There must be a three-compartment sink with attached, self-draining drain boards and hot and cold water under pressure to all three sinks. There must be a hand washing sink in the food preparation area to be used exclusively for hand washing. There must be a utility sink located outside of the immediate food preparation area. A food preparation sink is required if the proposed menu or method of food preparation requires routine soaking, rinsing, culling, or cleaning of raw ingredients or produce. An automatic dishwashing machine is not required but may be used as long as it is a commercial-style dishwasher, which automatically cleans and sanitizes equipment and utensils.

- Toilet Facilities

If seating for patrons is provided, then separate toilet facilities are needed for each gender. Employees and patrons may use the same toilet facilities, if patrons can do so without entering the food preparation, food storage, dishwashing, or utensil storage areas. Restrooms must be mechanically vented to the outside. Restroom doors must be installed with a self-closing device.

- Lighting

There must be at least 50 foot-candles of light measured 30 inches from the floor on food preparation surfaces and equipment-washing or utensil-washing work areas. There must be at least 20 foot-candles of light, measured 30 inches from the floor or other areas in dining areas only during cleaning operations. There must be protective shielding for lighting located over – or within – areas used for food preparation, service, display, and dishwashing.

- Floors/Walls/Ceiling

There must be smooth and easily cleanable (washable, free of cracks and seams) walls, ceilings, and floors. Acoustical tile that is not washable is not acceptable as ceiling materials in food preparation areas or in bathrooms. There must be covered molding between floor and wall junctions.

- Ventilation

All rooms must be ventilated to keep them free of excessive heat, steam, condensation, vapors, obnoxious odors, smoke, and fumes. Equipment that produces grease vapors must be vented through a hood and a grease-collection system.

- Miscellaneous

All work surfaces must be free of cracks and difficult-to-clean areas. There must be a clothes closet, locker, or dressing room for storage of coats, purses, shoes, and other employee belongings.

- Employee Considerations and Training

The owner of the restaurant should ensure that employees do not eat in preparation, processing, servicing, or ware-washing areas, except to taste food for culinary purposes, using a single-use utensil once. While easily said, this is a challenging practice to enforce. It may seem inconsequential, but employees eating may directly impact your profits and might also turn off your customers. Also, employees may not use or store tobacco in any form in a preparation, processing, display, service, or ware-washing area. You will be responsible for training and monitoring your employees concerning proper hygienic practices to be used while on duty.

### ***Alaska Administrative Code - 18 AAC 30.400***

The entire state of Alaska, except for the Municipality of Anchorage, is under the jurisdiction of the Alaska DEC – Environmental Health- Environmental Sanitation and Food Safety Program. Chapter 31 of the Alaska Administrative Code (AAC) deals with the operations and permit requirements for a lodge that serves food to the general public. For additional information, visit the Alaska Department of Environmental Conservation (DEC) website at <http://dec.state.ak.us/eh/fss/>.

### ***Insurance Requirements & Considerations***

The two major types of insurance you will need are property and casualty (or property and liability), and life and health. Property and liability are the most important for a business. Property coverage includes insurance on your buildings and other property in the case of fire, theft, and other losses. Liability insurance protects you against claims of injury or property loss resulting from negligence. Life and health are generally part of the employee benefit package. The law requires some types of coverage, and others simply make good business sense.

Most property and liability insurance needs can be insured through a package policy, but special coverage policies may need to be bought separately. The special policies will depend on the location of the business. One example is business interruption insurance, which can provide sufficient funds to pay fixed expenses during a period of time when the business is not operational due to damaged or destroyed equipment or buildings. To determine your specific insurance needs, contact an insurance agent.

### ***Zoning Requirements***

Zoning classifications for a restaurant vary from community to community. You will need to do some homework to identify any zoning restrictions specific to your community. In many cases, a restaurant is classified as a commercial business, and a zoning exemption must be obtained to have a restaurant in an area zoned residential. If you intend to construct a new facility, use an existing building for a different purpose, or perform extensive remodeling, you should check local building and zoning codes carefully. Zoning should be one of the first places you check to understand what your community zones as allowable or unallowable.

### ***Reporting Considerations***

The owner/operator will need to keep good accounting records, not only for the IRS and borough or community tax requirements, but also for managing and directing the restaurant. Even if you plan to hire a professional to take care of their own books, it would be a good idea to attend a class on standard bookkeeping.

### ***Additional Needs***

- **Attorney**: You should hire an attorney at start-up to check over paperwork and legal issues before you begin operations. This will save you money later, and gives you a working relationship with a local attorney, should problems arise in the future.
- **Accountant**: It is advisable to get an accountant if you have no experience with business accounting. If you do, you may just use one for tax filing purposes.

The Environmental Health Office assigned to the area in which the restaurant will be established will be able to provide information on specific regulations. Alaska Food Code 18 AAC 310 details the requirements for operating a restaurant anywhere in Alaska (go to (<http://www.state.ak.us/local/akpages/ENV.CONSERV/deh/sanitat/homesan.htm>.)



## **STEP 4 – CONDUCTING MARKET ASSESSMENT AND RESEARCH**

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The type of restaurant you plan to develop will largely determine the market you will target. The first step in assessing your market is to determine how many potential customers are interested in what you want to develop. You will quickly recognize that the market size is relatively small. Market assessment and research is about understanding your primary target market and any secondary markets, knowing whom to attract, and identifying ways to better understand and communicate with your market.

In conducting your market assessment and research, your goal is to better understand your potential customers. This step helps you address key questions, such as:

- What potential customers already exist in your region and/or community?
- What are these customers willing to spend money on?
- What amenities, services and price sensitivity do these customers have?
- Who is your typical customer (age, gender, education, income, occupation, etc.)?
- How does your restaurant compare to the competition?

As you begin gathering information and making personal contact with potential customers, create a database so you have an organized method for referring to the data collected. Once your business is operating, this data will prove very valuable as you seek new ways to sell to your customers.

### ***Who are your potential customers?***

A restaurant located in a rural Alaska community with a large number of summer visitors is going to have a much different client base than a restaurant located in a smaller, more isolated rural community. In a larger community, you might want to target visitors passing through the airport hub. In a small community, you might focus instead on selling to locals, and to government employees and construction workers who come to the community on business. Potential customers might include:

- Local community members
- Community youth and teens
- People visiting your community for government or construction work
- Travelers stuck in town overnight or during the day, between flights
- Seasonal community members, such as commercial fishermen
- Visitors to the community

Location and demand are the most important factors in determining your market. Remember, your most likely customers will come from a one-mile radius. Potential customers choose to eat out for many reasons. Families may come to your restaurant as a special treat or as a break from cooking. Children and teens might visit your restaurant for after-school snacks and socialization. Visitors traveling on business might use the restaurant as a source of meals, which they cannot readily cook for themselves. If your community is an airport hub, you might be able to make a business out of people on layovers between flights. However, the majority of the markets in most villages will be selling to locals, as well as visiting government officials and construction workers. The Department of Fish & Wildlife, the Department of Fish & Game, the Bureau of Land Management, university employees, staff of federal programs, medical workers, school travelers, and various others, are examples of the potential customers who might come through a small rural community.

