

PROJECT ADMINISTRATION DATA SHEET



ORIGINAL



REVISION NO. _____

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ADMINISTRATIVE DATA

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Mr. Edward R. BeeExecutive DirectorMcIntosh County Industrial AuthorityP. O. Box 896Darien, GA 31305(912) 437-6650Defense Priority Rating: N/ASecurity Classification: N/A

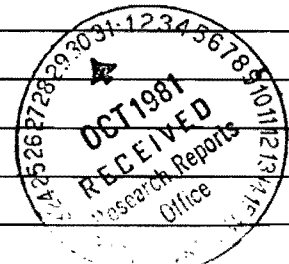
RESTRICTIONS

See Attached N/A Supplemental Information Sheet for Additional Requirements.

Travel: Foreign travel must have prior approval — Contact OCA in each case. Domestic travel requires sponsor approval where total will exceed greater of \$500 or 125% of approved proposal budget category.

Equipment: Title vests with Sponsor, however none proposed

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SPONSORED PROJECT TERMINATION SHEETDate 6/2/82Project Title: A Market Assessment for a Riverfront Commercial Development
in Darien, GA

Project No: A-3093

Project Director: Larry Edens

Sponsor: McIntosh County Industrial Authority

Effective Termination Date: 2/28/82Clearance of Accounting Charges: 2/28/82

Grant/Contract Closeout Actions Remaining:

- ☒ Final Invoice and Closing Documents
- ☐ Final Fiscal Report
- ☐ Final Report of Inventions
- ☐ Govt. Property Inventory & Related Certificate
- ☐ Classified Material Certificate
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Other _____

Project A-3093

A MARKET ASSESSMENT
FOR A RIVERFRONT COMMERCIAL DEVELOPMENT
IN DARIEN, GEORGIA

Prepared for the
McIntosh County Industrial Authority

by
Larry R. Edens
Project Director and Research Engineer

Savannah Area Office
Economic Development Laboratory
Engineering Experiment Station
GEORGIA INSTITUTE OF TECHNOLOGY
March 1982

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St. Simons Sojourns, Inc.
Langford-Kuhn Pottery
Williams' Seafood Restaurant
Tassey's Pier Restaurant
Emmeline and Hessie Seafood Restaurant
Two-way Fish Camp

A special expression of appreciation is extended to Ms. Dianne Lanier of Georgia Tech's Economic Development Laboratory for valuable assistance in the research of basic restaurant marketing data and project planning.

INTRODUCTION

Objectives of Project

The objectives of this research project were to investigate the market potential for a proposed commercial development on the Darien riverfront and to make an overall appraisal of the feasibility of the concept for the facility. This market assessment provides essential information for the McIntosh County Industrial Authority and for other public and private organizations interested in the viability of the proposed complex.

Background

An overall plan for the development of tourism in Coastal Georgia and McIntosh County was created and refined in studies by Wilbur Smith and Associates in 1975 and by Roy Mann Associates, Inc. in 1978.¹ Specifically for McIntosh County, these studies provided a master plan for tourism development based on historic and environmental resources. This master plan is generally referred to as the Darien Concept.

The focal point of the Darien Concept is the development of the Darien waterfront and adjacent areas along Broad Street and Fort King George Drive. Both public and private development is proposed in the plan. In 1978 the McIntosh County Industrial Authority purchased approximately three acres of riverfront property in downtown Darien. The general premise was that the development of this site would be the key to the revitalization and beautification of the Darien waterfront and would serve as a stimulus and base for the expansion of local tourist-related businesses.

¹Wilbur Smith and Associates, Coastal Georgia: A Plan for Coordinating Development and Tourism (1975); Roy Mann Associates, Inc., Darien: An Environmental Tourism Program for McIntosh County, Georgia (Cambridge, Mass., 1978).

In a further refinement of the waterfront plan, the firm of Cunningham, Weaver, Foreman, and Bailey, Architects, Inc., prepared a conceptual design in 1980 for the Industrial Authority's site which includes both commercial development and public facilities.¹ Georgia Tech's Economic Development Laboratory was contracted in October 1982 to prepare a market assessment of the commercial (private) development portion of this concept which consists of a waterfront restaurant and several small retail shops.

Approach and Methodology

This market assessment study utilizes the basic plan and strategy of the Darien Concept as developed by the earlier studies. To avoid duplication and repetition, the details of the overall concept will not be reviewed in this report, except as required to support the conclusions and recommendations. The conceptual design of the commercial complex by Cunningham, Weaver, Foreman, and Bailey provided basic guidelines for the sizes of the proposed restaurant and shops. The market assessment procedures were designed to study the potential for a restaurant of approximately 6,000 square feet and the demand for retail shop space up to a maximum of 17,000 square feet as incorporated in the site plan.

The basic data collected for the study included local demographic and economic growth statistics, tourism information, national data on the operating characteristics of the restaurant industry, and a qualitative assessment of the existing restaurants and shops in the local market area. A total projected market for the planned facilities was determined by analyzing the potential business from each definable source. Special marketing opportunities and market constraints were identified and evaluated. Finally an overall assessment of the proposed commercial complex was made.

¹Cunningham, Weaver, Foreman & Bailey, Architects, Inc., A Conceptual Design for the Darien Waterfront (Norcross, Georgia, 1980).

CHARACTERISTICS OF THE MARKET

Demographic and Economic Factors

McIntosh County is a rural county located on the Georgia coast with an economy based heavily upon fishing and forest products. Its population was only 8,046 in 1980 making it the least populated county on the Georgia coast. Between 1970 and 1980, the county's population increased 9.16 percent, only half of the State average. Refer to Table I.

Table I
LOCAL POPULATION DATA

	<u>McIntosh County</u>	<u>Glynn County</u>	<u>State of Georgia</u>
1970	7,371	50,528	4,587,930
1980	8,046	54,981	5,464,262
Percent Change (1970-1980)	9.16%	8.81%	19.10%

Source: Census of Population, 1970 and 1980, U. S. Bureau of the Census.

The County is also characterized by a very low median family income which was estimated as \$10,008 in 1980 by Sales and Marketing Management. Refer to Table II. The county's income level is 61 percent of the State average and only 59 percent of that of neighboring Glynn County.

Table II
LOCAL EFFECTIVE BUYING INCOME (EBI) CHARACTERISTICS - 1980

	<u>McIntosh County</u>	<u>Glynn County</u>	<u>State of Georgia</u>
Median Household EBI	\$10,008	\$16,948	\$16,301
Per Capita EBI	4,096	7,150	6,668

Source: Sales and Marketing Management, Survey of Buying Power, 1979 and 1980.

Darien, the county seat and largest town, is approximately 17 miles north of Brunswick and 60 miles south of Savannah. The City of Darien and McIntosh County have strong economic dependence upon the Brunswick (Glynn County) area for employment opportunities and goods and services.

Retail sales data for McIntosh, Glynn, and other adjacent counties are shown in Table III. Per capita EBI and retail sales figures are not directly related because of the substantial amount of tourist dollars spent in the area. However, expenditures in general merchandise and other durable goods categories (not listed) indicate the flow of McIntosh income to the Brunswick area.

Table III
LOCAL RETAIL SALES - 1979-1980

	<u>Total Sales</u>	<u>Eating & Drinking Places</u>	<u>General Merchandise</u>
<u>McIntosh County</u>			
1979	\$25,823,000	\$3,111,000	\$446,000
1980	30,102,000	3,587,000	492,000
1980 per capita	3,740	450	60
<u>Glynn County</u>			
1979	\$278,520,000	\$29,408,000	\$16,640,000
1980	319,684,000	33,267,000	16,346,000
1980 per capita	5,810	610	300
<u>Other Adjacent Counties*</u>			
1979	\$142,021,000	\$14,093,000	\$8,237,000
1980	163,040,000	16,102,000	9,120,000
1980 per capita	2,320	230	130

Source: Sales and Marketing Management, Survey of Buying Power, 1979 and 1980.

* Brantley, Liberty, Long, and Wayne counties.

Tourism Potential

The tourism potential for the Darien area results from locational factors and from its historical and natural resources. The major components of this potential are analyzed below:

The I-95/U.S. Hwy 17 Corridor - McIntosh County has easy access to Interstate Route I-95 for both North- and South-bound traffic. Motorists using the eight-mile loop through Darien (via Ga. Hwy 99, U.S. Hwy 17, and Ga. Hwy 251) add only one mile to their travel distance compared to continuing on I-95. No other Georgia town of Darien's size and significance has such an advantage for attracting pass-through tourists. In 1981 the average daily traffic (ADT) count for I-95 near Darien (Butler River Bridge) was 23,372; the ADT count for U.S. Hwy 17 at its Butler River Bridge was 3,386, giving a corridor total ADT count of 26,758. Based on a study by the Georgia Department of Transportation,¹ it is conservatively estimated that 40 percent of the corridor traffic is vacation/recreation oriented. The 10,700 tourist-related vehicles carry an estimated 28,900 tourists per day through McIntosh County, based on an average of 2.7 occupants per car.² The staff of the Golden Isles Visitors Information Center on I-95 in Glynn County reported that the inquiry most often made by visitors is related to the location of seafood restaurants with easy interstate access.

A survey by Wilbur Smith and Associates³ in 1975 found that 44 percent of the Interstate 95 travelers were inclined to take occasional side trips. A national study by Better Homes and Gardens⁴ indicates that 50 percent of the travelers on the Interstate Highway System take unplanned side trips. The deciding factor in taking side trips is generally the time and distance from the main route of travel.

¹Georgia Department of Transportation, Travel Research Study No. 15, (University of Georgia, 1972).

²Roy Mann Associates, Darien: An Environmental Tourism Program.

³Wilbur Smith and Associates, Coastal Georgia: A Plan for Coordinating Development and Tourism.

⁴Better Homes and Gardens Study of Vacation Travel, Meredith Corporation, Des Moines, Iowa (1975).

