

Farm Fresh Food Truck Inc.

Student's Name

Institution Affiliation

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## Farm Fresh Food Truck Inc.

**Executive Summary**

This business plan gives a detailed description of how Farm Fresh Food Truck Inc. will operate. Farm Fresh Food Truck Inc. will be located in Houston Texas and its main product will be hot and cold sandwiches. Unlike many businesses that focus on corporate employees, Farm Fresh Inc. target market will be university and college students. According to the business, this market is large and underserved; therefore, it presents a lucrative and untapped opportunity that it can exploit.

Farm Fresh Inc. will exist as a sole proprietorship. The business will finance its operations through the owner's equity and from credit from a bank and the owner's friends and relatives. Importantly, the business will ensure that its operations are lean, by only having three employees who are fully engaged in the business activities and by using just-in-time procurement tactics.

Concerning the Farm Fresh Inc. market, the owner has already inquired from three universities on whether she can sell her sandwiches in their school compound. She has already been granted the permission to operate in two institutions that jointly have a student population of about 70,000 students. The owner has some experience on how food trucks are run and will be able to professionally manage the business. In particular, she knows where to source reliable suppliers and how to deliver products that meet the customers' expectations.

Finally, Farm Fresh Inc. will use both contemporary and modern methods to promote its business. The contemporary methods that will be used will include radio, magazines, signage, and flyers. The modern marketing methods that Farm Fresh Inc. will use are social media advertisements and marketing through the company's website.

### **Business Description**

Recently, there has emerged a new generation of street-food lovers in major United States cities, who are enjoying the fine meals that they serve. Due to this culture, my food truck business in Los Angeles will serve the many urban dwellers, students, and workers who want to get a light meal when going to work. I will specialize in the selling of hot and cold sandwiches and tasty Mexican cuisines that are popular in United States.

A food truck business is easy to start since it is less costly to establish when compared to a restaurant or a hotel. However, this type of business is not cheap to establish. The average price of a decent second-hand food truck is \$40,000. Besides the cost of the truck, an investor must also incur other expenses such as the cost of acquiring operating permits, the cost of purchasing cooking and storage equipment, and the inventories and operating costs.

Although the food truck sector has only just recently enjoyed huge publicity and notoriety, it has been in existence in the country for more than three centuries. For example, the first food regulation in the nation's food truck sector was in New York in 1691, and it regulated the street vendors selling from food push carts. By 1917, the United States army had developed food canteens to feed its soldiers. In 1974, Raul Martinez established the country's first taco truck after converting an old ice cream truck (Mobile-Cuisine, 2018). Since the development of the first taco truck, food trucks have become popular in major cities such as New York, Los Angeles, and Houston.

Food trucks have recently received much recognition due to their convenience, affordability, and increased presence. Additionally, food trucks nowadays offer a variety of unique foreign cuisines besides the common fast-foods that they used to sell. Their popularity is evident even among dignitaries. In 2011 for example, President Barak Obama said that his

favorite food truck was D.C. Empanadas (FamousDC, 2011). Given the increase in the popularity of food trucks, this sector has a bright future. The main opportunity in this industry lies in a food truck selling unique cuisines and gourmet chef-prepared meals. These dishes will make a business to differentiate itself from competitors and satisfy the needs of the demanding United States market, which requires not only fresh and affordable meals but also those that are healthy.

The main advantages that my business will have over others in the hotel industry include its low start-up cost, its convenience, affordability, and the sale of a wide range of Mexican cuisines and gourmet prepared meals. Since I will be using a truck instead of having a permanent place, I will incur lesser establishment costs than those of my competitors who will run restaurants and hotels. On the average, I will use \$100,000 to establish a food truck business while my competitors with restaurants and hotels would need about \$350,000 or more. Also, the use of truck would enable me to move where customers are located, which will make the business accessible. These reduced operating costs will enable me to sell my dishes at affordable prices. Although I want to start my business by focusing on sandwiches, I will in the future expand to the sale of Mexican cuisines, which are popular in the United States. In the future, I will also hire a chef who will prepare gourmet meals, which will help me establish a unique brand.

