



James Beard  
Foundation

# Restaurant Financing Whitepaper

## PREPARED BY

inKind Capital

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# Restaurant Financing

## An Introduction

Your dream is to open a restaurant, but you've likely heard alarming statistics: 90% of restaurants close within 3 years. Don't worry, that isn't true, but the key to a financially sustainable restaurant is getting the financing right. Restaurant owners make many decisions to ensure the success of their business. Deciding how to secure financing is one of the most important decisions a restaurateur will make.

There are many ways for restaurants to get funding and thrive. The purpose of this whitepaper is to explain the main funding options available, review the trade-offs of each, and set up your restaurant for financial success.

It is worth mentioning that at the time this paper was written, the financial landscape for restaurants is even more challenging than ever before: rising interest rates, a dipping stock market, and economists forecasting a recession is coming. Today, more than any time in the past, owners need to be especially thoughtful about how they open and finance their restaurants.

This document seeks to clarify the different categories of restaurant finance:

**Loans** – You borrow money from a bank and repay it at a regular set rate with interest

**Business Line of Credit** – You have the ability to borrow up to a certain amount (like a credit card), to be repaid with interest

**Investors** – Investors give you money and you pay them part of your profits in exchange

**inKind** – You receive money up front in exchange for food and beverage credits to be redeemed by patrons later

**Merchant Cash Advances** – You receive money up front in exchange for a percentage of your credit card sales going forward

**Landlord (Tenant Improvement)** – Landlords help fund the buildout as they know restaurants will make their building more attractive, usually in exchange for higher rent

**Equipment Financing** – Specialty lender uses the equipment as collateral in case a restaurant defaults on monthly payments

**Crowdfunding** – Money is raised through an online platform where friends, neighbors, social media connections, and complete strangers can contribute



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# Types of Financing

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# Loans

## Overview

It used to be that if you wanted to open a restaurant, you walked into your local bank, met with a lending officer and got your loan.

Today is very different. Banks are hesitant to lend to new restaurants, and can usually only lend to existing restaurants if they are profitable. The government created an SBA program to help restaurants and other small businesses get loans. The vast majority of bank restaurant loans are through an SBA program. Banks have the lowest interest rate of any lender but also have the least risk tolerance. This often leads to complicated applications, months of back and forth, and an eventual decline of the application. Today it is even harder to get a bank loan; since regulators believe that restaurants are higher risk, banks cannot make the loans without requiring additional assets (i.e., a home or personal property) to secure the loan.

If you're purchasing equipment or a building, banks are still lending so that could be a great option. If not, it's going to be hard unless you have a restaurant that has been profitable for multiple years. Most bank loans will also require personal collateral, like your house. This is VERY risky because if your restaurant does not work out, it shouldn't be that you lose your home as well.

A restaurant owner can borrow from a bank in two ways: a conventional loan and/or the Small Business Administration (SBA) loan.

**Available Amount of Funding:** \$250,000 – \$5,500,000

## **Bottom Line**

Bank applications can be very confusing and most banks aren't lending to new restaurants right now. If you do find a bank that will lend to restaurants, ask what personal collateral they require and how long this process will take. If you have a profitable restaurant at the moment, you can likely borrow 2-3 times the profit that you are making each year. For example, if you've been making \$250k in profit for the last couple of years, you'll likely be able to borrow \$500k-\$750k from a bank at low rates.

## **Details**

Borrowing money from a bank is one of the oldest methods of funding a restaurant. A bank loans out money to applicants they deem to be creditworthy. These business loans require the borrower to make fixed or variable payments each month until the contract is paid off. Most loans are fully amortizing, which means each month you pay interest on the money borrowed, plus you pay back a part of the amount you borrowed, so that throughout the life of the loan, the outstanding balance decreases. A bank earns profits from the interest it charges. At the end of the term of the loan, the account balance is zero. Restaurant loans are primarily made by commercial banks or banks that have a department that specializes in providing funds for businesses.

A restaurant owner can borrow from a bank in two ways: a conventional loan and/or the Small Business Administration (SBA) loan.

## Conventional Bank Loans

The conventional loan agreement is for over \$250,000, on average. As with most loans, the better the credit rating of the borrower, the better the loan interest rate will be.