Local Historical and Natural Resources - The Darien area has numerous historical and natural attractions which have potential for drawing tourists. However, at this time only two of these -- the Georgia State Historic Site at Fort King George and the Georgia Department of Natural Resources' Sapelo Island tours -- have been promoted adequately to create a significant impact.

- Fort King George at Darien averaged 17,500 visitors per year during the period 1977-80 when there was free admission to the site. In January 1981, the Georgia Department of Natural Resources initiated a nominal charge for admission. The number of FY 80-81 visitors totaled 10,728 and the calendar year 1981 (full year with admission charge) brought only 5,999 paid visitors.¹ Park officials have determined that the turn-around rate at the site is now about twice the paid visitation, indicating that the site still draws about 18,000 tourists annually to the Darien area, even though only one third pay admission at Fort King George. A recent survey at Fort King George showed that 54 percent of the visitors purchased food in the area, 33 percent purchased gasoline, and 12 percent stayed at motels/hotels.² The studies indicate that about 50 percent of the visitors were overnight travelers and approximately 25 percent of the visitors had Glynn County as their primary destination.
- The Coastal Resources Division of the Georgia Department of Natural Resources (DNR) conducts two or three tours per week to Sapelo Island. Visitors tour the University of Georgia Marine Institute, the Sapelo Island National Estuarine Sanctuary, and the R. J. Reynolds State Wildlife Refuge. The four-hour tours are limited to 25 persons. During calendar year 1981, 2,213 visitors took the regular tour and

¹Georgia Historic Sites Visitation Reports, Georgia Department of Natural Resources, 1977-81.

²Georgia Historic Sites On-site Survey, Georgia Department of Natural Resources, Division of Parks and Historical Sites, January 1982.

another 672 visited the Island as special groups from schools, churches, or clubs.¹ Sixty percent of the visitors were not residents of Coastal Georgia. The DNR staff reported that the mainland facilities most often requested by visitors in the Darien/Sapelo area were (1) high quality restaurants, (2) campgrounds, (3) high quality motels, and (4) good park facilities.

Golden Isles Tourism Market - The Golden Isles area of Glynn County is regarded as a primary tourist destination and offers a concentration of historical and recreational attractions. The county has 32 motels and hotels (with a total of 3,428 rooms) which are located mostly on St. Simons Island/Sea Island, Jekyll Island, and at the I-95 interchanges. Public beaches are accessible by automobile on St. Simons and Jekyll islands. The Glynn County area has 171 holes of golf.

No overall estimates are available on the number of vacation/recreation oriented visits to this area. However, some traffic and visitor count data are used in the following sections to arrive at judgmental estimates.

- St. Simons Island/Sea Island is connected to the mainland by a causeway to Brunswick. A round trip toll is charged for passage to the Island. In 1981 the total traffic count to the Island was 2,441,399 vehicles of which 996,420 had annual decals (assumed to be Island residents). Of the remaining 1,444,979, higher tolls indicate that 53,239 were largely commercial trucks, leaving 1,391,740 automobiles with visiting occupants. Using the rather broad assumption, from the study by Roy Mann and Associates, that 40 percent of these vehicles were recreation/vacation oriented and by assuming approximately 2.7 persons per vehicle, the total annual visitation of 1,503,080 persons is estimated for St. Simons/Sea Island.² Fort Frederica National Monument on St. Simons Island had 249,269 visitors in 1981, but no data are available on the origin or destination of these visitors.

¹Coastal Resources Division Semiannual Reports, Georgia Department of Natural Resources, June 1981 and December 1981.

²Roy Mann Associates, Darien: An Environmental Tourism Program.

- Jekyll Island had an estimated 1,500,000 recreation/vacation oriented visitors during 1981 according to reports by the Jekyll Island Tourism and Convention Office. The estimate was based on a Georgia Department of Transportation traffic count which showed that approximately three million persons traveled to the Island.

Based on the above estimates and allowing for some double counting of visitors, it appears conservative to project the probability of 2,000,000 tourists visiting Glynn County each year who could potentially be attracted to the Darien area.

Bus Tour Groups - Bus tours presently visit the Darien area from operations based in Glynn County. A half-day tour of the Hofwyl Plantation, the Altamaha Delta, and Darien is available to guests staying in the Golden Isles area through St. Simons Sojourns, Inc. During the spring season, this firm expects to bring about 1,400 visitors to Darien on the tour. The company estimates that the annual (spring and fall seasons) potential for the Darien tour is 6,000 visitors. The present half-day tour could be extended into a full day, with the availability of the proposed waterfront restaurant and shopping complex. The firm has an active promotional program.

Intracoastal Waterway - The Intracoastal Waterway, which passes within 10 miles of the Darien waterfront, carries significant boating traffic during the spring and fall seasons. Two Georgia seafood restaurants located directly on the waterway, adjacent to marinas, reported that about three percent of their year round business came from boat traffic.

CHARACTERISTICS OF THE SITE

Location and Access

The three-acre site is located between Broad Street/Fort King George Drive and the Darien River in the central business district. The commercial part of the complex is proposed for the 1.3 acre portion of the site which is east of the right-of-way of U.S. Hwy 17 which bisects the property. The site is located about 17 miles north of Brunswick and has excellent access to Interstate I-95 at points 2 miles north of Darien and 6 miles south. A detailed description of the property's environmental setting is included in the Roy Mann study.¹

Availability of Services

All necessary utilities for the proposed development are available except for a sewage system. A sewage collection and treatment system for Darien is expected to be under construction by the summer of 1982 and completed in early 1984. The site does not have adequate land area for the construction of an on-site treatment plant without greatly diminishing the utilization of the property. The location of a treatment plant at the site would not be compatible with commercial revitalization of the downtown area.

Fire protection is provided by the Darien Volunteer Fire Department. The nearest fire station is 0.5 miles from the site. The fire insurance classification is 8. Police protection is provided by the Darien Police Department.

Compatibility of the Proposed Project

In general the proposed commercial development appears compatible with the plans for an overall revitalization and beautification of the Darien waterfront area. Although the property is still zoned Light Industrial (LI), the use of the site for industrial purposes would be contrary to the generally stated objective of developing downtown Darien as a center for tourism.

¹Roy Mann Associates, Darien: An Environmental Tourism Program.

One problem which may arise from the planned project is the lack of adequate parking space. The conceptual design by Cunningham, Weaver, Foreman, and Bailey includes a relatively insignificant amount of automobile parking space -- not even sufficient space for employees at the proposed facility. The parking space demand for the restaurant alone could be 100 spaces at peak business hours. With the successful generation of a tourism business in the Darien waterfront area, visitor parking could become a major problem. The present plan falls short of properly addressing this subject. It appears that too much facility has been planned for the size of the site.

The Darien retail trade establishments are locally oriented. The town does not draw significant business from surrounding counties. Because of the proximity of large modern shopping facilities on the north side of Brunswick, Darien stores are generally limited to convenience trade.

The proposed plan includes up to 17,000 square feet of retail shop space. There are two areas of concern regarding the addition of this relatively large amount of space. First, the availability of the new space would tend to discourage the renovation and restoration of quaint and picturesque buildings in the downtown area. The utilization of these buildings is essential to the development of the Darien Concept. It is estimated that there are 10,000 square feet of existing buildings near the waterfront site which could be restored or renovated to produce attractive shop space at costs less than new construction. Second, an oversupply of retail shop space would be unprofitable and could place the entire development in financial difficulty. The demand for the new retail space must come almost entirely from new tourism business. This business would probably be developed gradually and the addition of retail shop space will be feasible only for incremental increases.

A spot check of retail space rental rates in downtown Darien disclosed a wide variation in prices -- from less than \$1/sq.ft./yr. to about \$9/sq.ft./yr. There is also a large variation in the quality of the available space. The retail space market in Darien is imperfect because of limited activity and inelastic because of an over supply of space (especially low-quality space), i.e., a change in rental rates will not necessarily produce a significant change in the demand for space.

There are only two retail shops presently operating in Darien which have a tourism draw -- a hand-made pottery business which includes a retail store and an antique shop. Neither shop advertises on I-95 but both get vacationing customers, many of whom are also visiting Fort King George. The pottery retail operation has an estimated 5,000 out-of-town customers per year, mostly residents and visitors from Brunswick and the Golden Isles.

Darien has two full service restaurants that basically serve the local market. There are several limited-menu, short-order restaurants, only one of which is a franchise operation. None of these restaurants advertises on Interstate I-95 or has made a significant promotional effort to compete in the pass-through market. However, one full service restaurant located on U.S. Hwy 17 still draws a significant portion of its business from pass-through tourists who regularly stopped at the establishment prior to the construction of I-95.

There are three motels in operation in Darien with a total of about 50 rooms. The year round occupancy rate averages only about 30 percent for the combined facilities. Although fairly well maintained, these motels have older facilities and offer less services than the typical businesses along I-95. The impact of their operation upon that of the proposed waterfront development is considered insignificant.

GENERAL PROJECT DEVELOPMENT STRATEGY

Based upon the characteristics of the site and the market area, the following basic guidelines are established for the development strategy:

1. The Darien commercial waterfront project should be designed to complement and be supported by the development of other facets of the Darien Concept, however, the economic feasibility of the project must be based upon an independent stature.
2. The marketing strategy for the proposed project must be largely based upon the attraction of visitors to the Darien area.
3. The success of the project will depend heavily upon promotional advertising for the facility and local tourist attractions.
4. The project has a distinct "easy access" advantage in developing a market from the pass-through traffic on I-95.
5. The construction of a sewage collection and treatment system, by the City of Darien, which would serve the waterfront site is a prerequisite for the proposed development.
6. The proposed project plan should be modified to create adequate parking space for the commercial complex, even if part of the site west of U.S. Hwy 17 has to be used for this purpose. Inadequate parking space would have a negative impact on the operation of the complex and adjacent businesses.
7. The restaurant must be a full-service, high-quality restaurant (with a seafood specialty and beverage service) which can capitalize on its picturesque and authentic waterfront location.
8. The retail shop space in the proposed development should be limited, to reduce financial risk of the investment and encourage renovation of other buildings in the area for retail businesses.

