How to Open a Bar: An Aspiring New Owner’s Guide

Have you always flourished in the latest hours of the night? Do you find the inebriated endearing? Do you consider yourself a fixer, a problem solver, a magician? Is there something about the smell of beer soaked floors that makes you think, Man, I wish I owned this place? If you’ve always dreamed of having your very own Cheers, but were previously discouraged by the plethora of possible ways that you could fail, here’s a guide of things you need to be aware of, things to avoid, things to seek out, and everything else you may want to know before setting out to turn your bar dream into a reality.

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Every dream has a vision—getting that vision to materialize into a solid business plan and really clarifying what the concept or niche behind your bar will be, is the first step in your preparation process. This stage is where you begin to muse about what type of establishment you will be, the vibes you will exude and seek to attract, the consumers you want to be surrounded with: what does that all even mean, you ask?

The concept of fit is something that gets thrown around in all business settings today, but establishing a fit between your own passions and the actual environment that you create is incredibly important. Even more importantly, the environment you create has to tightly fit the people that will bring life to it.

Your central concept doesn’t need to be overly intricate, just an idea that you are wholly passionate about and committed to. When I asked Scott Perez, one of the founders of Walkers in Tribeca, about the initial concept for the bar he said, “In NYC most people have apartments that you can’t entertain in. This is a local place that makes customers feel like they are in their living room.” Your theme is the identity of your bar and it is the heart of how you will differentiate it from the competition.
In an ultra competitive business environment like New York City, a crucial novice mistake to avoid is trying to please everyone: you can’t be a hipster-laid back-rowdy sports bar-college hub- surf themed- Texas bar. Your best bet when defining your specialty is to, instead, identify a narrow target clientele and seek to be their ideal bar, integrating their needs with the ideas that made you want to take on this daunting task in the first place; your return customers, as is the case for most consumer-based businesses, will be the backbone of your bar’s success. You need regulars to keep you afloat and to generate buzz by telling their friends about their new favorite watering hole, especially in the early days.

Being able to really visualize what and who you want to fill your space with will help when you’re searching for a location. Once you know what the theme of your bar will be, whether that’s a friendly-neighborhood-locals-only spot or a trendy-eighteen-dollar-mixologist-made-specialty drinks spot, you’ll be able to more adeptly quantify what your floor plan and general spatial requirements are. Once you get past the initial dreaming phase and your questions start to have more specificity, it’s time to craft your business plan.

**Creating a Business Plan**

**Summarize your concept** (described above) in a few tight sentences that you can eventually use as the starting point of your pitch to investors.

- What are you going to name your bar? This is the beginning of your dream becoming a household name, it’s more important than you may think. Be creative, steering clear of the generic, let it espouse your vibe, and make it catchy and memorable.

**Determine how much initial capital do you need:** However much initial capital you think you will need—you need about **20-40% more** than that... SERIOUSLY, 20-40% more — when in doubt, round up!!!

- Be sure to include the amount of initial capital that you have in personal funds and how much money you will need to raise from outside sources.

**Solidify your first hires:** Everything from whether or not you’ll have a manager or you’ll be managing the bar yourself, to your bouncer and security needs, to how many bartenders who plan to hire should be laid out in your initial business plan so that when you begin your search for your opening staff, you know who you’re looking to hire. Here are a few staff members that current bar owners say are absolutely essentially (and they may surprise you):
• A really good bookkeeper: Your finances are going to overwhelm you. When I asked the owner of Summers, Chris Taha, for something he’d do differently he quickly responded, “Have a good bookkeeper from day one.”
• “An accountant with a backbone who will make you do what you need to do—like pay your taxes.”- Scott Perez, Walkers
• A liquor lawyer to negotiate the liquor license
• A lawyer who will first help you negotiate the terms of your lease and who will then serve to handle your legal needs (you are opening a bar)
• A plumber you can count on, consistently, all the time (again, you are opening a bar)
• If you’re choosing to hire a manager, they will be your eyes and ears, choose wisely

Outline where will you look for your opening staff: Other than word of mouth and pulling from the neighborhood (especially for bartenders, look for locals who have worked at other bars in the area), this is a hard place for us to make recommendations. Craigslist and other jobs board have everything to offer from perfect fits to absolutely unhireable and it will take some sifting through the mess to find what you’re looking for. Regardless, this is a crucial but tricky step so start to think about it early.

Nail down what type of space you’ll need to bring your vision to life: How big of a space do you require in terms of square footage? (i.e. How many people do you want to have in your bar when it’s at capacity?) Do you need a full kitchen? Equipment requirements?

