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START YOUR OWN

Second
Edition

FOOD TRUCK BUSINESS

**CART • TRAILER • KIOSK
STANDARD AND GOURMET TRUCKS
MOBILE CATERING • BUSTAURANT**

The Staff of Entrepreneur Media, Inc. & Rich Mintzer
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Second Edition

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Contents

Acknowledgments

Preface

Chapter 1

From Hot Dog Wagons to Bustaurants

The History of Mobile Food

The Industry Is Booming

The Benefits of Mobile Food

The Increase in Mobile Food Businesses

Goin' Mobile: Your Options

Food Kiosks

Food Carts and Concession Trailers

Food Trucks

Gourmet Food Trucks

The Mobile Catering Business

Bustaurants

Your Customers

The Breakfast Club

The Lunch Bunch

Tastes for Tourists and Attendees

The Late Nighters

Chapter 2

Planning a Business

Are You Hungry?

Do You Have the Drive?

Do You Have the Skills?

- Marketing
- Customer Service
- Multitasking
- Food Knowledge
- The Ability to Try New Things (and Be Creative)
- Repair Skills
- New Media Skills
- Stamina
- Number Skills
- Can You Compete?
- Business Goals
- Part-Time Business
- Full-Time Business
- Extension of a Current Business
 - Inroads to a Restaurant
- The Business Plan

Chapter 3

What's On the Menu?

- Planning Your Mobile Menu
- The Next Step
- Menu Ideas
 - The Basics
 - Gourmet Delights
 - Ethnic Favorites
 - Desserts
 - Beverages
- Buying Your Foods and Ingredients
 - Wholesale Food Distributors
 - Manufacturers
 - Local and Regional Suppliers
 - Greenmarkets and Farmers Markets
 - Food Cooperatives
 - Shopping Clubs

Chapter 4

What's Off the Menu?

Carts

 Used Carts

Kiosks

Food Trucks

Mobile Catering Trucks

Bustaurants

Retrofitting

 Plan Carefully—Have a Design in Mind

Where Do Food Trucks and Carts Sleep?

Taking Care of Your Vehicle

Chapter 5

Can I Park Here? Licenses, Regulations, and Points of Sales

Licenses and Permits

 Take New York City

Playing It Safe

Application Process Prerequisites

Business Permits

Vehicle Licensing

Zoning, Parking, and Other Considerations

Location, Location, Location

Scouting Around and Staging

Lending a Helping Hand

Chapter 6

The Work Environment: Commercial Kitchens, Cleaning, and Hiring Help

The Commissary or Commercial Kitchen

Finding a Commercial Kitchen

 What You Need to Know about Commercial Kitchens

Other Options

Health and Safety First

Become Dedicated to Cleaning

 Establish a Plan

Vehicle Presentation

Hiring Help

 Hiring a Chef

 Finding Good Help

 Finding Applicants

Interviews

 Job Description

 You're Hired

 Rules and Policies

Taxes

 FICA

Chapter 7

If You Park It, They Will Come—or Not: Marketing, Promotion, and Pricing

 What's In a Name?

 Searching for Business Names

 Registering Your Business Name

Vehicle Design

 The Concept

 Vehicle Wraps

 Your Logo

 Menu Design

Social Media

 Websites and Phone Apps

Your Website

 Designing Your Website

 Web Layout and Design

Establishing an Online Presence

Marketing and Promotional Ideas

 Giveaways

 Contests

Word-of-Mouth Marketing
Attending or Staging Local Events
Advertising and Sponsorships
Customer Relations: Service with a Smile
Public Relations

Chapter 8

Mobile Event Catering

Catering Business Fundamentals
Know Your Market
Setting Up Your Menu
Marketing Ideas
Professionalism
 Catering Contracts
From Setup to Cleanup
Food Transport
Catering from Your Vehicle
Specialty Services

Chapter 9

The All-Important Costs

Dollars and Sense
Business Startup Costs
 Insurance Needs
 Legal and Financial
Operating Costs
Growing Pains
Volume
Pricing
Pricing Principals
 What a Customer Will Pay
 Competitive Pricing
 Higher or Prestige Pricing
Your Profit Margin
Making Money