### Advantages

- Faster approval than SBA loan
- Fixed-payment terms and low-cost financing
- Flexible terms (3 to 10 years) available

### Disadvantages

- Personal guarantees typically required
- Excellent credit usually required
- Paperwork intensive
- Collateral often required

## Small Business Association (SBA) loans

The Small Business Administration is a US government agency created to support small businesses' access to capital. One way it does this is by partnering with banks to offer loans at favorable terms.

### Advantages

- Lower interest rates than conventional bank loans
- \$5.5 Million available
- Long-term (25 year) loans available

### Disadvantages

- Lengthy approval process
- Paperwork intensive
- Personal guarantee often required

The SBA provides loan guarantees for small businesses that have trouble getting credit from other places. Two of its largest and most popular guarantee programs are the 7(a) [named after the section in the law] and the 504/CDC loan guaranty program.

The 504/CDC program uses Certified Development Companies, which are private, nonprofit corporations established to contribute to economic development within their communities. 504/CDCs provide long-term, fixed-rate loans for major fixed assets such as land, structures, machinery, and equipment—not working capital, inventory or debt repayment.

### Qualification

Both types of loans have significant paperwork and required disclosures. The following is a list of potential required documentation:

- A statement of personal history
- A personal financial statement
- Business financial statements
- A profit and loss statement
- Projected financial statements
- One-year projection of income and finances
- Subsidiaries and affiliate list
- Business license or certificate
- Loan application history
- Income tax returns
- Resume(s) of owner(s)
- Business overview and history
- Copy of business lease

### Cost to you

Interest rates vary significantly and are largely dependent on your personal credit history as well as your ability and appetite to provide collateral against the loan. The table below is an example of what a monthly payment would be depending on your interest rate and the length, or maturity, of the loan.

#### Monthly payment on \$100,000 loan

INTEREST RATE	LOAN MATURITY (IN YEARS)			
	3	5	7	10
8%	\$3,133.64	\$2,027.64	\$1,558.62	\$1,213.28
9%	\$3,179.97	\$2,075.84	\$1,608.91	\$1,266.76
10%	\$3,226.72	\$2,124.70	\$1,660.12	\$1,321.51
11%	\$3,273.87	\$2,174.24	\$1,712.24	\$1,377.50

### **Worth Noting**

The macroeconomic climate has a direct impact on a bank's ability to provide a loan. For example, during the COVID shutdown banks lost money on restaurants; they became more reluctant to lend to the industry and raised the cost of borrowing.

# Business Line of Credit

## Overview

Many lenders also offer lines of credit that serve as a source of funding much like a credit card. A restaurant owner is given a maximum amount they can draw against, as they need it. As the debt is repaid, in full or in part, with interest, the ability to borrow continues.

A business can borrow as much or as little of their line of credit as they need, so this is a very flexible form of financing. After using the line of credit for an extended period of time, usually at least a year, the borrower can negotiate a larger debt limit.

The interest rate rate is typically less than a credit card, but much more than a traditional bank loan. Rates can be confusing because they are often listed as monthly fees, so make sure you multiply by 12 if this is the case. For example, Kabbage, owned by American Express, offers six month lines of credit with rates between 15%-30%. Working capital (e.g. paying rent, payroll, or vendors), is the most popular use of a line of credit. Just be careful because if you take out a line of credit to pay bills this month, make sure you'll be able to pay the bills next month AND the fees on your line of credit.

**Available Amount of Funding:** \$10,000 - \$100,000

### Advantages

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Flexible use of funds  
Quick application and funding process

### Disadvantages

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Increases in credit limit require approval  
Difficult to borrow more than \$100,000  
Expensive

## Bottom Line

There are many online lenders that will lend you money at high interest rates. Use caution borrowing from them because you may end up in a position where you have too much debt and cannot make the payments.

