

The Observant Blueprint

Fourteen stages, in one order. Each one is built from the one before it. Nothing in here asks to be taken on faith. Every stage ends in a test you either pass or do not.

WHAT YOU HOLD AT THE END

A complete, substantiated business plan for an independent hospitality business, in which every figure traces to a worksheet you filled in yourself and can defend to a lender, a landlord or a partner who does not want you to be right.

Free, permanently. There is no paid version of this method. Print it. Write in it. It only works if you fill it out.

The Observant · theobservant.co · Written and published by Nestor Andres Ramirez

The Rules of Play

Most business planning documents are libraries. They hand you twelve topics and leave the order to you, which means the order ends up being whichever topic you already find interesting. That is how an operator arrives at an opening day with a beautiful brand, a menu nobody costed and a capital figure they cannot explain.

This document is a sequence, not a library. It runs in one direction because each stage needs a number the previous stage produced. You can read it in any order. You cannot fill it in any order.

The four rules

- **Every stage produces a decision, not a reading.** No worksheet in here ends with "consider the following." Each one ends with something written down that you are now accountable to.
- **Every stage fits inside a working day.** Target twenty to forty minutes per worksheet. You are inside an operation while you do this. A worksheet that needs a free afternoon will never be filled in, however good it is.
- **Every stage carries forward.** The output of each worksheet is the input to a later one, and it is labelled with a code so you never reconstruct a number from memory. The full list is the Plan Register on page 6.
- **Every stage has a gate.** A gate is a specific, testable condition. It is not encouragement. If you cannot pass it, the stage is not finished, and every number downstream of it will inherit the gap.

Where to start

If you are opening something, start at Stage 2 and run the sequence in order. If you already operate, you do not need to start at the beginning. Stage 1 on the next page is a three-question diagnostic that tells you which stage you are actually standing on. Your lowest-numbered unanswered question is your entry point.

How to read a stage

WHAT YOU SEE	WHAT IT MEANS
The question	The one thing this stage decides. If you can already answer it in a sentence with a number in it, skip ahead.
Why it sits here	What this stage needs from the previous ones, and what breaks downstream if you take it out of order.
What it implements	The established practice this stage puts into a worksheet, named and cited. Almost nothing in this document is new. The order is the contribution.
The worksheets	Fillable. The first row of most tables is a worked example in italic on a lighter ground. Copy the pattern, then write over the blank rows.
Frequency	How often this comes back. Some stages are built once. Some are a weekly habit. A worksheet with no stated frequency is a worksheet nobody repeats.
The gate	The test. Pass it or the stage is open.
Carries forward	The codes this stage produces and the stages that consume them.

Who this is for, and who it is not

This is written for independent founders and operators running one to four locations, from the corner cafecito to the five-star lobby. It assumes no business school and no consultant. It is not written for chains or franchise systems, which have central functions that make most of these decisions elsewhere, and it does not pretend otherwise.

It is in English. A Spanish edition is published alongside it, written natively rather than translated, because the people who most need this document often do not read the language it is usually written in.

The Map

Five parts. Fourteen stages. The parts are functional groupings, not chapters: each part answers one question a lender, a landlord or a partner will ask you, in the order they ask it.

PART	#	STAGE	WHAT YOU WALK AWAY HOLDING
I. POSITION	0	Purpose	A written reason the business should exist, a list of what you will not do to grow, and the cost per year of what you cannot currently state
	1	Concept and position	A one-page written position with the reasoning and the options you discarded
	2	Market	A market picture with competitors by name, a defined trade area and one gap you heard rather than guessed
	3	Audience and promise	A promise tied to a named audience, and a written list of who you refuse to serve
II. PRODUCT	4	Menu architecture	A menu where every line states the segment it serves
	5	Cost	A costed menu and a prime cost target band you commit to before you know your payroll
	6	Price	A priced menu with the reasoning recorded per item
III. CAPACITY	7	Volume	A revenue projection built from your building and your market, with the two methods reconciled
	8	Equipment	An equipment list where every line traces to a menu item and a volume
	9	People and process	An operating structure with roles derived from process and peak volume, and the actual prime cost measured against the band
	10	Capital	The capital figure, with every line substantiated by a prior stage or a dated quote
IV. MARKET AND MEASURE	11	Going to market	A channel plan with a budget and an owner per channel, and the brief your designer works from
	12	Measure	The financial section a lender reads, the return the capital earns, and six numbers you track every week
V. CONSTITUTION	13	Legal and constitution	The entity form with its reason, every licence and permit with its authority, cost and lead time, the insurance schedule, the contracts and a compliance calendar

THE ONE STRUCTURAL DECISION IN THIS DOCUMENT

Branding is Stage 12 of 14.

Most operators build the brand first and discover the cost structure last. That produces a well-designed business whose numbers do not close. This sequence inverts it, and that inversion is the only reason every stage can be defended to a third party. Branding is not an afterthought here and it is not decoration. It is the materialization of eleven decisions that are already substantiated. A brand built before Stage 2 is a guess about a position you had not chosen yet.

Where to Start

Fourteen stages is the whole thing, and it is the right ask for an operator who has decided. It is a large ask for one who has not. So there are three ways into the same sequence, and what separates them is not how much work they take. It is what each one is allowed to claim at the end.

WHAT YOU WALK OUT WITH	STAGES	TIME	WHAT IT IS ALLOWED TO CLAIM
The Purpose Sheet	1	An hour	A statement. It says what you are bringing.
The Core Business Model	1, 2, 4, 7, 8, 11	An afternoon	A hypothesis, and it says so on its face.
The Plan	1 to 14	Weeks, honestly	A derivation. Every figure traces to the worksheet that made it.

WHY A SHORT PATH IS HONEST ONLY IF IT SAYS SO

A business model canvas filled in on a Tuesday afternoon is a hypothesis. That is not a criticism of it. It is the correct and useful thing to have before you commit weeks, and most good businesses started as one. What makes it dangerous is presenting it as a derivation, because then a figure that was guessed gets spent as though it were known. This method keeps the distinction on the page: every value carries whether it was derived by working the stage that owns it, or asserted by you. The Core asserts. The Plan derives. Both are legitimate and they are not the same claim.

The Core Business Model

One page. 6 stages, taken in order, with figures you assert rather than derive. At the end you can say what the business is, who it is for, what it charges, how many it serves and what it costs to open. That is enough to decide whether to do the other 8 stages, and not enough to take to a lender.

Worksheet 00a. The Core, in one page

THE LINE	FROM	YOUR FIGURE
What this business makes possible	P1	
Category you compete in	A1	
The choosing sentence	A2	
Segments served	C1	
What the owner will protect, and what protecting it is worth	P2	
Price per item	F1	
Covers by daypart	G1	
Average check	G3	
Annual revenue	G4	
Total capital required	I1	
Monthly fixed cost	I3	

Revenue divided by capital. One line, and it is the question

What you would have to believe for this to work

The one figure you are least sure of

THE STAMP THIS PAGE CARRIES

Built on asserted figures, through 6 of the 14 stages. This is a hypothesis and it is labelled as one. The figure you named as least sure is where the Plan starts.

The stages this path runs, in order: 1 Purpose, 2 Concept and Position, 4 Audience and Promise, 7 Price, 8 Volume, 11 Capital. The eight it does not run are the ones that turn an assertion into a derivation, and they are the reason the full document exists.

The Plan Register

84 values. Every one of them is produced by a worksheet in this document and consumed by a later stage. Keep this page at the front of your folder and write each value on it as you finish the stage that produces it. When the register is full, the plan is written.

The column that matters is the last one. It is why the order is not negotiable. You cannot price an item (F1) without its cost (E1). You cannot size equipment (H1) without a menu (D1) and a volume (G1). You cannot state a capital figure (I1) without both. The sequence runs in one direction only: every stage is fed by stages behind it and none of them waits on a stage ahead.

This table was not typed. It is generated from the structure of the method itself, so that the document and the tool cannot contradict each other.

Parts I and II · Stages 2 to 6 · What you decide and what it costs

ID	VALUE	ST	USED IN	ID	VALUE	ST	USED IN
P1	What this business makes possible	1	2, 4, 12	C3	The promise sentence	4	5, 12
P2	What the owner will protect, and what protecting it is worth	1	4, 7, 12	C4	The one feeling	4	10, 12
P3	Who is better off because it exists	1	3, 4	D1	Final menu line list	5	6, 8, 9, 14
P4	The cost of what cannot be stated, per year	1	6, 13	D2	Orphan ingredients	5	6
A1	Category you compete in	2	3, 7, 14	D3	Orphan equipment	5	9
A2	The choosing sentence	2	4, 7, 12	D4	Removal candidates	5	7, 9
A3	Three rejected positions	2	Plan document	E1	Plate cost per item	6	7, 11, 13
A4	The operating model, which decides the benchmark	2	6	E1 0	The cost structure, against the market benchmark	6	Plan document
B1	Trade area definition	3	8, 14	E2	Food cost percentage per item	6	7
B2	Four named competitors with price band	3	7	E3	Target prime cost band, with the reason	6	10, 13
B3	The one gap	3	4, 12	E4	The gap, in dollars per year	6	13
B4	Five verbatim customer quotes	3	4, 12	E5	The suppliers, with lead time and terms	6	9, 11, 14
B5	Ranked decision factors	3	7, 12	E6	The purchase list, with the source of every price	6	11, 14
B6	Visibility score	3	12	E7	Yields and waste factors	6	Plan document
C1	Segments served	4	5, 7, 8, 12	E8	Preparations, the sub-recipes	6	Plan document
C2	Segments refused, with the cost	4	7, 12	E9	The recipes, component by component	6	Plan document

The Plan Register

Parts III and IV · Stages 8 to 12 · What it takes and what it returns

ID	VALUE	ST	USED IN	ID	VALUE	ST	USED IN
F1	Price per item	7	8, 13	I5	Contingency percentage	11	13
F2	Contribution margin per item	7	13	I6	The opening order	11	Plan document
F3	Matrix classification per item	7	9, 12	K1	Voice bank	12	Plan document
F4	Weighted food cost percentage and average check	7	10, 13	K2	Channel scores	12	13
G1	Covers by daypart	8	9, 10, 11	K3	The first fix	12	13
G2	Annual covers	8	11, 13	K4	Monthly channel budget	12	13
G3	Average check	8	13	K5	Identity brief	12	Plan document
G4	Annual revenue	8	10, 13	L1	Break-even units and date	13	Plan document
G5	Implied capture rate	8	Plan document	L2	Margin of safety	13	Plan document
G6	Seasonality index	8	13	L3	Control board, with bands	13	Plan document
H1	Essential equipment list	9	11, 13	L4	Monthly close record	13	Plan document
H2	Deferrable list, with cost	9	11, 13	M1	Annual operating expense schedule	13	Plan document
H3	Services required	9	11, 13, 14	M2	Operating result and margin, year one	13	Plan document
H4	The peak bottleneck	9	10	M3	Five-year projection, with the two growth assumptions	13	Plan document
H5	Space required	9	11, 14	M4	Payback period	13	Plan document
H6	Smallwares and opening consumables	9	11	M5	Return on invested capital, year one and year five	13	Plan document
J1	Positions and hours	10	11, 13, 14	M6	Internal rate of return, five years	13	Plan document
J2	Labour cost	10	11, 13	M7	Net present value, with the discount rate and its reason	13	Plan document
J3	Labour percentage	10	13	M8	The alternative use of the same capital, and the margin against it	13	Plan document
J4	The five moments	10	12	N1	Entity form, with the reason	14	Plan document
J5	Absence test result	10	Plan document	N2	Registrations and identifiers	14	Plan document
J6	Prime cost percentage, actual, against the band	10	13	N3	Licences and permits, with authority, cost and lead time	14	Plan document
I1	Total capital required	11	13, 14	N4	Insurance schedule, with cover and premium	14	Plan document
I2	One-time total	11	13, 14	N5	Contracts the business has to hold	14	Plan document
I3	Monthly fixed cost	11	13	N6	The compliance calendar	14	Plan document

ID	VALUE	ST	USED IN	ID	VALUE	ST	USED IN
I4	Working capital reserve	11	13	N7	The ordering discipline	14	Plan document

PART I

Position

STAGES 1 TO 4

Who you are, who you serve, and what you promise them. Four stages, no numbers yet. Everything in the parts that follow is a calculation that starts from a decision made here, which is why a business that skips this part ends up with arithmetic that is correct and pointless.

THE QUESTION THIS PART ANSWERS

What business is this, exactly, and for whom?

Purpose

THE QUESTION THIS STAGE ANSWERS

What does this business make possible that is not possible here today, and who is better off once it exists?

Every stage after this one is arithmetic you can check. This one is not, and it is the only page in the document a competitor could not write for you. It is also the page the other thirteen are built to protect.

- WHY IT SITS HERE

Position, in Stage 2, is where you choose to compete. Purpose is what you are bringing that is not here yet. Three of the four values on this page are read by stages weeks away, and the fourth is the figure that pays for the whole document.
- WHAT IT IMPLEMENTS

Nothing borrowed. The sentence, the protection schedule and the conversion of a percentage into a recurring dollar figure are original to this document.

Worksheet 01a. What this makes possible

One sentence. People here can now do something they cannot do today, and there is a reason it was not possible before. Write both halves. The half after because is the part a competitor would have to copy, which is why this page belongs at the front of a business plan rather than in a mission statement.

Because of this business, people here can now

which they cannot do today because

If the first sentence that comes out is about you, that is the normal place to start and it is not the answer. Ask it again: and what does that let somebody else do? Two passes is usually enough.

Worksheet 01b. Who is better off

Name people, a street, a shift. Guests, suppliers, the people who will work here. Stage 3 reads this when it draws the trade area and Stage 4 reads it when it decides who to serve first, so the more specific it is the more work it does later.