Chapter 10

Finding Funding

First Do the Math

Funding

Personal Savings

Friends and Relatives

Assets

Banks or Credit Unions

Outside Investors: Angels and Venture Capitalists

Your Presentation: Make It Mouthwatering

Chapter 11

Franchising

The Pros and Cons of Franchising

Finding a Franchise

Franchise Brokers

Do Your Homework

Licensing: Adding Your Own Personal Touches

Franchising Your Business

The Savvy Entrepreneur

Chapter 12

Moving On

Selling Your Business

Getting a Proper Valuation

Setting a Sales Price

Finding Buyers

Staying Involved, or Not

And Finally

Appendix

Food Truck Resources

Agencies and Business Associations

Cart, Truck, Kiosk, Trailer, and Bus Designers and Manufacturers

Vehicle Wraps

Commercial Kitchens for Rent or Lease
Equipment and Supplies
Franchising
Funding
Mobile Food Industry Information
National Food Suppliers and Food Clubs' Websites
Convenience Foods
Catering Supplies
Other Business Websites
Business Plans
Credit Bureaus
Incorporation and Legal
Business Books
Small Business Software
Internet Business Resources
Additional Online Resources and Recipe Websites

Glossary

Index

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Preface

If you enjoy cooking, or simply dining out, it is likely that you have dreamed of owning your own restaurant. Even non-entrepreneurial types have had the fantasy. I've always loved dining out and fantasized about a unique restaurant where people order ethnic foods in advance that are flown in from all over the world and prepared for special occasions. Obviously this would be quite an undertaking, and a very high-end dining experience. Because it's my fantasy restaurant, I need not worry about the particulars or the costs. If your fantasy involves serving lots of great food to hungry customers but without the high overhead of a restaurant lease, then a food cart, kiosk, trailer, truck, or bustaurant may be for you. These colorful vehicles with their great food, social contact, and audience looking for low-cost eats have made the mobile food industry the latest craze among a new generation of foodies.

The following chapters provide an overview of the mobile food industry and what it takes to start a business here. While the modes of transportation vary, the concept behind the idea of good food and "takin' it to the streets" remains. There is also information about being a business owner. If you embrace this new culture and don't mind the hard work, you could have a marvelous time earning a living as a mobile food entrepreneur.

CHAPTER 1

From Hot Dog Wagons to Bustaurants

Today, a new generation of street food lovers are lining up at food trucks and food carts like never before. Little do they know that neither food trucks nor food carts are new to the streets of American cities. Like so many other popular trends, they are the latest version of a long-standing part of American and world culture. Yet the street food industry has never enjoyed so much publicity or notoriety. It is booming—to the delight of some foodies and the chagrin of others, especially those who own restaurants that are not witnessing the same long lines as their mobile counterparts.

But before taking a look at this burgeoning industry and giving you the lowdown on how to get started, here's a brief lesson in mobile food history. After all, even the modern carmaker knows a little bit about Henry Ford and the growth of the auto industry.

The History of Mobile Food

The concept of mobile food actually began centuries ago when carts brought food to armies at war in Europe and other parts of the world. Farmers also used carts to bring their foods to nearby towns, often stopping to sell goods along the way. In the United States in cities such as New York, immigrants who landed at Ellis Island took jobs selling food from carts. In fact, street food vendors as far back as the 17th century helped New York City's rapid growth, because foods were readily available to merchants, business owners, and inhabitants of the growing city. These foods were mostly taken home to be cooked, rather than eaten straight from the cart. However, not unlike the growing battles between restaurant owners and food truck owners today, public market owners and street food vendors had their share of disputes. In 1691, an ordinance was passed that

said food vendors could not open until two hours after the public markets were open.

While carts were around for years, the forerunner of the food truck in the United States was the chuckwagon, which carried food and cooking equipment for the wagon trains as they headed west. In 1866, Charles Goodnight, a Texas rancher, gathered foods in a wagon to accompany long cattle drives. The chuckwagons were especially strong so they could carry a Dutch oven, a cast iron pot with legs, plus a cook's worktable, utensils, and the food, which was known as chuck. Hence the term "chuckwagon." Stew, roast beef, grits, boiled potatoes, beans, and fruit pies were typically on the chuckwagon menus.

Shortly thereafter, in 1872, the first diner was established. It was in a trailer. Diners—complete with service counters dominating the interior, a food preparation area against the back wall, and floor-mounted stools for the customers—were a means of bringing restaurants to new locations in the 1920s and '30s. Many were modeled after railroad dining cars. Some took on the art deco design of the time, and most were pulled on flat back trucks.