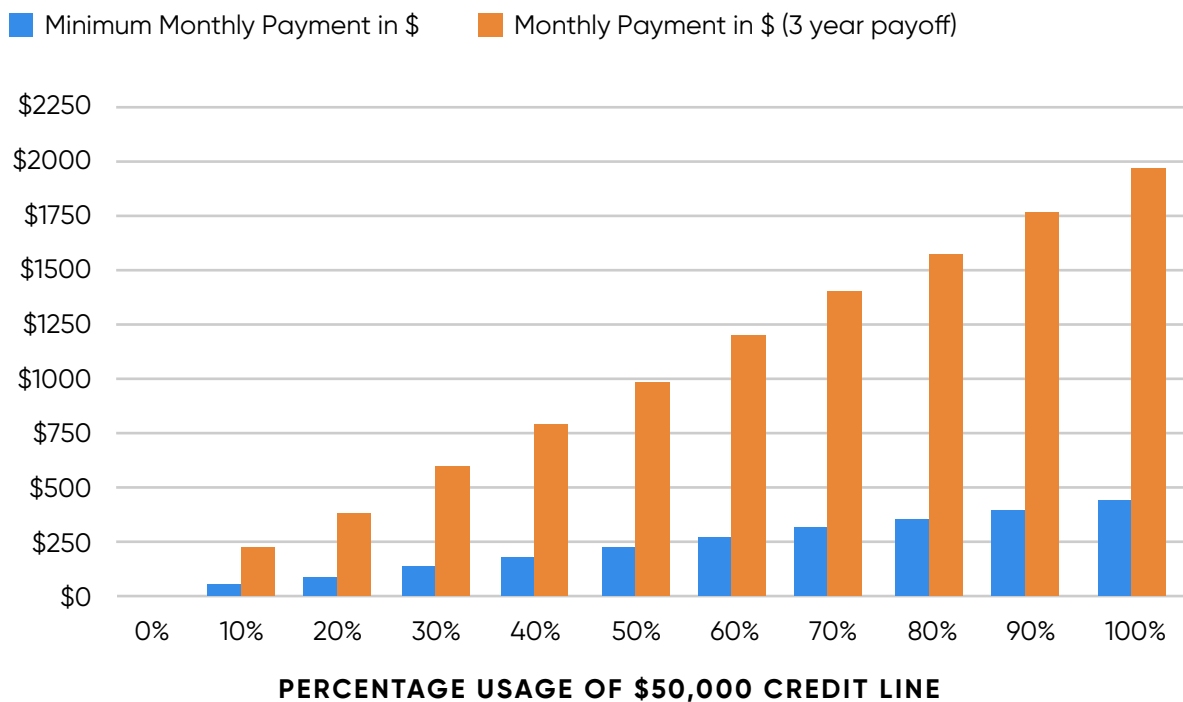
## Cost to You

Borrowing limits are usually between \$10,000 and \$100,000. Establishing a credit line above \$100,000 typically requires a lien against the personal assets of the restaurant owner. Once borrowing against the line of credit occurs, interest charges begin, and the restaurant owner makes monthly payments as long as there exists an outstanding loan balance.

## Worth Noting

To establish a line of credit, banks often require the borrower to have two years in business under existing ownership and at least \$100,000 in annual revenue. Non-bank lenders usually only require six months of being open, but their rates will be higher than a bank.

### Credit Line Monthly Payments, 23% annual rate



# Investors

## Overview

This is the most common way to finance a restaurant. For a new restaurant, most investors will be friends and family, or someone who has tried your food and wants to support you. Finding people in your network who can provide a significant amount of funding can often be the biggest hurdle to equity financing your restaurant.

In short, you raise money to open your restaurant and promise a high percentage (often high) of your profits to the investors until they are paid back. Then there is a “flip” and you (the owner) start to make profits for yourself. The problem is that the “flip” doesn’t always happen for independent restaurants, so after years of hard work, investors are still not paid back and the operator is not financially benefiting from their efforts.

**Available Amount of Funding:** \$50,000 - \$10,000,000

### Advantages

- Shared risk
- Investors can provide management expertise and professional services
- No additional debt

### Disadvantages

- Share the profits, frequently the majority going to investors until they are fully repaid
- Some investors can be difficult, wanting to make changes to the business or demanding certain things when coming in

## Bottom line

Given the high cost of opening a restaurant, most operators will need investors. It is tough finding investors and when you are working 100+ hours at the restaurant, it can be hard knowing you have to hand over your profits to someone else. However, investors can be great brand evangelists for you and do not require guarantees or



collateral. With investors, you share the risk that the restaurant does not work out with them.

### **Qualification**

When a restaurant is looking to acquire outside funding, potential equity investors would like to see the restaurant's financial statements along with a business plan that specifically details any expansion or growth strategies. How you present this information and how quickly you answer any follow up questions they have, can go a long way to establishing yourself as someone who has a clear plan and someone they will want to invest in. Think about whether there is someone in your network who, while they might not have the funds to invest in you, might be able to help you put together the financial statements and/or business plan that will help you clinch an investor.

### **Cost to You**

Investment agreements typically require that investors receive all (or the majority) of the profits from the restaurant until they have received an amount equal to the amount they invested, after that they will continue to receive a share of the profits for the life of the restaurant based on how much ownership they bought.