RESTAURANT DEVELOPMENT AND MARKETING STRATEGY

Operational Model

Data from Section B of the NRA Restaurant Industry Operations Report of 1981¹ have been used to establish an operational model for the proposed seafood restaurant. From this reference (shown in the Appendix), the operating characteristics presented in Table IV are projected for the 6,000 square-foot facility.

Table IV

TYPICAL OPERATING CHARACTERISTICS - 6,000 SQ. FT. SEAFOOD RESTAURANT*

Total Restaurant Area	6,000 sq. ft.
Number of Seats	240
Annual Sales per Seat:	
Food	\$3.940/seat
Beverages	<u>1,460/seat</u>
Total	\$5,400/seat
Total Sales (\$)	\$1,300,000/year
Payroll (including Benefits)	\$400,000/year
Number of Employees (Full Time Equivalent)	45
Advertising and Promotion	\$25,000/year
Occupation Costs	
Rent, Property Taxes, and Insurance	\$ 60,000/year
Interest and Depreciation	<u>40,000/year</u>
Total Occupation Costs	\$100,000/year
Net Income Before Taxes	\$107,000/year

* For operation with typical net income to sales ratio of 8.2% in 1981. The typical restaurant of this size has been in operation over 10 years.

¹Restaurant Industry Operations Report '81 for the United States, National Restaurant Association. Prepared in cooperation with Laventhol and Horvath, 1981.

The investment required for a typical 6,000 square foot facility is also estimated from the data from NRA's 1981 Restaurant Industry Operations Report and is shown below in Table V.

Table V
TYPICAL INVESTMENT - 6,000 SQUARE FOOT SEAFOOD RESTAURANT

	<u>Own Bldg. & Land</u>	<u>Lease Bldg. & Land</u>
Land	\$ 55,000	-
Building & Improvements	205,000 (\$35/sq.ft.)	-
Furniture & Fixtures	130,000	\$145,000
Leasehold Improvements	-	110,000
Operating Equipment	70,000	95,000
Other Assets	<u>30,000</u>	<u>40,000</u>
TOTAL	\$490,000	\$390,000
	(\$82/sq.ft.)	(\$65/sq.ft.)

Based on the estimated construction costs from the conceptual design by the architects,¹ the investment required at the waterfront site may exceed the National Restaurant Association averages listed in Table V. The land and building costs for this site are projected as follows:

Land - \$175,000 - Based on the estimated sale price of the property east of U. S. Hwy 17

Building - \$270,000 - Construction and landscaping for 6,000 sq. ft. restaurant building (\$45/sq.ft.)

The above land and building cost estimates exceed by \$185,000 the typical costs in Table V, for a total investment estimate of \$675,000 (\$112/sq.ft.). This increase appears reasonable in view of the high value of the waterfront site and the extensive landscaping required.

With an investment of \$675,000, the 8 percent net profit margin on sales of \$1,300,000 would yield a simple return on investment of over 15 percent.

¹Cunningham, Weaver, Foreman & Bailey, Architects, Inc., A Conceptual Design for the Darien Waterfront.

Market Demand Analysis

The proposed seafood restaurant facility would be comparable to other theme restaurants in the coastal area such as Strickland's (Mayport, Florida), Emmeline and Hessie (Brunswick), Tasseys Pier (Savannah) and Hudson's (Hilton Head Island, South Carolina). All of these restaurants are dependent upon tourism for a significant portion of their revenues. However, during the "off-season" months they rely upon local customers to maintain a satisfactory level of operation. Most of these restaurants are located near concentrations of recreational and lodging facilities and densely populated urban areas. It should be emphasized that none of these operations has easy access to Interstate I-95. Their support from tourism (especially for evening meals) comes almost entirely from overnight visitors to the area.

The existing restaurants in the Darien area are generally owner-operated with relatively low overhead and operating costs. As previously stated, none has significant advertising costs. The proposed waterfront restaurant would not be in direct competition with the existing restaurants and would have limited penetration into the local market because of its higher-priced menu.

Based on the National Restaurant Association data for 1981,¹ a daily seat turnover of 2.0 is average for this type of restaurant. Interviews with managers of high-quality seafood restaurants in the coastal area indicated that the daily seat turnover rate was about 2.0 during the tourist season but dropped considerably below that in the off months of the winter season. Average receipts per cover for the restaurants surveyed were about \$7 per lunch and \$15 per dinner including beverages. Most alcoholic beverages are consumed with dinner. The food to alcoholic beverage ratio is about 75%/25%. The majority of restaurants surveyed agreed that lunch is at best a breakeven operation. Normally, the number of dinners served is 2-4 times the number of lunches served. Thus, lunch income normally is only 10-20% of total income.

¹Restaurant Industry Operations Report '81 for the United States,
National Restaurant Association.

The market components identified earlier in this report are summarized as follows:

<u>Residents:</u>	8,046	McIntosh County residents
	54,981	Glynn County residents
	<u>70,328</u>	Other residents within 40-mile drive of site
	133,355	Total Residents
<u>Darien Visitors:</u>	18,000	visitors per year to Fort King George
	2,885	visitors per year to Sapelo Island
	<u>1,400</u>	bus tour visitors per year
	22,285	Total Visitors/Year
<u>Glynn County Visitors:</u>	2,000,000	visitors per year to St. Simons Island/Sea Island, Jekyll Island, and Brunswick
<u>Pass-through Market:</u>	3,650	tourists per day on U. S. Hwy 17
	<u>25,250</u>	tourists per day on I-95
	28,900	Total Visitors/Day

An unlimited number of scenarios could be developed to project total sales from the potential market sectors. The menu price structure and the magnitude and direction of promotional advertising would have a great impact on the market mix. However, the following strong and weak market factors are anticipated:

- The local resident lunch potential is considered weak because of the small business base in Darien and strong competition from local restaurants with moderate to low price menus. Dinner potential is expected to be only fair from McIntosh County residents because of local competition and low personal income in the county. Dinner business from Glynn and other adjacent counties is expected to be moderate.

- The lunch potential from Darien day-visitors is considered strong especially if arrangements for providing lunch could be made with bus tour companies.
- The lunch potential from pass-through visitors on U. S. Hwy 17 is strong because of the site location if combined with an effective promotional program. Dinner potential for pass-through visitors is expected to be weak because of the lack of quality motels in the Darien area.
- The business potential from Brunswick and Golden Isles overnight tourists is considered weak for lunch and strong for dinner. An effective advertising program will be required to compete with Glynn County restaurants.

A typical market scenario based on judgmental assumptions which show the magnitude of market penetration required to achieve total annual sales of \$1,300,000 is presented in Table VI. The market shares required to show an adequate business volume for profitability appear to be conservative and attainable. This business volume would be realized at an average daily seat turnover rate of 1.34 (based on 6-day week) by serving approximately 80 lunch and 240 dinner meals.

By the third year of operation, it is projected that the average daily table turnover rate will reach 2.0. The typical market scenario for this increased business level is presented in Table VII. The required capture rates are still considered very conservative. Total sales of \$1,950,000 per year would be achieved by serving an estimated 120 lunch and 360 dinner meals daily. Conservatively assuming no change in the 8 percent net income on sales, profits before taxes would be about \$156,000 annually for about a 23 percent simple return on the initial investment of \$675,000.

Table VI
PROPOSED DARIEN SEAFOOD RESTAURANT
TYPICAL MARKET SCENARIO
(First/Second Years)

Market Segment	Capture Rate	Annual Number of Meals and Income			
		Lunch		Dinner	
		Meals	Income(\$)	Meals	Income(\$)
<u>Residents</u>					
McIntosh County	5.0%*	3,400	\$ 23,800	10,300	\$ 154,500
Glynn County	1.0%*	3,200	22,400	20,600	309,000
Other Adjacent Counties	0.4%*	1,500	10,500	3,600	54,000
<u>Darien Day Visitors</u>					
Ft. King George/Sapelo (20,885/year)	20.0%	4,200	29,400	-	-
Bus Tours (1,400/year)	50.0%	700	4,900	-	-
<u>Glynn County Visitors</u> (2,000,000/year)	2.0%	6,000	42,000	34,000	510,000
<u>Pass-through Market</u>					
U.S. Hwy 17 (3,650 visitors/day)	0.25%	1,400	9,800	1,900	28,500
Interstate Hwy I-95 (25,250 visitors/day)	0.1%	4,600	32,200	4,600	69,000
TOTAL		25,000	\$175,000	75,000	\$1,125,000
TOTAL SALES: \$1,300,000/year					

* Percentage of county retail sales for Eating and Drinking Places. See Table III.

Table VII
PROPOSED DARIEN SEAFOOD RESTAURANT
TYPICAL MARKET SCENARIO
(After Second Year)

<u>Market Segment</u>	<u>Capture Rate</u>	<u>Annual Number of Meals and Income</u>			
		<u>Lunch</u>		<u>Dinner</u>	
		<u>Meals</u>	<u>Income(\$)</u>	<u>Meals</u>	<u>Income(\$)</u>
<u>Residents</u>					
McIntosh County	7.5%*	5,100	\$ 35,700	15,450	\$ 231,750
Glynn County	1.5%*	4,800	33,600	30,900	463,500
Other Adjacent Counties	0.6%*	2,250	15,750	5,400	81,000
<u>Darien Day Visitors</u>					
Ft. King George/Sapelo (20,885/year)	30.0%	6,300	44,100	-	-
Bus Tours (1,400/year)	75.0%	1,050	7,350	-	-
<u>Glynn County Visitors</u> (2,000,000/year)	3.0%	9,000	63,000	51,000	765,000
<u>Pass-through Market</u>					
U.S. Hwy 17 (3,650 visitors/day)	0.38%	2,100	14,700	2,850	42,750
Interstate Hwy I-95 (25,250 visitors/day)	0.15%	6,900	48,300	6,900	103,500
TOTAL		37,500	\$262,500	112,500	\$1,687,500
TOTAL SALES: <u>\$1,950,000/year</u>					

* Percentage of county retail sales for Eating and Drinking Places. See Table III.