WHO	WHAT CHANGES FOR THEM
<i>The four hundred people who work on this block</i>	<i>Forty minutes for lunch becomes a sit-down meal instead of a paper bag</i>

Worksheet 01c. What you will protect

What has to stay true as this grows. Not a rule for its own sake: the thing whose absence would make Worksheet 01a stop being true. Then put a figure on what protecting it is worth, because a commitment with no price on it has never been tested.

WHAT YOU WILL PROTECT	WHAT PROTECTING IT IS WORTH, PER YEAR
<i>Every brisket comes off our own pit, however busy the week gets</i>	<i>The catering volume we will not take, about 18,000</i>

WHY THIS IS A REGISTER VALUE AND NOT A WALL PLAQUE

Stage 7 sets a price corridor, and the floor of that corridor is this page: the price below which you will not sell, whatever the week looks like. Stage 4 writes down who you serve first. Stage 12 promises something a channel can be held to. All three read what you wrote here, which is why it is worth twenty minutes rather than a sentence you already have on the wall.

Do the next three pages with a calculator. The rest of this document asks for real work over real weeks. The only thing that sustains that work is a number large enough to be uncomfortable.

One percentage point of cost on a business doing 900,000 dollars a year is 9,000 dollars. Two points is 18,000. Most operators look at that gap as a percentage, shrug, and carry on, because a percentage does not feel like money. Convert it once and the feeling changes permanently.

Worksheet 01d. What one point is worth to you

Your annual sales, or your projected first-year sales

Divided by 100. This is what one percentage point is worth, per year

Multiply by 5. This is what a five-point blind spot costs you

Keep the first figure. Stage 6 will ask you to multiply it by a gap you have not measured yet, and that product is the number this whole document is built to recover.

Worksheet 01e. The three questions

Answer each one out loud, with a number or a name in it. "Roughly" is a no. "I think so" is a no.

CAN YOU STATE THIS, RIGHT NOW	YES / NO	IF NO, YOU START AT
In one sentence, why this business should exist, with the half after because naming somebody other than you		Stage 1
In one sentence, why a customer chooses you over a competitor you can name		Stage 2
Your prime cost target band, food plus labour as a single percentage of sales, and the reason you chose that band		Stage 6
The capital this business requires, with every line traced to a quote or a calculation		Stage 11

THE ENTRY RULE

Your lowest-numbered no is where you start. Everything before it is already done and you should not redo it. Everything after it will be built on a gap until that one is closed.

Worksheet 01f. Where it is probably leaking

Score each line 1 if it is dialled in and 5 if you have no idea. Your fours and fives are the stages to run first within your entry point.

THE SYMPTOM	SCORE 1 TO 5	THE STAGE THAT CLOSES IT
We cannot say why this should exist without talking about money, and we have never written down what we will not do		Stage 1
Asked why a customer should choose us, we describe what we sell rather than what we decided		Stage 2
We conclude the market is slow without having checked whether we are findable		Stage 3
We serve anyone who walks in and we have never written down who we refuse		Stage 4
There are items on the menu nobody can explain the reason for		Stage 5
We cannot state the plate cost of our five best sellers to the cent		Stage 6
Prices were set by looking at a neighbour, or by category, or years ago		Stage 7
Our sales forecast is a number we wanted rather than a number we derived		Stage 8
We own equipment that earns nothing, or we are about to buy some		Stage 9
Staffing is set by habit, and the place runs differently when we are away		Stage 10
We could not defend our capital figure line by line to a lender		Stage 11
Marketing spend is not accountable to a number		Stage 12
We do not know our break-even, or how far above it we are		Stage 13
We could not produce every licence, permit and renewal date on request		Stage 14

FREQUENCY Run this page once to find your entry point, then once a year to find out whether the answers changed.

GATE 1 · YOU MAY NOT PROCEED UNTIL

The sentence says what people can do here that they cannot do today, and the half after because names something a competitor would have to copy. Somebody specific is better off, by name or by street. There is something you will protect and a figure for what protecting it is worth. And you know, in dollars, what one percentage point is worth to you.

What fails this gate: A first answer about independence or money that nobody pushed past. "The community" instead of people. Something to protect that costs nothing to protect. A percentage with no dollar figure attached.

CARRIES FORWARD	INTO
P1 · What this business makes possible	Stage 2, the position. Stage 4, the promise. Stage 12.
P2 · What you will protect, and what protecting it is worth	Stage 4, who you serve first. Stage 7, the corridor floor.
P3 · Who is better off because it exists	Stage 3, the trade area. Stage 4, who comes first.
P4 · The cost of what cannot be stated, per year	Stage 6, the gap in dollars. Stage 13, what this returned.

Concept and Position

THE QUESTION THIS STAGE ANSWERS

What business is this exactly, in which category does it compete, and why would a customer choose it over the restaurant across the street?

WHY IT SITS HERE

WHAT IT IMPLEMENTS

Nothing. This is the first stage and it depends on no other. Everything else depends on it. The price you place inside a corridor in Stage 7 and the channels you fund in Stage 12 are both decided by the answer you write here.

Richard Rumelt's strategy kernel: a diagnosis, a guiding policy, and coherent action. Ries and Trout on positioning as the space you occupy in a mind rather than the words you use. Michael Porter on strategy as the deliberate choice of what not to do. The Blueprint puts these into a worksheet. It does not originate them.

The most expensive answer in this sector is "a bit of everything." It sounds like breadth and it is the absence of a decision. A business with no position competes on price by default, because price is the only thing left to compare when nothing else is distinct. Every operator who ends up discounting arrived there through this stage being skipped.

A position is not a slogan and it is not a description of your food. It is a statement about a choice, and it is only real if you can name what you gave up to make it.

Worksheet 02a. The Position Decision

One page. Written, not thought about.

THE FIELD	WHAT GOES IN IT	YOURS
Category	One category, named the way a customer would name it out loud, not the way an industry would classify it	
Diagnosis	The one thing that makes this market hard for you right now. Not three things. One.	
Guiding policy	The approach you are taking in response to that diagnosis	
Coherent action	The three things you will do that follow from the policy, and that would not make sense under a different policy	
The choosing sentence	A customer chooses us over [a competitor you can name] because [one reason]	

Worksheet 02c. The Operating Model

What kind of restaurant this is, in the sense that decides its cost shape rather than its menu. It matters here and not later because it is what makes a benchmark readable: a delivery kitchen with no dining room can carry a share of sales in food and labour that would close a full service restaurant, and a single figure quoted at both of them misleads one of the two.

MODEL	WHAT IT CHANGES ABOUT THE STRUCTURE
Full service	Waited tables, so labour carries front of house. The highest occupancy and the highest labour of the seven.
Counter or fast casual	No table service. Labour falls, occupancy stays, and the pass becomes the constraint.
Quick service	Speed and throughput. The lowest labour share and the tightest menu.
Delivery only, ghost kitchen	No dining room and little rent, against a platform commission that behaves like cost of sales.
Bar led	Beverage cost of sales well below food, against labour and licensing that are not.
Cafe or coffee house	Low cost of sales, long hours, and an average check that makes volume the whole question.
Catering led	Produced to order, so waste is near zero and the cost of sales is the most predictable of the seven.

YOUR MODEL	THE REASON IT IS THAT MODEL AND NOT THE NEXT ONE

Write the reason. An operator who picks a label without one reads his benchmark against the wrong people for the life of the business.

Worksheet 02b. The three positions you rejected

This is the half that turns an opinion into a decision. A position you arrived at without discarding anything is a preference. Name three credible alternatives and why each one lost. If you cannot name three, you have not yet chosen.

POSITION CONSIDERED	WHY IT LOST	WHAT IT WOULD HAVE COST YOU
<i>A general cafe with broad appeal and a wide menu</i>	<i>Competes directly with two national chains on their ground, on price and convenience, where we lose</i>	<i>The volume from passing trade we will now not get</i>

A worked example

A fictional operator, used only to show the shape of a completed sheet. The numbers and the market are invented. Yours will not look like this.

FIELD	EXAMPLE
<i>Category</i>	<i>A counter-service sandwich shop in a downtown office district</i>
<i>Diagnosis</i>	<i>Four competitors within three blocks all compete on speed at lunch. Of twelve office workers interviewed, nine said they stopped eating out on Tuesdays and Wednesdays because every option tasted the same by midweek.</i>

FIELD	EXAMPLE
<i>Guiding policy</i>	<i>Build a menu that changes enough to be worth returning to midweek, and make the change visible from the street.</i>
<i>Coherent action</i>	<i>Two of nine lines rotate weekly and are posted on the window by Monday 10am. Staff know the rotation before the shift. The rotating lines use ingredients the fixed lines already carry.</i>
<i>The choosing sentence</i>	<i>A customer chooses us over the deli on the corner because by Wednesday they already know what is on that menu and they do not know what is on ours.</i>

FREQUENCY Build once. Revisit annually, or whenever a competitor opens inside your trade area, or whenever you catch yourself discounting.

GATE 2 · YOU MAY NOT PROCEED UNTIL

You can say the choosing sentence out loud without reading it, it names a real competitor by their real name, and you have written three rejected positions with a cost attached to each.

What fails this gate: "A bit of everything." A choosing sentence whose competitor is "other restaurants." A rejected-positions page that is blank, or that only contains options nobody would have taken anyway.

CARRIES FORWARD	INTO
A1 · Category you compete in	Stage 3, the trade area. Stage 4. Stage 14.
A2 · The choosing sentence	Stage 4, the promise. Stage 12, the brief.
A3 · Three rejected positions	Nothing downstream. It is the record that you chose rather than drifted.
A4 · The operating model, which decides the benchmark	Stage 6, which benchmark your cost structure is read against.

Market

THE QUESTION THIS STAGE ANSWERS

What is the local market, who is the competition by name, how large is the reachable segment, and what job is the customer hiring you to do?

- WHY IT SITS HERE

It needs A1 from Stage 2, because you cannot scan a competitive set until you have named the category you are competing in. It produces the trade area and the competitor price band that Stage 7 uses as the ceiling of your price corridor, and the population figure Stage 8 uses as the top of the funnel.
- WHAT IT IMPLEMENTS

Porter's five forces, as an external read of where profit in your industry actually sits. Clayton Christensen's jobs-to-be-done, which asks what progress the customer was trying to make when they walked in, rather than what demographic they belong to. The Visibility Audit in Worksheet 03c is original to this document.

Worksheet 03a. The Trade Area Scan

Define your trade area first, in minutes rather than miles: the distance a customer will actually travel for your category. For a coffee house that is roughly a six-block walk. For a destination dinner restaurant it may be thirty minutes by car. Write the number down, because every market figure in this document depends on it.

Our trade area is defined as

Because a customer for our category will travel

Then four competitors by name. Not "the places on the main street." Names. Three comparable items each, so the comparison is like for like.

COMPETITOR, BY NAME	THEIR POSITION, IN ONE LINE	ITEM 1	ITEM 2	ITEM 3	THE GAP THEY LEAVE
Juan Valdez	National chain, industrially roasted, mass market, high-traffic sites	\$2.10	\$3.40	\$6.80	No traceability. Staff cannot say where the coffee came from.

Worksheet 03b. Five customer interviews

Five is enough to stop guessing and few enough to do in a week. Interview people who already buy your category, not friends. Record the words they use, not your summary of them, because Stage 12 builds your copy out of these sentences and a paraphrase is useless there.

WHO, AND WHERE THEY CURRENTLY GO	THE JOB THEY WERE HIRING IT TO DO	ONE SENTENCE, VERBATIM, IN THEIR WORDS

Then the ranked factors. Hand them this list and ask them to score each one from 1 to 10 on how much it drives where they go. Do not discuss it first. The order that comes back is almost never the order an operator expects, and it decides where your money goes in Stage 12.

FACTOR	C1	C2	C3	C4	C5	AVG	RANK
Location and convenience							
Price							
The room and the atmosphere							
Design and concept							
The brand itself							
The food and drink menu							
Music							
Knowing something about what they are buying							
Comfort							
Service that is both friendly and fast							

Worksheet 03c. The Visibility Audit

This worksheet exists because of a specific, very common error: concluding that demand is weak from evidence that cannot support that conclusion. A market cannot reject an offer it never saw. Before you accept any finding about weak demand, confirm you are findable.

WHAT TO CHECK	WHAT YOU FOUND	FIX BY
<i>The three queries a customer actually types. Write them down, then search each one. Page 1, page 2, or not found.</i>	Query 1: ____ Query 2: ____ Query 3: ____	
<i>Your listing: are the hours correct today, is the menu present, how many photos, what is the date of the most recent one</i>		
<i>Reviews: total count, average, percentage you have responded to, date of your last response</i>		
<i>The map result for your category in your trade area: do you appear at all</i>		

WHAT TO CHECK	WHAT YOU FOUND	FIX BY
<i>Your own site on a phone: does it load, is the menu readable without pinching, is there a way to book or order</i>		

THE CONCLUSION LINE

If you scored badly here, you do not yet have a demand problem. You have a visibility problem, and the two have completely different remedies. Fix this before you redesign anything, change your prices, or conclude that the neighbourhood has changed.

FREQUENCY Trade area scan twice a year. Interviews whenever something changes, and at least annually. Visibility audit quarterly, because listings decay on their own.

GATE 3 · YOU MAY NOT PROCEED UNTIL

You can name four competitors, state one gap no competitor fills, quote one full sentence a real customer actually said, and confirm you appear for the three queries your customer types.

What fails this gate: A gap you inferred rather than heard. A competitor set described by category instead of by name. Any conclusion about weak demand reached before the visibility audit was run.