If you are located in a large rural community, you might be able to develop a larger, more expensive restaurant. However, in a larger community there are likely to be other established restaurants, or competition. Competition isn't necessarily bad – it simply creates an opportunity for you to provide something better. Study your competition and determine what they do well, and decide what you can do differently or better.

In some villages, influxes of seasonal workers might represent another possible market. In the case of large mines and some other activities, workers usually receive room and board and are not looking for somewhere to eat. Still, workers might visit your restaurant if it offers something their dining hall does not, such as a place to relax and get away from the work environment.

### ***Pricing and Willingness to Spend***

Restaurant meal prices and operating expenses are going to vary between communities. If you offer high quality, fresh food in a style not usually available to your customers, you will command a higher price, although you are also going to have higher restaurant costs. Location is also a large factor. It is more expensive to operate a business in rural Alaska, and higher prices are expected. As you calculate your pricing, take into account your location, your competition, your food, your level of service, and your atmosphere.

Prices can vary according to the food and services you provide, the competition, and the time of year. If you are in a town with a fair number of visitors, you may decide to run your restaurant only during the high-demand visitor season, when you can charge a premium price. Other restaurants will focus on community residents as the prime target market, and experience less seasonal fluctuation.

### ***Competitive Considerations***

Restaurants have many different foods, different services, and different atmospheres. A full meal can range in price from \$4 to well over \$100. In rural Alaska, most restaurants will need to be relatively affordable with straightforward food services, usually focusing on a small café style and offering a good selection of commonly requested food items.

Restaurants come in many shapes and sizes, from small walk-ups to higher-end dining. For many rural Alaska communities, the demand seems to be for affordable American-style dining. This is optimal because it is cheap, well perceived in rural communities, and easy to prepare. If you live in a larger hub town, you might have enough demand to create a family diner type restaurant, which may venture into themed food such as Italian or Mexican. Lastly, in towns with larger populations and high numbers of out-of-town guests, more options exist.

### ***Restaurant Demand***

Restaurant demand in rural Alaska is generally greater in the summer, due to the seasonality of government agency activities, as well as many jobs like construction, cannery work, surveys, fishing, and tourism. A restaurant owner must be willing to be open as demand warrants, possibly for longer hours during the summer and perhaps during spring and fall, depending on the village.



#### ***Who is your target market?***

- |  |   |
|--|---|
| <input type="checkbox"/> Locals          | <input type="checkbox"/> Family Dining    |
| <input type="checkbox"/> Teens           | <input type="checkbox"/> Tourists         |
| <input type="checkbox"/> Visitors        | <input type="checkbox"/> Cultural Cuisine |
| <input type="checkbox"/> High-end Dining |   |

*What is the estimated size of your market?*

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*Who is your target customer? What are their demographics: profession, gender, age, income level, etc.?*

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*Why have you chosen this target market?*

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*Why would your target customer eat at your restaurant? Did you actually ask some of your target market or are you just assuming?*

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*Is your market seasonal? What primary months? How will you run the business differently during the off-season if at all?*

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*Have you already spoken to potential customers? What were their reactions? What were their reactions to your proposed menu items?*

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*What restaurants already exist around your community?*

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*Who of these are your direct competitors? Which businesses are targeting the same market niche?*

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*What do other restaurants currently offer, and how will you compete?*

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*How much do these restaurants charge for their “average meal” options for breakfast, lunch, and dinner?*

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*Who would most likely eat at your restaurant? Describe this person. Why do you believe this?*

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Addressing the above questions and conducting an in-depth assessment of your market is essential. Market research will provide you with the information and data you need to identify individual market segments. You may even want to consider developing an informal or even formal market survey, so you have the information you need prior to establishing your restaurant. Without enough market research, it will be impossible to know if any real demand for your restaurant exists. The purpose of doing market research is to identify your market, find out where the market is, and then develop strategies to communicate with prospective customers in a way that will convince them to patronize your restaurant.

Market research will also give you important insights into your competition. You need to be creative in finding out what services they provide, and how this strategy meets or does not meet the needs of your market. An important marketing strategy is to differentiate your restaurant from the competition. Before you can do this successfully, you need to fully understand your competition, so you can communicate the differences to your target market.

If you feel that you fully understand your potential market and can identify your target niche, and also have a keen understanding of your competition, you are ready to move on to developing a marketing plan.



## **STEP 5 – DEVELOPING YOUR MARKETING AND CUSTOMER SERVICE PLAN**

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Even though you are in the restaurant business it does not mean “you build it and they will come.” You will still need to develop a plan for marketing your business. After all, you are in the business of selling food, which will require some sales. While developing a plan is critical a key piece of that plan is attending to customer service needs and ensuring that your restaurant provides top level service. Remember that word of mouth is a critical marketing and salesmanship piece for most restaurants.

### ***Advertising***

In very small rural Alaskan towns, very little advertising may be needed for a restaurant to become successful. Advertisements may be nothing more than a sign placed outside of the restaurant. At a minimum, upon opening, you should post fliers at the airport, local grocery stores, businesses, and community offices to raise awareness and to attract visitors who may not know of your restaurants existence. When seeking new customers you may want to offer a free meal or other incentive to attract guests. The restaurant should either make or hire someone else in the community to make a sign for the outside of the business. The sign should be placed where it is easily seen by everyone in the community, making it an easy way to attract potential customers driving through town.

If, on the other hand, you are in a larger town with several restaurants, advertising may play a much more important role, as you are competing for the same customers between several restaurants. If competing with several restaurants, you may want to include promotions, such as coupons or specials as well as other types of advertising, such as radio ads or sponsoring community events.

If there is a desire to reach a more general market, you could pay to list your business in guidebooks and place fliers at regional tourism centers, at the airport, or in other key community locations. Also, depending on location, consider using direct advertisements to tourism agencies and companies such as Princess Tours. Remember to use coupons and offer a free meal to attract new customers.