The next significant mobile food vehicles were World War I mobile canteens, also known as field kitchens. Often field kitchens were made up of two pieces: the supply section and the rear oven area. These original trailers, typically pulled by horses, evolved into mobile canteen trucks of World War II, providing food and drinks for soldiers as they returned from overseas. When the war ended, the idea of mobile food continued. The proliferation of highways led to the growing suburbs, and as a result, offices and factories also began to spread out, moving away from the big cities. As a result, early snack trucks became common at factories and construction sites.

It was also in the postwar years of the early 1950s that ice cream trucks began cruising the suburbs, to the delight of children in both the United States and Canada. On the early ice cream trucks, the driver would turn a crank to sound the chimes and let it be known that the ice cream truck was on the way. The ice cream was kept cold by blocks of dry ice. Of course by the 1950s, food carts had already become a staple at amusement parks and other venues where people gathered for fun. In fact, it was in 1936 that Oscar Mayer rolled out the first portable hot dog cart and called it the Wiener mobile. It was a big hit.

From the 1960s and '70s on, sandwich trucks and lunch wagons, as they were called, became a staple in all parts of America. Meanwhile, urban areas, tight for space, were able to squeeze in numerous hot dog, ice cream, soda, and pretzel carts wherever foot traffic was heavy. By the late 20th century, there was

enough modern technology available to make it more feasible to keep a wider range of foods fresh cooked and served from a mobile vehicle. As a result, today's food truck owner and mobile caterer have more options than ever before.

The Industry Is Booming

There is still no official count of food trucks in the United States, with estimates ranging from 20,000 to 3 million, depending on which statistics you find. The actual number probably falls in the 30,000 to 50,000 range. The problem is that no national records are kept in conjunction with the local licensing. In addition, there are a growing number of food carts as well as kiosks which are a fixture in malls as well as at train and bus stations, airports, stadiums, conference centers, resorts, and other locations in recent years.

tip



While the mobility of a cart, trailer, or truck sounds appealing and even liberating as one drives from place to place, most successful mobile food vehicles find they spend the vast majority of time in a few regular locations.

Food industry observers claim that the food truck business is increasing in recent years largely in response to the slow-growing economy. People are seeking inexpensive breakfasts and/or lunches. Also, employees today are often pressed for time, with more work and shorter lunch hours. These factors make the mobile food concept more appealing than ever.

From an entrepreneurial standpoint, kiosks, carts, trailers, and food trucks have a lower overhead than restaurants and can be moved if one location does not generate enough business. Rather than having to determine where to open a restaurant and worry about the old real estate adage “location, location, location,” the owner can actually drive to a new location, location, location if business is doing poorly.

The Benefits of Mobile Food

Because food is a necessity and you add the convenience of having food favorites right outside a particular location—or inside with a kiosk—you meet several needs by serving mobile food. First, you offer food that is cost friendly because you need not pay wait people or busboys. You also offer the convenience of quick service. In many cases you provide food choices that can save those on a busy schedule from the need to sit down. Typically they can eat street foods while en route to their next destination. Finally, mobile food is often fun to eat and (if it's good) great to talk about.

The Increase in Mobile Food Businesses

In a slow economy, many people want to try other skills that they were not using at those desk jobs from which they were let go. For others, it's a chance to take on a second way of making money. Then there are restaurant owners who want to make up for falling profits, while also using mobile vehicles to market their brick-and-mortar businesses.

The boom is partly the result of new technology that allows for safer, cost-effective food preparation inside a mobile vehicle. From freezers to ovens to grills, the latest innovations offer more possibilities. Additionally, cleaning products have made it easier to keep a vehicle sanitary and up to code—a long-time concern and major criticism of food trucks.

There are also well-known food companies—from food chains like Johnny Rockets, Sizzler, or White Castle to food manufacturers such as Taste D-Lite or Colorado's organic burrito makers, EVOL, that were brave pioneers when they took trucks to the streets to increase sales and/or market their brands to new customers.

Yes, there are many reasons why the mobile truck industry is going bananas, so to speak. Although there aren't many banana-themed food trucks . . . yet.

tip



It's important to serve ready-to-eat foods. More than 91 percent of

revenue for street vendors comes from the sale of take-away food and drink for immediate consumption rather than for later consumption at another location, according to IBIS World a national publisher of industry research reports.

