

# Contents

Preface . . . . . xi

## *Chapter 1*

**Cheers! L'Chaim! Salud!: Industry Overview . . . . . 1**

A Look Back at History . . . . . 2

The Competition: Other Entertainment Options . . . . . 4

What You Can Expect . . . . . 5

What's Your Bar Type? . . . . . 6

    Neighborhood Bar . . . . . 7

    Sports Bar . . . . . 7

    Brewpub or Beer Bar . . . . . 8

    Specialty Bar . . . . . 9

    Club . . . . . 10

Creating Your Concept . . . . . 11

## *Chapter 2*

**Deciding to Open: How Committed**

**Do You Need to Be? . . . . . 13**

    On the Path to Ownership . . . . . 14

    Buying an Existing Bar: Patience or Profits? . . . . . 16

Do Some Digging . . . . .	16
Building Your Own Dream . . . . .	17
Remodeling: The Middle Ground . . . . .	18
Buying a Franchise: The Package Deal . . . . .	19
Strap on the Weight or Divide It . . . . .	19
Developing Your Own Mission . . . . .	20
Creating Your Business Plan . . . . .	21

**Chapter 3**

<b>Who Are Your Customers? . . . . .</b>	<b>25</b>
Profiling Your Customers . . . . .	26
Scope Out Your Competition . . . . .	28
Market Research Companies . . . . .	29
Using Your Research Effectively . . . . .	32

**Chapter 4**

<b>Housing Your Dream: Location . . . . .</b>	<b>33</b>
Unearthing the Right Location . . . . .	34
Your Bar: The Place to Be . . . . .	34
The Space Case . . . . .	35
Inside, Outside, Upside Down . . . . .	36
Thematically Speaking . . . . .	37
Please, Sir, May I? . . . . .	37
Should You Lease or Should You Buy? . . . . .	38
A Bar by Any Other Name . . . . .	38
What Was that Place Called? . . . . .	40
Making It Legal . . . . .	40
Putting It All Together . . . . .	43

**Chapter 5**

<b>Climbing a Mountain of Paperwork . . . . .</b>	<b>45</b>
May I See Your License, Please? . . . . .	46
State, County, and Local Requirements . . . . .	46
Food-Service Licenses . . . . .	50
The Feds . . . . .	50
A Matter of Record . . . . .	51
Did Someone Say “Fire”? . . . . .	51
Miscellaneous Permits . . . . .	54
Protecting Yourself and Your Bar . . . . .	54
Alcohol Awareness . . . . .	56

Sexual Harassment . . . . .	56
How to Get Your Favorite Paper: Money! . . . . .	57
Spending That Pile of Cash . . . . .	59

***Chapter 6***

<b>Everything In Its Place: Bar Layout . . . . .</b>	<b>63</b>
From the Outside In . . . . .	64
Lights, Camera, Action! . . . . .	65
All the Colors of the Rainbow . . . . .	65
Sound Check . . . . .	66
Deciding What Goes Where . . . . .	66
Finding a Place to Sit . . . . .	68
Flexible Layout . . . . .	70
Menu Planning 101 . . . . .	71

***Chapter 7***

<b>If You Equip It, They Will Come: Equipment. . . . .</b>	<b>73</b>
Buying New or Used? . . . . .	74
The Core: Bar Equipment. . . . .	75
The Front Bar: For Your Guests . . . . .	76
The Back Bar And Under Bar: For Your Bartenders. . . . .	76
Glassware . . . . .	78
Equipping the Back of the House . . . . .	79

***Chapter 8***

<b>How Many Bottles on the Wall?: Inventory . . . . .</b>	<b>83</b>
What’s On Tap? . . . . .	84
Creating Bar Cuisine . . . . .	85
Working with Suppliers. . . . .	88
The Quantity Question. . . . .	89
“Par” for the Course . . . . .	91

***Chapter 9***

<b>From Dawn to Dawn: Operations. . . . .</b>	<b>93</b>
Rest Peacefully . . . . .	94
The Road to Success . . . . .	94
Communication Is Key . . . . .	96
Getting Through Each Day . . . . .	96
Settling Into Your Office. . . . .	97

Open for Business .....	98
Maintaining Guest Relations .....	99
Preventing Theft .....	100
Keep a Close Count .....	100
99 Bottles of Beer on the Wall .....	102
Maintaining Your Draft Flow .....	104
Wine Can't This Be Love? .....	105
Controlling Your Liquor .....	105