The potential loss on an outside investment is "limited" to the money invested in the restaurant. Put another way, the equity investor can lose all of their investment, but no more than that. Therefore, an investor has unlimited upside and limited downside.

### **Worth Noting**

Many restaurateurs selling equity will stipulate that any investors are "silent investors", which means that they do not have any voting rights or say in how you operate the business. A lot of equity investors will be looking to support you or just want to be treated well when they come into the restaurant (for example, get a table on short notice), so will be content with having no say in how the business is run, but it is important to include such stipulations in your investment documents.

# inKind Financing

## Overview

The financial technology (FinTech) firm, inKind, provides an innovative, alternative form of financing. inKind offers a restaurant financing in exchange for dining credit to the restaurant. This credit is then sold to customers, who redeem it for food and drinks at the restaurant. inKind credit cannot be used to cover gratuities. inKind provides financing ranging from \$25,000 to \$30,000,000 depending on a variety of factors.

inKind was started by two people operating their own restaurant. They experienced first-hand how difficult it was to get financing, and saw that a lot of the existing options were predatory or not great for the operator. While they did not have a lot of cash at their restaurant, they had a lot of product and knew that the COGS on a glass of wine a guest paid \$10 for was \$2.50 and a \$20 plate of pasta cost them \$5. Using this information, they set out to create a financing option that puts the operator first.

Unlike a bank loan or equity investment, the restaurant owner does not need to pay back inKind with cash or shares in its business, but rather with an obligation to honor the dining credits as they are redeemed by customers. inKind sells the dining credits to customers through its proprietary mobile app and manages all the required marketing. The inKind app also has a network of diners/guests that they can drive into your restaurant.

When customers purchase credit to a restaurant on the inKind app they are statistically more likely to spend more per visit, and visit more often – as much as 2.5x as often.

**Available Amount of Funding:** \$25,000 – \$30,000,000

### Advantages

Flexible amount of financing available

No cash repayments or sacrificed ownership to pay back funding

Incentivizes frequent customer visits and larger bill size

### Disadvantages

inKind funding is limited to the amount of F&B credit they believe they can sell

## Bottom Line

By restaurant owners for restaurant owners, inKind financing attempts to fix the broken world of restaurant financing. You can obtain a meaningful amount of funding and do not need to rely on more traditional qualifications like your credit score. Additionally, inKind will market your restaurant to the growing network of foodies using its app.

## Qualification

inKind underwrites each deal individually and can work with a broad range of restaurant types and sizes. inKind will determine how much your restaurant qualifies for based on your projections, revenue, and unique factors like your reviews and social media following. inKind does not take your credit score into account, instead it focuses on factors that will help it determine if there is a market of people who would be willing to buy food and beverage credit to your business.

## Cost to You

inKind buys a large amount of food and beverage credit at a discount. If inKind buys \$200,000 in credit for \$100,000, assuming a restaurant has 30% COGS and transactions are taxed at 10%, then approximately 40% of sales represents the cost of using inKind financing. Therefore the restaurant's cost is:

$\$200,000 \text{ of dining credits} \times 40\% \text{ (food cost + tax)} = \$80,000 \text{ in cost to the restaurant}$

So \$100,000 of funding costs \$80,000 worth of food and drink provided by the restaurant owner as the credits are used.

This cost assumes that every penny of \$200,000 credits will be spent at the restaurant. It is likely that some credits will be left unspent (roughly 20%), which benefits the restaurant owner. Credit is typically redeemed over a three year period.

### **Worth Noting**

inKind does not typically fund the entire project – they have limits to how much capital they can provide so that they do not constrain the restaurant’s cash flow too much. Therefore, they will only be part of your capital structure. It is good to keep in mind that as customers redeem the credit it is only the cost of food and beverage the restaurant is incurring, operators should factor that they have already received the cash up front.

# Merchant Cash Advance

## Overview

One of the fastest growing sources for funding a restaurant is the Merchant Cash Advance (MCA). Many finance companies offer this service to businesses seeking an infusion of capital. Approximately \$20 billion of MCA funding will be provided to domestic businesses in 2022 with the market growing at approximately 15% per year.<sup>1</sup> While an MCA is easily obtained from a variety of financial companies, it is very expensive and requires paybacks from every credit card transaction in your restaurants.