Can Food Trucks Be Profitable?

The National Restaurant Association estimates that food trucks generate \$650 million in annual revenue, roughly 1 percent of U.S. restaurant sales. Intuit expects that market share to jump to 3 or 4 percent in the next five years.

Among the reasons why food trucks can be profitable is that they can hit a slightly higher price point than their fast food counterparts. In addition they have lower startup costs than restaurants, coming in between \$55,000 to \$75,000, compared to \$250,000 to \$500,000 for a restaurant. As for profits, in a 2013 review of food truck economics from Priceonomics, it was estimated that a successful food truck could bring in \$500,000-plus per year, with one food truck owner quoting \$200,000 as the break-even point.

Mathematically, it is estimated that if a three-hour lunch or dinner window can bring in \$1,000 over five lunches/dinners per week that would be \$5,000 per week or \$250,000 per year. Trucks bringing in \$2,000 per day could top that \$500,000 total. Of course, this does not factor in special events that may bring in more per day and inclement weather that might shut down food trucks for days or weeks at a time.

The answer to the question about profitability, however, is “yes” and as food truck owners learn the tricks of the trade to minimize expenses and maximize potential revenues through prime locations, marketing efforts, and most effective pricing, they can enjoy profits for the fruits of their labor.

Go in' Mobile: Your Options

Even before you decide what foods to sell, you'll want to consider how you want to sell them. We will talk later in greater detail about these mobile possibilities, but for now it's a good idea to familiarize yourself with the most popular options, which include food kiosks, carts, trucks, and buses. Yes, you could probably use a motorcycle or bicycle to your advantage, but we'll leave those to your creative ability.

Clearly, your decision on how to sell your foods will depend on:

- Your startup money, budget, and potential for returns
- Your commitment to the business: part time, full time, etc.
- Your creative ideas and what it will take to fulfill them
- Your experience at running a business
- The size of the business you want to start
- Your ideal demographic (Obviously if you plan to work inside of local shopping malls, a kiosk is a better plan than a food truck.)

These are a few of the considerations you will look at as you proceed, but for now, let's introduce the common mobile food entities.

Food Kiosks

While the word kiosk is still fairly new to most Westerners, it actually dates back to the 13th century when they were set up in places such as India, Persia, and Pakistan to sell goods.

In modern times, electronic information kiosks have become popular as a means of pushing buttons to gather data. However, food kiosks, not unlike those used seven centuries ago, are essentially booths or food stands that are temporary or mobile facilities used to prepare and sell food. Malls and stadiums are popular locations for food kiosks, which sell anything from pretzels to ice cream to hot dogs to more elaborate fare.

Although kiosks may have wheels, they are not mobile under their own power and in most cases need to be assembled. Most kiosks are rectangular and have room for two people to work within or stand behind, preparing and serving the food. They also have counter space and overhead signage.

The low overhead, flexibility, and ease by which a kiosk can be opened and closed are among the reasons why they're so popular. They are also an excellent choice in areas where your outdoor selling season would be limited by cold or

nasty weather. Of course, the size of the kiosk limits the inventory, so it's important for a kiosk owner to carry as much as possible and price accordingly so that she can make money off of what is on hand each day. Because they are usually operating indoors, kiosk owners typically sign licensing agreements at malls, stadiums, movie theaters, or other locations. Many major food businesses such as Ben & Jerry's and Baskin-Robbins franchise express kiosks.

Food Carts and Concession Trailers

The food cart and the concession trailer have been around for decades and combined are a multibillion-dollar industry today. The best known have always been hot dog and ice cream carts. They are among the most cost-effective ways to start a mobile food business because the carts are typically pulled by your car, truck, van, or pushed by hand. Food is either prepared in advance, purchased ready to sell—like ice cream pops or cups of Italian ices—then stored, and either heated up or pulled from the freezer. Carts are also fairly easy to maintain and in many counties and communities require less licensing than the full-sized food trucks. It is also cost effective if you choose to own several carts and hire friends, family, or outside employees to help run them for you.

Unlike kiosks, which are typically found indoors (although they can be outdoors), food carts are typically outdoor businesses. An advantage of a food cart is easy mobility. Because food carts do not take up much room, it is easy to change locations.