### **Marketing Segment**

The food truck market segment has been enjoyed a high growth when compared to other businesses in the food industry. For example, the enterprises in the restaurants and hotel segment experienced a growth of only 2.0 % from 2012 to 2017 while the food truck sector had an impressive growth of 7.9% (Galatro, 2017). According to Statista (2018), the food truck industry

will expand to a value of \$996.2 million, which is a gain of about \$140 million from its 2015 value of \$856.7 million. This growth is mostly driven by the changing lifestyle of young Americans, who are now preferring street-foods when compared to those from expensive hotels. The characteristic of the food truck market indicates that it will expand in the future since it is mostly composed of young consumers. Data from Statista (2018) shows that consumers who are aged 18 to 34 years are the ones most likely to purchase from a food truck. Following this group are individuals who are between 35 to 44 years. Noteworthy, individuals who are much older are less likely to patronize from a food truck. From the segmentation of the food truck market, it is clear that this market is dominated by younger consumers, which indicates my food truck business has a future.

#### Sales Projection

<b>Details</b>	<b>Year (2019)</b>
Net Income (loss) from previous year:	–
Sales	\$780,000
Cost of Sales	\$351,000
Gross Profit Margin	\$429,000
<b>Operation and Administration Expenses</b>	
Employee's benefits	\$3,000
Employee's Salaries	\$78,000
Administration Expenses	\$12,000
Operating Permits/Licenses	\$2,000
Truck maintenance and repair cost	\$2,650
Depreciation of food truck	\$850

Amortization of items	\$350
Loss of kitchen items	\$150
Repair cost of kitchen items	\$2,300
Miscellaneous expenses	\$23,950
Total operation and administration expenses	\$125,250
Income Taxes	\$107,250
<i>Net profits</i>	<u>\$196,500</u>

The business will make an average daily revenue of \$2,500. The business will operate for six days in a week, and it will be functional throughout the year. Accordingly, its annual sales will be \$780,000. The expected cost of sales is \$351,000, and the business margin is \$429,000. When making a margin of \$429,000, the business will be expected to have tax obligations of about \$107,250 annually. The food truck business will also have three workers who will assist in the preparation and sale of sandwiches. Each of these workers will earn \$2,000 per month. The annual salaries of the workers will be \$78,000. The total operation and administration expenses of the business will be \$125,250. Based on these estimates, the food truck business will have an annual income of \$196,500. According to Martin (2017), the median household income of United States was \$56,516 in 2015. Although this income has obviously increased over the years, the incomes from the truck businesses are still way more than those of average Americans. Research by FoodTruckEmpire (2017) showed that over 85% of the interviewees believed that food truck owners made about \$200,000 annually. Therefore, my estimates of earning \$196,500 are realistic.

Houston is one of the fastest growing cities in the United States. Its growth is driven by among others, the shale oil exploration and academic institutions in Texas. The city's economy is also highly diversified in different sectors, which makes it highly attractive. In this regard, Houston presents a good market for the food truck business. The huge population in the country will enable the business to make a lot of sales every day. Additionally, it will also allow the business to have access to many customers.

### Competition

There is a vast market to be exploited in the food truck business. IBISWorld (2017) notes that there were 4,046 food trucks in the United States in 2017. Although there is no research finding indicating the exact numbers of food trucks in major cities, they are usually more in urban areas than in rural neighborhoods. In this regard, Houston may have many food trucks, about 80 operational trucks. Given that there is an increase in the demand for meals from food trucks, especially from young people (24-35 years), there will continue being a demand for these services in Houston. Having assisted a friend of mine in her sandwich selling business, I am familiar with this market. I know where the business can source affordable materials, and also how it can make and serve tasty sandwiches.

### Market Niche

The target market for the business will be college students. Specifically, the food truck business will focus on students, such as those from the University of Houston, Sam Houston State University, and Houston Baptist University. Most of the students in colleges do not have much income; therefore, they will provide a large market of individuals seeking the food truck's affordable meals. Due to the students' limited finances, they will be willing to purchase the affordable meals offered sold by the food truck business. Another major benefit of this market is

that it will provide me with access to many potential customers. For example, the University of Houston has over 43,000 students; therefore by targeting students, I will have access to this vast market.

#### Customer Decision-Making Process

Among college students, the price of a good is a great determinant of whether they will purchase an item or not. Since most students do not have much income, they are always more willing to buy the lowest priced products that give them the highest value for their money (Stimpson & Smith, 2015). Given that students are educated and informed, they are usually health conscious and able to assess the value of items when deciding those to buy. For me to win this market, I will thus have to price my sandwiches competitively and offer a wide variety that gives my customers high value for their money.

#### Potential Customers

So far I have only approached University of Houston, Sam Houston State University, and Houston Baptist University board of management inquiring whether I can sell sandwiches using my food truck in the school. The University of Houston and Houston Baptist University have stated that they have no problem. Sam Houston State University noted that I could only sell sandwiches the school is having events such as sports or concerts and during weekends. Since the University of Houston has over 43,000 students and Houston Baptist University has over 28,800 learners, I already have a guarantee of a market of more than 71,800 persons.