Because it costs money to advertise, choose your advertising methods carefully. Consider what customers you are trying to attract, their interests and needs, and what advertising medium will reach them most effectively. Your ads and brochures are often the first impression a potential guest receives of your restaurant. Make sure all of your collateral (promotional pieces) is clearly written and attractive in appearance. It doesn't pay just to advertise. Advertising is effective only if it reaches your intended audience. Free food enticements may go farther than anything.

### Sales and promotion techniques to increase business:

- Contact various government agencies, Native groups, service providers, or construction workers that are known to visit the area and tell them about your restaurant. Offer corporate discounts on meals or free meals for every so many meals purchased.
- Place fliers and rack cards in regional airports, stores, and city and tribal offices. This is especially important for small communities and communities with few visitor activities. Make certain that visitors to your community know that you are in business. Offers of two meals for the price of one may cause a visitor to choose your restaurant over another.

### ***Public Relations and Promotions***

In addition to advertising you need to be good at sales – convincing the customer to come into your restaurant and purchase food. You also need to be able to keep your customer coming back again and again. Again, developing a database or system for tracking special occasions such as birthdays and anniversaries provides a way for you to invite your customer back.



### ***Top Notch Service***

Restaurants come in many different shapes and sizes, but they are typically very service-oriented. A restaurant manager and staff are expected to be friendly and services oriented. This section will help you develop ways to increase customer satisfaction, which can lead to more return customers, word of mouth advertising, and potentially even an ability to command higher prices.

- First impressions are lasting impressions. Once your guests arrive, greet them with a smile and a friendly welcome. Ensure that all the details of the restaurant (menus, signs, table cards, furnishings and other items) convey the same message about who you are and the type of service you provide.
- Some of the best advertising is word of mouth. Ask regular customers to recommend you to their friends. If someone compliments your restaurant, ask them to recommend it to their friends. You would be surprised how much more likely they are to mention you to friends or family after being asked. You may also wish to create a comment box where people can drop comments, which could help you provide better service. For better feedback, a small survey card may be left next to the comment box to encourage more feedback. See appendix page 52 for a sample Customer Comment Card. You may want to create incentives for customers as well as staff to encourage them to return cards.

- Restaurants come in many different shapes and sizes and have varying levels of service demands. While a small fast food restaurant may not demand the same level of service as a high-end restaurant, it is still important. In small communities of only several hundred people, a few bad experiences can drastically reduce your client base. If somebody complains about their food, it is best to offer to replace it. Customers should be treated respectfully, and the restaurant should have a pleasant atmosphere. This section will be used to help you develop ways to increase customer satisfaction, which can lead to higher prices, increased return customers, and more word of mouth advertising. Good service can lead to loyal guests.
- If you have employees, make sure they also understand your restaurant's policy on customer service. Spend time preparing them for worst-case scenarios, such as if a customer yells at them when you are not around or demands their money back. Taking time to consider such situations can save a great deal of time and trouble in the future.



#### Things to remember:

A sign on the outside of the building should not be overrated, even in small towns.

- Contact various government agencies, Native groups, service providers, or construction workers that are known to visit the area and let them know about your restaurant.
- Make sure city offices, stores, and airports have fliers and knowledge about your restaurant, so that people passing through town will know it is around.
- Guidebooks: This is really only important if you are targeting tourists, who will turn to their guidebook to find what is available to eat.



## **STEP 6 – DEVELOPING YOUR ORGANIZATIONAL PLAN**

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The objective of this section is to prepare you, as the restaurant owner or manager, to develop an organizational plan. An organizational plan is how your business will be structured in regards to ownership, management, and the staffing of your restaurant. As a first step, you will need to decide on your legal structure and then begin making a list of all the restaurant activities that need to be done. At the same time, begin to make assignments as to who will do what. Through this process you will recognize what necessary skills are lacking. Now you must identify ways to address these deficiencies.

### ***Ownership Considerations (Legal Structure)***

A primary planning decision is to determine the legal structure of your restaurant business. You must choose to either operate as a sole proprietorship, a partnership, limited liability company or corporation. The vast majority of restaurants are organized as a sole proprietorship likely due to simplicity, but this may or may not be the best form of organization for your unique situation.

As a first step you will need to become better acquainted with your options. It is tempting to just organize, but there are clear pros and cons to each form of organization. There are resource guides, classes and individual opinions regarding each form of organization. The purpose of this guide is to assist you in writing your business plan and because we believe we can't completely cover the subject briefly it is important that you conduct some self research. Ultimately, you may want to consult a lawyer and even an accountant to choose the best form for your unique situation. Remember, this is an important step, try to take the same care in laying the foundation for your business as you plan to take in ultimately delivering your business.

### ***Manager (Owner)***

As a manager you will plan, organize, direct, control, evaluate and implement ongoing activities of the restaurant. Most rural Alaska restaurant operations are small enough that they cannot support a paid manager and still provide income to an owner. Instead, in many cases the owner performs all the management functions, as well as many of the employee functions, until the restaurant becomes profitable. Specific activities of the manager include:

- Financial Accounting – responsible for ensuring funds are available to operate the restaurant. Activities include developing systems to track revenue and

expense items (cash flow statement), and then evaluating the information and developing a financial plan.

- Marketing – responsible for ensuring guests come to your restaurant. Activities include developing and distributing marketing materials to attract customers to your lodge and then providing a memorable experience so that the guests want to return.
- Food Service – responsible for ensuring that food is provided to guests as promised and in a way that meets health, safety and licensing requirements. Activities include developing menus, preparing a food budget, making food purchases, preparing foods, serving, and meeting guest needs.
- Facility Maintenance – responsible for ensuring the entire property (interior and exterior) is properly maintained. It is particularly important that health, safety and licensing items are addressed. Activities include keeping items such as electrical, plumbing, heating, ventilation, fire protection and smoke control systems in proper working order. Additional activities include snow removal, mowing or other yard care, painting and repairing fixtures and amenities, and maintaining heavily used items such as kitchen appliances. If, as the owner, you are particularly handy at home maintenance the listed responsibilities may not be daunting, otherwise contracting out many of these responsibilities may make good business sense.

### ***Building your Restaurant Team***

The first step prior to looking for someone to hire is to decide what exactly you want someone to do. You don't need to develop a formal job description, but at the same time you need to clearly outline any and all duties and responsibilities you expect of the position you want to hire for.

The next step you will need to take is to determine how much you are willing to pay the position. Determining pay should be a combination of exploring what others are paying for similar positions and what your financial planning says you can afford. Remember that many restaurant positions receive the added benefit of tips so factor this in as you are determining your pay scale. It will also be important to decide on what benefits you will also be offering as part of the employee's total compensation.