Consider your food and beverage program: What will you serve and how much will it cost? What’s your pricing strategy: industry-focused or customer-focused? Who will be your suppliers/distributors?

• When calculating the total cost of a drink, think beyond the liquor and mixers to the cost of garnishes and napkins; your total cost should be no more than 20% of the price you charge.

Outline your financial strategy:

• When do you expect to be in the black? [Goal: 6 months – 1 year]
• When do you expect to break even? [Goal: 3-5 years]
• What is your exit strategy if things go wrong?
• How will you keep track of your financial goals and checkpoints?
• How much should you be saving? [Put away about 2-4% of your weekly operating costs for emergencies, invest the rest back into improving your profitability]
Miscellaneous:

- Choose a POS System, Inventory System, Payroll System, and create an overall training and operating manual (more on this later).
- How much can you spend on rent? How much, roughly, will initial renovations cost?

“Have a good bookkeeper from day one.”

Location

Once you have your business plan and you’ve decided on what your bar’s identity will be, think about what kind of neighborhood will foster the development of that identity by attracting your target customers. Here, your location search must extend beyond floor plan requirements and return to the idea of fit. On a narrower scale, you might want to think about little things like proximity to your home since you’ll practically live at the bar in its early life and being as far away from institutions like churches and schools as possible to avoid unnecessary noise complaints and community backlash (i.e. not being granted your liquor license). In thinking about proximity to your competition and importance of foot traffic, there are different factors that must be considered when deciding what is most important to you. Keep in mind the spatial requirements that you laid out in your business plan; looking for a space that was previously a bar can cut down your renovation costs, but beware of Bermuda Triangle spaces and try to scope out why the last bar failed (i.e. if the bar did so well they’re now expanding to a larger space, great, but if the space has been three separate bars, maybe keep searching). **Tip:** Ask about the grade of copper in the pipes and talk to your plumber (we can’t stress enough how important durable pipes are).

When I spoke with Chris Taha from Summers, who described himself as, “an early start up person, on the younger side, with not as much initial capital,” he offered some crucial and insightful advice for young entrepreneurs: yes, everyone that you ask will agree and emphasize that location is the most important thing, but, what if your capital doesn’t support the astronomical rent of the East Village, should you give up your dream before it ever gets off the ground? Chris says—absolutely not. When he opened Summers in a less developed area of South Williamsburg, which at that time was absolutely nothing like it is...
today, his bar was pretty much the only bar around and there was only one other trendy-type coffee shop about a block away.

Chris’ unique concept of a dual purpose hipster coffee shop by day, bar by night, thrived in what might have seemed like a “riskier” environment. Where many may have feared opening in an area that seemed “scarier and quieter” business-wise, he saw it as an opportunity to, “pioneer the movement out here and hopefully improve the economy around the neighborhood.” Summers was rewarded with a loyal neighborhood clientele that tightly meshed with Chris’ vision. The consequent transformation of South Williamsburg since Summers’ opening has only helped business thrive, as more of its target demographic have continued to pour to the area; Chris saw the potential of the neighborhood early on by paying attention to the probable social improvements that come with shifts in real estate ownership and the accompanying rent adjustments. While perhaps his initial success was founded in the big-fish-small-pond idea, Chris stressed that the opening of more bars and restaurants in the area shouldn’t be looked at as a bad thing; instead he stresses that customers recognize that Summers is, “the business that will be there forever.”

Michael Stewart, owner of Tavern on Jane, an East Village establishment that’s been around for more than 21 years, shares Taha’s perspective on close proximity to your competition not necessarily posing a threat to your business. Unlike Summers, Tavern on Jane is surrounded by other bars and restaurants, but Stewart says, as new businesses open up, “it brings more people to the neighborhood.” The key here, is that “everybody does something different.” If your bar brings something fresh to the neighborhood, it can thrive, regardless of how many other bars there are within a two block radius (i.e. differentiation is everything).

Steps to take before beginning your location search:

1. Determine how much you can spend on rent and which neighborhoods are within your price range
2. Think about where your vision will fit best, and where your target consumers are concentrated
3. Delineate all the requirements for the space, things that are absolute must-haves, things you can add on later, and what your renovation capital is

Where to look for vacant spaces: Once you have a general idea of which neighborhoods are your preferred targets, the wild goose chase that is your space search begins. The decision of whether or not to use a commercial broker in your search is entirely dependent on how willing you are to pay the steep broker fees that will accompany their assistance; if
this is not something you can afford to splurge on, you’ll have to take the hunt into your own hands. Keep your eyes and ears open, ask if your friends can refer you to a landlord or inquire about that empty space on your block that you’ve been walking by on your morning coffee run; get on your bike and go block to block collecting contact information for listed spaces. Websites like Loopnet or Craigslist are great places to look too, exhaust all of your options.