CARRIES FORWARD	INTO
B1 · Trade area definition	Stage 8, the market funnel.
B2 · Four competitors with price band	Stage 7, the corridor ceiling.
B3 · The one gap	Stage 4, the promise. Stage 12.
B4 · Five verbatim quotes	Stage 12, the voice bank.
B5 · Ranked decision factors	Stage 7 and Stage 12, where the money goes.
B6 · Visibility score	Stage 12, the first channel fix.

Audience and Promise

THE QUESTION THIS STAGE ANSWERS

Who specifically do you serve, who do you deliberately not serve, and what exactly do you promise the ones you keep?

- WHY IT SITS HERE

It needs B3 and B4 from Stage 3, because a promise built on a gap you heard is a different thing from a promise built on a gap you assumed. It produces the named segments that every menu line in Stage 5 must serve, and the feeling that every channel in Stage 12 has to carry.
- WHAT IT IMPLEMENTS

Osterwalder and Pigneur on value proposition design. Simon Sinek on starting from why. Collins and Porras on core purpose as a reason for being beyond money, and on a core value as one you would hold even if it became a competitive disadvantage. Porter again, on trade-offs.

Worksheet 04a. Audience Definition

Three segments maximum. A business serving five segments is serving none of them well enough to be chosen on purpose.

SEGMENT WE SERVE	THE JOB THEY HIRE US FOR	WHAT THEY WOULD MISS IF WE CLOSED

Now the half that almost nobody fills in.

A refusal list containing only people who would never have bought from you is not a decision, it is a description. At least one line here has to be a segment that would hand you money. Write what refusing it costs, in dollars, per year. That figure is the price of your position, and if it is zero you do not have one.

SEGMENT WE REFUSE	WHY, IN ONE LINE	WHAT THE REFUSAL COSTS US PER YEAR
Large-party catering	Orders over twenty covers take the kitchen off the line for two hours and arrive on no schedule we control. The margin is real but it is paid for by the lunch service we fail during it.	Roughly \$34,000 a year in orders we will decline

The discipline in that example is not the decision itself. It is that the segment was analysed, costed, and declined in writing, with the reasoning recorded where a future version of the operator cannot quietly reverse it without arguing with it.

Worksheet 04b. The Promise

We promise the people above that

The one feeling they should have while they are with us

What they still feel a day later

The thing we would keep doing even if it cost us a competitive advantage

Test the promise against two questions. Could a competitor in your trade area write the same sentence without lying? If so, it is not a promise, it is a category description. And would a customer notice if you stopped keeping it? If not, it is not a promise either.

FREQUENCY

Build once. Revisit annually. The refusal list gets read out loud at the start of every planning conversation, because its only function is to be inconvenient later.

GATE 4 · YOU MAY NOT PROCEED UNTIL

Your refusal list contains at least one segment that would pay you, with the annual cost of refusing it written in dollars, and your promise is a sentence no competitor in your trade area could write without lying.

What fails this gate: A refusal list of people who would not buy anyway. A promise that describes your category rather than your choice. A segment list with more than three entries.

CARRIES FORWARD	INTO
C1 · Segments served	Stage 5, every menu line. Stage 8, the funnel filter.
C2 · Segments refused, with the cost	Stage 7, what you will not discount. Stage 12.
C3 · The promise sentence	Stage 5 and Stage 12.
C4 · The one feeling	Stage 10, the moment cards. Stage 12, the channel audit.

PART II

Product

STAGES 5 TO 7

What you sell, what it costs you, and what you charge. This is where the document stops being about intent and starts being about arithmetic. Three stages, in this order, because a price derived before a cost is a guess and a cost measured for an item you are about to delete is wasted work.

THE QUESTION THIS PART ANSWERS

What do you sell, what does it cost you, and what do you charge?

Menu Architecture

THE QUESTION THIS STAGE ANSWERS

What do you sell, and what do you deliberately not sell?

- WHY IT SITS HERE

It needs C1 and C3 from Stage 4, because the test for whether a line belongs on the menu is whether it serves a named segment and delivers the promise. It comes before Stage 6 for a blunt reason: costing an item you are about to remove is work you throw away, and costing is the slowest stage in the document.
- WHAT IT IMPLEMENTS

Porter on trade-offs, applied at the level of the menu line. Standard menu structure practice. The Line Rationalization Test and the orphan tests in Worksheet 05b are original to this document.

Worksheet 05a. The Line Map

MENU LINE	SEGMENT IT SERVES (FROM C1)	THE PROMISE IT DELIVERS (FROM C3)	KEEP / TEST / REMOVE

A line whose segment column is blank is not a menu item, it is a habit. It still costs you inventory, prep time, training, menu space and a share of your guest's attention.

Worksheet 05b. The Line Rationalization Test

Run this on every line you marked Test, and on every line you were about to add. Five questions. Each yes in the right-hand columns is a reason the line is more expensive than it looks.

THE TEST	WHAT A YES MEANS
1. Does this line serve a segment named in C1?	A no is a removal candidate on its own. Nothing else in this test matters.
2. Does another line already serve that same segment?	You may be paying twice to serve one job. Keep the stronger line.
3. Does this line introduce an ingredient no other line uses?	That is an orphan ingredient. It carries the full spoilage risk alone, and it has no second use when demand moves. Record it as D2.
4. Does this line introduce a process step no other line uses?	A one-line process is a training burden and a consistency risk that the rest of the menu does not share.

THE TEST	WHAT A YES MEANS
5. Does this line introduce equipment nothing else needs?	That is orphan equipment. Record it as D3. Stage 9 will ask you to justify that purchase against this line alone, and Stage 7 will tell you whether this line earns enough to carry it.

LINE	Q1	Q2	Q3	Q4	Q5	DECISION, AND WHAT REMOVING IT WOULD COST

FREQUENCY Review quarterly. Run the full rationalization test twice a year, and always before adding a line rather than after.

GATE 5 • YOU MAY NOT PROCEED UNTIL

Every line on your menu names the segment it serves. Every line that does not is on a removal list with the cost of removing it written down. Your orphan ingredients and orphan equipment are listed by name.

What fails this gate: A menu with lines whose only justification is that they have always been there. Proceeding to Stage 6 with removal candidates still on the list, which guarantees you cost items you are about to delete.

CARRIES FORWARD	INTO
D1 • Final menu line list	Stage 6, what gets costed. Stage 8. Stage 9.
D2 • Orphan ingredients	Stage 6, where the spoilage risk sits.
D3 • Orphan equipment	Stage 9, the equipment classification.
D4 • Removal candidates	Stage 7, the matrix. Stage 9, what not to buy.

Cost

THE QUESTION THIS STAGE ANSWERS

What does each item actually cost you to put in front of a guest, and what does that add up to as a cost structure?

- WHY IT SITS HERE

It needs D1 from Stage 5, the rationalized line list, so that you cost what you are keeping. It produces the plate cost that is the floor of every price in Stage 7, the variable cost per unit in Stage 13's break-even, and the opening inventory figure in Stage 11.
- WHAT IT IMPLEMENTS

Standard restaurant cost control, unchanged. The recipe cost card, the yield test and the food cost percentage are long-established practice and this document implements them rather than originating them. The Prime Cost Worksheet in 06d is assembled here from standard components, with the target band cited.

This is the slowest stage in the document and the one most likely to be abandoned. So do not start with the whole menu. Cost your five best sellers. They are the largest share of your mix, so a change there moves more money than a change anywhere else, and five cards is an evening rather than a month.

There is a second reason to do this that has nothing to do with money. A recipe card is a training document. If the spec does not say two ounces of cheese, you cannot train two ounces of cheese, and your two ounces and a new cook's two ounces are different amounts. Inconsistency damages a reputation faster than almost anything else, and great on Tuesday and poor on Friday depending on who is on the line is a brand problem that gets misdiagnosed as a kitchen problem.

Worksheet 06a. Standard Recipe Cost Card

One card per item. Cost everything that leaves the kitchen with the plate, including the packaging, the cutlery, the napkins and the bag. Those lines are small and they are not zero, and on a high-volume item they are the difference between a margin and a rounding error.

INGREDIENT	SPEC QTY	UNIT	PACK PRICE	YIELD %	TRUE COST / UNIT	EXTENDED
Mozzarella, shredded	2 oz	oz	\$38.40 / 5 lb	100%	\$0.48	\$0.96
Romaine, chopped	3 oz	oz	\$24.00 / 24 lb	80%	\$0.0625	\$0.19

Ingredient subtotal

Waste and variance factor, as a percentage, and why you chose that number

Total plate cost

Menu price today

Food cost percentage: plate cost divided by menu price

Gross profit per plate: price minus cost

ON THE WASTE FACTOR

A flat percentage applied to every item is a starting convention, not a measurement. A flat 10 percent is wrong in both directions at once: far too high on a packaged item that arrives portioned, far too low on anything that gets trimmed. Replace the flat factor item by item with a measured yield, using the next worksheet, starting with the three highest-cost ingredients on each card.

Worksheet 06b. The two-minute read, and its limit

Before you cost anything you can get a rough number in two minutes. Take your food purchases for a period and divide by your food sales for the same period.

Food purchases for the period

Food sales for the same period

Purchases divided by sales

Understand exactly what that number is and is not. It is purchases, not consumption: some of that money is sitting on your shelves and some is on your line. It tells you fast whether you are in the right range. It cannot tell you which item is the problem, and it will mislead you in any period where you stocked up or ran down. For anything you intend to act on, use inventory: opening inventory plus purchases minus closing inventory, divided by sales.

Worksheet 06c. The Yield Test

This is the worksheet that changes the numbers on your cost cards. A case price is not a cost per usable unit until you know what percentage of the case survives prep.

ITEM	CASE / PACK PRICE	WEIGHT IN	USABLE WEIGHT OUT	YIELD %	TRUE COST PER USABLE UNIT
Romaine	\$24.00 / case	24 lb	19.2 lb	80%	\$1.25 / lb, not \$1.00

That example is a 25 percent understatement of the true cost of every portion containing romaine, hiding inside a cost card that looked complete. Yield is not a waste-reduction topic. It is an input accuracy topic, and it belongs on the card.

Worksheet 06d. The Prime Cost Worksheet

Prime cost is food plus labour as a percentage of sales. It is the one number that tells you whether the structure of the business works, because it covers the two largest costs you actually control. A business can have excellent plate costs and still fail on prime cost, which is why the cost cards are not the end of this stage.

Your labour does not exist in this plan yet. It is derived in Stage 10, from the process and the peak volume. So this worksheet does two different things depending on who is filling it in.

IF YOU ARE	THIS SHEET IS	WHAT YOU DO
Already operating	A diagnosis	Compute your actual prime cost now, from your own books: inventory and not purchases, and labour including payroll taxes and benefits. It is the most valuable number you will take out of tonight.
Not open yet	A commitment	You cannot compute it. What you do here is commit to a target band and write down why you chose that one. Stage 10 computes the real number and measures it against this band.

Opening inventory, plus purchases, minus closing inventory, equals food used

Food used divided by sales, as a percentage

Total labour for the period, including payroll taxes and benefits

Labour divided by sales, as a percentage

Prime cost: the two percentages added together

Your target, chosen before you look at the answer

Your gap, in percentage points

Gap multiplied by the value of one point from Worksheet 01d

WHAT OPERATORS ACTUALLY REPORTED	SOURCE
Full service, 2024. Food and non-alcohol beverage a median 33.7 percent of sales below two million dollars of sales, 31.0 percent at two million and above, 32.0 percent across all full service. Labour including benefits a median 36.5 percent, and occupancy 5.7 percent. That is a prime cost near 70 percent, against a median income before tax of 2.8 percent of sales. Limited service: food and beverage 32.4 percent, labour 31.7 percent, occupancy 5.2 percent, income before tax 4.0 percent.	National Restaurant Association, Restaurant Operations Data Abstract 2025, covering 2024 and more than 900 operators. Full citation in Sources.

THE SIXTY PERCENT RULE IS FROM A DIFFERENT DECADE

The band taught almost everywhere is 58 to 62 percent, with 60 a common working average. It has no study behind it. It is repeated because it is repeated, and against the most recent published operator data it is ten points light. The Association reports that labour costs are well above their historical averages: a full service median of 36.5 percent of sales for 2024, against roughly 33 percent across its 2010, 2013 and 2016 editions. An operator who plans to 60 without knowing that is planning to a number from a different decade.

The median is not the line between living and dying either, and the same data says where that line is. Among full service operators who reported a profit before tax for 2024 the labour median was 34.2 percent of sales. Among those who reported a loss it was 42.9 percent. For limited service, 30.0 against 34.1. That spread is eight points of sales for full service, it is the difference between the two groups, and it is closer to a target than any rule of thumb.

This does not mean 70 is your target. It means the median is not your target either. A counter operation with no waitstaff and an owner on the line genuinely runs lower, and a full service dining room genuinely does not. Choose your band against the operating model you named in Worksheet 02c and write the reason. A band chosen without one is a round number, and a round number is what you will quietly adjust to the payroll after the fact.

WHY THE BAND IS SET HERE AND NOT IN STAGE 9

A target set after the payroll is built is not a target, it is a description. You commit to the band four stages before you know your labour cost, precisely so that you cannot adjust it to whatever came out. Stage 10 measures the real number against this band, and if it lands outside, something upstream has to move: the price, the mix, the payroll, the hours or the position itself. Widening the band is not one of the options.

The last line of that worksheet is the point of the whole document. It is a dollar figure, it recurs every year, and it is the return on the time you are spending in here.

Costing, repeatable

The four worksheets above cost one item properly. The six below are the lists that let you cost all of them, order from them, and check that the structure closes. They are also the difference between a plate cost you typed and a plate cost you can defend, because once they are filled the arithmetic runs itself and a supplier price that moves moves every card it touches.