In exchange for cash “up front”, the restaurant owner agrees to pay a percentage of credit card transactions until the loan is paid back, with fees. The loan ends when the principal and the fees are paid back. Typical length of the loan ranges between 3 months to one year.

An MCA can be offered directly from a finance company (typically not a bank) or from an independent sales agent who works for a finance company. Most commonly, MCAs are offered by a restaurant’s point of sale company.

**Available Amount of Funding:** \$5,000 – \$250,000 (dependent on current revenue)

### Advantages

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- Quick approval
- Easy to obtain
- Flexibility in use of funds

### Disadvantages

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- Very expensive
- Lack of regulation
- Frequent payments
- Hurts cash flow

1 Noah Britton, “A Dive into the Merchant Cash Advance Industry”, NYU Honors Thesis (2021)

## **Bottom Line**

Unless you have no other options, taking a MCA is probably a bad idea. Restaurants that need cash to cover payroll, expenses, or vendors are targeted by predatory MCA lenders who offer “quick cash” in exchange for 8–14% of credit card sales. The problem is that if you don’t have the money to pay your bills this month, then how are you going to next month when 10% of your sales are going to the MCA? These are similar to payday loans and hopefully the government will step in and regulate them since they hurt the industry. Restaurants borrow and end up being forced to close because they can’t pay their bills.

## **Qualification**

In order to qualify for a MCA, you are required to have a significant amount of your sales as credit card transactions. In today’s virtually cashless society, most restaurants will qualify assuming credit card sales are at least \$2,500 per month. A loan can be up to 125% of the previous three month’s sales, so if a restaurant has \$200,000 in credit card sales in the last three months, the MCA can be up to \$250,000.

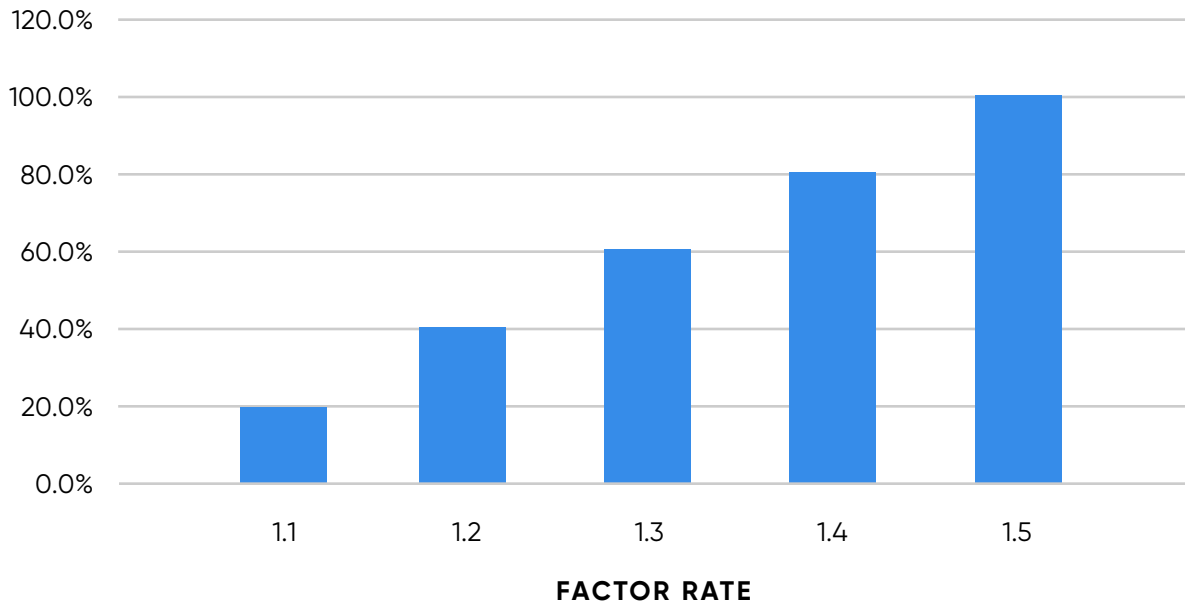
## **Cost to You**

Rather than having an interest rate, a MCA states that you must repay a multiple of the amount you borrow. Known as the “factor rate” it can be 1.15 to 1.6. For example, if an owner receives \$100,000 and is offered a factor rate of 1.2, the payback amount is \$120,000. Payments are usually taken daily<sup>2</sup>, consisting of a set percentage of your credit card transactions, for example, if the rate is 10% and your daily credit card transactions are \$1,000 for a day, \$100 goes towards the payback amount.