**Negotiating the Lease**

Once you’ve found your space and there is talk of signing a lease, it’s time to hire a lawyer; you’re opening a bar and will, therefore, need legal representation pretty much forever. Hiring a lawyer who typically represents small businesses in their early stages will not only provide you with someone who can negotiate the complexities of a commercial lease, but will also allow someone with legal expertise to have a greater understanding of your business plan and to ensure you don’t skip any vital steps on your operating agreement. Ask your fellow restaurant and bar owners in the area who they use for legal representation, as this relationship could end up being vital.

When signing the lease for your bar, more time is your friend: you shouldn’t be signing a lease for less than 10 years, so, if you can get 15, take it. If it could potentially take five years for you to break even, a five-year lease will swallow your finances before you have the chance to become profitable.

Finally, try to negotiate a few months of free rent with your landlord for buildout (tip: a close relationship with your landlord, perhaps even knowing them prior or having a connection of some kind before you begin renting will make your life much easier). Especially if you plan on making improvements and investing significant capital in your space, you have leverage to justify a few months of free rent. You’re ultimately increasing the overall value of the space and having financial room to breathe while you renovate could save you from using too much of your initial capital.

**Getting the Liquor License**

If you’ve made it to the lease-signing-stage, you’re in it for the long haul. This means it’s time to begin the process of obtaining the dreaded but essential liquor license. A liquor license will obviously play a key role in your bar’s functionality, so hiring a liquor lawyer could be the difference between opening when you want to, and not opening at all. A professional shark will help you negotiate with the State Liquor Authority and make sure
that all your I’s are dotted and T’s are crossed in terms of zoning and state laws. As important as it is to build a relationship with the state (the state, ultimately, is making money off of your business, so you can and should get them on your side), having the support of your local community board is imperative; go to meetings and make yourself known as an honest and experienced business owner who will handle the inevitable problems that will arise from opening a nightlife establishment in the neighborhood that these folks call home. Draw attention to the jobs that you will create in the community and your sensitivity to and concern for community welfare—obviously there will be cranky, rude members who don’t care about your points and attempt to negate your logical arguments, your job is to look more reasonable to the majority than they do. Point being, emphasize that you are a respectable business owner who will take responsibility for future issues and will maintain an open dialogue about their concerns — and follow through on what you promise.

**Tips about the liquor license process:**

- **Be PATIENT and strategic:** If your concept isn’t hinged on hard alcohol (i.e. this isn’t a viable move for a Whiskey bar), you apply for beer and wine. Then, after a year of successful business and a clean record to show to the community board: apply for the full license.
- Remember the liquor license is tied to the place, not the owners. Standard procedure in New York is to submit your license application 24 hours after you sign the lease.

The question of how to obtain the necessary funds to even consider opening a bar can pose a daunting roadblock to any dreamer, but there are plenty of success stories that prove you don’t need to have Bill Gates’ net worth in your bank account to make it happen.

First, if it’s viable, start by presenting your business plan or pitch deck to your friends and family; either borrow money for the upfront costs from your loved ones until you are able to qualify for a [term loan](#), or opt for a cash infusion from them that allows them to have partial ownership in your bar until it becomes profitable — even a long term investment structure that creates more of a business partnership between you and your investors, can get you a long way in reaching that initial lump sum. That direction, of course, won’t be viable to all new business owners, but there are plenty of other resources you can turn to.
Financing Options

**Equity financing:** For many investors, equity is the most attractive form of investment, giving them the prestige of ownership; investors give you money in exchange for a future stake in your bar when you become profitable. You estimate how much you think your future worth will be and, based on this estimate, they decide how much they will give you, which congruently determines percentage of ownership they’ll have. If bootstrapping isn’t an option and your initial collateral is minimal, the long runway that equity financing will give you to become profitable makes it a strong option to pursue.

- If possible, seek out a business partner or investor with high net worth to provide the financial backing because they are passionate about your concept. Investors that will likely invest in you are probably not looking to make a huge profit and are more interested in the prestige of owning a bar (you should be offering about 2% of ownership, so you’ll need multiple investors unless you enter into a partnership).