ASSESSMENT SUMMARY

A diverse market mix provides an adequate demand for the establishment of a 6,000 square foot seafood restaurant on the waterfront in Darien, Georgia. This high-quality, full-menu facility would require an estimated investment of \$675,000 and have projected sales of \$1,300,000 - \$1,950,000 per year. The project must be solidly financed because initial low business volume and high advertising and promotion costs are expected for the first year of operation. In order for the project to be profitable, the operation must quickly capture a significant portion of its business from the I-95 pass-through market and the Golden Isles resort areas.

However, the start-up of the proposed facility is not feasible until the City of Darien completes the construction of the municipal sewage system and waste treatment plant. The sewage collection and treatment system is in the final stages of planning with completion of the project expected in approximately two years. Other factors which would tend to delay the construction of the restaurant complex are the present high interest rates for borrowed funds and a general leveling of restaurant sales in the Coastal Georgia area.

The construction of retail shop space should be limited to 5,000 square feet or less and located entirely on the first level of the complex below the restaurant. A larger amount of retail space could increase the financial vulnerability of the project and adversely affect the restoration and renovation of other waterfront buildings which would be important in the creation of the setting of the Darien Concept. The portion of the site not used for the additional retail shops should be allocated to parking spaces for the restaurant complex.

These conclusions are based on data which indicate a successful operation for the described facility independent of the development of the Darien Concept. However, the continued support of the public sector in promoting the overall tourism plan for McIntosh County will have a favorable impact on the profitability of the complex.

APPENDIX

Section B:

"The Restaurant Industry Dollar--
Food and Beverage Restaurants"*

*Source: Restaurant Industry Operations Report '81
for the United States, National Restaurant
Association.

Section B— Food and Beverage Restaurants

The Restaurant Industry Dollar—Food and Beverage Restaurants

The source and distribution of the restaurant industry dollar for food and beverage restaurants in 1978 and 1980 are illustrated in Chart 2. While the percentage of revenue from other sources remained constant for the two years, the amount of revenue from beverage sales increased from 24.9 percent in 1978 to 27.8 percent in 1980.

The cost of food and beverages sold was identical for the two years. Although total controllable expenses as a whole were comparable for the two years, advertising and promotion expenses decreased substantially over the year while direct operating expenses increased. Most of the other controllable expense items remained stable. With occupation costs going from 5.6 percent in 1978 to 4.8 percent in 1980, food and beverage restaurants reported a net income of 4.5 percent, an increase from the net income figure of 4 percent in 1978.

Highlights

- Food sales were \$3,647 per seat while beverage sales accounted for \$1,320 per seat.
- Food and beverage costs absorbed \$1,875 per seat.
- The average check was \$8.61 and the average daily seat turnover was 1.96.
- The return on total assets was 13.4 percent, with a net income before taxes of 4.5 percent.
- Total sales per full-time equivalent employee were \$27,253, with a productivity index of 3.51.

**CHART 2
THE RESTAURANT INDUSTRY DOLLAR
FOOD AND BEVERAGE RESTAURANTS**

WHERE IT CAME FROM		
1978		1980
73.9	Food Sales	71.1
24.9	Beverage Sales	27.8
1.2	Other Income	1.1
WHERE IT WENT		
Cost of Merchandise Sold		
29.4	Food	29.6
7.3	Beverages	7.1
36.7	Total	36.7
Controllable Expenses		
27.0	Payroll	27.5
4.3	Employee Benefits	4.8
5.3	Direct Operating Expenses	6.5
0.8	Music and Entertainment	0.9
2.8	Advertising and Promotion	1.9
2.7	Utilities	2.5
5.6	Administrative and General	5.4
1.8	Repairs and Maintenance	1.7
Occupation Costs		
5.6	Rent, Property Taxes and Insurance	4.8
1.0	Interest	0.9
2.5	Depreciation	2.3
(0.1)	Other Additions and Deductions	(0.4)
4.0	Net Income Before Income Tax	4.5

Profile of participants

The 299 restaurants covered in this section serve food as well as alcoholic beverages. Typically, these restaurants were larger and had larger sales volumes than those serving only food. The following summary of characteristics, representing the typical participating food and beverage restaurant, has been taken from the appropriate measures of central tendency (arithmetic mean or median).

- Number of seats ranged from 30 to 1,300, with an average of 255 seats.
- Occupied 6,600 square feet of space in a detached building that was leased along with the land.
- Privately owned corporation in an urban area.
- Operates a single, non-affiliated full menu tableservice restaurant.
- More than 10 years old.

Exhibit B-1—A Profile of Participating Food and Beverage Restaurants

Years in Business:		Percent of Respondents	Profit Versus Loss:		Percent of Respondents
Under 5 Years		26.1%	Net Profit		73.7%
5 to 10 Years		32.4	Net Loss		26.3
Over 10 Years		41.5			
Type of Restaurant:			Separate/Detached Building:		
Full Menu			Yes		68.5%
Tableservice		68.5%	No		31.5
Limited Menu					
Tableservice		20.7			
All Others		10.8			
Region:			Lease Versus Own:		
Northeast		12.6%	Own Land and Building		41.7%
Southeast		10.5	Lease Land and Building		53.4
North Central		32.5	Lease Land and Own Building		4.9
South Central		6.1			
West		38.3			
Location:			Competition:		
Urban		49.0%	Intense		41.1%
Suburban		38.3	Average		49.8
Rural		12.7	Mild		9.1
Affiliation:			Ownership:		
Single Unit			Sole Proprietorship		10.4%
Independent		52.1%	Partnership		9.1
Multi Unit			Public Corporation		14.7
Company			Private Corporation		65.8
Operated		46.6			
Multi Unit—Franchise					
Operated		1.3			
Sales Volume:			Menu Theme:		
Under \$500,000		24.4%	Steak		8.5%
\$500,000 to \$999,999		31.4	Seafood		16.1
\$1,000,000 to \$1,499,999		22.1	Steak and Seafood		18.1
\$1,500,000 and over		22.1	Continental		9.7
			American		11.7
			European*		11.3
			Mexican		7.7
			All Others**		16.9

*Includes Italian, French, German.

**Includes chicken, oriental, salad bars, specialty sandwich, pizza, hamburgers and regional.

Net income

The ratios of food sales and beverage sales to total sales were very similar for net income and net loss restaurants, as illustrated in Exhibit B-2. As a ratio to total sales, income producing restaurants reported a gross profit of 62.8 percent, only two percentage points above the net loss group. As an amount per seat, however, the restaurants with a net income realized a gross profit of \$3,407, nearly 50 percent more than the loss restaurants. This lower sales per seat figure seemed to be an important factor in this group's net loss. In fact, the net loss restaurants reported lower amounts per seat for total cost of goods sold, total controllable expenses and total occupation costs compared with the income producing group. It appears that the net loss restaurants managed their expenses effectively but failed to realize the necessary sales per seat to offset costs.

EXHIBIT B-2 Food and Beverage Net Income Differential

	Amount Per Seat Restaurants Reporting		Ratio to Total Sales Restaurants Reporting	
	Net Income	Net Loss	Net Income	Net Loss
Sales				
Food	\$3935	\$2721	73.9%	73.6%
Beverage	1457	984	28.1	26.4
Total sales	\$5392	\$3705	\$100.0%	100.0%
Cost of sales				
Food*	\$1608	\$1124	40.7%	41.1%
Beverage*	377	293	27.9	29.1
Total cost of sales	\$1985	\$1417	37.2%	39.2%
Gross profit	\$3407	\$2288	62.8%	60.8%
Other income	43	24	1.3	.8
Total income	\$3450	\$2312	64.1%	61.6%
Controllable Expenses				
Payroll	\$1410	\$1165	26.4%	32.1%
Employee benefits	237	199	4.2	5.0
Direct operating expenses	290	307	5.2	7.3
Music and entertainment	40	38	.7	1.0
Advertising and promotion	97	83	2.0	2.3
Utilities	128	119	2.6	3.6
Administrative and general	278	226	5.1	6.1
Repairs and maintenance	89	62	1.8	1.8
Total controllable expenses	\$2569	\$2201	48.0%	59.2%
Income before occupation costs	\$ 881	\$ 111	16.1%	2.4
Occupation costs				
Rent, property taxes and insurance	\$ 249	\$ 228	4.9%	6.5%
Interest	53	51	1.2	1.7
Depreciation	117	129	2.2	4.0
Total occupation costs	\$ 419	\$ 408	8.3%	12.2%
Net income before other deductions	\$ 462	\$ (297)	7.8%	(9.8)%
Other additions and deductions	(16)	(12)	(.4)	(.4)
Net income (loss) before income taxes	\$ 446	\$ (309)	7.4%	(10.2)%
Other data				
Average receipt per cover			\$ 8.75	\$ 6.24
Average daily seat turnover			2.00	1.38
Productivity index			3.54	3.38

*Ratios based on individual department sales.

Return on total assets

Sales per dollar of total assets in both 1980 and in 1978 were \$2.97, as shown in Exhibit B-3 and *Restaurant Industry Operations Report '79*. However, higher earnings enabled the participating restaurants in this study to earn 13.4 percent on their total assets compared with a 12.4 percent rate of return in 1978. Restaurants that lease the land and own the building achieved the highest returns. Restaurants that occupy a separate building compared with those in an attached building had similar profit margins, but the latter reported a return on total assets of 17.8 percent versus 12.6 percent for the former.

Cost of sales

Full menu and limited menu restaurants with tableservice spent nearly 28 cents of their beverage sales dollar on beverage costs, as shown in Exhibit B-4. However, for the full menu restaurants, food costs absorbed nearly 42 cents of the food dollar, more than 5 percent higher than restaurants serving limited menus. Those restaurants located in rural areas, those owned by a sole proprietor and those serving steak as their main menu item experienced the highest total cost of sales and payroll per dollar of sales.