#### **Competitive Analysis**

##### Competitors Strength

The main strength of competing products is their variety. Most of my competitors sell sandwiches, hot dogs, and gourmet chef-prepared meals. Additionally, most of them are experienced since they have been in the food truck business for many years.

#### Comparison of my Competitors

My competitors are organized into two main groups; owner-operated and corporate-owned food trucks. Owner-operated food trucks are those that are managed and run by the owner, while the corporate owned trucks are usually owned and operated by fast foods and fast casual companies. The main difference between owner-operated and corporate-owned food trucks is in the variety of products that they sell and market presence. Owner-operated food-trucks usually sell gourmet chef-prepared meals and a variety of Mexican and Asian cuisines in addition to the ordinary United States dishes. This strategy helps these trucks to differentiate themselves from their competitors. On the contrary, corporate-owned food trucks only sell fast foods and meals served in their restaurant chains. Since a corporate can operate more than one truck at a time, they usually have a huge market presence and are located in different parts of the market.

#### Advantages and Disadvantages of Competing Products

The main advantage of having an owner-operated food truck is in the ability of the owner to change the variety of products he/she sells to fulfill the market demands. Importantly, this flexibility gives the owner the chance to differentiate his/her business from that of competitors by varying the products that he/she sells or how he/she prepares and serves his/her meals. The main disadvantage of these trucks is that they do not have a significant market presence since an owner can only operate one truck at a time. Another drawback is the lack of brand recognition due to their small market presence.

Corporate-owned trucks have the advantage of riding on the reputation of their owners. Most skeptical and first time buyers are usually more willing to buy from trucks that have an established a brand name from the restaurants or fast food chains that own them. Usually, most of the corporate-owned trucks are labeled and branded with their owner's logos and brand name, which makes them easily recognizable. Another advantage of corporate-owned trucks is their substantial market presence, which makes them attract many buyers. Despite these advantages, corporate-owned food-trucks have various disadvantages such as the inability to quickly adapt to changes. The bureaucratic nature of corporates also makes them implement changes slowly, which results in corporate-owned food trucks being uncompetitive since they are always late in the implementation of appropriate changes (Giffey & Loewy, 2017). Coupling this problem is the limited variety of dishes that they serve, which makes them unattractive among United States customers, who love to enjoy unique cuisines from different parts of the world.

#### Review of Competing Companies

Some of the main competitors that my business will face are Eatsie Boys, Bernie's Burger, Churrasco Truck, and Coreanos. Eatsie Boys prepares gourmet dishes for Houstonians and is lays moving from one location to another. It specializes in all catered events, such as making meals for a private party, house party, or a corporate function. Bernie's Burger makes burgers using fresh and locally available materials. It usually aims at preparing traditional-style burgers, which have made it earn a good reputation for its tasty servings. The Churrasco truck serves fresh Brazilian dishes. The business is known for its Brazilian Churrasco-Rotisserie. This tactic has enabled the business to establish a reputation for making tasty South American meals. Coreanos offers a perfect catering for various events. The business is known for offering its

customer gourmet chef-prepared dishes that are served hot and fresh. In particular, the company has branded itself as the seller of choice for the fusion of Korean and Mexican dishes in the city.

## **Pricing Policy**

### **Pricing Strategy**

In the beginning, I will price my products competitively so that I can penetrate the highly competitive food truck market. For me to be effective in my market penetration efforts, I will have to lower the prices of my products relative to those charged by other sellers. When selling my sandwiches in schools, I will ensure that the prices of these products are at their lowest levels since students do not have a lot of income. However, the prices of my products will be much higher in cities and urban areas that have employed workers, who have much higher incomes.

### **Pricing Method**

The use of the market penetration method will be essential in enabling me to increase the share of my market. Since schools are usually composed of a lot of students, who unfortunately do not have much disposable income, the main strategy of winning this market is by selling products at a low price. In this case, the use of low prices will ensure that I serve a large market. In this case, I will be using a sales maximization strategy. Therefore, although the business will have a small profit margin for each sold item, the net profits will be high due to the large volumes sold.