YOU DO NOT HAVE TO FILL THESE TO FINISH THE PLAN

A plate cost can be stated, costed or purchased. Stated means you typed it, and the plan says so on its face. Costed means a recipe stands behind it. Purchased means a supplier and a price source stand behind the recipe, and at that point the orders, the par levels and the recipe cards compute themselves. Run the whole plan stated in an evening, then deepen the five lines carrying most of your mix. Nobody finishes two hundred ingredients before they see their first number, and a method that demands it is a method nobody finishes.

Worksheet 06e. The Suppliers

Six lines, filled once. The lead time is the column that does the work: a par level is usage multiplied by the days between deliveries plus the lead time plus whatever cover you want, and without it there is no par and no order. The payment terms are the column that sets your working capital reserve in Stage 11, so a supplier on net 30 and a supplier on delivery are not the same supplier.

SUPPLIER	WHAT THEY SUPPLY	DELIVERS	LEAD DAYS	MINIMUM	TERMS	CONTACT
<i>Broadline Foodservice</i>	<i>produce, protein, dry</i>	<i>Tue, Fri</i>	<i>2</i>	<i>350</i>	<i>net 14</i>	<i>Dana R</i>

Worksheet 06f. The Purchase List

Everything you buy to make what you sell. The two columns that are not obvious are the last two, and they are the reason this worksheet exists. A price with a link is a price anybody can check. A price marked estimate is a price you are signing for. Both are allowed; pretending they are the same thing is not.

ITEM	SPEC	SUPPLIER	PACK	PACK PRICE	UNITS/PACK	USE UNIT	SOURCE	VERIFIED
<i>Brisket, packer</i>	<i>choice, 12 to 14 lb</i>	<i>Broadline</i>	<i>case of 4</i>	<i>233.20</i>	<i>54</i>	<i>lb</i>	<i>link</i>	<i>06 Oct</i>

ITEM	SPEC	SUPPLIER	PACK	PACK PRICE	UNITS/PACK	USE UNIT	SOURCE	VERIFIED

SOURCE is one of four words: link, quote, shelf, estimate. Count your estimates when the sheet is full. If the four largest lines by spend are all estimates, your plate cost is a guess with a decimal point on it.

Worksheet 06g. Yields and Waste

Only the items that lose something. A protein costed on pack price with no cooked yield is wrong by a third: brisket at a fifty percent yield costs twice the invoice price per usable pound, and every figure built on it inherits the error. The waste factor is separate and it is not a flat ten percent, which is far too high on a portioned packaged item and far too low on anything trimmed.

ITEM	USABLE YIELD %	WASTE FACTOR %	BASIS
<i>Brisket, packer</i>	<i>50</i>	<i>8</i>	<i>own cook log, four cooks</i>

BASIS is trade practice, own cook log, or supplier spec. Trade practice is where you start and the first month of your own cook logs is where you should finish.

Worksheet 06h. Preparations

The sub-recipes: a rub, a sauce, a brine, a stock. Anything made once and used across several dishes. Without this sheet you cannot cost a dish that contains one, and you end up entering the same sauce six times and keeping six versions of it. The batch yield is what converts a batch cost into a cost per ounce on a plate.

PREPARATION	BATCH YIELD	YIELD UNIT	COMPONENT	QUANTITY	UNIT
<i>House rub</i>	<i>64</i>	<i>oz</i>	<i>Paprika</i>	<i>12</i>	<i>oz</i>

Worksheet 06i. The Recipes, and the card they produce

One block per menu line, listing what goes on the plate: items from 06f and preparations from 06h, with a quantity and a unit. This is the sheet that turns the plate cost from something you asserted into something the arithmetic produced, and it is the sheet that recosts every card the day a supplier price moves.

MENU LINE	COMPONENT	QUANTITY	UNIT
<i>Brisket plate</i>	<i>Brisket, packer</i>	<i>6</i>	<i>oz</i>
<i>Brisket plate</i>	<i>House rub</i>	<i>0.4</i>	<i>oz</i>

THE RECIPE CARD, OR FICHA TECNICA

A finished card is this sheet joined to the rest of the stage: the menu line and the segment it serves from D1, the components here, their cost per usable unit from 06f and 06g, the plate cost in E1, the food cost percentage in E2, the price and its reason in F1, the contribution margin in F2 and the classification in F3. Nothing on the card is typed twice. It is one page per dish, it is a costing document and a training document at the same time, and it is what you hand a new cook on a Tuesday.

Worksheet 06j. The Cost Structure, against the market benchmark

Prime cost on its own is not a target. It is a budget line that has to leave room for everything else, and whether it does is decided by the operating model you named in 02c. This is the check: the five lines have to add to a hundred, and the last one is what you are working for.

LINE	YOUR FIGURE %	MARKET BENCHMARK %	SOURCE
Food and beverage		33.7	NRA 2025, full service below \$2m

The five lines are fixed: food and beverage, labour with benefits, occupancy, other operating, and result before tax. Where the benchmark column is blank, nobody has published a median for your segment and you build the line from your own figures. A borrowed benchmark is worse than an empty one, because you will plan to it.

FREQUENCY Cost cards built once, then re-costed against current invoices quarterly, because the prices on your cards drift while you are not watching. Prime cost weekly. Yield tests whenever an item's margin moves or a supplier changes.

GATE 6 · YOU MAY NOT PROCEED UNTIL

Every item on D1 has a cost card with a measured yield on its three highest-cost ingredients, you can state your food cost per item, and you have committed to a prime cost target band with the reason you chose that one.

What fails this gate: A plate cost built on pack price with no yield test, which is an estimate wearing the clothes of a cost. A prime cost computed from purchases and then acted on. A band chosen as a round number with no service model behind it. A percentage with no dollar figure attached.

CARRIES FORWARD	INTO
E5 · The suppliers, with lead time and terms	Stage 9, the smallwares. Stage 11, the opening order. Stage 14.
E6 · The purchase list, with the source of every price	Stage 11, the opening order. Stage 14, the ordering discipline.
E7 · Yields and waste factors	The plate cost, through the recipes.
E8 · Preparations, the sub-recipes	The recipes, wherever a preparation appears on a card.
E9 · The recipes, component by component	The plate cost in E1, and every card it produces.
E1 · Plate cost per item	Stage 7, the corridor floor. Stage 11. Stage 13.
E2 · Food cost percentage per item	Stage 7, the band check.
E3 · Target prime cost band, with the reason	Stage 10, the labour check. Stage 13.
E4 · The gap, in dollars per year	Stage 13, what the plan is worth getting right.
E10 · The cost structure, against the market benchmark	Stage 13, the check that the structure closes.

Price

THE QUESTION THIS STAGE ANSWERS

What should each item cost the guest, derived from your cost and your position rather than copied from your neighbour?

WHY IT SITS HERE It needs E1 from Stage 6 for the floor, B2 from Stage 3 for the ceiling, and A1 and A2 from Stage 2 to decide where inside those two you sit. All three are required. Cost alone gives you a price your market may not pay. The market alone gives you a price that may not cover you. Position is what chooses between them.

WHAT IT IMPLEMENTS Kasavana and Smith's menu engineering, 1982, which classifies every item on two axes, popularity and contribution margin. Standard contribution-margin analysis. The Price Corridor presentation in 07a is this document's assembly of established pieces.

Two numbers decide a price and they answer different questions. Costing tells you what you need to charge. The market tells you what you can charge. You need both, because you cannot charge fifty dollars for a burger on the strength of a cost card, and you cannot charge nine dollars for one that costs you five just because the place down the road does.

There is also no honour in being the cheapest. Being the inexpensive option is a legitimate position if you chose it in Stage 2 and built a cost structure that supports it. Being the inexpensive option by accident is not a position, it is an unexamined habit, and it is usually the result of a price set years ago and never revisited.

Worksheet 07a. The Price Corridor

ITEM	PLATE COST (E1)	TARGET FOOD COST %	FLOOR = COST / TARGET	CEILING, FROM B2	YOUR PRICE	THE REASON FOR THE PLACEMENT, IN ONE LINE
Classic burger	\$5.10	30%	\$17.00	\$21.00	\$19.00	Top of the mid-range: we are the quality claim in this trade area, not the value claim

The reason column is not optional paperwork. It is the only thing that stops you quietly drifting back to a competitor's number next year, and it is what you will read when someone asks why this costs what it costs.

THE ANTI-PATTERN · WHEN THE DERIVATION IS DONE AND THEN OVERRULED BY THE LAYOUT

The most common pricing failure is not the absence of cost cards. It is cost cards that were built correctly and then overruled at the last step by one flat price per category, because a menu with four price points looks cleaner than a menu with nineteen.

A sandwich counter prices every sandwich at \$14.00. The turkey club plates at \$6.30, a 45 percent food cost. The grilled cheese plates at \$2.10, a 15 percent food cost. Two items on the same line of the same menu, thirty points apart, and nothing at the register shows it. Whether that counter makes money in a given week is decided entirely by which of the two sells, and the operator has no way to see which.

Category pricing is convenient at the till and it hides a loss inside every expensive item on the list. The cheap-ingredient items subsidise the expensive ones, the mix decides the week, and the arithmetic that would have shown it was already finished and sitting in a drawer.

The rule: derive the price per item. If the menu then needs rounding into price tiers so it reads cleanly, write the resulting food cost percentage next to every item and confirm that no item falls outside the band. Rounding into tiers is a presentation decision. It is not permitted to become a pricing decision.

Worksheet 07b. The Menu Engineering Matrix

Two axes. Popularity, measured as each item's share of units sold. Contribution margin, which is price minus plate cost, in dollars and not as a percentage. Compute both averages, then place every item in a quadrant. The action is different in each one, and getting the quadrant wrong means doing the opposite of what the item needs.

ITEM	UNITS SOLD	MIX %	PRICE (F1)	COST (E1)	CONTRIBUTION MARGIN	QUADRANT
<i>Classic burger</i>	412	18%	\$19.00	\$5.10	\$13.90	<i>Star</i>

QUADRANT	POPULARITY	MARGIN	THE ACTION, AND WHY
Star	Above average	Above average	Protect it. Hold the spec rigidly, give it the best position on the menu, train staff to recommend it, and never discount it. This is the item your reputation is made of.
Plowhorse	Above average	Below average	Fix the cost before you touch the price. High volume multiplies every cent, so a yield test, a spec tightened by half an ounce or one ingredient swap moves more money here than anywhere else on the menu. Raise the price only after the cost side is exhausted.
Puzzle	Below average	Above average	The economics already work. You have a visibility problem, not a profit problem. Rewrite the description, move it on the page, train the staff recommendation, and test it as a special before you conclude nobody wants it.

QUADRANT	POPULARITY	MARGIN	THE ACTION, AND WHY
Dog	Below average	Below average	Remove it, unless it is the only item serving a segment named in C1, or its poor performance is explained by the visibility problem you found in 03c. Check both before you delete, then delete.

Note the dependency chain in that last row. The decision to remove an item is checked against Stage 4 and Stage 3. That is the whole reason this stage is seventh and not first.

Sanity rules before you publish a new price list

- No single item moves more than 10 percent in one change.
- Your best sellers get priced first and most carefully, because they carry the mix.
- Every new price sits inside its corridor and you have written the reason.
- You recompute prime cost on the new price list before it goes live, not after.
- Your staff are briefed before the menu changes, not when a guest asks them.

FREQUENCY Corridor review twice a year. The matrix every period you have sales data for, monthly if you can. Always re-cost before changing a price, never after.

GATE 7 · YOU MAY NOT PROCEED UNTIL

Every item has a price with a written reason, no item sits outside its corridor, and you have run the matrix and taken the named action on every Plowhorse and every Dog, and you have computed the weighted food cost and the average check from the mix.

What fails this gate: One price per category. A price set by looking at a competitor without a cost card. A matrix run without contribution margin in dollars. Deleting a Dog without checking C1 first.

CARRIES FORWARD	INTO
F1 · Price per item	Stage 8, the average check build-up. Stage 13.
F2 · Contribution margin per item	Stage 13, the weighted break-even. This is the input it needs.
F3 · Matrix classification per item	Stage 9, whether equipment serves a Star. Stage 12.
F4 · Weighted food cost percentage and average check	Stage 10, the prime cost check. Stage 13.

PART III

Capacity

STAGES 8 TO 11

How much you can actually do, with what equipment, for what money, run by whom. This is the part most plans assert and almost none derive. It is also the part a lender reads with a pencil in hand, because it is where a plan either holds together or quietly stops referring to itself.

THE QUESTION THIS PART ANSWERS

How much can you do, with what, for how much, run by whom?

Volume

THE QUESTION THIS STAGE ANSWERS

How many covers, at what average check, across which dayparts, and does your building agree with your market?

- WHY IT SITS HERE

It needs B1 from Stage 3 for the market size, C1 from Stage 4 to filter it, D1 and F1 from Stages 5 and 6 to build the average check. It produces the volume that sizes equipment in Stage 9, staffing in Stage 10, and every line of the model in Stage 13. More downstream work depends on this stage than on any other, which is why it has two methods instead of one.
- WHAT IT IMPLEMENTS

Standard capacity planning and trade-area analysis. The reconciliation in Worksheet 08c, which forces the two methods to check each other and back-computes the capture rate rather than assuming it, is original to this document.

Almost every projection an operator writes starts from a number they want. The number is then supported by whichever method produces it, and the plan proceeds. The reason this is so hard to catch in your own work is that each individual step looks like arithmetic. The assumption is usually buried in one coefficient, and nothing downstream of it can reveal the problem, because everything downstream inherits it.