**Chapter 10**

<b>People Serving People: Human Resources .....</b>	<b>107</b>
How's the Service? .....	108
Who's on First? .....	109
The Team Captains .....	111
Front-of-the-House Staff .....	112
Bartenders .....	113
Servers .....	113
Hosts .....	113
Back-of-the-House Staff .....	114
Front and Back: Swing .....	114
Setting a Salary Cap .....	115
Drafting Your Team .....	116
Job Descriptions .....	116
The Application .....	116
The Interview .....	116
Testing .....	118
Rules of the Game .....	120
Writing the Playbook .....	123
Training Camp .....	127
Basic Training .....	127
Set for Success .....	128
Flagrant Fouls .....	129
Theft .....	129
Turnover .....	129
What Have You Learned? .....	130

**Chapter 11**

<b>Let Us Entertain You .....</b>	<b>131</b>
Finger to the Wind .....	132

Nonperformance-Based Entertainment . . . . .	133
Television . . . . .	133
Video Games and Pool Tables . . . . .	134
Jukeboxes and Background Music. . . . .	135
Performance-Based Entertainment. . . . .	136
Live Performances. . . . .	136
The DJ/VJ . . . . .	136
Interactive Trivia Games. . . . .	138
Lights! Camera! Sound!. . . . .	139
Dancing the Night Away. . . . .	139
Sound Choices. . . . .	140
Hey, You! What Are You Looking At? . . . . .	140
Smile, You're On . . . . .	140
Everything Looks Great!. . . . .	141

***Chapter 12***

<b>Creating the Buzz for Your Biz: Marketing . . . . .</b>	<b>143</b>
Don't Go It Alone . . . . .	144
Hitting a Grand Slam . . . . .	145
Reaching the Right People . . . . .	146
Fanning the Flames . . . . .	147
Special Events . . . . .	148
It's All About Strategy . . . . .	150
Corralling All Your Resources . . . . .	152
Get the Ball Rolling. . . . .	153

***Chapter 13***

<b>The Numbers Game: Financial Management . . . . .</b>	<b>157</b>
Crunching the Numbers . . . . .	158
Finding the Control Zone. . . . .	159
Size Can Make a Difference . . . . .	160
Patrolling Your People. . . . .	162
Automated Pour-Cost Policing. . . . .	163
From Preventive to Proactive . . . . .	163
The Benefits of Upselling . . . . .	164

***Chapter 14***

<b>Words of Wisdom . . . . .</b>	<b>167</b>
The Obstacle Course. . . . .	168

Mistaking Yourself Out of Business . . . . .	169
Maintaining Steady Control . . . . .	169
Coaching Your Team . . . . .	170
Who's In Charge Here? . . . . .	170
Spreading Yourself Too Thin . . . . .	171
Being a Cockeyed Optimist. . . . .	172
A Hard Day's Night . . . . .	173
Avoiding Starting Over Again . . . . .	174
Triumphs of the Trade . . . . .	175

*Appendix*


<b>Bar/Club Resources . . . . .</b>	<b>179</b>
Alcoholic Beverage Control Agencies . . . . .	179
Associations . . . . .	187
Books . . . . .	188
Education . . . . .	188
General Resources . . . . .	188
Online Resources . . . . .	189
Publications . . . . .	189
Successful Bar/Club Owners . . . . .	190
<b>Glossary . . . . .</b>	<b>191</b>
<b>Index . . . . .</b>	<b>196</b>



# Preface

**O**pening a bar or nightclub sounds romantic. You might envision yours as *the* place to go in town. Many people fantasize about the idea, but few actually do it and even fewer make it successful. It's one of the more risky types of businesses to embark upon, so it's important to have a road map. This book was designed to provide one for you.

People go to bars and nightclubs for many different reasons, and as options for entertainment continue to grow, you have to make the choice to visit your bar or club compelling. It's not good enough to just have a selection of alcohol



and open your doors. First, this book will explore the types of bars you might consider and give you some tips to flesh out your concept.

Next, you need to decide how to begin to build your dream—from the mission to the strategy to the structure to the people and processes. Every component is equally important. Many budding bar owners think they can approach the business as informally as the casual environment they want to create. This couldn't be farther from the truth. The bar and nightclub business is highly regulated and has a high rate of failure, so to be successful you need to have a solid plan in place right from the beginning.