## **Advertising Plan**

I will use both contemporary and modern advertisement techniques to reach my customers. Among the traditional methods that I will use are flyers, newspapers, magazines, radio, and signage. I will also use the social media (Facebook, Twitter, and Instagram). The use

of traditional methods will be important in reaching out to customers who are not active on social media. I will give flyers in local malls, which normally have large gatherings of young individuals who love purchasing various meals from food trucks. I will make advertisements in popular newspapers and magazines. The use of radio will make me reach the large audience that listens to this media. Since a food truck business entails moving from one location to another, signage will play an essential role in directing buyers to where I will be located. In addition to the following methods, I will use the social media to reach the many people who communicate through these platforms. Since social media is a popular means of communication among young people, its use will help me to create awareness about the products that I will be selling and my location among these individuals.

*Schedule and Cost of Promotion and Advertising*

<b>Advertisement</b>	<b>Amount</b>	<b>Date</b>
Flyers	\$350	January 2019- March 2019
Newspaper and Magazine Adverts	\$600	January 2018-November 2019
Radio	\$2,000	October 2018-June 2019
Signage	\$500	December 2018- January 2019
Social Media Advert (Facebook, Twitter, Instagram)	\$750	October 2018- December 2019
Total	\$4,200	

**Marketing Strategy**

### Philosophy of the Company

The general philosophy of the company is a low-cost strategy, which aims at enabling the business to win the students' consumer market. For my business to win this market, it will sell its products at a discounted rate. Although students love high-quality products, their low incomes compel most of them to purchase cheap but good products that they can afford. Therefore, by lowering the price of my products to a price that is affordable among most of them, I will be able to increase my market size and sales levels.

### Target Consumer Group for Initial Selling Efforts

My initial target consumers are college students and young professionals, who have just completed their undergraduate studies. College students usually have low incomes and will, therefore, prefer purchasing high quality but affordable sandwiches from my truck instead of going to expensive restaurants. Also, these consumers adapt changing trends much quicker than the other segments of the market. Since the purchase of meals from food trucks has now become a popular trend, this market segment is the one that has the highest number of individuals purchasing from trucks. Besides targeting college students, I will also focus on young professionals. Young professionals are always in their early career life. Accordingly, these individuals always receive the least payment when compared to other individuals in the industry since they have little experience. Due to their low incomes and youthfulness, these individuals are also more likely to purchase from food trucks when compared to those who are much older.

### Target Consumer Groups for Later Selling Efforts

The target consumer groups once the business has fully been established will be holiday goers and middle-level managers. In Houston, most individuals spend their times at the beach, such as Stewart Beach, Sylvan Beach Park, East Beach, and Galveston during holidays and

weekends. Although these individuals present an attractive market, they are usually demanding, especially with regards to the variety of products that they want. Since I am only intending to start my business by only selling sandwiches, and not gourmet dishes, I will have to delay my efforts in targeting this market until I have enough capacity to offer the type of service that they demand. Similarly, middle-level professional manager have a sizeable income and are always willing to spend on quality products. Although most of them are not old, they are always careful to avoid being associated with products that may be regarded as low quality or cheap. In this view, most of them will only purchase unique foreign cuisines and gourmet meals from food trucks. Accordingly, I will also have to delay my efforts in targeting this market until when my business is fully established to offer these type of meals.

#### Methods of Identifying and Contracting Potential Customers.

For me to contact potential customers, I will have to increase my online presence by using my food-truck business website and social media. In particular, I will pay for Google and social media adverts such as the Facebook adverts. These advertisements will specifically target college students who are located in Houston. Besides targeting customers using advertisements, I will use Google analytics to identify the character of individuals who visit my website and Facebook page. The information from the Google analytics will help me to enhance my promotion campaigns by enabling me to know the specific needs, identity, and behavior of my target clients. Another method that I will use is conducting online research on potential customers. Using these details, I will do targeted marketing to these persons. The mass media will also play an essential role in enabling me to acquire customers. I will use local newspapers that have a huge market presence in Houston to reach most of my potential customers. Lastly, I will organize promotion shows in which I will invite students from colleges in Houston. I will

sell my sandwiches at a promotion price, with the primary aim of making the learners aware of my presence. From this event, I will be able to win some of the students that will have loved my sandwiches.

#### Features Advertised

The specific features that will be advertised in my platform are freshness, taste, size, and price. Most individuals love freshly cooked meals, and they would, therefore, love to be assured that the sandwiches will be fresh. To emphasize that my products are fresh, I will regularly inform my customers that the sandwiches are prepared only when ordered. Besides having a fresh meal, people enjoy tasty meals. Accordingly, I will inform my customers that the business uses a unique recipe to create tasty and enjoyable sandwiches. I will also inform them that I offer large portions of sandwiches, which will give them great value for their money. Finally, I will inform them of the many offers and discounted rates at which I will be selling my sandwiches. The reduced prices will be a great incentive in encouraging potential customers to purchase my sandwiches (Griffin, 2012).