EXHIBIT B-3 Food and Beverage Return on Total Assets*

	Sales Per Dollar of Total Assets	Earnings Ratio	Rate of Return
All food and beverage restaurants	\$2.97	4.5%	13.4%
Own land and building	2.36	5.0	11.9
Lease land and building	3.45	4.8	16.5
Lease land and own building	3.35	8.8	29.6
Restaurant occupies			
Separate or detached building	2.72	4.6	12.6
Attached building	4.35	4.1	17.8
Type of restaurant			
Full menu-tableservice	3.11	4.3	13.2
Limited menu-tableservice	2.81	3.1	8.7
All others	2.36	8.3	19.7

*Based on weighted means of those providing detail.

EXHIBIT B-4 Food and Beverage Cost Per Dollar of Sales

	Food*	Beverages*	Total Cost of Goods Sold	Total Payroll	Prime Cost
All food and beverage restaurant	40.9¢	26.2¢	37.6¢	27.6¢	65.2¢
Type of restaurant					
Full menu-tableservice	41.6	27.9	37.2	28.5	65.7
Limited menu-tableservice	39.5	27.7	38.2	26.1	64.3
All others	38.6	32.7	39.0	24.9	63.9
Location					
Urban	40.6	27.6	36.6	27.6	64.4
Suburban	41.0	26.1	36.6	26.3	64.9
Rural	41.7	26.0	36.5	30.6	69.1
Profit versus loss					
Net profit	40.7	27.9	36.9	26.2	63.1
Net loss	41.1	29.1	39.2	32.1	71.3
Ownership					
Sole proprietorship	42.4	32.7	39.2	27.3	66.5
Partnership	40.7	29.5	36.0	27.9	65.9
Public corporation	41.0	27.1	37.0	26.5	63.5
Private corporation	40.6	27.6	37.5	27.8	65.3
Menu theme					
Steak	44.3	30.9	41.2	27.2	68.4
Seafood	42.5	27.0	36.5	24.1	62.8
Steak and Seafood	42.8	27.3	38.9	28.3	67.2
Continental	41.7	30.0	36.3	28.3	64.6
American	40.7	27.4	36.5	26.4	64.9
European**	39.0	30.1	37.5	27.4	64.9
Mexican	33.8	23.7	31.7	29.4	61.1
Other***	37.6	25.5	35.9	27.7	63.6

*Based on individual department sales.

**Includes Italian, French and German.

***Includes chicken, oriental bars, specialty sandwiches, pizza, hamburgers and regional.

Payroll

Service and preparation costs comprised more than 59 cents of the total payroll dollar for all food and beverage restaurants, as shown in Exhibit B-5. Administrative and general expenses absorbed a major portion of remaining payroll costs. Preparation costs were highest for restaurants serving full menus. Compared with other locations, suburban restaurants reported the highest service costs but the lowest preparation, administrative and general expenses.

According to Exhibit B-6, suburban restaurants and those serving a limited menu with tableservice employed more persons than others, 65 and 62 employees, respectively. Total sales per full-time employee were comparable among most of the categories except for those restaurants with a net loss and those located in rural areas, which reported lower than average sales per employee of approximately \$22,500. As with the food only restaurants, limited menu tableservice restaurants had the highest index of productivity at 4.11.

EXHIBIT B-5 Food and Beverage

Breakdown of Payroll by Function—Ratio to Total Payroll

Function	Type of Restaurant				Location		
	Total	Full Menu Tableservice	Limited Menu Tableservice	All Others	Urban	Suburban	Rural
Service	37.2%	32.9%	37.5%	63.0%	32.5%	41.4%	36.9%
Bartenders	6.7	7.9	5.2	2.3	7.7	5.8	6.4
Preparation	22.0	24.7	20.1	9.1	23.5	20.9	21.1
Sanitation	7.0	7.3	9.4	1.0	5.9	7.5	9.3
Administrative and general	24.4	24.4	26.5	19.9	27.3	22.3	22.7
Other	2.7	2.8	1.3	4.7	3.1	2.1	3.6
Total payroll	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

EXHIBIT B-6 Food and Beverage

Analysis of Employee Data*

	Restaurants Reporting			Location			Type of Restaurant		
	Total	Net Income	Net Loss	Urban	Suburban	Rural	Full Menu Tableservice	Limited Menu Tableservice	All Others
Number of employees per restaurant									
Full-time	26	28	20	31	23	15	28	21	19
Part-time (20-35 hours)	19	20	18	18	23	16	21	17	15
Part-time (under 20 hours)	14	14	13	10	19	9	13	17	13
Total	59	62	51	59	65	40	62	55	47
Full-time equivalent employees									
Total	43	45	37	46	44	30	47	38	33
Per 100 restaurant seats	18.9	20.0	15.8	20.4	19.3	12.4	18.5	19.6	18.6
Per 100 average daily covers	12.4	11.9	14.3	12.4	11.7	14.7	14.0	10.1	8.5
Total sales per full-time equivalent employee	\$27253	\$28950	\$22729	\$29485	\$26182	\$22490	\$26747	\$28449	\$26874
Payroll per full-time equivalent employee	\$ 8908	\$ 8763	\$ 8418	\$ 8783	\$ 7529	\$ 7716	\$ 8856	\$ 8398	\$ 7792
Index of productivity	3.513	3.540	3.382	3.458	3.754	3.093	3.285	4.111	3.859

*Based on those providing detail.

Other controllable expenses

Direct operating expenses

Operating expenses for the food and beverage restaurants participating in this study amounted to \$299 per seat or 6 percent of total food and beverage sales. Exhibit B-7 presents a breakdown of direct operating expenses for a number of categories. Laundry and linen expenses alone accounted for 17 percent of total expenses, with china and glass and paper supplies each absorbing approximately 9 cents of the operating expenses dollar. By sales volume, the lowest volume category allocated less to china and glass but more to guest supplies than did the other two sales groups.

Advertising and promotion

A breakdown of advertising expenses is presented in Exhibit B-8. Food and beverage restaurants spent \$91 per seat on advertising and promotion costs, significantly less than the \$284 expenditure by the food only segment. Limited menu tableservice restaurants, facilities with sales of at least \$1.5 million and those located in the Southeast spent the largest portion of their advertising expenses dollar on entertainment and sales promotion. However, most of the categories chose newspapers and magazines or radio and TV for the main concentration of their advertising expenditures.

Utilities

While only 2.8 percent of total sales was spent on utilities expenses, more than 60 percent of this total expense was allocated to electricity, as shown in Exhibit B-9. Restaurants in the West apportioned the smallest amount of utilities expenses to electricity at 54.2 percent, while South Central properties spent more than 82 cents of their utilities dollar on electricity. For the total food and beverage participating restaurants, heat and fuel absorbed more than 19 percent of utility expenses. This figure was similar for most restaurant types except "all others," and those located in the South Central and Southeast, all of which spent much less than the average expenditure for heat and fuel.

EXHIBIT B-7 Food and Beverage
Direct Operating Expenses*

	Ratio to Total Direct Operating Expenses														
	Type of Restaurant						Sales Volume (\$000)				Region				
	Amount Per Seat	Ratio to Total Sales	Total	Full Menu Table-service	Limited Menu Table-service	All Others	Under \$500	\$500 to \$999	\$1,000 to 1,499	\$1,500 and above	North-east	South-east	North Central	South Central	West
Uniforms	\$ 14	.2%	3.9%	4.7%	1.2%	3.6%	1.3%	2.7%	4.7%	6.1%	2.2%	0.5%	2.2%	6.2%	6.0%
Laundry and linen	52	1.0	17.0	17.8	16.2	7.9	13.4	20.5	15.8	16.3	19.3	17.6	16.6	20.8	16.3
China and glassware	30	.6	8.7	8.6	11.7	3.4	4.4	9.7	9.3	11.3	9.7	3.5	6.2	9.7	11.6
Silverware	3	.1	1.0	1.1	1.1	.8	.3	.8	1.0	2.4	3.2	.8	.9	.4	.6
Kitchen utensils	10	.2	3.3	3.2	1.7	7.0	3.0	2.9	2.7	5.2	3.7	6.3	2.6	1.6	3.5
Kitchen fuel	5	.1	1.5	1.2	1.1	4.1	1.9	1.4	1.3	1.4	3.6	1.5	0.6	1.2	1.6
Cleaning supplies	19	.4	6.6	6.2	6.4	12.0	5.0	8.2	7.6	5.6	10.4	3.2	7.0	6.3	6.7
Paper supplies	24	.6	9.2	9.9	7.1	9.0	9.1	11.9	7.6	6.2	9.9	6.3	13.7	12.3	5.4
Guest supplies	13	.3	5.0	4.4	9.3	1.0	8.7	3.4	5.6	2.2	6.2	4.5	7.2	3.5	2.9
Bar expense	5	.1	1.6	2.0	1.2	.4	2.6	.8	.8	2.8	1.4	.2	1.6	2.3	1.6
Menus and wine lists	9	.1	2.5	3.0	1.7	.6	1.0	2.6	3.2	3.4	3.8	1.2	2.1	1.9	2.9
Contract cleaning	26	.6	7.9	8.3	6.0	7.5	3.9	7.4	11.6	9.1	5.6	3.5	7.8	4.4	9.5
Exterminating	1	0	.3	.4	.2	.1	.3	.3	.2	.8	.5	.4	.3	1.0	.2
Flowers and decorations	9	.2	2.5	2.9	1.0	2.0	1.0	2.6	2.8	3.5	2.5	2.8	2.5	0.8	2.8
Auto expense	11	.2	4.6	4.9	4.3	4.9	8.9	4.3	2.2	3.7	3.5	10.5	2.8	10.7	4.6
Licenses	11	.2	5.7	5.0	4.5	13.2	13.2	4.6	3.3	1.7	2.4	8.5	7.9	5.2	4.1
Banquet expense	1	0	.2	.3	0	0	0	.1	0	.9	.2	.1	.1	2.6	.1
All other	56	1.1	18.1	16.1	23.3	22.7	21.6	15.8	19.9	15.8	11.7	28.6	17.3	7.1	19.2
Total	\$299	6.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on those providing detail.