Moving from idea to reality requires a great deal of research about the local market trends and your customer base. The questions you need to ask and the tools you need to do your market research and to scope out the competition are provided. (The latter part can be a great deal of fun, and it's part of the business!) You will also receive guidance around two of the most important factors: your bar's name and location.

As you start to get closer to the reality of your dream, you might also be overwhelmed by the amount of paperwork and regulations involved in opening a bar or nightclub. Federal, state, county, and local agencies have requirements and regulations for bar owners, and if you also provide food, it's even more daunting. Don't worry, this book will help you through the avalanche of paperwork and permits and show you how to shovel yourself out in a way that protects you and your business.

Next, it's time to design the layout and buy the equipment. From bar stools to beer taps, you have worksheets to help you decide what you'll need and how much to spend as you figure out your budget and startup inventory. Then, it's time to decide what systems and processes you'll use to prevent theft and ensure your success when the doors open. An entire chapter is devoted to one of your most important assets—your employees. They can make or break your business with the quality of their service, their knowledge, and their honesty. Ways to staff your bar or nightclub and the questions to ask before you hire are all discussed within these pages.

Finally, the focus is on two keys to success: marketing and entertainment. Entertainment options with and without performers are explored. Once everything is in its place, it's time to let the world know you're open. But marketing a bar is an ongoing part of staying in business, so some tips and tools to help you make a grand entrance and keep your customers coming back night after night are provided.

While it's vital to constantly remember that running a bar or nightclub is serious business, don't forget to have fun. You have the opportunity to express your own creativity with your bar and have a blast in the process. With the right amount of planning and dedication, you can make your bar or nightclub everything you imagine in your dreams and more. Best of luck in your adventure, and enjoy every moment!



# Cheers! L'Chaim! Salud!

## Industry Overview

**F**riends, laughter, celebrations, entertainment—fun! These are the things that might come to mind when you think about owning your own bar or nightclub, as you imagine rooms filled with friendly conversation, music, and people enjoying themselves. If you're thinking of opening a sports bar,

you might envision an exciting game on big-screen TVs with everyone cheering and having a great time. Owning a bar or nightclub sounds like the perfect life to many potential entrepreneurs, but it's not always fun and games behind the scenes.

Owning a bar/club can mean long hours, giving up vacations and weekends, and sometimes dealing with unruly customers. But if you have a clear vision, do your homework, and learn the ins and outs of the business, it can also translate into a rewarding and financially successful enterprise.

Bars aren't like retail establishments. People don't go there just to buy a drink or two and then leave. Depending on the type of bar or club you want to own, it will be a place where people can hang out with their friends and co-workers, negotiate a big business deal, celebrate a special occasion, and meet new people. People want to be around other people, and your bar can provide an excellent opportunity to fill that human desire.

## A Look Back at History

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According to the history books, people have enjoyed consuming alcohol for thousands of years. Ancient writings on clay tablets describe the use of wine and beer for religious ceremonies and rituals. That's a lot of alcohol consumed over 4,000 years! Back then, people fermented fruit juices into wine, honey into mead, and grain into beer. In some parts of the world, alcoholic beverages were considered safer to drink than water. Plus, alcohol could be stored in barrels, and it would still be safe to drink over long journeys.

In the Golden Age of Greece, establishments known as *phatnai* served traders, envoys, and government officials from a variety of regions. In fact, tavern growth generally followed the development of trade, travel, and industry all over the world.

The early American settlers brought the tradition of the English pub over the Atlantic Ocean and invented the American tavern. In 1634, the first tavern was opened in Boston by Samuel Cole. In New Amsterdam (later New York), Gov. Kieft grew tired of entertaining Dutch colonial guests in his own home, so he opened a tavern and lodge to accommodate them. That same building became New Amsterdam's first city hall and remained so until the current one was built in the 1880s.

### Fun Fact



Way back when Rome controlled what is now England, alehouses were signified by a broom sticking out above the door. They were run by women known as alewives.

Back in those days, the government required every community to have some kind of public meeting place, and they usually ended up being the taverns. The government set regulations for their operation and controlled the prices.

People's interest in bars has long centered a great deal around television. First, it was to see the new invention. Then, they wanted to watch big-screen TVs, and satellite-broadcast programs from all around the world. Now, they want to see high-definition programming on big, flat-screen TVs that they may not be able to afford at home. You'll often see television reporters interviewing people at bars about the latest hot political topic or sporting event.