#### Innovative Marketing Concept

One innovative concept that the business will have is the issuance of a free glass of juice for any person who purchases two large sandwiches. This offer will encourage individuals to purchase the large sandwiches. Since one glass of juice is not sufficient for two large sandwiches, this offer will also make the customers to purchase an extra glass of juice. In this regard, the offer will result in individuals preferring to purchase the large sandwiches so that they can enjoy the offer and also in them buying an extra glass of juice.

### **Location Segment**

Location of New Venture

My food truck business will operate by moving from one location to another. Although my business will not operate from a specific locality, I will have to acquire permits and licenses of where I can operate from. In the start of my business, I will seek operating permits from colleges in Houston and from public parks that are near these institutions. The permits from the colleges will give me an opportunity to put my food truck in their school compound. Additionally, the permits will grant me the opportunity of moving the food truck to school's playing field during a sports event, which will give me the advantage of serving all individuals that may be watching the games. The main advantage of having an operating permit in a public park near colleges is that it will enable me to easily access students when they are going in or out of school. Although I hope that I will get the opportunity to operate in colleges, I am also aware of the fact that I may fail to get the chance. In such an event, operating from a park that is near the colleges will help me to reach my target customers. Furthermore, operating from a food park will make my business more accessible to professionals than when it is permanently located in a school compound.

#### Production Needs

For the business to operate effectively, it will need to have personnel who are knowledgeable in preparing meals. These individuals will help in the preparation of sandwiches. Additionally, the business will need ingredients such as flour, cooking oil, sugar, salt, meat, and vegetables that will be used in making the sandwiches. Another production need for this business are the catering equipment and cooking gas. Finally, I will need operating permits to carry out the business, a food truck where I will be preparing and selling the meals, and cash to pay for various miscellaneous expenses that may arise.

#### Supplier and Transport Costs Involved

For my business to operate effectively, I will have to partner with suppliers of the various items that I will need in my business. In particular, I will need people to regularly deliver flour, cooking oil, sugar, meat, and vegetables, which I will be using to make sandwiches. In addition to these recurrent costs, I will regularly incur high transport costs since the food truck will be constantly moving from one location to the other.

*Table Showing the Supplier and Transport Costs*

<b>Description</b>	<b>Amount</b>
Food ingredient supplier (floor, oil, salt, sugar)	\$314,000
Transport fuel and kitchen gas supplier	\$12,000
Packaging material supplier	\$31,000

#### **Management Segment**

#### **Key Personnel**

The main personnel in my food truck business will be the chef and two servers. I will act as the investor, and I will always drive the truck and receive payments for the ordered snacks. The main responsibility of the chef will be preparing the sandwiches and making juice for the customers. The servers will have the duty of serving all customers at the food truck. As the primary investor in the business, I will have many responsibilities that will aim at ensuring all the work runs smoothly. In particular, I will have the duty of placing orders from suppliers for various products needed by the business. I will also follow-up on local purchase orders to ensure that the payments have been made in time and all the items bought by the company have been delivered in time.

#### **Role of Entrepreneur**

I am the business entrepreneur, and I will therefore enjoy all benefits and suffer all losses. My primary duty will be ensuring that the food-truck has adequate financial resources for its operations. As a result, I will bear all establishments costs. I will also look for financiers, such as banks, relatives, and friends who will give me loans to set-up the business. Besides being the business' main investor, I will also be its chief operating officer (CEO). As its start, the business will not have many complications in terms of management and operations, and I will therefore be able to oversee its operations despite my limited skills in food truck business. Nonetheless, I will frequently go to training seminars and read books in business management to improve my managerial skills. Being the business' CEO will also enable me to reduce its operating and establishment costs.

#### **Advisers, Consultants, and Members of Board Identified**

My main advisers will have the role of informing me on how to manage the business. These individuals will be persons who have worked in the hospitality industry for many years, and know the best strategy for each market segment. The importance of these advisers will be on giving me guidance on ways I can expand my food truck market, how to manage my business, and the strategic locations that I should park the food truck.

My consultants will be persons who specialize in tax and accounting. Since the business will start with limited resources, I will reduce my operating costs by hiring services of consultants in accounting and tax. Besides enabling me to avoid employing a permanent person for this task, tax and accounts consultants will enlighten me on ways of reducing my operating costs and tax obligations.

Since the business is small, it will not have an official board of directors. However, I will regularly have a roundtable discussion with my family on the business' performance.