**EXHIBIT B-8 Food and Beverage
Advertising Expenses***

	Ratio to Total Advertising Expenses														
	Type of Restaurant						Sales Volume (\$000)				Region				
	Amount Per Seat	Ratio to Total Sales	Total	Full Menu Table-service	Limited Menu Table-service	All Others	Under \$500	\$500 to \$999	\$1,000 to \$1,499	\$1,500 and Over	North-east	South-east	North Central	South Central	West
Newspapers and magazines	\$23	0.5%	27.2%	29.8%	19.6%	15.3%	25.2%	31.4%	22.4%	28.2%	34.2%	25.6%	27.1%	46.6%	22.7%
Direct mail circulars	1	N	2.0	2.2	2.3	.5	2.0	.5	4.2	1.9	.7	.7	1.1	0	3.6
Advertising agency fees	12	.2	12.2	12.9	16.0	4.1	11.1	15.7	10.9	10.3	4.7	17.0	7.9	20.4	16.0
Outdoor signs	2	.1	2.8	3.5	0	.9	3.2	3.1	5.0	.3	.8	2.4	3.9	0	2.9
Radio and TV	16	.4	11.8	7.5	9.9	45.5	7.1	15.3	23.6	2.5	4.1	1.5	13.8	6.5	14.6
Programs and directories	3	.1	6.2	3.2	14.5	17.2	13.4	5.5	4.1	2.3	6.3	0.5	12.1	7.3	2.1
Prizes and favors	5	.1	5.4	7.1	.2	0	2.5	.8	8.5	12.0	0	3.7	1.6	.5	10.7
Donations	2	.1	3.6	4.5	1.2	.7	4.0	5.5	2.7	2.0	11.5	3.0	3.4	.9	2.0
Entertainment and sales promotion	21	.4	21.2	21.1	33.9	7.7	15.7	18.5	18.6	31.0	25.4	29.2	22.5	17.2	18.5
All other	6	.1	7.6	6.2	2.4	8.1	15.8	3.7	2.0	9.5	12.3	16.4	6.6	.5	6.9
Total	\$91	2.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on those providing detail. Excluding franchise fees.
N - Negligible.

**EXHIBIT B-9 Food and Beverage
Utilities Expenses***

	Ratio to Total Utilities Expenses														
	Type of Restaurant						Sales Volume (\$000)				Region				
	Amount Per Seat	Ratio to Total Sales	Total	Full Menu Table-service	Limited Menu Table-service	All Others	Under \$500	\$500 to \$999	\$1,000 to \$1,499	\$1,500 and Over	North-east	South-east	North Central	South Central	West
Electricity	\$ 78	1.7%	61.4%	62.0%	63.0%	59.0%	65.7%	59.0%	61.4%	60.9%	59.7%	73.5%	65.5%	62.3%	54.2%
Electric bulbs	1	N	.7	.8	.9	.2	.5	.6	.5	1.5	.1	.6	.6	2.4	1.0
Water	10	.2	8.0	7.9	7.2	8.4	6.6	9.4	7.5	8.0	5.9	4.7	7.3	6.9	10.0
Waste removal	8	.2	8.0	4.9	5.4	25.9	5.5	10.0	8.6	6.4	4.4	9.7	4.4	7.1	12.2
Heat/fuel	24	.6	19.1	20.8	23.2	4.7	18.3	19.2	20.9	17.2	27.2	11.3	19.3	0.1	19.2
Engineers' supplies	N	N	.8	9	0	1.4	3.1	.4	0	.3	.4	0	2.0	3	.2
Miscellaneous	4	.1	2.0	2.7	.3	.4	.3	1.4	1.1	5.7	2.3	.2	.9	.9	3.2
Total	\$125	2.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on those providing detail.
N - Negligible.

Administrative and general

Total administrative expenses were \$182 per seat, \$50 more than the food only segment, and 3.9 percent of total sales. As Exhibit B-10 illustrates, general insurance costs absorbed the largest portion of the total administrative expenses dollar for all categories. Fees on credit card accounts were substantially higher for food and beverage restaurants at 16.1 percent compared with 1.9 percent at food only restaurants. By region, less variability for individual administrative expenses exists compared with the other controllable expenses.

Occupancy costs

Exhibit B-11 illustrates occupancy costs and depreciation expenses as an amount per seat for food and beverage

restaurants by type, location and region. Limited menu tableservice food and beverage restaurants and those located in the West and the South Central Regions incurred higher rent expenses than all other categories. The rent expenses, along with the other occupancy costs and depreciation, are considerably less for all categories of food and beverage restaurants than for the food only group. "All others," those restaurants located in rural areas and those in the Southeastern part of the country, reported the lowest total occupancy costs and depreciation expenses in each of their categories.

Balance sheet

Exhibit B-12 is a comparison of those ratios generally used to measure the financial position of a business and its

ability to meet financial obligations. The ratios are based on the data obtained from those participants supplying complete financial statements. For an explanation of the basis of computation and the use of the ratios, please refer to Chapter 9 of *Profitable Restaurant Management* (Chapter 10 in the second edition) by Kenneth I. Solomon and Norman Katz, published by Prentice-Hall. This publication is available from the National Restaurant Association, Educational Materials, 311 First Street N.W., Washington, D.C. 20001. Telephone (202) 638-6100.

In addition to the balance sheet ratios, average investment per seat for the establishments that occupy separate buildings and those that lease space was computed based on those operators providing sufficient detail. The comparison among the various categories is shown in Exhibit B-13.

EXHIBIT B-10 Food and Beverage Administrative Expenses*

	Ratio to Total Administrative Expenses														
	Type of Restaurant						Sales Volume (\$000)				Region				
	Amount Per Seat	Ratio to Total Sales	Total	Full Menu Table-service	Limited Menu Table-service	All Others	Under \$500	\$500 to \$999	\$1,000 to \$1,499	\$1,500 and Over	North-east	South-east	North Central	South Central	West
Printing, stationery and office supplies	\$ 11	.3%	8.0%	7.3%	5.3%	19.1%	11.1%	6.4%	9.2%	5.8%	7.1%	5.4%	9.0%	6.3%	8.1%
Data processing	5	.1	2.5	2.4	3.6	.3	1.3	2.9	2.6	3.0	4.4	.4	1.2	2.5	3.6
Postage	1	N	.9	.9	.8	1.5	.7	.9	1.4	.7	.6	.6	1.5	.6	.6
Telephone	12	3	8.0	7.8	8.4	9.0	9.6	8.4	6.4	7.3	9.4	7.1	8.1	6.3	6.0
Dues and subscriptions	3	.1	2.4	2.8	1.1	2.6	3.7	2.2	1.6	2.0	2.6	2.6	2.2	3.9	2.0
Traveling expenses	8	.2	4.3	4.5	3.6	4.6	6.4	4.9	2.5	3.1	4.5	4.3	4.7	8.0	3.3
General insurance	46	1.2	29.7	28.7	33.6	30.5	32.8	29.3	32.1	24.7	25.4	24.5	35.7	26.2	27.3
Fees on credit card accounts	36	.8	16.1	16.4	15.4	2.2	6.1	15.3	19.5	22.6	19.2	24.7	11.9	15.2	17.4
Provision for doubtful accounts	2	N	1.1	1.4	.5	.2	1.1	.9	1.8	6.6	.6	.4	1.2	.7	1.4
Cash shortages	2	N	1.4	.8	2.5	3.4	.9	1.5	2.3	.9	2.1	.1	1.3	1.3	1.8
Professional fees	30	.6	13.4	13.6	9.4	17.6	16.3	11.4	10.3	16.6	13.6	15.9	12.0	15.5	13.5
Protective and bank pick-up	3	N	1.4	1.6	.5	2.0	.4	1.5	1.1	2.5	1.3	2.6	1.1	.1	1.6
City sales tax	3	.1	1.4	1.5	.5	.1	.5	2.5	1.6	.5	.2	.6	1.2	6.4	1.5
All other	18	.4	9.4	6.1	14.6	6.9	7.1	11.9	7.6	9.5	8.6	10.8	6.9	7.0	10.1
Total	\$182	3.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on those providing detail. Excluding management fees.
N - Negligible.

EXHIBIT B-11 Food and Beverage**Occupation Costs and Depreciation—Amount Per Seat***

	Type of Restaurant				Location			Region				
	Total	Full Menu Tables-service	Limited Menu Tables-service	All Others	Urban	Suburban	Rural	Northeast	Southeast	North Central	South Central	West
Rent	\$191	\$189	\$225	\$128	\$218	\$183	\$83	\$139	\$166	\$145	\$234	\$252
Property taxes	19	18	24	18	21	20	12	18	5	31	1	17
Other taxes	13	15	8	13	18	4	23	11	17	10	15	15
Property insurance	17	18	17	18	17	18	18	34	15	17	25	10
Interest	50	42	75	49	52	54	37	41	39	53	20	60
Depreciation	120	114	148	92	135	111	88	110	92	128	117	128

*Based on those providing detail.

EXHIBIT B-12 Food and Beverage**Balance Sheet Ratios***

	Type of Restaurant			
	Total	Full Menu Tables-service	Limited Menu Tables-service	All Others
Assets				
Current ratio	\$1.76	\$1.75	\$1.82	\$1.82
Accounts receivable percentage of total sales	2.1%	2.6%	1.6%	1.2%
Food inventory turnover	35.8	27.1	65.1	51.8
Beverage inventory turnover	12.3	11.8	19.2	8.7
Ratio of net book value of fixed assets to equity	4.2	4.6	4.3	1.4
Liabilities and equity				
Ratio of current liabilities to total liabilities	.3	.4	.2	.2
Ratio of debt to equity	5.4	6.2	5.5	1.1

*Based on those companies providing complete information.