So this stage runs the projection twice, by two independent methods, and then makes them argue. One method asks what your building can physically produce. The other asks what your market can possibly give you. The answer is the smaller of the two, and the relationship between them tells you something neither one tells you alone.

Worksheet 08a. Method One. The physical ceiling

What your building can produce if the demand is there. Turns are calculated, not guessed: daypart length divided by dwell time plus reset time. Occupancy is your honest estimate of how full the room actually gets in that daypart, which for most operators is nowhere near 100 percent outside a peak hour.

DAYPART	SEATS	DWELL + RESET (MIN)	DAYPART LENGTH (MIN)	URNS	OCCUPANCY %	COVERS PER DAY
Lunch	34	55	180	3.27	65%	72

Covers per day, all dayparts

Operating days per year

Method One annual covers

Worksheet 08b. Method Two. The market funnel

What your market can possibly give you. Every line needs a source, and the source goes in the right-hand column. A funnel with unsourced lines is a story with numbers in it.

THE FUNNEL	YOUR FIGURE	WHERE THE FIGURE CAME FROM
<i>Population inside the trade area (B1)</i>		<i>Census, chamber of commerce, municipal economic report</i>
<i>Percentage matching the segments in C1</i>		<i>Census age and income bands, your own interview screen</i>
<i>Reachable market</i>		<i>The two lines above, multiplied</i>
<i>Visits per year for your category, per person (B5)</i>		<i>Your interviews, frequency question</i>
<i>Annual occasions available in the trade area</i>		<i>Reachable market multiplied by visit frequency</i>
<i>Your capture rate, as a percentage</i>		<i>Leave this blank. Worksheet 08c computes it for you.</i>
<i>Method Two annual covers</i>		

Worksheet 08c. The Reconciliation

This is the worksheet this stage exists for.

Method One annual covers, the physical ceiling

Method Two annual covers, the market funnel

Your projection: the lower of the two

Implied capture rate: Method One covers divided by annual occasions available

WHAT THE COMPARISON TELLS YOU	WHAT TO DO ABOUT IT
Method Two is much larger than Method One	Your constraint is the building, not demand. More marketing spend will not move your revenue until you change seats, turns, hours or format. This is good news badly disguised: it means growth is an operations decision you control, not a market you have to win.
Method One is much larger than Method Two	Your constraint is demand, and you have bought or leased capacity you cannot fill. Either the trade area is too small for this format, or the capture rate required is one you cannot defend. Reduce the build before you open, or change the format.
They are within roughly 20 percent of each other	Your plan is coherent. Use the lower figure, keep both worksheets, and show them both to anyone who asks where your revenue number came from. Two independent methods agreeing is the strongest answer you can give.

THE TEST, AND IT IS NOT A SOFT ONE

Read your implied capture rate out loud as a percentage. Now imagine handing it to someone who does not want you to be right: a lender deciding on your file, a landlord deciding between you and another tenant, a partner deciding whether to put money in. Would you defend that percentage to them, with the funnel and the seat count both on the table? If the honest answer is no, the number is not a projection yet.

THE ANTI-PATTERN · WHEN ONE COEFFICIENT CARRIES THE WHOLE PROJECTION

A plan defines its trade area properly. 38,000 households within a twelve-minute drive, filtered to the 42 percent matching the segments in C1, for a reachable market of roughly 16,000 households. Every line of that funnel is sourced to census data and the plan says so. It is real work and it holds up.

Then the capture rate is set at 3 percent, and the justification written beside it is a sentence like "consistent with our installed capacity." That sentence sounds like a calculation. It is not one. It is a feeling wearing the costume of a calculation, and every number downstream of it inherits whatever was wrong with it.

The painful part is that the seat count was already in the same plan, in the furniture schedule. 56 seats. Nobody multiplied 56 by turns by operating days to find out what the room can physically produce. At 2.6 turns across two dayparts, 62 percent occupancy and 310 operating days, the building produces about 28,000 covers a year. The funnel assumed 41,000. The two numbers were four minutes of arithmetic apart and were never put side by side, so the plan went out carrying a revenue line the building could not have served.

Why this worksheet exists: the error is not ignorance and it is not laziness. Whoever wrote that plan knew how to do both calculations. They did one, got a number, the number looked reasonable, and they stopped. A single method always looks reasonable. That is the whole problem, and the only reliable defence is being required to produce the second one.

Worksheet 08d. Average check build-up

Built from your own mix and your own prices, not from an industry average. Items per cover is the number operators overestimate most.

CATEGORY	ITEMS PER COVER	AVERAGE PRICE (F1)	EXTENDED
Mains	1.0	\$19.00	\$19.00
Drinks	1.4	\$6.50	\$9.10

Average check, all categories

Annual revenue: projected covers multiplied by average check

Worksheet 08e. Seasonality

Twelve monthly index factors. They must sum to 12.0, which is the check that stops you quietly inflating the year while adjusting the months. Use your own history if you have it. If you do not, use a neighbouring operator's willingness to tell you which months are hard, and label the figures as estimates on the face of the model.

JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	SUM = 12.0

FREQUENCY Build once. Re-run whenever seats, operating hours or menu mix change. Review the seasonality index annually against what actually happened.

GATE 8 · YOU MAY NOT PROCEED UNTIL

You have both methods on paper, you have taken the lower number as your projection, and you can state your implied capture rate as a percentage and defend it to a hostile reader.

What fails this gate: A single-method projection, however carefully built. A capture rate you assumed rather than back-computed. A seasonality index that does not sum to 12.0. Any revenue figure that started as a target.

CARRIES FORWARD	INTO
G1 · Covers by daypart	Stage 9, the peak bottleneck. Stage 10, the shift build. Stage 11.
G2 · Annual covers	Stage 13, the margin of safety.
G3 · Average check	Stage 13, the model.
G4 · Annual revenue	Stage 10, the labour percentage. Stage 13.
G5 · Implied capture rate	The plan document, and anyone who questions the revenue.
G6 · Seasonality index	Stage 13, the monthly cash flow.

Equipment

THE QUESTION THIS STAGE ANSWERS

What does the projected volume actually require, and what is aspiration you are about to pay for?

WHY IT SITS HERE It needs D1 from Stage 5 and G1 from Stage 8. An equipment list written before a menu is a wish list, and one written before a volume cannot tell you what size to buy. It produces the largest single block of the capital figure in Stage 11.

WHAT IT IMPLEMENTS Standard production planning and process mapping. The inversion of the process map into a requirements-by-line matrix, and the essential, deferrable and review classification tied to the Stage 7 matrix, are original to this document.

Unnecessary equipment is bought on aspiration rather than on production arithmetic, and it is bought once and paid for over years. This is the stage that saves an opening operator the most money, and the one that tells an operating one which machine in the room is earning nothing.

Worksheet 09a. The Process Map

For each production line in D1, list the process steps in order, and for each step name what it requires. Be literal. Receiving is a step. Weighing is a step. Waste disposal is a step, and it needs equipment.

PRODUCTION LINE	PROCESS STEP	EQUIPMENT	SERVICE	INPUT	COMPONENTS
Coffee	Roast green coffee	Roaster, extraction hood	Power, ventilation	Green coffee	Trays, labels

Worksheet 09b. The Requirements Matrix, inverted

Now turn 09a inside out. Rows are every requirement you listed. Columns are your production lines. Mark which lines each requirement serves, count them, and classify. The inversion is the part that saves the money, because an item serving one line is a different kind of purchase from an item serving five.

REQUIREMENT	L1	L2	L3	L4	L5	LINES SERVED	CLASS	COST
Refrigerator	X	X	X	X	X	5	Essential	\$2,400

REQUIREMENT	L1	L2	L3	L4	L5	LINES SERVED	CLASS	COST
<i>Coffee roaster</i>	X					1	<i>Essential, Star line</i>	\$18,000

CLASS	THE RULE
Essential	Serves two or more production lines, or serves one line classified as a Star in F3. Buy it.
Defferable	Serves one line that is not a Star. Buy it in phase two, after the line proves itself. Record the cost as H2 so the plan shows you know what you deferred and why.
Review	Serves one line that is a Dog or a removal candidate in D4. Do not buy it. Buying equipment to produce an item you are about to delete is the most expensive single mistake available in this stage, and it is common, because the equipment decision and the menu decision are usually made by the same person on different days.

To make the point concrete: a refrigerator typically serves every production line a kitchen has. A dedicated piece of equipment bought for one line serves one. Both appear on the list at full price, and only one of them was ever really a decision. Single-line equipment can still be correct, when that line is the position itself and the reason a customer chooses the business at all. But that is an argument the operator has to make out loud, and the matrix is what forces them to make it.

Worksheet 09d. Smallwares and Opening Consumables

Everything it takes to serve one cover that is not equipment and not food: plates, cutlery, glassware, pans, storage, paper, cleaning, uniforms. It is almost always carried in an opening budget as a single round line, and a single round line is where opening budgets go wrong, because nobody counts the covers and multiplies. Three turns on a ninety-six seat room is not ninety-six forks.

ITEM	CATEGORY	QTY	UNIT COST	SUPPLIER	SOURCE	VERIFIED
<i>Dinner plate, 10 inch</i>	<i>plateware</i>	<i>120</i>	<i>4.10</i>	<i>Paper and Pack</i>	<i>link</i>	<i>06 Oct</i>

CATEGORY is one of eight: cutlery, plateware, glassware, storage, paper and packaging, cleaning, uniforms, office. SOURCE is the same four words as the purchase list, and the same rule applies to it.

Worksheet 09c. The Capacity Check

Sizing, not just selection. For each essential item, compare what it produces per hour against what your peak daypart from G1 demands per hour. The item with the least headroom is your bottleneck, and it is what fails first on your best night.

ESSENTIAL ITEM	UNITS PER HOUR IT PRODUCES	UNITS PER HOUR PEAK DEMANDS	HEADROOM %
Espresso machine, two group	120	94	22%

Under 20 percent headroom at peak, that item is the constraint on your revenue, whatever your marketing does. Over 200 percent headroom and you have bought capacity for a business you do not have yet, which is a legitimate choice if you made it deliberately and wrote down when you expect to need it.

FREQUENCY

Build once. Re-run whenever the menu or the volume moves by more than 20 percent, and before any equipment purchase over a threshold you set now and write here.

GATE 9 · YOU MAY NOT PROCEED UNTIL

Every line on your equipment list names the production lines it serves and the process step that requires it. Nothing on the list traces only to a Dog or a removal candidate. Your peak bottleneck is identified by name and has headroom.

What fails this gate: An equipment list with an item that serves nothing on the current menu. A list with no sizes on it, only names. Buying for a line that Stage 7 classified as a Dog.

CARRIES FORWARD	INTO
H1 · Essential equipment list	Stage 11, the capital schedule. Stage 13, depreciation.
H2 · Deferrable list, with cost	Stage 11, shown as phase two rather than omitted.
H3 · Services required	Stage 11, buildout. Power, water, drainage, gas, ventilation.
H4 · The peak bottleneck	Stage 10, where the process will break at peak.
H5 · Space required	Stage 11, the lease you need rather than the one you like.

People and Process

THE QUESTION THIS STAGE ANSWERS

What has to happen every day, who has to be there to do it, and does the place still work on a day you are not in it?

- WHY IT SITS HERE

It needs the process map from 09a and the peak volume from G1, because roles derived from process and volume are defensible and roles chosen by habit are not. It needs C4 from Stage 4 for the moment cards. It produces the labour line that, added to food, has to land inside the prime cost band from Stage 6.
- WHAT IT IMPLEMENTS

Lynn Shostack on service blueprinting. Heskett, Jones, Loveman, Sasser and Schlesinger on the service-profit chain. Danny Meyer on hospitality as a deliberate operating discipline rather than a disposition.

Worksheet 10a. Role Derivation

Work from the process map, not from an idea of how many people a place like yours usually has.

PROCESS STEP (FROM 09A)	STATION	MINUTES PER UNIT	UNITS AT PEAK (G1)	MINUTES REQUIRED AT PEAK	POSITIONS
Assemble and grill sandwich	Hot line	4.5	38	171	1.0 at 180 min daypart

Worksheet 10b. The Shift Build, and the prime cost check

DAYPART	POSITIONS	HOURS	WAGE RATE	EXTENDED

Total labour, including payroll taxes and benefits

Labour as a percentage of projected sales (G4)

Food percentage from E2, weighted by mix

Prime cost: the two added. Inside the band you set in Stage 6?

If the sum is outside the band, the problem is here or in Stage 7, and you have to go back. Discovering this after you open is the normal way to discover it, and it is the expensive way. The whole purpose of putting this check inside a planning document is to move the discovery to a point where it is still free to act on.

Worksheet 10c. The Moment Cards

Five to seven moments, no more. These are the points in the experience where the promise from C3 is either kept or quietly broken. One card each. The last column is the one that makes the card real: how much a team member may give, in money or in product, without asking anyone.

THE MOMENT	WHAT HAPPENS	THE FEELING (C4)	WORDS THAT FIT	RECOVERY, AND HOW MUCH THEY MAY GIVE

THE THREE TESTS	WHAT IT MEANS
The team ritual	One thing that happens with the team, every shift, without you starting it.
The customer ritual	One thing a regular would notice the absence of.
The absence test	The newest hire delivers the core feeling on a day you are not in the building. Run it deliberately, by being absent, twice a year, and ask a regular afterwards rather than asking the team.

WHY THE ABSENCE TEST IS IN A BUSINESS PLAN

Until it passes, you do not have a business, you have a job with inventory. That is not a motivational statement, it is a valuation statement: an operation whose quality is tied to your attendance cannot be sold, cannot be financed against, cannot be left, and cannot be replicated. Every one of those is a constraint a lender and a buyer price in. It belongs in Part III because it is a capacity question, and the capacity in question is yours.