Hiring employees in rural Alaska can be difficult. If you are in a small community, you may be dealing with a very small pool of applicants and employees that need training in the skills necessary for a restaurant business. Additionally, if you have lived in this community for any length of time you will likely be faced with a further complication of

hiring your friends and/or relatives as employees. All of these obstacles can be difficult to navigate. Hopefully, the recommendations below will smooth this process.

- Do not underestimate training. If you are hiring somebody for a position that they do not already possess the skill set for, do not assume they will pick it up as they go. Plan to spend extra time and money to teach your employees personally what they need to know or spend money for outside help, online classes, or computer software to assist them in learning the skills they need.
- It may be worth paying a little bit more money for somebody who is responsible, or already has the needed skills. An irresponsible or ill-equipped employee can slow down a business's operation or even affect its reputation, which costs much more, in the end, than paying a marginally higher wage for a better employee.
- Perform a criminal background check; it is worth the cost. It is a cheap and convenient process to perform criminal background checks on potential employees. Checks allow you to feel safe in hiring employees and to protect yourself from unknown threats. Two sources for criminal background checks are:
  - The Alaska Department of Public Safety  
<http://www.dps.state.ak.us/Statewide/background/>
  - Motznik Information Services  
<http://www.motznik.com/>
- When hiring friends and/or family members, make sure both of you discuss expectations. The employee will need to understand that they must show up for work on time, obey the rules of the restaurant, and act professionally, or they will be fired, just like any other employee. This can lead to complications and strife between family and friends. If you do not believe your friend or family member will be able to follow the set rules or that you will have trouble enforcing them, do not hire them.

### ***Ensuring the Right Skills and Aptitude***

While you may initially feel that no specific training is necessary or needed, in most cases some training is beneficial. Guests will remember and share with others stories about poor customer service or unclean facilities even if the food was excellent. Running a restaurant has no specific training requirements, but there is a need for basic knowledge of the following:

- Service and hospitality: You will be expected to be welcoming and provide a hospitable environment for guests.

- Cleaning: Many people are very picky about cleanliness and, to come off as professional, a restaurant must be clean.
- Cooking: The amount of cooking skills needed will vary based on the level of food services your restaurant decides to offer.
- Bookkeeping: If you, as the business owner, are not comfortable with keeping the books or using bookkeeping software, you may want to consider hiring a company to keep the books and file taxes.
- People skills: As the host, you will need a positive attitude even when things are going poorly.

Service and hospitality are of utmost importance. If hospitality is shown, it could produce free advertising through word of mouth referrals. The restaurant owner/manager should have basic cooking, bookkeeping, and people skills.

### ***Hiring Professional Assistance***

- Attorney: An attorney should be hired at start-up to check over paperwork and legal issues before beginning operations. This will save you money later and give you a working relationship with a local attorney in case problems ever arise.
- Accountant: It is advisable to have an accountant if you do not have experience with business accounting, although one may be used just for tax filing purposes.

Remember to consider yourself, when weighing management and training needs. If you lack a certain skill set, you may need to hire somebody who possesses it. Also, you should not underestimate the value of investing in your own education. It may be worth flying into Anchorage to attend a hotel management seminar or class if it allows you to complete tasks that you would otherwise not be able to do.



### **Critical questions to answer in this step include:**

*What tasks will need to be completed on a daily basis?*

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*How many staff do you plan to employ? What will you pay them?*

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*Are your staffed positions seasonal, full-time, part-time, etc.?*

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*What skills do your manager and employees need to be successful at their jobs?*

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*How will you train employees and ensure that they have needed skills?*

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*What professional relationships have you established? (Lawyer, accountant)*

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## STEP 7 – DEVELOPING YOUR FINANCIAL PLAN

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This section will guide you through the process of determining whether or not your restaurant will be profitable. To effectively manage the finances of your restaurant you will need to first have a firm grasp of projected start-up costs. Next you will need to estimate your revenue and costs to develop your annual budget. Following this, you can project your profits. Use the worksheets on pages 62 to 65 to develop your financial projections.

To prepare financial estimates you will need to make some basic planning assumptions to develop your financial projections from. Assumptions are simply the educated guesses you will be making regarding your average cost per meal, number of clients and operating expenses. Following is a summary of key factors and assumption considerations to prepare you for developing your own financial estimates.

### ***Start-up Costs***

Start-up costs usually include significant one-time costs, such as the purchase or remodel of a restaurant facility, and some minor costs (e.g. equipment purchases, utility deposits, down payments, and licenses).

Start-up costs will differ for each property, but common restaurant start-up expenses include:

- State of Alaska business license (\$100 per year)
- Office and kitchen equipment
- Dining facility décor and seating
- Facility lease, purchase and renovation.

### Equipment Purchases

Equipment is an essential part of starting a small restaurant. There are lots of opportunities for buying or leasing new and used equipment. Used equipment is available in Anchorage or from larger villages like Dillingham, King Salmon, or Bethel. New or old equipment can be ordered either through free catalogs or through the internet. The following sites provide detailed descriptions of equipment as well as a price list:

<http://www.gandgequipment.com/>,  
<http://rex.rewonline.com/group-cou.html>,  
<http://www.cateringequipmentworld.com>  
<http://WWW.NEXTERNAL.COM/JANDE/>.

Start-up costs may be payable through a small loan paid back over the next five to twenty years, but, due to the difficulty of micro-lending in rural Alaska, a loan should not be considered readily available. Money for a restaurant start-up should be saved or obtained with the realization that it may not be repaid through business profits for

several years. Many start-up costs can be turned into fixed costs with the use of loans or renting rather than buying. If equipment is leased, it will then become a fixed cost. If it is possible to rent the needed space in your town, then only the security deposit becomes a start-up cost, and rent would be a monthly fixed cost. In the end, renting may be more expensive, but if your restaurant were to fail, you would not have spent or borrowed a large amount of money to buy a building and equipment.



The following questions should help you determine the amount of start-up capital you will need to begin your restaurant.

*How much money do you have saved to support a restaurant start-up?*

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*How much money will you need for start-up and working capital?*

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### ***Estimating Revenues***

To estimate revenues you will need to estimate how many people will eat at your restaurant (covers) and how much the average person will spend per visit (average check). To establish an estimate as to expenditure, review other restaurants in your local area. Higher prices do not always correlate directly into additional revenues – remember some potential guests will turn away if the price of a meal is too high.

The following questions should help you further answer your projected sales.



*How many customers do you have the ability to serve in your restaurant?*

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*How many times per period (breakfast/lunch/dinner) will you turn\* a table?*

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\*Turns – the number of times a table is filled and refilled during a specified period of time. The time period is typically a mealtime or day.