Additionally, I will frequently meet my creditors to inform them about the performance of the food truck enterprise. In future, a board of directors may be established that will help the company to deal with the many complexities of a large company.

### **Structure of Payment and Ownership**

#### **Payment of Employees**

All the food truck business' three employees will be paid at the end of each business week. Since the company is small, I will also have the duties of the human resource officer, and I will therefore be responsible for paying my workers their salaries and allowances. I will always make a direct deposit into the employees' bank account clearly indicating that the salary and allowance is for their week's service.

#### **Suppliers**

All suppliers will be paid one week after making a delivery of their orders. This period will enable me to inspect all the orders and ensure that damaged or wrong deliveries have been replaced with the correct ones. Since the business will start with few resources, this period will play an important role of ensuring that I have raised the cash to pay these obligations. Finally, as the entrepreneur, I will enjoy all the remaining incomes realized by the business in the week.

#### **Ownership**

The food truck business will exist as a sole proprietorship. In this regard, I will be the only owner of the company, and will enjoy all benefits and suffer all losses. Although I will be the only owner of the enterprise, I will borrow finances from friends and financial institutions such as banks for the expansion of my business. Therefore, although my creditors will not have any stake in the business, I will always consider their interests when making decisions that have

a significant impact on the business. These may include decisions such as forming a joint venture or selling part of the company.

### **Any Joint Venture Arrangements**

The business does not have any joint venture. However, such arrangements can be established in the future with the view of enabling the resulting business to have a greater control of the market. In such an instance, I will have to evaluate if the prospective partner shares the same interests and vision as mine in the food truck enterprise.

### **Critical Risk Segment**

#### **Potential Risks**

##### Changes in Trend

Recently, there has been an increase in the demand for street foods, which has led to the increased growth of the food truck business segment. This growth can be attributed to the increased cost of living, which has resulted in people looking for cheaper sources of food. A change in this trend, such as people preferring to carry packed lunch or opting for restaurants and hotels will lead to a decline in the performance of the food truck sector.

##### Production Costs

An increase in the costs of establishing and operating a food truck business beyond the projected estimates can lead to its closure. The food truck business is highly competitive due to its low establishment costs and legal requirements, which results in investors making small profit margins. In this regard, any unexpected increase in costs can make the venture unprofitable.

Some of the costs that may unexpectedly increase include the fees charged on operating permits, costs of equipment used in the repair and assembly of the food truck, cost of cooking gas, fridge, cooker, and the cost of inventories such as flour, cooking oil, sugar, and meat.

### Difficulties of Long Lead Time

Difficulties in the supply side is another factor that can lead to the failure of the business. At times there may be delays in the delivery of essential products such as flour and meat, which can result in the business being unable to make sandwiches. These long lead time can also cause the company to purchase supplies from expensive available sources, which can increase the production costs and lower profit margins.

### New Competition

The emergence of new competition can lead to an increase in marketing costs and a decrease in the business profit margin. Inevitably, new competition will make the business to increase its advertisements and sales efforts for it to retain its market. These activities will lead to an increase in marketing expenses. Additionally, the food truck business may be forced to reduce the retail price of its sandwiches while still enhancing their quality, which may result in it making low profit margins from each piece.

### Lack of Appropriate Specialization

The lack of appropriate specialization in the food truck business may result in poor quality services. A chef who is not specialized in his/her work will not make tasty and standard sandwiches. Similarly, servers will not be able to deliver the right proportions of ordered meals if they do not standardize in their work. Finally, there will be a lot of waste due to duplication of tasks and the correction of errors.

## **1. “What-ifs’**

### Competition Cuts Prices

A cut in prices by competition can result in some of my customers shifting to the competitor. Due to this challenge, my business will have to lower the cost of its sandwiches. This move will result in a decrease in profit margin of each sandwich.

#### Industry Slumps

A slump in the industry will be due to a decline in the overall number of individuals willing to purchase the business' sandwiches. As a result, I will have to diversify the number of products sold so that I can increase my market share. For example, I can introduce healthy foods to target persons who are sensitive about their health status. I can also introduce gourmet chef prepared meals and Mexican cuisines for individuals who want whole meals.

#### Wrong Market Projections

Wrong market projections will result in the business being unable to achieve its sales and profit targets. The only way of the business overcoming this challenge will be for it to perform another market analysis so that it can establish accurate projections. With the new projections, the business can re-size to match the market realities.