**Debt financing** gives you a lump sum and you agree on a repayment schedule and an interest rate. While this is the most common form of financing for new businesses, if you don’t have any substantial collateral you may have difficulty securing this type of loan because, in the event that your business goes under and you default on the loan, your investors will expect there to be some kind of tangible guarantee.

- Note: If your bar is also a restaurant, the [Small Business Administration](https://www.sba.gov) may have loans available that you could qualify for.

**Convertible debt** functions as a synthesis of debt and equity financing; you receive a loan and your investors agree that the loan will either be repaid in the future or converted into equity, perhaps after the business has reached a certain valuation. You can offer a discount to your investors (typically about 20-25%) so that if and when they do convert their loan into equity, they get however much you offer in addition to the original loan. For both types of investors, those that choose to convert and those that do not, you will need to set an interest rate so that you can repay them until they convert or the loan is repaid. If you’re having trouble setting a valuation for your bar but don’t want the rigidity of debt finance, this is a good route to take with your possible investors.
Creating a Pitch Deck

A pitch deck is a presentation that you will use to tell investors who you are, what you want to do, how you’ll do it, and what you’ll need. Typical pitch decks use a presentation program like PowerPoint; clarity and concision are essential, but you also need to incite an emotional response in your audience through the story that you tell about your bar. If you can make them feel inspired or moved, chances are far higher that they will invest.

Your deck is essentially your business plan distilled down to the most essential points. When pitching your bar idea, a basic introduction about who you and your team are and why you’re presenting your idea to these particular investors is a basic starting point. Next, delve into your concept and focus on differentiation in the industry; talk about why the neighborhood will benefit from what your bar will bring to the table and how it will avoid being usurped by the hundreds of other bars. Tie this to your target demographic of consumers and the traction of your customer base. You need to address your competition and the general market that you are entering and then, finally, pitch how much money you are looking for and with what terms.

Building the Space

You’ve raised the money, signed your lease, and even applied for your liquor license, now what? Creating the atmosphere of your bar and developing the space should be the fun part of your start-up process; if you really honed in on your vision and concept, most of your planning has already been done. Once you have your floor plan, look at what your space already has—does the kitchen fit your needs, is there enough space, what needs to be built, do the bathrooms need to be gutted—and then start deciding what needs to be done before you can open for business. A word of caution about initial renovations: the space doesn’t need to be perfect and your initial capital is precious, hold off on anything that either isn’t
essential or would disrupt regular business too severely if done later on until you’ve been open for at least a year. The design of your space has to extend to smart utilities: every detail from picking the right HVAC system to type of lightbulb will affect your operating costs.

However, if the space simply isn’t ready, it isn’t ready. Just because you shouldn’t be going overboard and spending every penny you have, doesn’t mean this is the place to skimp. Your space needs to be dialed in if your vision is truly going to come to life, so DIY methods might not be enough to get it to be ready-for-business. Do your homework when hiring your architect and contractor; they will be your partners in creating your dream (and an unreliable contractor who is consistently behind schedule will drive you insane and only take away from the time that you have to become profitable). If you choose not to hire an architect, it’s essential that you research the variety of paperwork that the city will require you to submit. An easy place to start in your search for the perfect design guru is your favorite spaces: walk in and try to find out who they used (and while you’re at it, network with the owner).

**Hiring the Team**

A perfect space is utterly useless without an equally perfect staff. A bar is the epitome of an environment where the people make the space, and customer service is truly everything.

**Choosing a manager:** Many owners choose to manage their own bars, but this is a task that essentially means you are signing away your life to your business for a minimum of 2 years and a maximum of forever (and even with a manager, you’ll practically live at your bar). This is not to say that having a manager magically alleviates the workload; who your manager is and how closely his or her work ethic matches yours will determine whether or not he or she is a nuisance or a savior. You want someone who is passionate about your vision and highly organized. Just like you can’t spend your nights at the bar being drunk and rowdy, your manager must mirror this responsible character and set an example for the entire staff. When interviewing, you want to look for previous management experience, knowledge of the industry and market, and most importantly, a ready-to-take-on-the-world attitude. Walking through some pseudo problem situations and asking your candidates how they would handle them is a solid tactic. Choose wisely: Your manager is your right-hand woman (or man), and as so, they are imperative to holding your establishment down.