Although people still gather to socialize in bars just as they have for hundreds of years, other factors have come into play for the industry as well. Problems with driving while intoxicated have changed the drinking patterns of people in the United States. The growing concern with health and fitness toward the end of the 20th century took its toll on the bar industry. Keeping tabs on this industry requires a look at the alcoholic beverage industry as a whole—what people buy in the store doesn't differ much from what they buy in a bar. So what's the status of the modern alcoholic beverage industry?

According to the Distilled Spirits Council of the United States (DISCUS), in 2012 sales of distilled spirits totaled \$21.3 billion, up from \$13.2 billion ten years earlier. The Council notes that consumers continue to "gravitate toward higher end premium and super premium product choices." In fact, sales of super premium products have seen a growth rate of 163 percent, while sales of value-priced products have grown 24.5 percent. Overall, distilled spirits continue to grab market share at the expense of beer and wine, capturing 34.3 of the market.

There are more than 45,000 bars and nightclubs, in the United States with a combined revenue of about \$20 billion—and that figure doesn't include restaurants that serve alcohol. This means you have some pretty tough competition out there. But you're not just competing with the other bars in your area these days. You're competing with every entertainment option from which your customers can choose. And you're also competing with people's desire to stay home and save money. More than ever, you have to give them a reason to leave their homes.

### Fun Fact



Many celebrated Americans throughout history owned taverns, including William Penn, Ethan Allen, John Adams, and Andrew Jackson. George Washington distilled whiskey, and Sam Adams brewed beer after the Revolutionary War. Abraham Lincoln also held a tavern license in Springfield, Illinois.

# The Competition: Other Entertainment Options

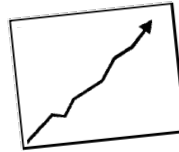
In the 21st century, the bar/club industry is more challenging than ever. The climate of entertainment began to change in the late 20th century. People have more and more entertainment options inside the home. These days, people not only have cable TV, but they also have the internet, which provides them with access to movies, music, and video whenever they want. According to Michael O’Harro, who has owned several bars, and is credited with opening the country’s first sports bar, as a bar owner, you should look beyond other bars for your competition.

“People never have to leave their houses,” O’Harro explains. “You’re not just competing with the bar down the street or the movie theaters. You’re competing with people who are staying at home and entertaining themselves there. So you have to give them a reason to leave the house.”

Not only are you competing with your potential customers’ urge to stay home and take the easiest—and cheapest—path to entertainment, but you’re constantly trying to balance what your customers want with what you’re able to give them. People’s drinking habits change based on their needs and resources. But there will always be a need for a well-run, comfortable place to patronize. “Bars provide a place for people to interact socially, to meet other people,” O’Harro says. “And that’s just something that you can’t get at home with a pizza and a movie.”

If your goals include a wide variety of customers, and you are able to meet and exceed their expectations, then there’s plenty of opportunity for you to fill up your establishment. According to The Gallup Poll, more than 62 percent of Americans consume alcoholic beverages. Good news is also on the horizon. Younger (but legal, of course) consumers have demonstrated an appreciation for drinking. They don’t seem to drink as much as the generations before them, but those who do are more discriminating.

The popularity of higher-priced microbrews and top-shelf liquors continues to increase, which is great for you as a prospective bar owner!



### Stat Fact

The alcoholic beverage industry generates more than 3.8 million jobs and \$78.6 billion in wages for U.S. workers. In addition, it’s estimated that the distilled spirits industry annually contributes more than \$100 billion to the U.S. economy.

# What You Can Expect

Most experts agree that successful new bars can be in the black within the first six to 12 months, and they can go on to recover their initial investment within three to five years. However, like many new businesses, the statistics for bars aren't in favor

## To Bar or Not To Bar?

**J**ust because you like to drink doesn't mean you're cut out to own a bar. It can be a lot of fun, but it's also a lot of work and involves many more hours than other types of businesses. We've put together ten questions you can ask yourself to see if you've got what it takes to own a bar or club. Take your time, and be sure to answer honestly!

