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Financials – January 2016

RESTAURANT DUE DILIGENCE WISH LIST

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A group of very smart restaurant professionals gathered at a dinner recently to devise a restaurant wish list for smaller and emerging brands. While situations differ everywhere, based on the dynamics of the market, investor skills and other particularities, here is a condensed version of that wish list that provides a checklist for restaurant conditions.

Concept and Operational

- Brand focused where the customer average ticket is under \$12 dollars and where the mean service time to market is a priority to "fast casual", then priority to differentiated quick service restaurants, then upper end differentiated dining. Brand menu must have potential for light, fresh, gluten free alternatives.
- Burger, Mexican (Tex Mexican or burrito Mexican) or Pizza focused is classic food themes that stand the test of time. Upscale steak also has done very well since 2011.
- Ideal: 50 plus units successfully operating in multiple US DMAs that need second wave funding; second priority phase one funding, where the investor has the partnership and staff expertise to either inject new management for proper nurturing and development.
- Store footprint at or under 3000-3500 square foot box, where store economics would support a standalone unit (higher).
- Multiple dayparts (breakfast (important) lunch, dinner, snack or late night) with success possible at two day parts supported with sales expander platforms (to go, delivery, catering)
- Concepts that are franchisable eventually or expandable internationally, but which have a substantial competitive advantage
- Some overhead structure development at brand corporate level, some POS infrastructure in place. Most important development cell, ability to read and transmit store sales and menu mix as absolute minimum.
- Preference towards owning or ability to purchase underlying real estate via ownership or head lease structure
- Avoid older concepts where accumulated, fully depreciated book value is 50% or less than initial acquisition value
- Supply chain and products that are creatable internationally.

Financial Screening Factors