*If a new restaurant, how many sales are necessary to hit a break-even and desired profit level?*

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### ***Estimating break-even point***

A tool often used in business planning is called a “break-even analysis”. A break-even analysis tells you how many sales you need to make to cover all your costs (fixed and variable). This is your “break-even point.”

To calculate a break-even point, take the following few simple steps:

1. Determine the average sales price of your product or service;
2. Calculate the total variable costs and subtract these costs from the average sales price – the remainder is called the “unit contribution” or amount you have to cover fixed costs;
3. Total your fixed costs (insurance, licensing, utilities) also known as overhead.
4. Divide your total fixed costs by your “unit contribution” to determine your break-even point

Achieving a break-even point with your business is great. However, depending on your personal goals and reason for being in business you may want to determine what level of sales will be necessary to achieve different level of profitability. Many businesses calculate their break-even to better understand the level of production or effort that needs to occur to cover fixed and variable costs (without making a profit). Even if you are in business to create a job for yourself, there may come a time when you need to determine how additional sales would support increased salaries, medical benefits, purchase of equipment, or expansion of your business to the next level.

### ***Estimating Costs***

To effectively manage the finances and plan for a sound and realistic budget, you will need to estimate your operational costs. Again, it is important to list your assumptions so that you can track what you based your costs on. Costs typically include inventory (cost of goods sold) and operational costs, which are typically broken down into fixed and variable costs.

### ***Cost of Goods Sold***

Your cost of goods sold or COGS includes the cost of ingredients to produce the items for sale on the restaurants menu. Costs will typically include inventory, as well as any special boxing that is required per purchase. Food costs include all that went into the inventory purchase. If the food spoiled, or was taken home by an employee it is still considered a cost of good sold.

### ***Fixed Costs***

Fixed costs are fees that are paid yearly, with or without customers. They can also be called the costs to just open the door. These include minimum staffing, managers, rent, utilities, interest and depreciation. They can also encompass professional association fees and loan payments (if a loan was taken out).

It is important to incorporate staffing or labor costs such as (FICA Tax, Workmen's Compensation, Federal and State Unemployment, Medical Insurance and any Vacation or Holiday Pay. These costs can amount to between 15 and 20 percent of your total labor costs. Additionally, you may find it useful to break labor costs into more detail for instance: management, kitchen staff, wait staff (servers), and cleaning staff.



### ***Variable Costs***

Variable costs are costs that are incurred when a customer visits the restaurant. The most predominant of these is costs of goods sold addressed previously. Additional costs include linens, credit card fees, disposable supplies used to cook and serve the food, wrappers, bags, cups, grease, and condiments. Equipment maintenance is also considered a variable cost, because the more customers you have, the more wear your equipment will endure.

*How can you lower your cost of cost of goods sold?*

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*What are your fixed cost totals on a monthly and yearly basis?*

Monthly: \_\_\_\_\_ Yearly: \_\_\_\_\_

*What factors contribute to your variable costs and how can you manage?*

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### **Financial Statements**

One of the primary indicators of the overall health of your business is its financial status. It is important that you develop the skills necessary to monitor and track your fiscal progress as a regular part of running your restaurant business. There are a wide range of computer software packages to assist you in tracking your business' financial position. If these systems seem foreign, you may want to contract with an accountant to establish your accounting systems and provide training so that you can track your own progress. As an alternative, you may want to pay someone to do your monthly accounting. Whatever system you use, you must always keep your business records current.

The National Restaurant Association offers a book on industry operational ratios and statistics from which you can draw assumptions for your restaurant. [www.restaurant.org/research/operations/overview.dfm](http://www.restaurant.org/research/operations/overview.dfm). It is important to remember that these are industry wide ratios and assumptions and that Alaska based businesses typically don't fall completely within national averages. It will be important to consider both national and local averages when planning your own assumptions. Following is a summary of typical sales and expenses:

<b>ITEM</b>	<b>Average Restaurant Performance</b>
Sales	100%
Cost of Goods Sold	32%
Labor	34%
General Expenses	30%
<b>NET PROFIT BEFORE TAXES</b>	4%

To know how your proposed business compares to these industry averages, you will need to develop pro forma financial statements.

The primary financial statements that you will need to understand and use include:

- Profit and loss statement – also known as an income statement – this financial statement lets you know how much your business is making or losing over a specific period in time (monthly, quarterly, yearly). The statement simply subtracts expenses from revenues to arrive at a net profit or loss.
- Balance sheet – also known as a “snapshot” of a business's financial picture - this statement summarizes your assets, liabilities, and ownership equity on a specific date.
- Cash-flow statement – also known as statement of cash flows – this statement shows the inflows and outflows of financial activity for a specified period (often monthly or quarterly). This statement is supposed to tell you if you are generating enough revenue to cover your expenses.



Understanding and monitoring your cash flow will be of critical importance. All too often small business owners take in revenue without fully accounting for the expenses and costs that must be covered. Net cash flow is the difference between incoming cash and outgoing cash. Start-up costs and unforeseen expenses can quickly gobble up your cash reserves. Preparing cash flow reports can better prepare you as a business owner to plan for payment of bills and staff salaries.

Additionally, all businesses have sales cycles based on the seasons, community events, and the days of the week. A restaurant is no different. Your financial projections should take into account any events or known activities that will positively or negatively impact your sales or expenses.

## CONCLUSION

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In a small rural Alaska community, running a restaurant may prove to be a tough business. Unless you are from a community that has high levels of visitors traveling for business purposes and your restaurant is positioned to serve these clients, you will have to work really hard. Summer business operations in Alaska's rural communities often compete with higher paying sources of revenue such as commercial fishing and/or subsistence activities. Make certain that you spend time deciding if this is the type of business that works well with your other revenue generating activities and interests.

The following recommendations are for further consideration and as a way of summarizing previous steps of this handbook:

- Develop and implement procedures for restaurant operations
  - Operating hours
  - Menu items
  - Cleanliness procedures
- Develop a menu that you can prepare and that offers items that are not only affordable to purchase, but readily available. Your patrons will tire of hearing that something is not on the menu because the plane did not make it in. Additionally, develop a menu that is affordable to your primary target market.
- Investigate and know food safety practices as well as licensing and regulatory requirements.

It is also important that a restaurant owner be flexible and willing to work the business as business opportunities present themselves. Likewise, it is important for a restaurant owner to survey customers and adjust the business as demanded.

# **APPENDICES**

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## Location Evaluation Worksheet

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This worksheet should help you determine what type of restaurant that may be successful in your community.