FREQUENCY Role derivation when volume or menu changes. Shift build reviewed monthly against actual hours. Moment cards quarterly. The absence test twice a year, on purpose, on a day that matters.

GATE 10 · YOU MAY NOT PROCEED UNTIL

Your labour percentage plus your weighted food cost lands inside the band you set in Stage 6. Every position traces to a process step and a peak-volume calculation. You have five moment cards, and you have run the absence test at least once and written down what happened.

What fails this gate: A staffing plan that starts from "we need two people on." A labour percentage that is only checked after the first payroll run. A band widened after the fact so the payroll fits. Moment cards with no spending authority on them, which make every recovery require you, which is the thing you are trying to fix.

CARRIES FORWARD	INTO
J1 · Positions and hours	Stage 11, pre-opening labour. Stage 13.
J2 · Labour cost	Stage 11, the three-month reserve. Stage 13.
J3 · Labour percentage	Stage 13, the control board.
J4 · The five moments	Stage 12, what the channels are promising.
J5 · Absence test result	The plan document, and your own honest read of what you own.
J6 · Prime cost, actual, against the band	Stage 13, and the conversation with anyone who puts money in.

Capital

THE QUESTION THIS STAGE ANSWERS

How much does this require, what is it for, and can you defend every single line of it?

WHY IT SITS HERE It needs H1, H3 and H5 from Stage 9, E1 and G1 for opening inventory, and J1 and J2 from Stage 10 for the working capital reserve. Every reference in it runs backward. Nothing here waits on a stage ahead of it.

WHAT IT IMPLEMENTS The startup cost categories published by the US Small Business Administration, including its one-time and monthly distinction. The Defence Test in Worksheet 11c is original to this document.

This is the figure most operators cannot defend, and it is the gate to guaranteed lending. The SBA puts it plainly: investors and lenders compare expected costs to projected revenue and determine the potential for your business to profit. Both halves of that sentence are things you have already built. This stage is where they meet.

Worksheet 11a. The Capital Schedule

The last two columns are the point of the whole worksheet. A line whose source says "estimate" is not substantiated, and it is the line you will be asked about.

CATEGORY	DESCRIPTION	QTY	UNIT COST	TOTAL	SOURCE OF THE FIGURE	TRACES TO
Equipment	Espresso machine, two group	1	\$7,400	\$7,400	Written quote, Pallomaro, dated	H1
Buildout						H3, H5
Furniture and fittings						H5
Technology and point of sale						H1
Licences, permits, professional fees						
Deposits: lease and utilities						H3
Initial inventory						E1, G1
Pre-opening labour and training						J1
Brand, signage and launch						K4
Working capital reserve						I4, below

CATEGORY	DESCRIPTION	QTY	UNIT COST	TOTAL	SOURCE OF THE FIGURE	TRACES TO
<i>Contingency, as a stated percentage</i>						

A capital schedule that names a supplier for every line, from the largest piece of equipment down to the bags of tile adhesive, is not thoroughness for its own sake. It is the difference between a number a reader has to take on trust and a number a reader can check. Treat the source column as mandatory, not as a nicety.

Worksheet 11b. The Working Capital Reserve

The reserve is not a feeling about how long things take. It is three months of the money the business spends before it has customers: direct labour, opening and replenishment inventory, and the fixed operating costs that run whether anyone walks in or not. Three months is the conventional floor. Build to more if the buildout or the permitting in the local market runs long, and say so.

THE RESERVE	MONTHLY	TIMES 3
<i>Direct labour, including payroll taxes and benefits (J2)</i>		
<i>Inventory at projected volume (E1 and G1)</i>		
<i>Fixed operating cost: rent, utilities, insurance, software, debt service (I3)</i>		
<i>Working capital reserve</i>		

Computing the reserve this way rather than from an expected break-even date keeps the sequence running in one direction. Nothing in this stage waits on Stage 13.

Contingency, as a stated percentage, and the reason for that number

A contingency of "about ten percent" is a round number standing in for a judgement. State what it is for: the two line items most likely to overrun and by how much. Buildout and permitting are the usual answers, and they are usual because they depend on other people's schedules.

Worksheet 11d. The Opening Order

The first purchase order, itemised. Most plans carry this as a lump called opening inventory with a round number beside it, which is a guess sitting inside a capital figure that is otherwise substantiated line by line. You already have what you need to size it: the purchase list from 06f, the volume from Stage 8 and the lead times from 06e.

ITEM	QUANTITY	UNIT COST	EXTENDED	SUPPLIER	DELIVERY DATE
<i>Brisket, packer</i>	<i>96</i>	<i>4.32</i>	<i>414.72</i>	<i>Broadline</i>	<i>04 Jan</i>

This is an order you could send. If it is not, the capital figure it sits inside is not finished either.

Worksheet 11c. The Defence Test

Take your five largest lines. For each one, answer three questions as if you were already sitting across the desk.

THE LINE	WHAT DOCUMENT PROVES THIS NUMBER	WHO PROVIDED IT	DATE OF THE DOCUMENT

Any line whose proof is "looked it up online" gets a written quote before the plan leaves your hands. And any quote older than ninety days is not a quote, it is a memory of a price.

FREQUENCY

Build once. Refresh every quote every 90 days while you are raising or borrowing. Re-run the whole schedule if the menu or the volume changes materially, because both feed it.

GATE 11 · YOU MAY NOT PROCEED UNTIL

Every line traces to a prior stage or to a dated third-party quote. Your contingency is a stated percentage with a stated reason. Your working capital reserve is three months of real operating cost, built line by line rather than guessed at.

What fails this gate: An unsourced line, which is the one a lender asks about. A round-number contingency. A reserve set at six months because six is a comfortable number. A schedule that omits the deferrable equipment instead of showing it as phase two.

CARRIES FORWARD	INTO
I1 · Total capital required	Stage 13, the balance sheet and the cash flow.
I2 · One-time total	Stage 13, depreciation and the opening balance sheet.
I3 · Monthly fixed cost	Stage 13, the break-even denominator. This must reconcile.
I4 · Working capital reserve	Stage 13, the cash flow. Your weekly dashboard measures against it.
I5 · Contingency percentage	The plan document, Section 9.

PART IV

Market and Measure

STAGES 12 TO 13

How the people you chose find out you exist, and how you will know whether any of this is working. Two stages. The first is where branding finally executes, eleven stages after most operators start it. The second is where the whole document has to agree with itself.

THE QUESTION THIS PART ANSWERS

How do they find you, and how will you know it is working?

Going to Market

THE QUESTION THIS STAGE ANSWERS

How do the people named in C1 find out this exists, and what do they encounter when they do?

WHY THIS IS STAGE 11 AND NOT STAGE 1

This is the only order the sequence can run in, and this stage is where that claim is either true or empty.

Branding is not an afterthought here. It is the materialization of eleven decisions that are already substantiated. A brand built before Stage 2 is a guess about a position you had not chosen. A brand built here is the expression of a position you can defend, a promise you can keep, at a price that works, in a building that can produce it, run by people who are actually there on the day.

Hold the distinction between the two disciplines, because collapsing them is how both get done badly. Strategy is the measurable body of the business: who you serve, what you offer, how you win, what you can count. Branding is the felt dimension aligned to that body, the part a spreadsheet cannot hold and a customer does not forget. Stages 2 through 10 are strategy. This stage is where branding executes. Neither one is a substitute for the other, and a business that has one without the other is either forgettable or insolvent.

WHY IT SITS HERE

It needs A2, B4, B5, C1, C3, C4, F3 and J4. More inputs than any other stage, which is the argument for its position restated as a dependency list.

WHAT IT IMPLEMENTS

Ries and Trout on positioning. Griffin and Hauser on the voice of the customer. Touchpoint and customer journey mapping, which this stage insists includes the physical and human channels and not only the digital ones.

Worksheet 12a. The Voice Bank

Twenty-five verbatim quotes, built out from the five in B4 and collected over a month. Sorted into three columns, because the three do different work: what they fear tells you what to remove, what they want tells you what to promise, and their exact phrases are the words your copy uses. Your copy uses their language, not yours. A paraphrase is useless here, which is why B4 asked for full sentences.

WHAT THEY FEAR	WHAT THEY WANT	THEIR EXACT PHRASES

The need nobody says out loud

Five words we will always use

Five words we will never use

Worksheet 12b. The Channel Audit

Every channel a customer crosses, not just the ones with dashboards. The storefront is a channel. A staff member on the floor is a channel. The phone is a channel, and it is usually the worst-performing one in the building because nobody owns it. Score each against the one feeling from C4.

CHANNEL	PHASE	DELIVERS C4, 1 TO 10	REACH H/M/L	THE FIX	OWNER	BY
<i>Storefront and signage</i>	<i>Before</i>					
<i>Listings and reviews</i>	<i>Before</i>					
<i>The phone</i>	<i>Before</i>					
<i>Social</i>	<i>Before</i>					
<i>The menu itself</i>	<i>During</i>					
<i>Staff on the floor</i>	<i>During</i>					
<i>The room, sound and light</i>	<i>During</i>					
<i>Packaging and takeaway</i>	<i>During</i>					
<i>Payment and leaving</i>	<i>During</i>					
<i>Follow-up and email</i>	<i>After</i>					
<i>Word of mouth and referral</i>	<i>After</i>					
<i>Partnerships</i>	<i>After</i>					

Fix the worst score with the highest reach first. Not the lowest score, and not the easiest fix. A channel scoring 3 that almost nobody crosses costs you less than a channel scoring 6 that everybody crosses.

Worksheet 12c. The Channel Plan with a budget

Every channel that gets money gets one metric it is accountable for. A channel with no metric is not a channel, it is a habit with an invoice attached.

CHANNEL	MONTHLY BUDGET	THE ONE METRIC IT ANSWERS FOR	TARGET	REVIEWED

The total reconciles to I3 as a monthly cost and to the launch line in your capital schedule as a one-time cost. Carry it back as K4.

Worksheet 12d. The Identity Brief

One page. This is the deliverable of this stage, and it is not a logo. A logo commissioned without this brief is a decoration someone chose because they liked it. A logo commissioned with it is an instruction with eleven stages of evidence behind it. If you are working with a designer, this page is what you hand over and the only thing you should be asked to approve against.

THE BRIEF LINE	WHAT GOES IN IT	SOURCE
<i>The category</i>		A1
<i>Why a customer chooses us</i>		A2
<i>Who we serve, and who we refuse</i>		C1, C2
<i>The promise</i>		C3
<i>The one feeling</i>		C4
<i>Words we always use, words we never use</i>		K1
<i>The five things we refuse to do</i>		C2
<i>What this must never look like, and why</i>		
<i>The channels it has to work in first</i>		K2, K3

THE BRIEF TEST

Read the brief back and find every adjective in it. For each one, name the worksheet it came from. An adjective that cannot be traced to C3, C4 or the voice bank is your taste entering the document unannounced. Your taste is allowed, and it should be labelled as yours rather than presented as a finding.

FREQUENCY Channel audit quarterly. Voice bank refreshed annually, and after any change in who you serve. The plan reviewed against its metrics monthly.

GATE 12 · YOU MAY NOT PROCEED UNTIL

Every channel has an owner and a date. Your worst-scoring high-reach channel is the one being fixed first. Your identity brief is one page and every line traces to a code in the register.

What fails this gate: A brand brief containing an adjective you cannot trace. A channel plan with spend and no metric. Fixing the easiest channel rather than the costliest one. Starting this stage before Stage 7 is finished, which means promising something at a price that does not work.

CARRIES FORWARD	INTO
K1 · Voice bank	The plan document, and every word you publish.
K2 · Channel scores	Stage 13, marketing spend efficiency.
K3 · The first fix	Stage 13, the one thing you are measuring this quarter.
K4 · Monthly channel budget	Stage 13, the model. It reconciles against I3.
K5 · Identity brief	Your designer. This is what they build from.

The Model

THE QUESTION THIS STAGE ANSWERS

What does this look like over five years, and what are the numbers to read every month to know whether it is working?

WHY IT SITS HERE It consumes more codes than any other stage and originates almost nothing. That is the point. If this stage needs a number that has not already been produced, a stage was skipped, and the model will name which one.

WHAT IT IMPLEMENTS Standard financial statement, break-even and capital budgeting practice. Kaplan and Norton on the balanced scorecard, for the principle that a financial number is a lagging indicator and needs leading ones beside it. The two checks in Worksheet 13c and the alternative-use test in Worksheet 13f are original to this document.

This stage does three jobs. The model is built once a year and read by a lender. The control board is read every month by the operator, and it is the part that decides whether the business is steered or merely reported on. The last worksheet turns both of them into the decision the operator actually faces, which is not whether the business works but whether this is the best thing to do with the money.

Worksheet 13a. The eleven components, and where each one comes from

A restaurant financial model is eleven linked components, not a spreadsheet of guesses. Every one of them is fed by a stage already completed. Any component with no source is an assumption and has to be labelled as one on the face of the model, where a reader can see it.