While this infusion of liquidity can be a relief to an owner, the costs to this form of financing are significant based on how quickly the funds are repaid. To assess the true cost, it is necessary to calculate the effective annual percentage rate (APR).

The following chart provides the APR on a six-month MCA

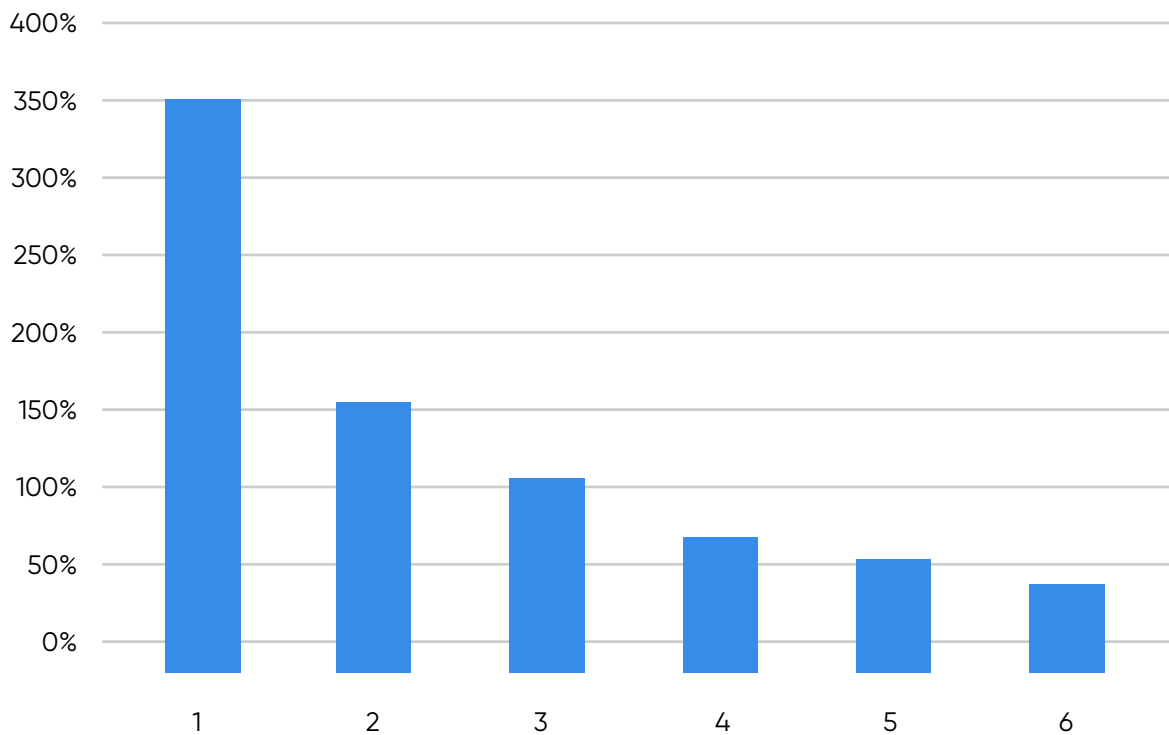
### APR on a Six-Month MCA



The quicker you pay back the loan, the higher the implied APR. This is an unfortunate characteristic of MCAs. For example, if you borrowed \$100,000 at a factor rate of 1.2 and pay back \$120,000 within 6 months, your effective interest rate on the borrowed money is 40%.

The following table provides the APR with a 1.2 factor rate with different times to complete the payoff amount.

### Months to Pay off MCA



### Worth Noting

Since MCAs are not technically considered loans, therefore they are not subject to usury laws which protect borrowers against excessive loan costs. The provider of MCAs has little recourse under lending laws if the restaurant does not fulfill its obligation in paying the principal and fees. However, firms can insert a "confession of judgment" in the MCA agreement that allows the seizure of personal assets if the owner fails to pay the MCA fees and principal.

Any restaurant owner considering a MCA must know that once a contract is signed, you cannot change credit card processors. In addition, the default rate for MCAs is much higher than other financing options. Finally, MCA financing is the most expensive form of credit that exists.



# Landlord (Tenant Improvement)

## Overview

When building out a restaurant there are many costs you will incur that improve the property itself, outlasting your lease. This can include electrical, plumbing and HVAC work, walls you build, and other structural changes. For this reason, landlords will often provide a Tenant Improvement allowance ("TI").