1. Are you prepared to give up lazy weekends hanging around the house and vacations for at least the next year—possibly three years?
2. Can you handle going to work every day without the security of knowing what to expect when you get there?
3. Are you willing to risk your savings for your business?
4. Are you willing and able to work seven days a week and 12 or more hours a day, if necessary?
5. Are you willing to sacrifice your social life for the success of your bar?
6. Can you take on the responsibility of leading a staff and conquering obstacles when everyone else has given up?
7. Are you a late-night person?
8. Do you feel comfortable being the host of the party and striking up conversations with total strangers?
9. Are you comfortable dealing with large amounts of cash on a daily basis?
10. Can you say “no” to free drinks for your friends, relatives, business associates, and employees?

If you answered “no” to any of the above questions, you might want to think about it a little more before you open a bar. It's a rewarding business, but it's not for everyone. Some people just make better bar customers than bar owners, and it's important to find out early which category you fit into.

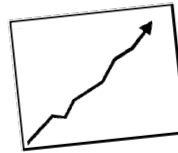
of the startup. Why do they fail? The first reason is they didn't have enough capital to keep the business going. The second reason is a lack of knowledge about the business. With more competition than ever, it's more important than ever that you do your homework prior to opening.

Are we trying to scare you out of owning a bar? Maybe. If you're not interested in a high-risk business, this isn't the one for you. But if you look at risk as a challenge waiting to be conquered, then this may be the industry for you. If you're still not sure, check out "To Bar or Not to Bar?" on page 5 to see if you're really ready to give this business a shot.

From a personal perspective, you need to ask yourself if you're really the type of person who wants to own and run a bar. Of course, you don't have to run it if you own it, but you'd better make sure you have a team of good, trustworthy managers working for you if you plan to be "hands off." In the beginning, you'll probably have to be greatly involved whether you plan to be an active owner or not. If you're the kind of person who would rather deal with paperwork or sit in an office where you don't have to talk to people, this business isn't for you. You'll need to be out there talking to people and shaking hands. Getting to know your patrons, even if it's just to say "Hi," can go a long way for your customer service.

Another thing you should consider is the time commitment and hours of operation. If you're an early riser, you might not enjoy having to work until 3 or 4 A.M. at your bar. If you have a family, you need to discuss how owning a bar will affect them. Many days you will have to be at your bar from the time you wake up—say, around 10 or 11 A.M.—to the time you go to sleep—say, around 4 or 5 A.M. As you can see, this could take a toll on your family life. Eventually, you'll probably be able to have a saner schedule, once your managers and staff are well-trained, but it may take six months to a year to reach that point. If this could cause problems for you or your family, you may want to reconsider the idea of owning a bar.

If we haven't scared you away yet, and you're ready to go for the bottle-in-the-sky dream, read on. We've designed this book to give you the tools needed to succeed.



### Stat Fact

According to the Washington, DC-based Beer Institute, the brewing industry provides more than 2 million jobs in the United States and generates \$247 billion in U.S. economic activity annually.

## What's Your Bar Type?

Before you get started on the actual nuts and bolts of creating your dream bar, you have to decide what kind of establishment you'd like to own. Let's take a trip through

the various kinds of bars—from neighborhood bar to large-scale club—and see which one is right for you. We'll also introduce you to a few of the owners and experts we interviewed for this book and the types of bars they own (or would own if they could start over).

## Neighborhood Bar

You'll find neighborhood bars and pubs everywhere in the United States. You might have one around the corner from where you live or across the street from where you work. They're excellent meeting places for friends and business associates. Depending on where you live, there may just be one, or there may be lots of neighborhood bars.

If you own this kind of place, you can expect to know many of your regular customers. It's because of the friendly "home away from home" atmosphere that neighborhood bars are successful. Some of these pubs open as early as 6 A.M. (as long as local laws allow them to do so, of course!), and they sometimes close earlier than other bars—depending on the clientele. This type of bar is perfect for small-scale entertainment options such as darts, pool tables, video games, and jukeboxes.

If you're thinking of owning a neighborhood bar, you might consider starting out with a beer and wine license first, and then moving on to a liquor license later if the business warrants it. You may or may not want to have a kitchen or extensive food menu, again depending on your concept and your customers. Some neighborhood bars offer sandwiches for the lunch crowd and appetizers in the evening, but no dinners. This avoids the need for a restaurant license and cuts down on costs.