1. What is the population of your community? \_\_\_\_\_

2. Are you located on the road system?      Yes \_\_\_\_\_      No \_\_\_\_\_

3. If yes, how far are you from the nearest regional center, tourist destination, or urban area?  
\_\_\_\_\_

4. If no, how many people fly to your town annually? \_\_\_\_\_

5. Is your town a popular tourist destination? \_\_\_\_\_

6. What lodging facilities exist in your community that might want food service for their guests?

- Hotels \_\_\_\_\_
- Motels \_\_\_\_\_
- Roadhouses \_\_\_\_\_
- Bed & Breakfasts \_\_\_\_\_

7. How many government projects are currently active within your community?

- Short-term \_\_\_\_\_
- Long-term \_\_\_\_\_

8. How long does the average visitor stay in your community? \_\_\_\_\_

9. Are you a transportation or service hub for surrounding communities? Which communities?

- Yes \_\_\_\_\_
- No

10. Do you have any of the following?

- Commercial Industry       Yes     No
- Government Agencies       Yes     No
- Medical Service Providers     Yes     No
- Other       Yes \_\_\_\_\_       No

11. Does your community have any special taxes or restrictions on restaurants?

Yes \_\_\_\_\_

No

12. Does your community experience seasonal influxes of visitors? How many visitors?

Yes \_\_\_\_\_

No

13. Are your typical visitors:

Government contractors \_\_\_\_\_

Tourists \_\_\_\_\_

Locals seeking services \_\_\_\_\_

Industry Workers \_\_\_\_\_

## Restaurant Checklist

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### Equipment:

- Baker's bin and tables
- Bar (if applicable)
- Beverage dispensing system
- Broiler
- Can openers
- Cash register
- Coffee maker
- Convection oven
- Commercial dishwasher
- Food processor
- Freezer
- Fryer
- Garbage disposal/dumpster
- Griddle – top
- Dolly
- Heat lamps
- Ice machine
- Meat grinder
- Microwave
- Mixer
- Oven
- Pots/Pans

### Facility Needs:

- Adequate parking
- Well lit exit sign
- Fire extinguisher
- Wheelchair/handicap accessibility
- Inspection by the health department

### Other Needs:

- Condiments
- Cleaning supplies
- Gloves/hairnets/uniforms
- Trash bags
- Portion scale
- Prep and steam table
- Preparation sinks
- Pressureless steamer
- Refrigerator
- Roll/bread warmer
- Sandwich table
- Security system
- Signage
- Slicer
- Soap/soap dispensers
- Soda machine
- Spatulas
- Silverware
- Storage
- Three-compartment sink
- Toaster
- Tongs
- Utensil rack
- Ventilation system



## Revenue Estimate Worksheet

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Estimating revenue can be very challenging but is essential for planning the success and scope of your restaurant. Pricing should be competitive with other restaurants, although higher prices can be charged if better food, location, and service are being offered. Secondly, an estimate must be made on the number of customers you will have per year. Remember that these estimates need to be reasonable, or you may enter into an unrealistic business venture.

Now we estimate our revenue by taking our three assumed variables:

A) AVERAGE COST OF MEAL: \_\_\_\_\_

B) NUMBER OF MEALS PER DAY: \_\_\_\_\_

C) DAYS OPEN A YEAR: \_\_\_\_\_

Now  $A \times B \times C = \text{TOTAL REVENUE}$

Total Revenue =  $\frac{\quad}{A} \times \frac{\quad}{B} \times \frac{\quad}{C} = \frac{\quad}{\text{Total}}$

## Estimated Fixed Costs Worksheet

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Fixed costs are monthly or yearly fees that must be paid, and remain relatively constant no matter the number of guests received a year. These “flat fees” must be accounted for in a different method than variable costs, which depend on the number of customers.

FIXED COSTS	Estimated Costs per Year
Labor	
Utilities	
Maintenance	
Insurance	
Advertising	
Miscellaneous	
Phone	
Loan Payments*	
TOTAL:	

\*If a loan was taken out to pay start-up costs, then the loan payments should be calculated here.

## Variable Costs Worksheet

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Variable costs are costs only experienced when there are customers. These increase when there are more guests and do not exist without guests. One example would be estimated food expenses per guest for the average meal. These are more difficult to estimate, because you need to estimate the per guest cost rather than the yearly cost.

Variable Costs	Estimated Cost Per Average Guest Stay
Food	
Paper and other supplies	
Maintenance	
Cleaning supplies	
TOTAL:	

This total gives you the variable cost per customer for your restaurant.

Now for the total variable cost per year we take the TOTAL from above and multiply it by the estimated number of guests per year to estimate total yearly variable cost.

$$\begin{array}{rcc}
 \underline{\hspace{2cm}} & \times & \underline{\hspace{2cm}} = \underline{\hspace{2cm}} \\
 \text{TOTAL} & \text{Estimated Guests per Year} & \text{Estimated Yearly Variable Cost}
 \end{array}$$



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## Balance Sheet

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*Pro forma* balance sheets and cash flows are similar to traditional balance sheets and cash flows, but they predict what will happen to your business in the future, so you can see where your money will be going and whether to expect a profit or a loss.

Year: \_\_\_\_\_

### Assets

#### Current Assets

Cash and equivalent	\$ _____
Accounts receivable	\$ _____
Inventories	\$ _____
Prepaid expenses	
\$ _____	
Total Current Assets	\$ _____

#### Fixed Assets

Land	\$ _____
Buildings	\$ _____
Equipment	\$ _____
Furniture	\$ _____
Vehicles	
\$ _____	
Less total depreciation	- \$ _____
Net Total Fixed Assets	\$ _____
Total Assets	\$ _____

### Liability

#### Current Liability

Accounts payable	
\$ _____	
Short-term debt	
\$ _____	
Current portion of long-term debt	
\$ _____	
Income tax payable	\$ _____
Accrued expenses	\$ _____
Total Current Liabilities	\$ _____
Long Term Debt	\$ _____

Total Debt and Liabilities:  
\$ \_\_\_\_\_

## Cash Flow Statement

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Beginning Cash Balance	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Cash Receipts:						
Cash sales	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Accounts receivable collections	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total Cash Receipts	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Cash Disbursements:						
Inventory	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Salaries and wages	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Fixed assets	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Rent	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Insurance	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Utilities	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Interest	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Advertising	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Taxes	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other payments	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total Cash Disbursed:	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total Operational Cash Surplus (Deficit)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Additional Funding (Repayment)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Ending Cash Balance	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

## **Food Service Safety Considerations**

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### *Food Preparation and Service*

Potentially hazardous foods are those foods that support the rapid growth of bacteria. They include but are not limited to: meats, beans, soups, seafood, rice, stews, baked potatoes, sauces, gravies, hot dogs, pasta dishes, egg containing dishes, hams, spaghetti, chili, chowders, custards, cream filled pastries, BBQ, casseroles, pasta and potato salads, dressings, batters, sandwiches, many dairy products including whipped butter, etc.