There are two basic types of food carts. One has room for the vendor to sit or stand inside and serve food through a window. The other utilizes all the space in the cart for food storage and cooking equipment, which is typically a grill. The precise type of cart is determined largely by the food being offered. Espresso and coffee carts, for example, are made specifically with hot beverages in mind.

Modern day food cart owners have cleaned up the somewhat greasy reputation of street food vendors. They have also expanded their menus. Kebobs and gyros came on the cart scene awhile ago, and vegetarian and Mediterranean salads have also caught on, as well as fish and chips. Some are offering interesting breakfast choices, such as the Asada Food Cart in Denver, which is getting rave reviews for their breakfast burrito with steak, eggs, green chili, and potatoes. Trailers, like carts, do not move under their own power, limiting their potential locations. Food trailers are often found at fairs, carnivals, sporting events, or other places where they can be unhitched and sit for awhile. Unlike

most carts, trailers allow for cooking and have room for two or three people inside. Skillet Street Food in Seattle operates from an Airstream trailer with a full kitchen within. In short, a trailer can provide more options than a cart but is still less expensive than a truck.

Food Trucks

The food truck can carry any number of foods, and in some cases more sophisticated equipment for storing, serving, cooking, and preparing foods. Of course how much actual cooking you can do onboard the truck will vary from city to city or county to county.

tip



It is recommended that you start with a few items that you know how to prepare well and expand as you grow. Carts and kiosks typically sell a couple of items. Food truck owners should follow suit. It makes starting and running your business much easier.

The traditional food trucks were known for providing lunches, typically stocking sandwiches, kebobs, tacos, burgers, and other standard fare for the lunch crowd. Many have expanded to include healthier vegetarian and vegan offerings, as well as the not-so-healthy barbecue ribs. They do big business in corporate parks and places that have limited access to restaurants. Most food trucks are stocked from concessionaires, but there is a growing number that are associated with fast food and mid-level restaurants. Sizzler and California Pizza Kitchen, for example, are putting together their own food trucks as are other chains.

Larger than carts, trucks can carry more food and handle more business. However, food trucks need more space to park both when doing business and when “off-duty.”

Essentially, there are two types of food trucks. One is the mobile food preparation vehicle (MFPV) where food is prepared as customers wait, hopefully

not very long. The other is the industrial catering vehicle (ICV), which sells only prepackaged foods. An MFPV costs more than an ICV, and both cost more than a food cart. For example, a used hotdog cart may cost under \$2,500, while a retrofitted used food truck would typically cost \$40,000 or more. A newly designed food truck retrofitted MFPV with new all equipment could cost you upwards of \$100,000.

Complying with additional health department rules and regulations can also drive up food truck costs. Clearly, a smaller truck, a used truck, and/or a truck with limited equipment costs less. Therefore, it is up to you to determine whether you'll be cooking in the truck, preparing food off-site and serving from the vehicle, or selling prepared and prepackaged foods.



The Border Grill Truck serves up gourmet tacos, quesadillas, ceviches, and other Mexican favorites in and around the Los Angeles area.

Gourmet Food Trucks

Basically the same as a food truck, the gourmet food truck takes food quality to a higher level. Of the numerous food trucks licensed to do business in the Los Angeles area, only about 200 are considered “gourmet.” They are run by ambitious young chefs who offer cuisine not typically found in food trucks, such as Rajas fries topped with fire-roasted poblano chiles, caramelized onions, and

shawarma-marinated steak with Jack cheese found at Frysmith in Los Angeles. Many gourmet trucks have specialties and themes. In addition, they let their clientele know where they'll be parked through their websites and social media sites such as Twitter as well as through mobile apps. While food trucks need not have kitchens, gourmet trucks are more likely to have food prepared on the spot—and high-end food at that.

At the start of the new gourmet food truck craze, Los Angeles was clearly the place to find such high-end dining. Now, however, New York had gained its share of such fancy food vehicles, such as the Rickshaw Dumpling Bar and The Dessert Truck, founded by a former Le Cirque pastry chef. And as the concept of serving fine food rolls along, other cities from Portland, Oregon, to St Louis and on down to Miami's South Beach are jumping on the foodie bandwagon with their own regional favorites. Food Network chef Ingrid Hoffmann's black and pink Latin Burger and Taco Truck, for example, has become quite the rage in Miami.