#### Failure to Achieve Sales Projections

The business will examine the causes of its underperformance if it fails to achieve its sales projections. The examination will primarily entail an analysis of whether the company's strategies are appropriate. Additionally, the business will examine whether its key products, in this case sandwiches, have a sizeable market. Finally, there will be an analysis of the appropriateness of the market.

#### Change in Regulation

A change in regulation can make the business to incur extra operational cost, and in worse cases result in its closure. Normally, a change in regulation leads to the business incurring

extra costs as it re-aligns its activities to adhere to the new law. Regulations requiring the business to get additional permits can result in temporary closure of the business as it waits to regularize its operations.

### **The Financial Segment**

#### **Notes/Assumptions**

- Students will be the business' main customers.
- Students have low incomes since most of them are not in active employment.
- The business will have access to all the students who have registered in universities and colleges that are in Houston.
- The business will not experience any restrictions when selling to college and university students.
- The business will get all the necessary permits and license needed in the establishment of a food truck business.

#### **Assumptions in the Pro Forma Financial Statements**

1. The company's truck will be serviced three times a year, in April, August, and December.
2. The truck's kitchen equipment will also be serviced thrice a year, in April, August, and December.
3. The business will be financed through the sole proprietor's equity, finances from friends, and a bank loan.

**Budget**

Farm Fresh Food Truck Inc.

Pro Forma Budget

For the Year 2019

Details	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Food truck	\$45,000			\$650				\$800				\$1,200
3 Months Salary	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Operating Permits and Licenses	\$2,000											\$2,500
Kitchen Equipment	\$13,000			\$500				\$800				\$1,000
Truck Fuel	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Training	\$1,500											
Inventories	\$16,000	\$16,500	\$17,000	\$17,500	\$18,000	\$19,000	\$19,500	\$20,000	\$20,500	\$21,000	\$21,500	\$22,000
Branding and marketing	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350
<i>Total</i>	<u>\$84,350</u>	<u>\$23,350</u>	<u>\$23,850</u>	<u>\$25,500</u>	<u>\$24,850</u>	<u>\$25,850</u>	<u>\$26,350</u>	<u>\$28,450</u>	<u>\$27,350</u>	<u>\$27,850</u>	<u>\$28,350</u>	<u>\$33,550</u>

**Cash Flow**

Farm Fresh Food Truck Inc.

Pro Forma Cash Flow

For Year Ended December 2019

<b>Details</b>	<b>Year</b>
<b>Operating Activities:</b>	
Net Income (Loss)	Nil
<b>Adjustments to reconcile net income (loss) to net cash from operations:</b>	
Depreciation and amortization (truck & kitchen equipment)	\$1,200
<b>Change in assets and liabilities that provide cash, net of acquisitions:</b>	
Trade account receivable	(\$1,500)
Inventories	(\$22,000)
Income taxes paid	(\$350)
Net cash provided by operating activities:	<u>(22,600)</u>
<b>Investing Activities:</b>	
Purchase of food truck and cooking equipment.	(\$58,000)
Net cash used in investing activities:	<u>(\$58,000)</u>
<b>Financing Activities:</b>	
Proceeds from short-term debt	\$23,000
Proceeds from long-term debt	\$32,000
Payment of short-term debt	—

Payment of long-term debt	–
Equity Offering	\$30,000
Net cash provided by financing activities	<u>(\$85,000)</u>
<b>Cash and cash equivalents:</b>	
<b>At the beginning of the year.</b>	–
Reclassification of the period-end cash and cash equivalent	\$4,400
<b>At the end of the year</b>	<b><u>\$4,400</u></b>

### Income Statement

Farm Fresh Food Truck Inc.

Pro Forma Income Statement

For the Year Ended December 2019

<b>Details</b>	<b>Year (2019)</b>
Net Income (loss) from previous year:	–
Sales	\$780,000
Cost of Sales	\$351,000
Gross Profit Margin	\$429,000
<b>Operation and Administration Expenses</b>	
Employee's benefits	\$3,000
Employee's Salaries	\$78,000
Administration Expenses	\$12,000
Operating Permits/Licenses	\$2,000
Truck maintenance and repair cost	\$2,650

Depreciation of food truck	\$850
Amortization of items	\$350
Loss of kitchen items	\$150
Repair cost of kitchen items	\$2,300
Miscellaneous expenses	\$23,950
Total Expenses	\$125,250
Income Taxes	\$107,250
<i>Net profits</i>	<u>\$196,500</u>

### Balance Sheet

Farm Fresh Food Truck Inc.