- Prepare all foods in the booth or a DEC-approved kitchen.
- Use only food and ice from approved sources.
- Avoid preparing foods too far in advance of service.
- Prepare and serve food with the least possible hand contact. Use suitable utensils and gloves wherever possible.
- Thaw under refrigeration, in cold running water (70 °F or less), as part of the cooking process or in the microwave when cooking will follow immediately.
- Wash all raw fruits and vegetables thoroughly before prep or service.
- Cook food without interruption to the following minimum internal temperatures:
  - Poultry – 165 °F
  - Pork - 150 °F
  - Other potentially hazardous food - 140 °F
- Reheat food rapidly to at least 165 °F.
- Keep potentially hazardous foods at 45 °F or below or 140 °F or above.
- Use a metal stem thermometer, with a minimum range of 40 °F to 165 °F, to measure temperatures of hot and cold foods. Don't guess.
- Use pre-chilled ingredients to make salads, sandwiches, and other cold foods.
- Cool food rapidly to 45 °F or below by using shallow pans, with a maximum 4" sidewall, or an ice bath and mixing.
- Cook and hold potentially hazardous food at 140 °F or above whenever possible. Avoid cooking and reheating.

### *Food Storage and Display*

- Provide refrigerators to keep potentially hazardous foods cold.
- Insulated containers with coolants, such as icepacks or dry ice, may be approved for some food at one to three day events.
- Provide hot holding equipment to keep potentially hazardous foods hot.
- Provide effectively insulated containers to maintain temperatures of hot and cold food during transport.
- Store all food up off the floor on pallets or shelving.
- Store all foods in original or other approved containers.
- Cover food to protect it from contamination. Wrap or provide sneeze guards for displayed food.
- Provide individual packets for dispensed condiments.
- Rope off or otherwise segregate barbecue areas from customers.
- Sprinkle one or two capfuls of bleach over ice to provide a chlorine residual of 10 PPM when storing canned and bottled beverages in ice.

### *Cleaning and Dishwashing*

- Use three basins to wash, rinse, and sanitize all utensils:
- Wash with hot water and detergent in the first basin.
- Rinse in clean hot water in the second basin.
- Sanitize using 50 PPM bleach water in the third basin.
- Use 1 ounce (2 tablespoons) bleach per 5 gallons of water.
- Leave utensils in the sanitizer at least one minute.
- Air dry.
- Scrape soiled utensils before washing.
- Change water often to keep it clean.
- Use large enough basins to completely immerse your utensils.
- Clean and sanitize cutting boards and other utensils used on a production basis every four hours.
- Wash, rinse, and sanitize cutting boards between cutting up raw and cooked foods or different kinds of raw meats.
- Use wiping cloths with sanitizer to regularly wipe work surfaces.
- Rinse wiping cloths frequently in 100 PPM bleach water (half a teaspoon per quart). Change frequently to keep clean.
- Use chlorine test strips to check sanitizing concentrations of wiping cloth solution and during dishwashing.

### Customer Comment Card

How often do you visit this restaurant? \_\_\_\_\_

What would you change about the restaurant? \_\_\_\_\_

Would you recommend this restaurant to others? \_\_\_\_\_

Why or Why Not? \_\_\_\_\_

How would you rate the following on a scale from 1-10? (10 being highest)

Service	1	2	3	4	5	6	7	8	9	10
Food	1	2	3	4	5	6	7	8	9	10
Friendliness	1	2	3	4	5	6	7	8	9	10
Cleanliness	1	2	3	4	5	6	7	8	9	10
Pricing	1	2	3	4	5	6	7	8	9	10
Selection	1	2	3	4	5	6	7	8	9	10

Comments: \_\_\_\_\_

## Additional Resources

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### FREE PUBLICATIONS FOR ALASKA SMALL BUSINESS OWNERS

- **Alaska Economic Development Resource Guide** (19<sup>th</sup> Edition, October 2007) – An inventory of programs and services which can provide technical and financial assistance to Alaska communities and businesses. Published by the Alaska Department of Commerce, Community and Economic Development, Division of Community Affairs. Available at <http://www.dced.state.ak.us/dca/edrg/EDRG.htm>.
- **Alaska Small Business Resource Guide** – Offers advice, contacts, and information to help Alaska business owners succeed. Available at any First National Bank Alaska branch or the Alaska Small Business Development Center.
- **Establishing a Business in Alaska Reference Guide** (13<sup>th</sup> Edition, March 2006) – Provides information regarding critical steps to take before starting a business, such as: license, regulatory, tax and labor law requirements; business assistance information; financial institutions; and environmental protection requirements. Published by the Alaska Department of Commerce, Community and Economic Development, Office of Economic Development. Available on CD-ROM or download at <http://www.commerce.state.ak.us/investments/pdf/EstablishingABusiness.pdf>.
- **Starting Your Small Business** (Spring-Summer 2007) – A general guide to starting a small business in Alaska, including lending resources. Published by the Alaska Department of Commerce, Community and Economic Development, Office of Economic Development. See [http://www.commerce.state.ak.us/oed/small\\_bus/pub/StartingaSmallBusiness.pdf](http://www.commerce.state.ak.us/oed/small_bus/pub/StartingaSmallBusiness.pdf).
- **The Small Business Resource Guide** – A reference guide for small business and self-employed taxpayers. Available from the Internal Revenue Service on CD-ROM or download at <http://www.irs.gov/businesses/small/article/0,,id=101169,00.html>.