**Choosing bartenders:** A good bartender isn’t just the bartender who can make the best drink; anyone can learn the skill of making a great drink with enough practice and
repetition. If you’ve been to a bar, you know that a personable bartender changes everything; a bartender can be the sole reason that you have loyal regulars and a bad bartender can easily discourage patrons from returning, marring the vibe of the whole bar. That being said, if your bar falls into the “trendy-mixologist-made-specialty drinks” kind of spot, then you should be careful about hiring any average joe. This might require some extra investment in the hiring front, such as attending festivals like Tales of the Cocktail to recruit talent.

Choosing security: How many bouncers, or if you need a bouncer at all, is going to depend greatly on your concept. If your bar is a small scale wine bar, you probably don’t need a bouncer; if you’re opening a massive sports bar, you’ll definitely need a bouncer on game nights. Many bars choose to only have bouncers on busier nights (ex: Thursday- Saturday).

The takeaway point about your bar staff is that they are the difference between overcoming the challenges that the business will present you with or being swallowed by those very challenges. Any bar can be busy on Friday and Saturday nights in a place like New York, but how do you fill your bar on Monday nights or Wednesday happy hour? Maybe the answer comes from a creative manager who helps you create special theme or discount nights or maybe it comes from your funny and handsome bartender who seems to have a following of his own. Either way, these problems will accumulate faster than you can manage if you try to take them on alone. Hospitality is a two-way street: treat your staff like they are your family and they will treat your customers as such. Understand that the same personal challenges you face as an owner, like the irregular, long work-hours and time away from family, are faced by your staff and show them that you appreciate their hard-work. Chances are, owner isn’t the first position you’ve had in the bar business (if it is: we would recommend taking a step back and working your way up—start as a barback, knowing the industry from the inside will make you a much better owner), you’ve been a bartender, you’ve been a manager, maybe you’ve even been abused by an unsympathetic owner, your job is to be the kind of owner you’d want to work for. When I asked Scott Perez what his favorite thing about Walkers is he emphasized that the people are “the reason he likes coming here every day”.

“I have people working for me since the place opened 21 years ago...the staff here is much like a family, everyone cares about each other and there isn’t a lot of turnover.”
Your marketing should start while you’re renovating, not after you finish. A well-designed logo is imperative to reinforcing your theme, and who you are. If graphic design is not your forte, consider outsourcing the creation of the perfect logo for your bar. Once you get the visual representation of your brand solidified, it’s time to start promoting. Word of mouth, the local newspaper, and flyers are a great place to start, but the Internet and social media are going to be your best friend. Technology has made your job a little easier than it might’ve been 30 years ago—if you’re not great with social media, you should probably hire someone who is (or maybe you have a teenager/college kid in your family who can help you out. If not, check out our guide to social media marketing for small business owners).

Instagram is the new newspaper and a great place to spend money on advertising, but it’s also a great way to bring your concept to the internet. Create a Hashtag unique to your establishment, and encourage patrons to tag you in their pictures. You can feature photos of your food, drinks, and the space: check out Mother’s Ruin (@mothersruinnyc) for a great example of a bar-instagram-done-right. Protip: offer something “Instagrammable” — believe it or not, boozy popsicles draw a crowd (see: Loopy Doopy Rooftop Bar).

Create a Facebook Page and host events that you can get your friends to invite their friends to (great for your grand opening). This is also a great place to generate hype about specials and discounts.

And of course, nothing perks up ears like the word “free”: consider offering a free shot, or some other special in return for a Yelp review or Foursquare check-in.

**Recommended POS Systems:**

- Upserve- Tavern on Jane
- Square- Summers
- ePOSnow
- Talech Register
- Toast
- Touchbistro
• Lavu

Payroll Systems:
• ADP Payroll

Alcohol Suppliers (NY):
• Southern Wine & Spirits
• Big Blue
• USQ Wines & Spirits
• Empire Southern

Glassware and Other Supplies*:
• The Restaurant Store
• Chef Restaurant Supply on Bowery (NY)

(*A note on supplies: buy a TON of cheap light bulbs.)

If you’ve made it to the end of the article, you probably need a beer and you might be asking yourself what the appealing part of this gargantuan business endeavor is/why you were even considering it in the first place: when all the little pieces finally come together and you’re standing behind your bar, surrounded by smiling customers, it will dawn on you that you have created a place for people to come together. At the center of any bar is camaraderie. Every bar owner that I spoke with couldn’t stress enough how wonderful the people that they have met through their business are, how much they’ve enjoyed getting to know customers, and how the customers are what make them come back every night. The privilege of watching friendships unfold under your roof will make the thousands of problems you had to solve along the way, and the thousand problems that you’ll have to solve in the near future, well worth it.