The Mobile Catering Business

Mobile catering trucks can be defined in a variety of ways and can overlap with mobile food trucks. For my purposes here, I'll highlight three differences. First, a catering truck is hired for a specific event such as a picnic, party, or fair. Secondly, the person hiring the catering vehicle can select from a catering menu. Third, a catering vehicle can be used to transport the foods, which are then handed out from inside the truck or set up at the event or gathering, typically on trays or buffet style.

Price Value

According to a survey by Emergent Research of customers in San Francisco, one of the hot spots for food trucks, more than 90 percent of lunchtime customers surveyed rated food truck quality as either excellent (43 percent) or good (48 percent). About 50 percent characterized dinner cuisine as excellent.

The survey also found that most patrons felt they were getting good, not great value. The average customer spent \$9.80 for lunch and \$14.99

for dinner (per person). And while only a few (8 percent) spend less than \$8 (per person), nearly half (45 percent) spent less than \$10.

This can mean providing the food to be served outdoors or parking and serving from the truck as the food trucks do. The differences are primarily in the manner of doing business. Nonetheless, the need for a reliable vehicle, licensing, permits, sanitary conditions, a business plan, and startup money are quite similar to the requirements of a mobile food business.

tip



Have you heard of the 80–20 rule in sales? This is a long-standing business principle that says that 80 percent of your business will come from repeat customers and 20 percent from new customers. For caterers or mobile food vendors, this means, as the Simon and Garfunkel song says, “Keep the Customer Satisfied.”

One of the advantages of a mobile catering business is that you are not risking as much in inventory because you are cooking and bringing food as ordered for the upcoming party or special event. Therefore, you are covered for your food costs. You also have a specific destination, so you need not worry whether or not your favorite destinations will be busy or not. Typically, you are less dependent on good weather because many catered functions will be indoors. As long as you can get there with the food, you are usually OK. Of course, you do need to line up enough work to support your business. The difference between a mobile catering business and other catering businesses is that you are using the mobility of the truck to show up rather than having a catering hall or venue.

The mobile catering business affords you flexibility as to when you take jobs and where. Still, the more available you are, the better off you will be.

Bustaurants

As the name implies, a bustaurant is not a truck but a bus, often a double-decker with the lower level for the kitchen and the upper level for customers to sit and eat. They are new. Some boast gourmet foods, while others have more standard fare. The idea is to provide seating and be a restaurant on wheels. The idea started primarily in San Francisco and Los Angeles, with Londoners also watching some of their famed double decker buses transformed into restaurants on wheels. Now, you'll find bustaurants in various towns and cities around the country such as the Food Fighters bustaurant in Hartsville, Alabama servin' rockin' tacos out of an old school bus. Needless to say, they require more room to park and additional licensing in most counties, and are more costly to start because the buses need to be fully refurbished to include grills, refrigerators, vents, and so on. Many food trucks, on the other hand, are designed and built with both cooking and serving food in mind.

Some bustaurants, take diners on a private mobile eating adventure. Others park and serve customers as they board at a specific location. Some of the buses cook the food while parked—it all depends on what is or is not legal in your jurisdiction. Because they are very new, more and more innovative bustaurants will literally be rolling out as you read this book. Yet because they are so new, the jury is still out on whether they are a passing fad (pun intended) or they will catch on. Much of what is discussed here as necessary for food trucks is also necessary for bustaurants, including marketing, costs, permits, menus, etc.

Your Customers

It is estimated, not surprisingly, that the largest demographic group for the food truck industry are the 18 to 34 year olds, with strong numbers from college campuses and 9 to 5ers. However, as the Baby Boomer generation (50+) now tops 76 million people, that is also becoming a growing demographical for seniors on a budget and those looking to try something new . . . or old, depending on whether they enjoyed the hot dog carts of previous generations.

There are several demographic groups that can provide potential customers. Who you focus on influences your menu, locations, and daily schedule of food preparation.

The Breakfast Club

First you want to be ready for the morning crowd. Coffee is your number-one priority, so make sure you are making it fresh and good. Your customers want a good cup of coffee on their way to work, with maybe a Danish, bagel, or croissant. You'll get some juice lovers, so be prepared. Fruit is also a new, healthy, morning favorite. If you're parked by office parks or on streets lined with office buildings, expect a lot of people on their way into the office. This breakfast club does not usually stop for an elaborate breakfast, so keep it simple. Be ready with easy-to-serve foods, and give them their shot of caffeine with a friendly smile to start their day. More than any other group, these customers operate from force of habit. If they like your food, coffee, prices, and quickness, they'll come back again and again without even thinking about it.