### OTHER PUBLICATIONS

- **Alaska Business Monthly** <http://www.akbizmag.com>  
907-276-4373 ◦ [editor@akbizmag.com](mailto:editor@akbizmag.com)  
501 West Northern Lights Boulevard, Suite 100, Anchorage, AK 99503
- **Alaska Journal of Commerce** <http://www.alaskajournal.com>  
907-561-4772 ◦ [jeff.jones@alaskajournal.com](mailto:jeff.jones@alaskajournal.com)  
301 Arctic Slope Avenue, Suite 350, Anchorage, AK 99518

## ALASKA REGIONAL DEVELOPMENT ORGANIZATIONS (ARDORs)

The Alaska Legislature established the ARDOR program in 1988 to stimulate economic development. The ARDORs:

- Enable communities to pool their limited resources and work together on economic development issues
  - Develop partnerships among public, private and other organizations
  - Offer a technical, nonpartisan capacity to develop and implement an economic development strategy
  - Often have extensive experience with federal/state programs
  - Provide needed technical assistance via direct links with local citizens.
- 
- **Anchorage Economic Development Corporation** <http://www.aedcweb.com>  
907-258-3700 ◦ [aedc@aedcweb.com](mailto:aedc@aedcweb.com)  
900 West Fifth Avenue, Suite 300, Anchorage, AK 99501
  
  - **Bering Strait Development Council (Kawerak)** <http://www.kawerak.org>  
877-219-2599 ◦ [webmaster@kawerak.org](mailto:webmaster@kawerak.org) ◦ P.O. Box 948, Nome, AK 99762
  
  - **Copper Valley Economic Development Council**  
<http://www.alaskaeconomicdevelopment.org>  
907-822-5001 ◦ [cvedc@cvinternet.com](mailto:cvedc@cvinternet.com) ◦ P.O. Box 9, Glenallen, AK 99588
  
  - **Fairbanks North Star Borough Economic Development Commission**  
<http://www.co.fairbanks.ak.us/mayorsoffice/economicdevelopment>  
907-459-1309 ◦ [kdodge@co.fairbanks.ak.us](mailto:kdodge@co.fairbanks.ak.us)  
809 Pioneer Road, Fairbanks, AK 99707
  
  - **Kenai Peninsula Economic Development District** <http://www.kpedd.org>  
907-283-3335 ◦ [info@kpedd.org](mailto:info@kpedd.org)  
14896 Kenai Spur Highway, Suite 103A, Kenai, AK 99611
  
  - **Lower Kuskokwim Economic Development Council** <http://www.lkedc.org>  
907-543-5967 ◦ [carl\\_berger@ddc-alaska.org](mailto:carl_berger@ddc-alaska.org) ◦ P.O. Box 2021, Bethel, AK 99559
  
  - **Mat-Su Resource Conservation and Development Council**  
<http://www.matsurcd.org>  
907-373-1062, extension 108 ◦ [matsurcd@mtaonline.net](mailto:matsurcd@mtaonline.net)  
1700 East Bogard Road, Wasilla, AK 99654
  
  - **Northwest Arctic Borough Economic Development Department**  
<http://www.nwabor.org/edu>  
800-478-1110 ◦ [dhamilton@nwabor.org](mailto:dhamilton@nwabor.org) ◦ P.O. Box 1110, Kotzebue, AK 99752
  
  - **Prince William Sound Economic Development District** <http://www.pwsedd.org>  
907-222-2440 ◦ [pwsedd@alaska.net](mailto:pwsedd@alaska.net)  
2207 Spenard Road, Suite 207, Anchorage, AK 99503

- **Southeast Conference** <http://www.seconference.org>  
907-523-2310 ◦ [info@seconference.org](mailto:info@seconference.org)  
612 West Willoughby Avenue, Juneau, AK 99802
- **Southwest Alaska Municipal Conference (SWAMC)** <http://www.swamc.org>  
907-562-7380 ◦ [admin@swamc.org](mailto:admin@swamc.org)  
3300 Arctic Boulevard, Suite 203, Anchorage, AK 99503

## OTHER SMALL BUSINESS RESOURCES

- **Alaska Department of Commerce, Community & Economic Development, Office of Economic Development** <http://www.commerce.state.ak.us.oed/home.htm>
  - *Small Business Assistance Center*  
<http://www.commerce.state.ak.us/oed/smallbus/home.cfm>  
907-269-8104 ◦ [michael.hanzuk@alaska.gov](mailto:michael.hanzuk@alaska.gov)  
550 West 7<sup>th</sup> Avenue, Suite 1770, Anchorage, AK 99501
  - *Made in Alaska (MIA)* <http://www.madeinalaska.org/mia/>
- **Alaska Manufacturing Extension Partnership (AMEP)** <http://www.ak-mep.org>  
907-279-2637 ◦ [info@ak-mep.org](mailto:info@ak-mep.org)  
701 Sesame Street, Suite 200, Anchorage, AK 99503
  - *Ecommerce program: Alaska Manufacturing, Business, Industrial, and Technology Projects (AMBIT)* <http://www.ambit.cc>
- **Alaska Small Business Development Center (SBDC)** <http://www.aksbdc.org>
  - 907-274-7232 430 West 7<sup>th</sup> Ave, Suite 110, Anchorage, AK 99501
  - 907-456-7232 604 Barnette Street, Suite 220, Fairbanks, AK 99701
  - 907-463-3789 3100 Channel Drive, Suite 306, Juneau, AK 99801
  - 907-260-5629 43335 Kalifornsky Beach Road, Suite 12, Soldotna, AK 99669
  - 907-373-7232 201 North Lucille Street, Suite 2A, Wasilla, AK 99654
  - *BuyAlaska* [www.buyalaska.com](http://www.buyalaska.com)  
800-478-2332 ◦ [ansj@uaa.alaska.edu](mailto:ansj@uaa.alaska.edu)
  - *Procurement Technical Assistance Center (PTAC)*  
<http://www.ptacalaska.org>  
800-478-7282 (Anchorage)  
800-478-1701 (Fairbanks)
  - *Rural Outreach* 907-274-7232
- **Alaska Village Initiatives** <http://www.akvillageinitiatives.com>  
800-478-2332 ◦ [cparker@akvillage.com](mailto:cparker@akvillage.com)  
1577 C Street, Suite 304, Anchorage, AK 99501
- **Americans with Disabilities Act (ADA)** <http://www.ada.gov>  
800-514-0301

- **Kauffman Foundation, EntreWorld** <http://eventuring.kauffman.org>
- **Occupational Safety and Health Administration (OSHA)** <http://www.osha.gov>  
907-271-5152 ◦ 222 West 8<sup>th</sup> Avenue, Room A14, Anchorage, AK 99513
- **SCORE** – Free small business counseling. <http://www.akscore.org>  
907-271-4022 ◦ [score558@gci.net](mailto:score558@gci.net) ◦ 510 L Street, Suite 310, Anchorage, AK 99501
- **Small Business Administration (SBA)** <http://www.sba.gov>  
800-827-5722 ◦ [answerdesk@sba.gov](mailto:answerdesk@sba.gov)
- **University of Alaska Center for Economic Development** – Feasibility analysis, market research, business planning, and business implementation assistance for nonprofits and municipal and tribal governments. <http://www.ced.uaa.alaska.edu>  
907-786-5444 ◦ [ancab5@uaa.alaska.edu](mailto:ancab5@uaa.alaska.edu)  
4500 Diplomacy Drive, Suite 507, Anchorage, AK 99508