EXHIBIT B-13 Food and Beverage**Investment Per Seat**

	Own Land and Building	Lease Land and Own Building	Lease Land and Building
Land	\$ 235	—	—
Building and improvements	853	\$ 493	—
Furniture and fixtures	540	1741	\$ 609
Leasehold improvements	—	—	452
Operating equipment	296	456	392
Other assets	131	238	170
Total	\$2055	\$2926	\$1623

Summary

In the next six exhibits, average amounts per seat and ratios to total sales are given for each of the various categories and subgroupings. The information contained in this section pinpoints results of different types of operations. To compare your restaurant with similar ones, use these figures to develop a composite analysis by years in operation, type of restaurant, location, affiliation, sales volume, region and menu theme.

EXHIBIT B-14 Food and Beverage Statement of Income and Expenses—Amount Per Seat

	Years in Business			Type of Restaurant			Region				
	Under 5 Years	5 to 10 Years	Over 10 Years	Full Menu Tableservice	Limited Menu Tableservice	All Others	Northeast	Southeast	North Central	South Central	West
Sales											
Food	\$3527	\$3971	\$3512	\$3518	\$4290	\$3287	\$3807	\$3109	\$2672	\$3924	\$4506
Beverage	1254	1646	1042	1451	1098	504	1340	1300	948	1349	1628
Total sales	\$4671	\$5617	\$4554	\$4969	\$5388	\$3791	\$5147	\$4409	\$3620	\$5273	\$6134
Cost of sales											
Food	\$1327	\$1676	\$1486	\$1426	\$1771	\$1429	\$1577	\$1293	\$1121	\$1707	\$1865
Beverage	335	421	284	425	322	106	378	366	261	375	421
Total cost of sales	\$1712	\$2099	\$1770	\$1851	\$2093	\$1535	\$1955	\$1659	\$1382	\$2082	\$2286
Gross profit	\$2959	\$3518	\$2784	\$3118	\$3295	\$2256	\$3192	\$2750	\$2238	\$3191	\$3848
Other income	26	52	50	49	41	13	63	60	22	35	55
Total income	\$2985	\$3570	\$2834	\$3167	\$3336	\$2269	\$3255	\$2810	\$2260	\$3226	\$3903
Controllable expenses											
Payroll	\$1229	\$1455	\$1298	\$1377	\$1406	\$ 866	\$1510	\$1250	\$1039	\$1431	\$1554
Employee benefits	174	242	233	231	228	140	237	160	149	146	309
Direct operating expenses	252	330	295	297	366	159	293	220	218	413	367
Music and entertainment	25	59	24	48	24	9	17	52	31	9	52
Advertising and promotion	98	101	82	88	98	110	91	108	71	49	118
Utilities	118	142	119	125	145	83	129	112	117	146	133
Administrative and general	237	301	223	266	289	115	330	219	204	197	301
Repairs and maintenance	74	95	74	78	102	50	83	72	66	73	94
Total controllable expenses	\$2205	\$2725	\$2348	\$2510	\$2660	\$1532	\$2690	\$2193	\$1897	\$2464	\$2928
Income before occupation costs	\$ 780	\$ 845	\$ 486	\$ 657	\$ 676	\$ 737	\$ 565	\$ 617	\$ 363	\$ 762	\$ 975
Occupation costs											
Rent, property taxes and insurance	\$ 267	\$ 287	\$ 190	\$ 246	\$ 273	\$ 171	\$ 227	\$ 205	\$ 187	\$ 332	\$ 296
Income before interest and depreciation	\$ 513	\$ 558	\$ 296	\$ 411	\$ 403	\$ 566	\$ 338	\$ 412	\$ 176	\$ 430	\$ 679
Interest	\$ 96	\$ 41	\$ 30	\$ 42	\$ 75	\$ 49	\$ 41	\$ 37	\$ 53	\$ 20	\$ 60
Depreciation	\$ 162	\$ 135	\$ 83	\$ 114	\$ 148	\$ 92	\$ 110	\$ 92	\$ 128	\$ 117	\$ 128
Restaurant profit	\$ 255	\$ 382	\$ 183	\$ 255	\$ 180	\$ 425	\$ 187	\$ 283	\$ (5)	\$ 293	\$ 491

EXHIBIT B-15 Food and Beverage**Statement of Income and Expenses—Amount Per Seat**

	Location			Affiliation			Sales Volume (\$000)			
	Urban	Suburban	Rural	Single Unit Independent	Multi-Unit Company Operated	Multi-Unit Franchise Operated	Under \$500	\$500 to \$999	\$1,000 to \$1,499	\$1,500 and Over
Sales										
Food	\$4206	\$3486	\$2074	\$3333	\$4178	\$2249	\$1907	\$3238	\$4038	\$5677
Beverage	1639	1023	721	1159	1578	278	529	1027	1438	2379
Total sales	\$5845	\$4489	\$2795	\$4492	\$5756	\$2527	\$2436	\$4265	\$5476	\$8056
Cost of sales										
Food	\$1724	\$1483	\$ 862	\$1412	\$1704	\$ 810	\$ 790	\$1368	\$1693	\$2316
Beverage	438	274	194	344	397	80	198	280	361	613
Total cost of sales	\$2160	\$1757	\$1056	\$1756	\$2101	\$ 890	\$ 988	\$1648	\$2054	\$2929
Gross profit	\$3685	\$2732	\$1739	\$2736	\$3655	\$1637	\$1448	\$2617	\$3422	\$5127
Other income	40	54	36	53	34	23	50	27	31	73
Total income	\$3725	\$2786	\$1775	\$2789	\$3689	\$1660	\$1498	\$2644	\$3453	\$5200
Controllable expenses										
Payroll	\$1596	\$1161	\$ 836	\$1296	\$1455	\$ 684	\$ 873	\$1185	\$1418	\$2168
Employee benefits	288	171	115	183	287	78	87	171	239	422
Direct operating expenses	375	241	158	278	342	129	128	221	325	560
Music and entertainment	53	17	27	28	54	1	11	22	57	73
Advertising and promotion	100	92	61	88	99	86	53	93	95	132
Utilities	143	118	85	112	147	93	78	129	137	161
Administrative and general	300	221	159	220	314	121	112	238	277	418
Repairs and maintenance	90	82	43	70	97	45	34	73	95	126
Total controllable expenses	\$2945	\$2103	\$1485	\$2275	\$2795	\$1237	\$1174	\$2130	\$2643	\$4058
Income before occupation costs	\$ 780	\$ 683	\$ 290	\$ 514	\$ 894	\$ 423	\$ 324	\$ 514	\$ 809	\$1142
Occupation costs										
Rent, property taxes and insurance	\$ 278	\$ 232	\$ 136	\$ 209	\$ 304	*	\$ 134	\$ 203	\$ 233	\$ 426
Income before interest and depreciation	\$ 502	\$ 451	\$ 154	\$ 305	\$ 590	*	\$ 190	\$ 311	\$ 576	\$ 716
Interest	\$ 52	\$ 54	\$ 37	\$ 42	\$ 61	*	\$ 39	\$ 62	\$ 58	\$ 35
Depreciation	\$ 135	\$ 111	\$ 86	\$ 106	\$ 141	*	\$ 77	\$ 122	\$ 138	\$ 143
Restaurant profit	\$ 315	\$ 286	\$ 31	\$ 157	\$ 388	*	\$ 74	\$ 127	\$ 380	\$ 538

EXHIBIT B-16 Food and Beverage
Statement of Income and Expenses—Amount Per Seat

	Menu Theme							
	Steak	Seafood	Steak and Seafood	Continental	American	European*	Mexican	Other**
Sales								
Food	\$3133	\$5839	\$3187	\$3411	\$3479	\$3902	\$3255	\$2821
Beverage	991	1418	1061	1536	1303	1447	2177	889
Total sales	\$4124	\$7257	\$4248	\$4947	\$4782	\$5549	\$5432	\$3710
Cost of sales								
Food	\$1405	\$2583	\$1411	\$1375	\$1423	\$1486	\$1196	\$1078
Beverage	307	387	234	426	348	470	543	240
Total cost of sales	\$1712	\$2970	\$1645	\$1801	\$1771	\$1956	\$1739	\$1318
Gross profit	\$2412	\$4287	\$2603	\$3146	\$3011	\$3593	\$3693	\$2392
Other income	14	79	13	41	47	23	68	35
Total income	\$2426	\$4366	\$2616	\$3187	\$3058	\$3615	\$3761	\$2427
Controllable expenses								
Payroll	\$1088	\$1750	\$1112	\$1461	\$1310	\$1535	\$1593	\$1016
Employee benefits	165	362	166	270	213	265	217	130
Direct operating expenses	187	443	220	293	368	454	300	192
Music and entertainment	18	69	46	20	36	48	61	10
Advertising and promotion	100	103	108	84	97	131	89	68
Utilities	93	163	113	83	123	136	121	114
Administrative and general	278	295	205	255	197	259	503	165
Repairs and maintenance	80	124	76	66	79	73	84	60
Total controllable expenses	\$2007	\$3309	\$2048	\$2532	\$2423	\$2901	\$2968	\$1755
Income before occupation costs	\$ 419	\$1057	\$ 570	\$ 655	\$ 635	\$ 714	\$ 793	\$ 672
Occupation costs								
Rent, property taxes and insurance	\$ 144	\$ 320	\$ 232	\$ 210	\$ 225	\$ 262	\$ 294	\$ 253
Income before interest and depreciation	\$ 275	\$ 737	\$ 338	\$ 445	\$ 410	\$ 452	\$ 499	\$ 417
Interest	\$ 31	\$ 62	\$ 70	\$ 40	\$ 39	\$ 26	\$ 43	\$ 79
Depreciation	\$ 101	\$ 153	\$ 124	\$ 86	\$ 129	\$ 108	\$ 141	\$ 94
Restaurant profit	\$ 143	\$ 532	\$ 144	\$ 319	\$ 242	\$ 319	\$ 315	\$ 244

*Includes Italian, French and German.