TI is a set amount, negotiated in your lease, to help cover costs that ultimately make the landlord's building more valuable for them. The allowance is typically based on the square footage of the leased space and the condition of the space. If you are taking over an existing restaurant space, the landlord will likely not provide any or much TI, as changes you make will be more cosmetic. If your space is brand new, was not previously a restaurant, or is old, you can likely negotiate a larger amount. Restaurants are a great amenity to a building, so if a space you are looking at is on the ground floor of an office building or a high-rise apartment building, push your landlord for more TI because having a great restaurant will make their apartments or office spaces more desirable to potential tenants.

TI usually covers all hard construction costs. Soft costs such as architect fees, permits and legal fees are not always covered by TI, however these can be negotiated during lease discussions. The amount a landlord is willing to give is contingent on market conditions, your financial stability, lease terms, and whether or not the build out improves the space.

Typically landlords seek to recoup the TI by charging slightly higher rent over the term of a lease. Additionally, TI payments are tied to the progress of build out. For example, you might receive 50% of the TI payment when your architect signs off on the project being complete, and the other 50% once you are open for business. With COVID still causing supply chain issues, many savvy operators are now building in contingencies to leases that allow them to be eligible for a TI payment if they can demonstrate they ordered everything in a timely manner but have been delayed because the supply chain has pushed out their order.

**Available Amount of Funding:** \$100,000 – \$1,000,000 (dependent on size and condition of leased space)

#### **Advantages**

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Can cover a significant portion of the build out

Can negotiate for a higher amount if landlord really wants you

#### **Disadvantages**

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Often timing mismatch between when payment is made and when funds are needed

Landlord will charge higher rent

### **Bottom Line**

When looking at spaces and negotiating a lease, ask about TI. Many of the changes you make will have a lasting effect on the building, to the landlord's benefit. Be confident about your concept and how it will help make the entire building more desirable. Much like with investors, having a solid business plan and being timely when answering questions, will help convey to a potential landlord that you are informed and will be a good tenant. How much TI you receive will be based on the condition of the space you take, your creditworthiness and market conditions.

### **Cost to You**

TI is often recouped by the landlord by charging higher rents. If you receive \$100,000 in TI from the landlord and have a ten year lease, the landlord may charge you an additional \$10,000 per year in rent, so that by the end of the lease, they have recouped their \$100,000.

### **Worth Noting**

If a landlord is seeking to recoup TI over the course of your lease, they will be taking a risk that you will not go out of business until your lease has ended. A landlord will therefore want to scrutinize your financial stability to ensure this large upfront capital outlay will be repaid.

As mentioned, TI payments are typically paid out at two points: the beginning and end of your project. This can cause a funding problem, as you will often need to pay your contractor and other vendors at completion when there could still be a few weeks of getting health inspections and licenses, before you are open for business. During lease negotiations pay close attention to not only how much a landlord is willing to provide in TI but also when the TI payments will be made.

# Equipment Financing

## Overview

One of the largest expenses when opening a restaurant or upgrading one is often your restaurant equipment. For this reason, companies exist that just do financing specifically for restaurant equipment. The lender might be the seller of the equipment itself. The equipment serves as collateral for the lender, so if you stop making payments, they will take the equipment back. Unless you have been operating for at least a year and have strong cash flow, it can often be hard to obtain equipment financing. These lenders will look for a personal guarantee and will check that you have a good credit score.

If you have already fully paid for your equipment, it is possible to do a "sale-leaseback", where your equipment is sold to a finance company for cash, then you make lease payments while continuing to use the equipment. However, at the end of the lease term, you do not own the equipment and must return it to the finance company.

**Available Amount of Funding:** \$20,000 - \$200,000

### Advantages

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Can be quick if you have good credit  
Frees up capital otherwise spent on equipment

### Disadvantages

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Need to have been in business and have good cash flow  
More expensive than traditional bank loans  
Sale-leaseback gives up control of equipment

### **Bottom Line**

Equipment financing is great if you can get it, but many operators, particularly first-time operators, will find they do not qualify. The rates can be high but if you are able to get equipment financing it frees up other capital you obtain to spend on the other aspects of building a restaurant such as contractors and opening costs.

### **Cost to you**

Equipment financing will involve fixed monthly payments. The interest rate will be based upon market conditions and your creditworthiness. Many companies offering equipment financing will also require that your business has been operating for a number of years, or that you have another business that has been operating for a number of years that can be added to the contract.