Pro Forma Balance Sheet

For the Year Ended 2019

Details	Year (2019)
<b>Assets:</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$4,400
Inventories	\$22,000
<b>Non-current assets</b>	
Goodwill and intangible assets	\$1,800
Food truck	\$44,150
Kitchen equipment	\$12,650
Total assets	<u>\$85,000</u>

<b>LIABILITIES AND EQUITY</b>	
<b>Current liabilities</b>	
Short-term debt	\$23,000
Total current liabilities	<i>\$23,000</i>
<b>Non-current liabilities:</b>	
Long-term debt	\$32,000
Total non-current liabilities	<i>\$32,000</i>
Total liabilities	
<b>EQUITY</b>	
Common shares	\$30,000
Total equity	<i>\$30,000</i>
Total liabilities and equity	<u><i>\$85,000</i></u>

### Milestone Schedule Segment

Activity	Date	Relationship
Acquisition of operating permits and licenses.	1 <sup>st</sup> July 2018	To enable the shareholders to push for the establishment of the food truck business.
Acquisition of financiers	31 <sup>st</sup> August 2018	Since the business will mostly be financed using credit, early partnership with financiers will enable the business to purchase appropriate equipment for its activities.

Promotion of Farm Fresh Inc. food truck business	15 <sup>th</sup> October 2018	The marketing of the business will begin early in October 2018 so that most of the target customers will be aware of it when it starts its activities in January 2019.
Food Truck Acquisition	29 <sup>th</sup> October 2018	So that the business has enough time to customize the truck and brand it with its logo.
Furnishing of truck with kitchen equipment	29 <sup>th</sup> November 2018	Early furnishing of truck with appropriate kitchen equipment will enable workers to familiarize themselves with these tools.
Hiring of Workers	7 <sup>th</sup> December 2018	Early hiring of workers (1 month to start of business) will ensure the company trains these individuals on how they should do their tasks before operations begin.

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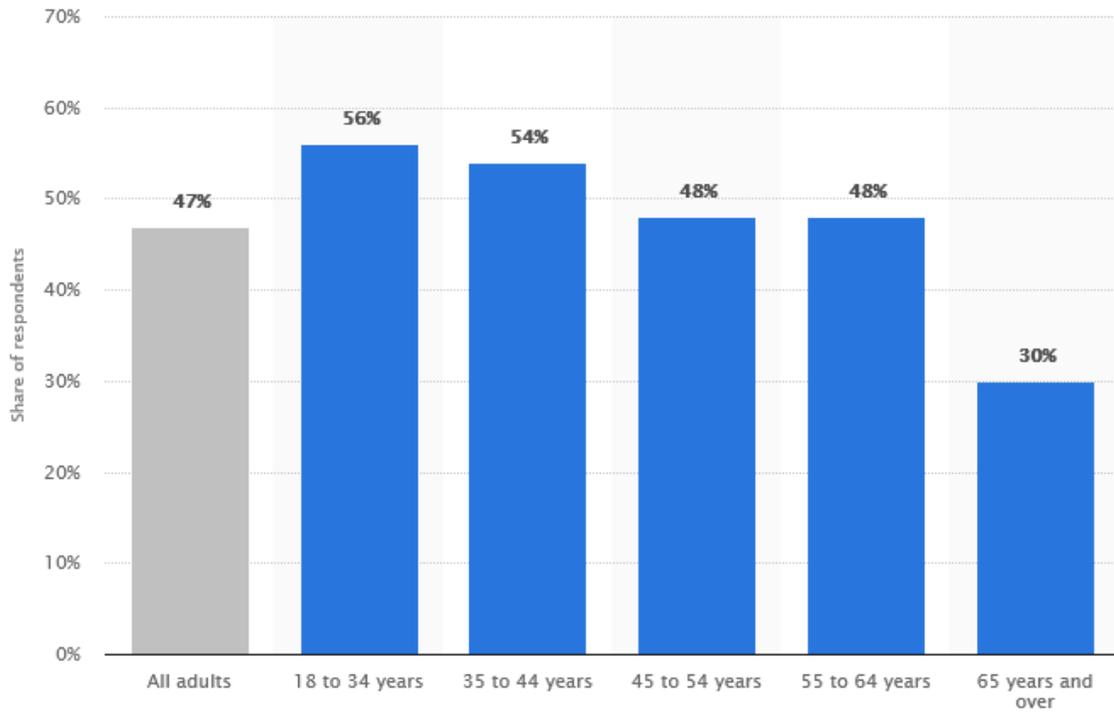
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**Appendix**

**Appendix 1**

Share of Consumers Who Purchased a Meal From a Food Truck in 2014



Source: Statista (2018).

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