Across the country, this is probably the most common type of bar you'll find. There are many neighborhood bars out there, but you might find there's room for one more in your area. According to the experts we interviewed, the startup cost for this kind of bar ranges widely, depending on the size and concept, but mostly on location. You can buy an existing neighborhood bar in a small town for \$45,000 or even less, or you can spend millions of dollars building a brand-new one in a big city. Not coincidentally, the amount of revenue these businesses produce varies greatly, depending on your bar's location and capacity.

A benefit of owning a neighborhood bar is that you can duplicate it in multiple locations, which multiplies your income as well. "The bars that make a lot of money are those that can replicate the project many times," says Bob Brenlin, owner of three neighborhood pubs in Seattle.

## Sports Bar

Depending on the establishment's capacity, sports bars can be a specific version of the neighborhood bar, or they can take on a life as big as a club. You may have the

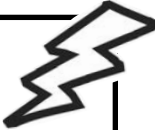
latter in mind, but your market research may point to the former. It's important to do your homework!

Generally, sports bars offer some kind of menu options, such as burgers, pizza, sandwiches, and appetizers. Since the main attraction is sporting events, sports bars have televisions in view of every seat, sometimes all tuned to different channels. Audio and video technology comes into play, with some owners spending a large percentage of their revenue on keeping up with the latest in technology—from satellites to HDTVs. As with neighborhood bars, startup costs and revenue potential vary widely, depending on the size, concept, and location.

If Bob Johnson, a consultant who runs a school of bar management based in Clearwater, South Carolina, decided to open a new bar today, he says he would start a sports bar for both business and personal reasons. "I love anything to do with sports," says Johnson. "I love to see people in a bar cheering for a team in front of big-screen TVs."

He also says it is a good business because you have built-in events to use in your marketing throughout the year. "There's always something to promote, there's always something to do, and there's always an aura of excitement in the room," he explains. "To complement the TVs, you can have video games and sports-oriented games so people can entertain themselves and have fun with each other. They can do more than just sit there and drink. You have to offer your consumer more than just the drink. They're not going to sit there and drink if there's not something going on to captivate them."

### Bright Idea



During the earliest stages of deciding to go into the bar business, visit several different bars within your local area and in other cities, too. Carry a pocket notebook and write down at least three of your favorite things about each bar as well as three things you'd improve.

## Brewpub or Beer Bar

Studies have shown that although consumers are drinking less alcohol, their tastes are becoming more discriminating. As a result, microbrews are more and more popular. In a brewpub, you can brew your own beer right on the premises. In a beer bar, you can offer a large selection of different types of beer, including microbrews produced elsewhere. It's often easier to get a liquor license for a brewpub or beer bar than a full-scale liquor license, since you don't need a fully stocked liquor bar. Another benefit to owning a beer bar or brewpub is that men and younger adults drink beer more often than any other alcoholic beverage, which can translate into a profitable business for you.



### Fun Fact



Only sparkling wines from the 85,000-acre region of La Champagne, France, 90 miles northeast of Paris, can use the name “champagne.” The French region’s special soil and climate give champagne its specific taste and quality. Its natives, the Champenois, have produced wine since Roman times.

Some brewpubs only sell their own beer options on tap (draft beer), with a few selections of bottled beer options, too. Since you are creating your own product in a brewpub, you also have the ability to control what you make and sell—from quality to quantity. The startup costs of a brewpub can be quite high—from \$450,000 to more than \$800,000 for just a small brewpub—because of the brewing equipment you need to have. If you produce a popular beer, you have the opportunity to grow into a very successful operation.

Beer bars tend to have lower startup costs, in part because they may require a less expensive, fixed-price license from your state government. Beer and wine licenses can be much easier to obtain than liquor licenses. (See Chapter 5 for more information on licensing.) Beer bar startup costs range from about \$50,000 to more than \$100,000, depending on size and location. The revenue potential depends on the geographic location and drinking trends in the community. For example, a beer bar in Ohio may make much more money than if the same bar were located in certain neighborhoods in New York City, simply because of what the clientele likes to drink.

## Specialty Bar

Specialty bars, which concentrate on one type of libation, from wine to martinis, or theme, like cigar bars, are gaining popularity. Although some specialty bars focus on only one drink category, there must be a wide variety available within the genre. Take martini bars: They’ve become very popular largely due to the variety they offer. The traditional martini still has a solid appeal if made with quality vodkas and gins, but other mixes, like sour apple martinis and Cosmopolitans, have expanded the martini-drinking base, especially among women. But even with their increased popularity, martinis are still looking up at wine.