#	COMPONENT	WHAT IT HOLDS	FED BY
1	Revenue build	Units by line by month, price per unit, revenue by line, seasonality applied, then years two to five at a stated growth rate	D1, F1, G1, G2, G6
2	Cost of goods	Unit raw material cost per line times units, escalated at a stated inflation rate	E1, G1
3	Direct labour	Headcount by station, wage, payroll taxes and benefits as a stated factor, monthly and annual	J1, J2
4	Administrative and selling expense	Rent, utilities, insurance, cleaning, supplies, telephone and internet, software, accounting, marketing, each monthly then annual with escalation	I3, K4
5	Depreciation schedule	Each asset class at cost, useful life, annual charge, carried five years	H1, I2
6	Investment schedule	Fixed assets, intangibles and licences, plus the working capital reserve, totalling the capital requirement	I1, I2, I4
7	Weighted break-even	Per item: price, variable cost, contribution margin, menu mix, weighted contribution margin, then fixed cost divided by the weighted margin	E1, F1, F2, I3

#	COMPONENT	WHAT IT HOLDS	FED BY
8	Income statement	Revenue, cost of production, gross profit, operating expense, operating profit, tax, net profit, five years	Components 1 to 5
9	Balance sheet	Cash, receivables, inventory, fixed assets net of depreciation, payables, tax payable, debt, equity, five years	Components 5, 6, 8
10	Cash flow	Operating profit, add back depreciation, less tax, less the year zero investment, net cash flow by year	Components 5, 6, 8
11	Return and ratio tests	Net present value at a stated discount rate, internal rate of return, payback period, current ratio, leverage, return on assets and equity, EBITDA and EBITDA margin	Components 9, 10

TWO RATES THAT MUST BE STATED, NEVER BURIED

A revenue growth rate and a cost inflation rate drive years two through five of every component above. They are assumptions, not derivations. Put them in two labelled cells at the top of the model where a reader finds them in five seconds, and never hard-code them inside a formula. A model whose growth rate cannot be found and changed in one place is a model nobody will stress test, including its author.

THE COMPANION WORKBOOK

Nobody builds a five-year model on paper, so this stage ships with one. The Observant Blueprint Financial Model is a thirteen-sheet workbook carrying all eleven components above, already linked, plus the control board and the monthly close. Every shaded cell is an input to replace. Everything else is a formula, including both checks below, which report PASS or FAIL on their own.

It opens with a worked example of a 56-seat independent restaurant so the chain can be seen working before it is overwritten. That example is invented. Replace every shaded cell with real numbers from the stages behind this one, and the eleven components recompute together.

Worksheet 13b. The Weighted Break-Even

This is the one component to work by hand, because it is recomputed every time a price or a cost moves. A single-product break-even is simple and wrong for a restaurant: items carry different margins and the mix decides the result.

ITEM	UNITS	PRICE (F1)	VARIABLE COST (E1)	CONTRIBUTION MARGIN	MIX %	WEIGHTED CM
<i>Classic burger</i>	<i>412</i>	<i>\$19.00</i>	<i>\$5.10</i>	<i>\$13.90</i>	<i>18%</i>	<i>\$2.50</i>

Weighted contribution margin, summed across all items

Total fixed cost for the period, from I3

Break-even units: fixed cost divided by weighted contribution margin

Break-even in covers, and in revenue

The month the business is expected to cross it

Worksheet 13c. The Two Checks

Four minutes. They are the difference between a model and a story, and they catch the two defects an evaluator finds fastest.

CHECK ONE	MARGIN OF SAFETY
The calculation	Projected units (G2) minus break-even units, divided by projected units, as a percentage.
The discipline	State the minimum before calculating the answer. Write it down first. Below 15 percent in year one, the plan has no tolerance for being slightly wrong, and every plan is slightly wrong.
What it catches	A projection that technically clears break-even and therefore looks approved, while sitting close enough to it that one slow month, one equipment failure or one competitor opening puts the year under water. A plan projecting 61,200 covers against a break-even of 61,050 has a margin of safety of 0.2 percent. It reads as a pass and it is a coin toss.

CHECK TWO	RECONCILIATION
The calculation	The fixed cost in the break-even component must equal the fixed cost in the income statement, to the dollar, and both must cover the same number of months as the revenue line.
The discipline	Put the two numbers side by side on one sheet of paper. Not in two tabs.
What it catches	A workbook whose own components disagree. It is the most common defect in an otherwise competent model, because the two components are built weeks apart and never read together. It is also what happens when a plan opens in month four but annualises twelve months of fixed cost against nine months of revenue, which makes the reported break-even and the reported revenue non-comparable.

Worksheet 13d. The Control Board

The model is read once a year. The control board is read every month, and it is what turns a projection into a way of running the business. Four perspectives, because a business that measures only money finds out too late. Every line carries a formula, a target, a floor, a ceiling, a cadence and one name.

PERSPECTIVE	WHAT IT MEASURES	FORMULA	TARGET	FLOOR	CEILING	EVERY	OWNER
Financial	Prime cost	$(Food\ used + labour) / sales$	58%	55%	62%	Week	
Financial	Margin of safety	$(Actual - break-even) / actual$				Month	
Financial	Cash against reserve	$Cash\ on\ hand / monthly\ fixed\ cost$				Week	
Customer	Covers	$Count\ by\ daypart$				Day	
Customer	Average check	$Sales / covers$				Week	
Customer	Repeat rate	$Returning\ guests / total\ guests$				Month	
Customer	Rating and response rate	$Reviews\ answered / reviews\ received$				Week	
Process	Theoretical against actual food cost	$Costed\ mix\ \% \ minus\ actual\ \%$				Month	
Process	Portion audit pass rate	$Items\ within\ spec / items\ tested$				Week	
Process	Ticket time at peak	$Average\ minutes, peak\ daypart$				Day	

PERSPECTIVE	WHAT IT MEASURES	FORMULA	TARGET	FLOOR	CEILING	EVERY	OWNER
People	Turnover	Separations / average headcount				Quarter	
People	Absence test result	Pass or fail, recorded				Half-year	

The floor and the ceiling matter as much as the target. A number with only a target produces an argument every month about whether it is close enough. A number with a floor and a ceiling produces an action: inside the band, leave it alone; outside it, the owner named in the last column has something to do before the next reading.

Worksheet 13e. The Monthly Close

Ninety minutes, the same morning every month. This is the routine that makes the control board a control board rather than a page in a binder.

STEP	WHAT HAPPENS
1. Count	Closing inventory counted, not estimated. Food used equals opening plus purchases minus closing.
2. Post	Actuals entered beside plan for every line on the control board. Variance in dollars and in points, never in percentage alone.
3. Explain the three largest variances	Three, not all of them. Each one gets a cause written in a sentence and classified: priced wrong, portioned wrong, bought wrong, or sold a different mix than planned.
4. Recompute break-even	If any price or any unit cost moved during the month, Worksheet 13b is run again and the margin of safety is restated.
5. Decide one thing	One action, with a name and a date, carried to next month's close and closed out there. A close that produces no action is a report.
6. Quarterly, add two	The one directed bet for the quarter, chosen toward the position in A2 rather than toward revenue alone, and the one thing being cut. Then Stage 2 is read again.

WHAT THE CLOSE IS ACTUALLY FOR

Without costed items, an over-target food cost has a hundred possible causes and no way to narrow them. With them, the month tells the operator which of four things happened: the price is wrong, the plate leaving the pass is not the plate that was costed, the buying was wrong, or the mix moved. Those are four different problems with four different remedies, and distinguishing them is the entire return on everything in Part II.

Worksheet 13f. The Return, and What It Gives Up

Everything above tells you whether the business works. This worksheet tells you whether it is worth doing, which is a different question and the one the person putting the money in is actually asking.

First, the operating expense schedule. Annual, every line. Cost of goods and labour carry in from Stages 6 and 9. The fixed lines carry in from Stage 11 and Stage 12. What is left is the group most plans lose, and it is listed here because leaving it out is how a plan produces a result that never arrives. If a dollar leaves the business in a normal month, it is on this schedule or the schedule is wrong.

LINE	ANNUAL	SOURCE OR REGISTER CODE
Cost of goods		E1 by mix, at G2 volume
Labour, with payroll taxes and benefits		J2
Rent, utilities, insurance, software, debt service		I3
Marketing and channel spend		K4
Packaging, paper and smallwares		Invoices

LINE	ANNUAL	SOURCE OR REGISTER CODE
Card processing and bank charges		Statement rate
Cleaning, waste, linen and uniforms		Contracts, H3
Staff meals and comps		Policy, costed at E1
Repairs and maintenance beyond the reserve		Estimate
Professional fees: bookkeeping, accounting, legal		Engagement letters
Licences, permits and renewals		Issuing authority

Then the result for year one, and what it leaves out. A result that quietly includes the owner's own wage is a different number from one that does not, and the plan has to say which it is.

Revenue, from G4

Less cost of goods, less labour, less operating expense

Operating result, year one

Operating result as a percentage of revenue

What this figure excludes: depreciation, interest and tax

Is the owner's own wage inside the labour line, yes or no

Then five years, on the two assumptions you separated in 13a. Volume and price are two different decisions and compounding one rate for both is how a model quietly turns a real business into a loss.

Annual volume growth, years two to five, and why that rate

Annual price increase, years two to five, and why that rate

YEAR	UNITS	REVENUE	OPERATING RESULT	MARGIN
Year 1				
Year 2				
Year 3				
Year 4				
Year 5				

Then four figures. Each one has to be defensible to the person who will ask for it, who is whoever is lending the money.

Payback: months from opening until the cumulative result equals the capital

Return on invested capital, year one: result divided by I1

Return on invested capital, year five

Internal rate of return over five years, and the terminal assumption behind it

Discount rate, and the reason for that rate, written with the word because

Net present value at that rate

An internal rate of return with no terminal assumption is arithmetic without a sentence, and a discount rate copied from a textbook is not a rate. Write the reason on the line. If it cannot be written, the figure below it does not mean anything.

Last, the alternative. Name what the same capital does in its next best use, with its rate and its source, and state the margin between that and this plan.

THE NEXT BEST USE OF THE SAME MONEY	ITS RATE	SOURCE OF THAT RATE	MARGIN AGAINST THIS PLAN
<i>Treasury money market fund, held instead</i>		<i>Fund sheet, dated</i>	

WHY THE ALTERNATIVE IS ON THE PAGE

A return reported on its own is not a decision, it is a description. The capital in this plan has other uses, every one of them with a rate, and an operator who cannot name the next best use has not chosen this business over anything. He has only agreed with himself. Naming it does two things: it puts a floor under what counts as an acceptable result, and it tells the operator what he is giving up, which is the part nobody writes down. If the alternative wins, this document has done its job and the answer is no.

FREQUENCY

The model rebuilt annually and whenever the menu or the capacity changes materially.
Break-even recomputed on every price or cost change. The control board read on each line's own cadence. The close on the same morning every month.

GATE 13 · YOU MAY NOT PROCEED UNTIL

Every component names its source or is labelled an assumption. The margin of safety is above the minimum stated before it was calculated. The break-even fixed cost reconciles to the income statement, to the dollar, over the same months. Every line on the control board has a formula, a band and one name. The operating result, the five years, the payback, the two returns, the internal rate of return and the net present value are all computed, the discount rate has a reason written with the word because in it, and the next best use of the same capital is named with its rate.

What fails this gate: A model that fails the reconciliation, which is not a model. A margin of safety calculated first and a minimum chosen afterwards to fit it. A control board with targets but no floors and ceilings, which produces monthly arguments instead of monthly decisions. A close that ends without one named action. A return with no alternative beside it, which is a number with nothing to be better than.

CARRIES FORWARD	INTO
L1 · Break-even units and date	The plan document, Section 12.
L2 · Margin of safety	The plan document, and the first question to expect.
L3 · The control board, with bands and owners	Every month from now on. This is what the document becomes.
L4 · The monthly close record	The evidence that the plan is being run rather than filed.
M1 · Annual operating expense schedule	The plan document, and every month of the close.
M2 · Operating result and margin, year one	The plan document. This is the line most readers turn to first.
M3 · Five-year projection, on the two assumptions	The plan document, and the conversation about year three.
M4 · Payback period	The lender, and your own decision about the next five years.
M5 · Return on invested capital, year one and year five	The plan document, and anyone comparing this to another use.
M6 · Internal rate of return, five years	The lender. Expect the terminal assumption to be questioned.
M7 · Net present value, with the rate and its reason	The plan document, and the reason the rate is that rate.
M8 · The alternative use, and the margin against it	The decision itself. If the alternative wins, the answer is no.

PART V

Constitution

STAGES 14

What the business is, legally, who says it may operate, and what it owes, to whom and when. One stage, and it sits last because the entity form depends on the capital structure and the headcount, both of which you derived in Part III.

THE QUESTION THIS PART ANSWERS

What is this, legally, and what does it owe?

Legal and Constitution

THE QUESTION THIS STAGE ANSWERS

What is this business, legally, who says it may operate, and what does it owe, to whom and when?

- WHY IT SITS HERE

Entity form depends on the capital structure from Stage 11 and the headcount from Stage 10. The licences depend on the menu from Stage 5 and the services from Stage 9. Choosing the entity first is choosing it blind, which is how an operator re-forms a company he has already registered.
- WHAT IT IMPLEMENTS

The SBA guidance on business structure, registration and licensing, and standard commercial insurance practice. The compliance calendar in Worksheet 14f and the derivation of the permit list from the menu and the services are original to this document.

THE ANTI-PATTERN · THIS IS NOT LEGAL ADVICE, AND IT IS NOT TRYING TO BE

No page in this document can tell you which entity form to choose or what your jurisdiction requires, and any page that claimed to would be wrong somewhere. What this stage does is turn the question into an inventory: the things to ask, the authority that answers each one, and the figure to bring back. An operator who walks into a lawyer's office with this stage filled in pays for one hour instead of three, and discovers nothing at inspection.

Worksheet 14a. The Entity Form

The choice, written against two things you already derived rather than against what somebody else did.

Who contributes capital, and in what proportion (from I1)

Whether anyone contributes work rather than money

Employees in year one (from J1)

Whether outside money is coming later, and when

The form chosen, and the reason, written with the word because in it

An entity chosen because a friend has one is not a reason. The reason has to name the capital structure or the headcount, because those are the two things the choice actually turns on.

