

Back of the Napkin

(subtitled – Can I really do this and make a Living?)

Step #1

Contribution to Monthly Household Budget - \$2,000

Note: You take your household budget (you do have one don't you?) and subtract out what your significant other contributes – the remaining is what you need to contribute on a monthly basis!

Step #2

Variable Costs or Prime Costs + Labor

Note: for a restaurant = food + labor

For a non – restaurants = materials + labor

Food Costs - 40% (Material Costs)

Labor Costs - 25%

Total 65% (Prime Costs)

$$100\% - 65\% = \underline{\underline{35\%}}$$

Step #3

Fixed or Ongoing Costs

Lease	\$12 per sq. foot	x	1500 sq. foot / 12 months	=	\$1500
Insurance					x
Garbage Removal					x
Repairs					x
Phone					x
Utilities					x
...					<u>x</u>
			Total		\$3000

Household Contribution + Fixed or Ongoing Costs
= \$5000

Step #3

Take that total and divide by the variable cost percentage

$$\underline{\$5000} \div \underline{35\%} = \$14,285.71$$

Step #4

What does this mean?

\$14,285.71 in sales are needed monthly

If open 6 days a week then $\$14,285.71 \div 26 =$

\$549.45 in sales per day are needed

– EVERY DAY !!!

If the average customer spends \$6.00 then

$\$549.45 \div \$6.00 =$

91 customers per day are needed – EVERY

DAY !!!