The Lunch Bunch

This is the bread-and-butter group for many truck and cart owners, no pun intended (well, maybe). Here you can be more diverse in your offerings because the lunch crowd has more time to decide what they want than the breakfast club, whose members are often on the run.

However, whether you are parked by a construction site or the corporate offices of a Fortune 500 company, there is still a time element to contend with. You need to be able to serve and move on to the next customer quickly. Typically, if someone has 45 minutes to an hour for lunch (and in today's overworked corporate culture, many people have just 15 minutes to grab the food to eat at their desks), you want to minimize the lines by being ready to take orders and serve. After all, if customers have time to wait around, they can sit in a restaurant.

Your other advantage is prices below those in restaurants, so keep them down. Zach Brooks of midtownlunch.com says \$10 is the typical cutoff point for most street foods.

Much of today's lunch bunch is also looking for creative and healthy choices, although many will still go with the standard hot dog or taco and soda. If you can, mix it up a little between standard fare and your creative ideas. Lunchers usually travel in pairs (or more), and they may not all have the sophisticated tastes. Ethnic cuisine is a favorite, but again, consider milder and more mainstream options for a wider lunch crowd. Keep the menu manageable because the more you offer, the more you need to have in stock—and space is limited.

Tastes for Tourists and Attendees

Tourists, business travelers, and attendees at conferences and special events are around for a reason. Know your customers. The crowd at a NASCAR event probably has different tastes than the attendees at an environmental convention. Stock up accordingly. Tourists are often anxious to taste something that epitomizes your city. If you're at a tourist location, such as Central Park in Manhattan or Coney Island, a New York City hot dog would be a tourist-style treat, as would jambalaya on Bourbon Street in New Orleans.

No Training Necessary

Cody Fields was a mechanical engineer building water treatment plants in South America. He spent five years working, traveling, and eating a lot of empanadas. Finally, the Texas native returned home, settled in Austin, and went back to school. He wanted to do something different but didn't know quite what that new career was going to be. While in school, he met Kristen, who would eventually become his wife. Both Cody and Kristen enjoyed cooking, but neither had any formal training. Cody took a job in a bank and knew it wasn't for him. "The first day at the bank I was seated in a cubical. I immediately knew from day one that I needed to get out of there," says Cody. So, one night in 2007, while attending the opening of a new neighborhood bar, Cody and Kristen cooked six-dozen gourmet empanadas as a grand opening gift to welcome the new bar owners. "They loved the empanadas," recalls Cody, and the bar owner immediately asked how they could get more. "Give me two weeks and I'll get back to you," replied an ambitious Cody. In those two weeks, he rented a commercial kitchen, got his food-manufacturing license, and secured all the necessary permits to start cooking.

Together Cody and Kristen brainstormed ideas for recipes and fillings and after two weeks they were ready to start selling empanadas. Over the next three months the cooking couple picked up a few more clients. The food truck craze had yet to begin in Austin. "There was a cupcake truck and a crepe truck, plus some of the old taco trucks that

went to construction sites,” he explains.

Cody bought an old pizza truck on eBay for about \$20,000 and a generator for another \$10,000. He fixed up the truck and got the necessary licenses. He also painted the truck bright red. The truck stood out, and Mmmpanadas was officially on the road. Over the years the Austin Mmmpanadas truck has been written up in *GQ* and twice in *Southern Living*. Cody has long since left that bank job, and the empanadas that he and Kristen continue to make are now sold not only from the truck but also in stores all over Austin, including Whole Foods. They are still looking to expand their retail business. And it all started by cooking 72 gourmet empanadas (mmpnadas.com).



The bright red Mmmpanadas truck services the night crowd in Austin, Texas.

If you are centered around a theme, such as cupcakes, you’ll need to plan your locations accordingly. Of course, products like cupcakes have a wide appeal, so unless other dessert trucks are in an area, you can always find your way into the mix.

The Late Nighters

When the clubs or nighttime sporting events let out, people are hungry. Knowing where to find the late night crowd means knowing the nightlife in your city and being prepared to satisfy their appetites for food or munchies, as the