# Crowdfunding

## Overview

Any restaurant can raise money through an online platform where friends, neighbors, social media connections, and complete strangers can contribute to a specific fundraising goal. Restaurants at any stage can participate in crowdfunding, but it is most popular in the start-up period.

Three of the most popular crowdfunding platforms are Kickstarter, Indiegogo, and Gofundme.<sup>3</sup> The most popular form of crowdfunding is donation-based. In return for the donor's contributions, a business is not required to share any profits or pay interest. The money is simply a donation -- participants do not expect monetary compensation in return, they just want to contribute to a new restaurant's success. A restaurant may choose to include some giveaways and free merchandise as part of the marketing plan of the crowdfunding campaign.

The process begins with the owner signing up on a crowdfunding platform and setting up a fundraising goal with a dedicated page/site (note: some platforms will only make the money available to you if you hit the target - an "all-or-nothing" system). As well as hosting your campaign, the platform handles all monetary collections and record keeping, and in exchange will charge a fee, usually 3% - 5%.

**Available Amount of Funding:** \$5,000 - \$50,000

<sup>3</sup> "How Does Crowdfunding a Restaurant Work?", [pos.toasttab.com/blog/crowdfunding-restaurant](https://pos.toasttab.com/blog/crowdfunding-restaurant), retrieved July 2022

### **Advantages**

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- No payback of capital required
- Centralized fundraising
- Provides credibility to future investors

### **Disadvantages**

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- Fees paid to platform
- Funding can be canceled if threshold not met
- Limited capital available for most operators

## **Bottom Line**

Crowdfunding can be good for a small financing need but unless you “go viral”, it can be hard to raise much money through this mechanism. If you offer perks/rewards for donating, make sure you have a good plan for how you will track and administer the perks/rewards at the restaurant.

## **Cost to you**

In exchange for these services, the host platform/site will charge a fee, usually between 3% and 5%. There will be a fundraising time limit to achieve the restaurant’s goal, so the ability to quickly spread the word across social media is crucial.

## **Worth Noting**

The average donation in a crowdfunding campaign is around \$100, so there will be limits on the amount of money that can be raised through this process. In addition, some platforms operate an “all-or-nothing” system, which means that if the fundraising goal is not met, then none of the money is made available to the restaurant, and the money is returned to the donors.

# Conclusion

Many factors will determine a restaurant's success: marketing, customer service, and food quality all play an important part. Likewise, there is not a "best" financing option; each choice has its own strengths and weaknesses as discussed in this paper.

It is important to remember that there is a trade-off with each financing selection. A restaurant owner receives capital up-front in exchange for a commitment to repay the money; how the money is returned to investors depends on factors such as risk, repayment terms, and credit worthiness. Each financing choice has costs and benefits.

A successful business seeks to maximize its value by choosing the least expensive form of financing. In basic terms, a restaurant should choose the financing option with the fewest costs and greatest benefits. This choice requires research and a focus by a management looking to build a successful business.



FINANCING CATEGORY	FUNDING AMOUNT	COST OF CAPITAL	AVAILABILITY OF CAPITAL	GUARANTEES	TERM LENGTH	FLEXIBLE USE OF FUNDS	FLEXIBLE REPAYMENT
Bank Loan	\$250,000 – \$5,500,000	Low	Low	Yes	2–10 yrs	Moderate	No
Line of Credit	\$10,000 – \$100,000	High	High	Yes	1 yr	Moderate	No
Investors	\$50,000 – \$10,000,000	Very High	Low	No	10+ yrs	High	Yes
inKind	\$25,000 – \$30,000,000	Very Low	High	No	3 yrs	Very high	Redemption Dependent
Merchant Cash Advance	\$5,000 – \$250,000	Very High	High	No	< 1 yr	High	No
Landlord Financing (TI)	\$100,000 – \$1,000,000	Low	Moderate	Yes	5 – 10 yrs	Low	No
Equipment Financing	\$20,000 – \$200,000	Moderate	Low	Yes	1–3 yrs	Low	No
Crowdfunding	\$5,000 – \$50,000	Low	Moderate	No	N/A	High	N/A

We know this is a confusing topic and getting it right is critical to your success. Our friends at inKind can help. If you have any questions, send an email to [help@inKind.com](mailto:help@inKind.com) to schedule a 15 minute call to review which financing options might be best for you.