**Includes chicken, oriental, salad bars, specialty sandwiches, pizza, hamburgers and regional.

EXHIBIT B-17 Food and Beverage
Statement of Income and Expenses—Ratio to Total Sales

	Years In Business			Type of Restaurant			Region				
	Under 5 Years	5 to 10 Years	Over 10 Years	Full Menu Tableservice	Limited Menu Tableservice	All Others	Northeast	Southeast	North Central	South Central	West
Sales											
Food	72.6%	71.9%	78.6%	72.2%	76.3%	83.1%	75.4%	71.6%	74.1%	73.2%	73.6%
Beverage	27.4	28.1	23.4	27.8	23.7	16.9	24.6	28.4	25.9	26.8	26.4
Total sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales											
Food*	39.3%	40.4%	42.2%	41.6%	39.5%	38.6%	43.5%	41.0%	42.0%	42.2%	38.8%
Beverage*	28.5	28.0	28.2	27.9	27.7	32.7	31.0	31.2	28.9	24.9	26.5
Total cost of sales	36.7%	37.2%	39.5%	37.7%	38.2%	39.5%	40.0%	37.8%	38.7%	39.9%	36.5%
Gross profit	63.3%	62.8%	60.5%	62.3%	61.6%	60.5%	60.0%	62.2%	61.3%	60.1%	63.5%
Other income	.5	1.0	2.1	1.6	.9	.4	3.5	1.7	.8	1.6	.9
Total income	63.8%	63.8%	62.6%	63.9%	62.7%	60.9%	63.5%	63.9%	62.1%	61.7%	64.4%
Controllable expenses											
Payroll	26.9%	27.3%	26.8%	26.8%	26.1%	25.2%	27.7%	29.1%	29.6%	27.9%	26.1%
Employee benefits	3.4	4.2	4.9	4.5	3.9	4.3	4.3	3.8	4.2	3.5	4.8
Direct operating expenses	5.2	5.7	6.8	6.2	6.1	4.2	5.9	5.2	5.6	6.7	5.7
Music and entertainment	.8	1.0	.8	.9	.8	.3	.4	.9	.9	.2	.8
Advertising and promotion	2.3	1.9	1.9	1.9	2.1	2.6	1.6	2.4	2.2	1.2	2.1
Utilities	3.0	2.9	2.6	2.6	3.2	2.4	3.2	2.7	3.5	2.1	2.4
Administrative and general	5.5	5.3	5.1	5.2	6.3	4.0	6.7	5.3	5.4	4.2	5.0
Repairs and maintenance	1.7	1.8	1.9	1.8	2.0	1.5	2.1	1.7	1.9	1.4	1.6
Total controllable expenses	48.6%	50.1%	52.6%	52.1%	50.3%	44.7%	52.1%	50.9%	53.3%	49.2%	48.5%
Income before occupation costs	15.2%	13.7%	9.6%	11.8%	12.4%	16.2%	11.4%	13.0%	6.8%	12.5%	15.9%
Occupation costs											
Rent, property taxes and insurance	6.8%	5.2%	4.7%	5.3%	5.7%	6.2%	4.3%	4.6%	6.2%	6.6%	5.1%
Income before interest and depreciation	8.6%	6.5%	5.1%	6.5%	6.7%	10.0%	7.1%	8.4%	2.6%	5.7%	10.8%
Interest	2.4%	1.0%	.9%	1.1%	1.8%	1.6%	1.2%	1.0%	1.6%	.3%	1.4%
Depreciation	3.7%	2.7%	2.1%	2.5%	3.1%	3.4%	2.1%	2.2%	3.7%	2.1%	2.4%
Restaurant profit	2.5%	4.8%	2.1%	2.9%	1.7%	5.0%	3.8%	5.2%	(2.7)%	3.3%	7.0%

*Ratios based on individual department sales.

EXHIBIT B-18 Food and Beverage**Statement of Income and Expenses—Ratio to Total Sales**

	Location			Affiliation			Sales Volume (\$000)			
	Urban	Suburban	Rural	Single Unit Independent	Multi-Unit Company Operated	Multi-Unit Franchisee Operated	Under \$500	\$500 to \$999	\$1,000 to \$1,499	\$1,500 and Over
Sales										
Food	71.8%	77.3%	73.1%	74.2%	72.7%	86.0%	75.8%	75.5%	73.7%	69.5%
Beverage	28.2	22.7	26.9	25.8	27.3	14.0	24.2	24.5	26.3	30.5
Total sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales										
Food*	40.6%	41.0%	41.7%	41.8%	39.9%	38.9%	42.3%	40.9%	40.2%	40.4%
Beverage*	27.6	29.0	28.0	29.9	26.4	30.2	33.8	28.2	28.8	25.2
Total cost of sales	37.1%	39.0%	38.5%	39.3%	36.4%	37.8%	40.9%	37.9%	36.8%	36.1%
Gross profit	62.9%	61.0%	61.5%	60.7%	63.6%	62.4%	59.1%	62.1%	63.4%	63.9%
Other income	.9	1.8	1.5	2.0	.5	.7	2.6	1.0	.6	1.0
Total income	63.8%	62.8%	63.0%	62.7%	64.1%	63.1%	61.7%	63.1%	64.0%	64.9%
Controllable expenses										
Payroll	28.1%	26.6%	30.6%	29.0%	26.7%	27.9%	28.5%	28.7%	26.8%	27.1%
Employee benefits	4.7	3.8	4.3	4.1	4.8	2.8	3.8	4.1	4.4	5.2
Direct operating expenses	6.7	5.3	5.2	6.1	6.0	4.8	4.9	5.5	6.7	7.1
Music and entertainment	.9	.4	.9	.6	.9	0	.5	.6	.9	1.1
Advertising and promotion	1.9	2.2	2.2	2.2	1.8	4.4	2.4	2.2	1.8	1.7
Utilities	2.7	3.0	3.2	2.8	3.0	3.1	3.4	3.1	2.6	2.2
Administrative and general	5.3	5.2	4.9	4.9	5.7	4.3	5.0	5.5	5.3	5.2
Repairs and maintenance	1.8	1.9	1.6	1.7	1.8	1.5	1.7	1.8	1.8	1.8
Total controllable expenses	52.1%	48.4%	52.9%	51.4%	50.7%	46.8%	50.2%	51.5%	50.3%	51.2%
Income before occupation costs	11.7%	14.4%	10.1%	11.3%	13.4%	14.3%	11.5%	11.6%	13.7%	13.7%
Occupation costs										
Rent, property taxes and insurance	5.0%	5.9%	5.3%	5.2%	5.9%	4.8%	6.1%	5.4%	4.7%	5.5%
Income before interest and depreciation	6.7%	8.5%	4.8%	6.1%	7.5%	9.5%	5.4%	6.2%	9.0%	8.2%
Interest	1.3%	1.4%	1.4%	1.1%	1.5%	.3%	1.7%	1.6%	1.1%	.7%
Depreciation	2.6%	2.7%	3.4%	2.5%	2.9%	3.9%	3.2%	3.0%	2.6%	1.9%
Restaurant profit	2.8%	4.4%	0%	2.8%	3.1%	5.3%	.5%	1.6%	5.3%	5.0%

*Ratios based on individual department sales

EXHIBIT B-19 Food and Beverage
Statement of Income and Expenses—Ratio to Total Sales

	Menu Theme							
	Steak	Seafood	Steak and Seafood	Continental	American	European**	Mexican	Other***
Sales								
Food	78.5%	78.7%	74.6%	69.3%	71.6%	74.0%	60.0%	76.0%
Beverage	21.5	21.3	25.4	30.7	28.4	26.0	40.0	24.0
Total sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales								
Food*	44.3%	42.5%	42.8%	41.7%	40.7%	39.0%	33.8%	37.6%
Beverage*	30.9	27.0	27.3	29.6	27.4	30.1	23.7	25.6
Total cost of sales	41.3%	39.9%	38.9%	37.7%	36.5%	37.5%	31.7%	36.3%
Gross profit	58.7%	60.1%	61.1%	62.3%	63.5%	62.5%	68.3%	63.7%
Other income	.3	1.0	.4	1.3	1.0	.6	1.3	1.3
Total income	59.0%	61.1%	61.5%	63.6%	64.5%	63.1%	69.6%	65.0%
Controllable expenses								
Payroll	27.2%	24.9%	28.3%	29.3%	28.4%	27.4%	29.4%	28.0%
Employee benefits	3.6	5.0	4.3	5.5	4.2	4.3	3.9	3.4
Direct operating expenses	4.4	6.0	5.3	6.4	7.2	7.9	5.8	4.9
Music and entertainment	.2	1.1	1.2	.3	.8	.7	1.1	.3
Advertising and promotion	2.6	1.5	2.6	2.0	2.0	2.4	1.9	2.0
Utilities	2.3	2.4	3.2	2.0	2.7	2.9	2.4	3.4
Administrative and general	6.3	4.7	5.0	4.2	4.4	4.4	9.3	4.7
Repairs and maintenance	1.8	1.9	1.8	1.4	2.0	1.5	1.4	1.7
Total controllable expenses	48.4%	47.5%	51.7%	51.1%	51.7%	51.5%	55.2%	48.4%
Income before occupation costs	9.6%	13.6%	9.8%	12.5%	12.8%	11.6%	14.4%	16.6%
Occupation costs								
Rent, property taxes and insurance	3.1%	4.5%	5.6%	4.8%	5.7%	5.6%	5.7%	6.5%
Income before interest and depreciation	6.5%	9.1%	4.2%	7.6%	7.1%	5.9%	8.7%	10.1%
Interest	1.1%	.9%	2.1%	.9%	.9%	.5%	.9%	2.1%
Depreciation	2.4%	2.1%	3.8%	1.7%	2.6%	2.0%	2.9%	2.8%
Restaurant profit	3.0%	6.1%	(1.7)%	5.0%	3.6%	3.3%	4.9%	5.2%

*Ratios based on individual department sales.

**Includes Italian, French and German.

***Includes chicken, oriental, salad bars, specialty sandwiches, pizza, hamburgers and regional.