Beyond the traditional glass or bottle with a nice dinner, for many, wine is the drink of choice. In fact, women and older adults order wine more often than any other alcoholic beverage. Wine bars offer guests the opportunity to taste a variety of different kinds of wine and the ability to learn more about their qualities.

Specialty bars may stay small and intimate in size and are located in more sophisticated neighborhoods. The costs and revenues you can expect to find when opening a specialty bar depend mostly on the type of product you serve and your location.

## Research Can Be Fun!

**O**ne thing you probably already know about the bar industry is that you're in the business of fun! So you can have a blast while you're making decisions such as the type of bar you want to own, and what kind of concept you want it to have. Here are some research tips to help you make your decisions:

- *Visit as many of the bars in your community as you can.* (We don't suggest a bar crawl; you have to remember what you saw!) Write down what you like and what you don't like about each of them. Can you see yourself in this type of bar?
- *Break the bars up into categories.* Don't hop from a club to a neighborhood bar to a champagne bar. Make a list of the successful neighborhood bars in your area. Then check out each of them before you move on to the next category.
- *Don't waste your time and energy.* If you've spent time in a couple clubs and the loud music gives you a headache, don't bother checking out the rest on your list. If you know a particular type of bar isn't for you, move on to the next category.
- *Visualize.* Use your research to start developing your own ideas. Imagine what your bar would look and feel like in contrast to those you explore.
- *Keep an open mind.* Unless you already know exactly what kind of bar you want and what kind of concept it will have, don't prejudge anything. You may discover that you would like to own a brewpub instead of a club, or you might incorporate other categories into your initial ideas. This is the time to really have fun with your brainstorming!

## Club

Like the neighborhood bar, clubs can take on a number of different personalities. You can open a small cocktail lounge with a jukebox or a tinkling piano in the corner. A medium-sized club might look like a neighborhood bar during the lunchtime hours, then spring to life with a popular band at night. Or if you have a big enough budget, your club might be a large dance club where the most fashionable people and hippest celebrities hang out every weekend.

Whichever path you take, you must be prepared to spend a great deal of time and money on promotion to create your "buzz." Clubs can make plenty of money if they're managed properly.

Most successful clubs draw on a city population of 500,000 or more. If you're in a small town or suburb, you may not have the customer base to open a large dance club. Market research is the key. (Read Chapter 3 for the scoop on market research.) Depending on the entertainment you offer, you can develop a group of regulars that keep coming back or a transient clientele that visits your club for a specific show but doesn't return for several months. Smaller clubs may charge a low cover or none at all, while larger venues can charge \$20—or more—at the door.

## Creating Your Concept

Once you've defined the type of bar you want to open, the next thing you need to figure out is your concept. Your concept will drive nearly every decision you make from here on—including your location, size, menu, décor, and startup costs. The most important thing to keep in mind is that you are not just in the bar business, you are in the entertainment business. Like any other type of entertainment business, you need to create an image.

A successful concept doesn't just focus on the type of entertainment you want to provide. It can be detected all the way down to the finest details. You can use your concept to stay focused on what your bar is all about. Plus, it will help your guests describe it to others and spread the word.

If you already have a general location in mind, you may need to work in reverse. This will require some research. You want to develop a concept that fits in with your location's market. Ron Newman, a bar and restaurant owner in Manhattan Beach, California, worked with his partner to develop a concept that would fit into a beach locale. They found their location first and then developed a fun, shark-themed sports bar. They wanted to create a casual social environment with good food and drinks at reasonable prices. Their original simple concept resulted in three additional locations over a period of just seven years!

In developing his concept, Newman kept the big picture in mind right from the start. He visualized the marketing, T-shirts, décor, and big-bucket drinks with sharks in them. "Location is everything," says Newman. "You could take our concept and put it two miles up the street, and [you would do less] business."

Once you've decided what kind of bar you want to open and you've developed some ideas on what kind of concept you want to have, you

Tip...

**Smart Tip**  
 When you're deciding on your concept, don't limit yourself. Brainstorm the wildest ideas. You may even find that your concept crosses over to different categories of bars. You don't have to spend a ton of money to create a cool concept. Sometimes the simplest ideas are the best!

can get started on the actual structure of the business. Do you want to form a corporation or a limited partnership? Should you take over an existing operation or start from scratch? What do you need to get started? We'll address these questions and many more in the next chapter. So let's get going!

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