Worksheet 14b. Registrations and Identifiers

The lead time column is the one that matters. These run in parallel with the buildout or they run after it, and the difference is weeks of rent on a closed building.

REGISTRATION	AUTHORITY	COST	LEAD TIME	DONE
Formation filing	State			
Federal tax identifier	Federal			
Sales tax registration	State			
Local business tax receipt	City or county			

REGISTRATION	AUTHORITY	COST	LEAD TIME	DONE
<i>Registered agent</i>	<i>Commercial agent</i>			

Worksheet 14c. Licences and Permits

Driven by what the business actually does, which this document already knows. The register code in the last column is where the requirement comes from, so a permit cannot be forgotten unless the thing that triggers it was forgotten too.

LICENCE OR PERMIT	ISSUING AUTHORITY	COST	LEAD TIME	RENEWS	TRIGGERED BY
<i>Food service licence</i>				<i>Annual</i>	<i>D1</i>
<i>Alcohol licence</i>					<i>D1</i>
<i>Grease interceptor</i>					<i>H3</i>
<i>Hood suppression</i>					<i>H3</i>
<i>Certificate of occupancy</i>					<i>H5</i>
<i>Outdoor or sidewalk seating</i>					<i>H5</i>
<i>Music or performance</i>					<i>K4</i>

A permit with no renewal date is a permit that lapses, and it lapses on the day somebody from the county is standing in your dining room.

Worksheet 14d. Insurance

The premium total carries into the monthly fixed cost in I3. If a premium moves, the model moves, so this worksheet is not finished until Stage 13 agrees with it.

COVER	WHAT IT COVERS	INSURER	ANNUAL PREMIUM
<i>General liability</i>			
<i>Property and contents</i>			
<i>Workers compensation</i>	<i>Against the J1 headcount</i>		
<i>Liquor liability</i>	<i>If the menu carries it</i>		
<i>Business interruption</i>			
<i>As the lease requires</i>			

Worksheet 14e. The Contracts

The last column is the point of the worksheet. An operator who cannot state the notice date on his own lease is not in control of his largest fixed cost.

CONTRACT	COUNTERPARTY	TERM	NOTICE OR RENEWAL DATE	THE CLAUSE YOU WOULD LEAST LIKE TO DISCOVER
<i>Lease</i>				
<i>Supplier terms</i>				
<i>Point of sale and software</i>				
<i>Employment and contractor</i>				
<i>Partner or shareholder</i>				

Worksheet 14g. The Ordering Discipline

Who orders what, from whom, on which day, with how many days of cover behind it. It sits beside the compliance calendar because it is the same kind of thing: an obligation that recurs, with a name against it. Safety days is the only column you decide rather than look up, and it is the difference between running out on a Saturday and carrying money in a walk-in.

WHAT	SUPPLIER	ORDER DAY	DELIVERY DAY	LEAD DAYS	SAFETY DAYS	OWNER
<i>Protein and produce</i>	<i>Broadline</i>	<i>Sunday</i>	<i>Tuesday</i>	<i>2</i>	<i>3</i>	<i>Owner</i>

A par level is usage per day multiplied by the days between deliveries, plus the lead time, plus the safety days. Count on the order day, subtract what is on the shelf, and the difference is the order. That is the whole arithmetic, and it is why the lead time in 06e had to be recorded.

Worksheet 14f. The Compliance Calendar

Every obligation above, on one page, with a cadence, a next date and one name. This is the only output of this stage that is read after the plan is finished, and it is read every month beside the control board from Stage 13.

OBLIGATION	CADENCE	NEXT DATE	OWNER	LAST DONE
<i>Food service licence renewal</i>	<i>Annual</i>			

OBLIGATION	CADENCE	NEXT DATE	OWNER	LAST DONE

WHY THIS STAGE IS IN A BUSINESS PLAN AT ALL

Because the plan is finished and the business is not. A document that takes an operator from a position to a financeable model and then leaves him holding an unconstituted business has stopped one step short of the thing he actually needed. This stage was added because an operator said so, in those words, after working through the method: it took him everywhere except to the point where he could legally open the door.

FREQUENCY Build once, before opening. The calendar is read every month with the control board. The whole stage is re-run when the menu, the premises or the headcount changes materially, because each of those changes what is required.

GATE 14 · YOU MAY NOT PROCEED UNTIL

The entity form is chosen with a written reason that names the capital structure and the headcount. Every registration, licence and permit carries its authority, its cost and its lead time. The insurance schedule carries cover and premium, and the premium reconciles to I3. Every contract carries its notice date. The compliance calendar has a date and a name on every line.

What fails this gate: An entity chosen because someone else has one. A permit list copied from another city. A cost with no authority named. A lead time left blank, which is how a buildout finishes before the licence does. Insurance quoted and never reconciled to the model. A calendar with cadences and no owner.

CARRIES FORWARD	INTO
N1 · Entity form, with the reason	The filings, and the structure every contract is signed under.
N2 · Registrations and identifiers	The accounts, the licences and the first payroll.
N3 · Licences and permits, with authority, cost and lead time	The opening date, because the longest lead time sets it.
N4 · Insurance schedule, with cover and premium	Stage 11, the premium inside the monthly fixed cost.
N5 · Contracts the business has to hold	The obligations calendar, and the notice dates on it.
N6 · The compliance calendar	Every month, with a date and a name on every line.
N7 · The ordering discipline	Every order week, with a par behind it and a name against it.

The Assembly

If you have passed fourteen gates, you are not holding a folder of worksheets. You are holding a business plan, and it is already written. This page is the assembly instruction: which codes fill which section of the document a lender, a landlord or a partner will ask you for.

SECTION OF THE PLAN DOCUMENT	FILLED FROM
1. Concept and position	A1, A2, A3
2. Market analysis	B1, B2, B3, B4, B5, B6
3. Audience and value proposition	C1, C2, C3, C4
4. Product lines and menu architecture	D1, D2, D3, D4
5. Cost structure	E1, E2, E3
6. Pricing	F1, F2, F3
7. Sales and production projection	G1, G2, G3, G4, G5, G6
8. Equipment and infrastructure	H1, H2, H3, H4, H5
9. Investment requirement	I1, I2, I3, I4, I5
10. Operations, roles and standards	J1, J2, J3, J4, J5
11. Marketing and go-to-market	K1, K2, K3, K4, K5
12. Financial projections and measurement	L1, L2, L3, L4, and E4. Built in the companion workbook.
Executive summary	Write it last. A2, C3, G4, I1, L1, L3. Six codes, one page. Writing it first is how a summary ends up describing a plan that does not exist yet.

The three rules you may hold this document to

Every worksheet in here was built against three rules. They are printed so the method can be held to them rather than taken on trust. A worksheet that breaks one of them is not finished, however good its content, and if you find one, write to editor@theobservant.co and name it.

THE RULE	THE TEST
It produces a decision, not a reading	The worksheet ends in something written down that you are now accountable to. No worksheet in here ends with "consider the following."
It completes in one sitting you can actually find	Twenty to forty minutes. You are inside an operation while you do this.
It carries forward	Its output is labelled with a code and consumed by a later stage, so nothing is ever reconstructed from memory.

On what is original here, and what is not

Almost nothing in this document is new, and the sources are named on the next page. Recipe costing, menu engineering, five forces, jobs-to-be-done, break-even, the balanced scorecard and service blueprinting are all established practice, most of it decades old, and this document implements them rather than claiming them.

What is original is narrow, and it is worth stating precisely rather than leaving implied:

- **The order**, and in particular the decision to place branding at Stage 12 of 14, after every figure it expresses has been substantiated.
- **The carry-forward register**. 84 labelled values, each produced by one worksheet and consumed by a named later one, so the sequence can be checked rather than believed.
- **The Visibility Audit** in Worksheet 03c, which exists to stop a finding about weak demand being accepted before findability has been confirmed.
- **The Line Rationalization Test** and the orphan ingredient and orphan equipment tests in Worksheet 05b.
- **The prime cost target band** committed to in Stage 6 and measured in Stage 10, which stops the target being adjusted to the payroll after the fact.
- **The two-method reconciliation** in Worksheet 08c, which back-computes the capture rate instead of assuming it.
- **The essential, deferrable and review classification** in Worksheet 09b, tied to the Stage 7 matrix so that equipment is never bought for an item the menu is about to lose.
- **The margin of safety and reconciliation checks** in Worksheet 13c, both of which catch defects that are routine in otherwise competent plans.
- **The alternative use of the same capital** in Worksheet 13f, which requires the operator to name what the money would otherwise earn, and to write the reason for the discount rate in words, so that a return is reported against something rather than on its own.

Sources

Named in full, with a link where one exists, so you can read the original rather than this document's summary of it. Every stage cites the practice it implements. A method that cannot name its sources is asking you to take its authority on faith.

THE SOURCE	USED IN
Richard P. Rumelt. Good Strategy Bad Strategy: The Difference and Why It Matters. Crown Business, 2011.	Stage 2
Al Ries and Jack Trout. Positioning: The Battle for Your Mind. McGraw-Hill, 1981.	Stages 2, 11
Michael E. Porter. What Is Strategy?. Harvard Business Review, November to December 1996. https://hbr.org/1996/11/what-is-strategy	Stages 2, 3, 4
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Clayton M. Christensen, Taddy Hall, Karen Dillon and David S. Duncan. Know Your Customers' Jobs to Be Done. Harvard Business Review, September 2016. https://hbr.org/2016/09/know-your-customers-jobs-to-be-done	Stages 3, 3
Alexander Osterwalder and Yves Pigneur. Business Model Generation. John Wiley and Sons, 2010.	Stage 4
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Robert S. Kaplan and David P. Norton. The Balanced Scorecard: Measures That Drive Performance. Harvard Business Review, January to February 1992. https://hbr.org/1992/01/the-balanced-scorecard-measures-that-drive-performance-2	Stage 13
G. Lynn Shostack. Designing Services That Deliver. Harvard Business Review, January 1984. https://hbr.org/1984/01/designing-services-that-deliver	Stage 10
James L. Heskett, Thomas O. Jones, Gary W. Loveman, W. Earl Sasser and Leonard A. Schlesinger. Putting the Service-Profit Chain to Work. Harvard Business Review, March to April 1994. https://hbr.org/1994/03/putting-the-service-profit-chain-to-work-2	Stage 10
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US Small Business Administration. Calculate your startup costs. Business Guide, Plan your business. https://www.sba.gov/business-guide/plan-your-business/calculate-your-startup-costs	Stage 11

THE SOURCE	USED IN
National Restaurant Association. Restaurant Operations Data Abstract 2025. Published August 2025, covering 2024 operating results from more than 900 operators nationwide. The report is sold; the medians used in Worksheets 06a and 06j are from the Association's own published analysis of it, listed next. https://restaurant.org/research-and-media/research/research-reports/2025-operations-data-abstract/	Stages 6, 10
National Restaurant Association. Analysis and commentary on the 2025 Operations Data Abstract: food cost ratios in check, food cost by sales volume, labour costs above historical averages, occupancy above five per cent of sales, and the report as a performance gauge. Restaurant Economic Insights, 2025. Each figure in the benchmark names the page it came from. https://restaurant.org/research-and-media/research/restaurant-economic-insights/analysis-commentary/	Stages 6, 10
Baker Tilly. Not hitting your Prime Cost targets? Tips on ways to reach them. Baker Tilly insights. Cited here as the clearest published statement of the 58 to 62 per cent rule of thumb, which this method names as trade practice rather than research and corrects against the operator data above. It is not the authority for the band. https://www.bakertilly.com/insights/prime-cost-target-tips	Stage 6, as the rule it corrects

ON THE WORKED EXAMPLES IN THIS DOCUMENT

Every example, figure and dollar amount used to illustrate a worksheet in this document is invented for that purpose. The businesses described do not exist. The numbers are chosen to be realistic for an independent operator in the United States and to make the arithmetic legible, and they are not drawn from any identifiable business.

The failure modes described in the three panels marked as such are composites of patterns that recur across independent operations. They are included because a method is easier to trust when it names what goes wrong than when it only describes what should go right.

WHAT TO DO WITH THIS

One stage. Not twelve.

Nobody finishes a twelve-stage document in a week, and anyone who tells you to try has never run a service while doing it. So do not try.

Go back to Stage 1, find your entry point, and run that one stage. Pass its gate. Write the codes it produces on the register at the front. Then put the folder down and go back to work. The next stage will still be here, and it will be easier, because it will be built on a number you now actually have rather than one you were going to estimate.

THE ONE REQUEST

Run one stage, then write to editor@theobservant.co with what the gate cost you, or what it saved you. Which worksheet took longer than forty minutes. Which gate could not be passed, and why. The next edition is built out of those answers, and the operators who send them are named in it.

Two things worth saying plainly

- **This document is free, permanently, and there is no paid version of the method.** Not a sample of it, not a trial of it, not the first three stages of it. The whole sequence is here, and it stays here. A method that only works for people who can pay for help is a method that excludes most of the operators who need it, and the independent sector is where most of the hospitality jobs in a neighbourhood actually are.
- **This is not advice and it is not a diagnosis of your business.** It is a sequence of decisions only you can make, with the arithmetic laid out so the decisions are informed rather than instinctive. No one here has seen your numbers. You have, and after fourteen stages you will have seen them properly.

The Observant · A publication on strategy and branding for independent hospitality founders, in English and Spanish.
theobservant.co · editor@theobservant.co

Written and published by Nestor Andres Ramirez. Edition One, 2026. Strategy and branding are two disciplines in this publication, never one. Strategy is the measurable body. Branding is the art aligned to it.

Watch closely. Build wisely.