

# Food 'Trucks' for Thought

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## Introduction

Food trucks are increasing in number every day across the United States (U.S.). This case chronicles the journey of one food truck in a rural area of western North Carolina. The truck has operated for approximately three years successfully, but its operation is not without challenges. In the case, the operators raise some concerns that could possibly be alleviated through thoughtful analysis and careful recommendations to help them enhance their competitiveness and continue to operate successfully.

## The Food Truck

In 2012, entrepreneur Garrett Galati and his partner Susan Saxton opened the Intergalactic Food Truck, the first food truck in a rural county in western North Carolina (N.C.). As Garrett notes, “food trucks are quite a trend –some people just want to say that they ate at a food truck” (personal interview, 2014). Susan learned about food trucks during the 20 years she lived in Portland, Oregon, after she graduated from college in western North Carolina near the town where they operate their current food truck. In Portland, food trucks are a huge success and line city streets downtown in a semi-permanent fashion, equipped like little cafes with awnings, outdoor seating, and other amenities. Garrett came to the food truck business with many years of restaurant experience and a love of cooking. He worked in the restaurant business while he went to law school and then practiced law for many years in Arkansas, saving money that could then be invested in the food truck operation. Their operation is actually a food trailer that can be towed by another vehicle, rather than an actual truck (see Appendix A). When they first established their food truck business, they were asked to go to a Christmas tree farm, located about an hour from their current location, on a heavy tree-selection weekend, but according to Garrett, families just stared at them as if they did not understand why the truck was there and they made no money at all.

However, their mobile food service business had been noticed by local community college administrators, and from that inauspicious beginning, Garrett and Susan were next asked to operate the food truck in the parking lot of the community college nearby because

the school was remodeling its foodservice operations and wanted students to have access to food on campus. They operated their food truck business successfully at the community college location for a year and during that time, the owner of a newly opened microbrewery in town noticed their operation and asked Garrett and Susan if they would be willing to operate their truck outside the brewery a couple of nights a week. The microbrewers needed a food service operation to go with their business, according to the laws of the county. It was a symbiotic relationship because the Intergalactic needed a commissary, an operation with a full kitchen, to operate its business legally, and the microbrewery could act as a commissary, offering services such as electricity and water and facilities such as a place to clean and wash dishes and a restroom. The Intergalactic Food Truck quickly became successful at the microbrewery and left the college site to serve food outside the microbrewery every day. They offer meat and vegetarian burgers, sandwiches of various types, hand-cut French fries, daily specials, and Monday through Thursday they sell a taco special that includes such items as chicken or chorizo filled tacos. At the current time, they do not offer any desserts, beverages, or appetizers (see their typical menu in Appendix A).

## Rewards and Challenges

The rewards of the food truck business for the Intergalactic, according to Garrett, are that they enjoy having their own business and the couple complements each other because he loves to cook and Susan is more of a people person, and they make a living with their food truck. They use social media, specifically Facebook, and word-of-mouth communications for marketing, and Garrett observed that they have about as much business as they can handle. On a positive note, he says that, “we’re our own boss. We answer to ourselves.” Another plus related to their current situation is that they do not pay rent to the microbrewery; instead, they give the brewery its needed connection to food for legal reasons. The brewery’s owners allow them to park for free and provide the food truck with water and power and a restroom, serving as their commissary. The operators of Intergalactic also now take credit cards for orders of more than \$10, which is very helpful for increasing their business.

However, their food truck business is not without its challenges. Garrett dislikes that it is a seven day a week job except for the little bit of weekend help that he and Susan have managed to get from Susan’s

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daughter and a friend, students at a university nearby. Added challenges are that Garrett and Susan are in their 50s and say that they feel their ages sometimes given the amount of physical work that operating the truck entails, and do not like moving their unit because it is a lot of work to reconnect and shut down everything and then get it back up and running. Overall, according to Garrett the food truck operation is “lots of work, tons of work, more work than we thought it would be.” Plus, Garrett noted that they “jumped in green” and that to comply with North Carolina regulations, such as having a commissary, is a “head-ache.” Although a North Carolina law was passed in 2012 that does not specifically require food trucks to have a stationary commissary, the law still requires food trucks to have facilities usually associated with brick and mortar facilities. According to health officials, to operate without a commissary, food trucks in North Carolina must meet all of the same requirements as a commissary, and to do so, they must have bathroom facilities and grease traps onboard (Burrows, 2012).

Garrett and Susan noted that they had to learn everything about the food truck business themselves through a difficult, time-consuming, challenging, hands-on process that involved lots of trial and error and feel that a credible operator’s manual to food trucks would be very helpful for other entrepreneurs wishing to pursue their dreams of operating a successful food truck. In fact, although they have now been in the food truck business almost three years, they would still like to know more about food trucks. They have thought of writing an owner’s manual to increase their own knowledge about food trucks and to share with others who may wish to pursue this entrepreneurial business, but they have not had the time to do so. They have seen a few items online that offer suggestions to food truck operators, but they believe that more thoughtful comprehensive information needs to be available to those who wish to pursue this kind of entrepreneurial enterprise.

They also noted that they are facing several challenges related to the future of their business operations. Although they were the first truck to open in the area, at least two others are now operating in the county and both of the new trucks have been given the opportunity to set up near the micro-brewery. One has a seafood menu and uses its original seafood store as a commissary, while the other truck is operated by a popular local restaurant that features baked goods and healthy fare. Garrett and Susan believe that the new trucks have an added advantage for marketing and promoting sales because they operate a store or a restaurant in addition to their mobile units. These new trucks, particularly the one run by the restaurateur, have caused Garrett and Susan to have some concerns about their own business. At the same time, another community college in the region is seeing rapid growth and has invited them to serve as a foodservice option on campus. Although they welcome others to the food truck community and are honored to have been asked to serve their food at another educational institution, they are worried. Since the new trucks have

been operating nearby they have seen their own business level off and they are worried that they will not achieve their own financial goals (see Appendix B). They hope to grow their business and perhaps even purchase a new food truck to add to their fleet that would allow them to operate near their current location and also provide increased mobility to their business so that they could more readily serve other venues such as the college. Therefore, they would like to know more about how to enhance their competitiveness.

Garrett and Susan would like to learn more about this business that they say they love due to their autonomy, yet loathe due to the very hard work involved; and while their business is a success, they would like to have some strategies for continued improvement. They both worry about how they can effectively develop their business and compete with others. At their current location, because the micro-brewery is open seven days a week from 12 to 12, they can serve food every day from noon until midnight, while at the college site, as they know from their previous stint at a campus location, most of their business occurs from mid-morning to mid-afternoon, Monday through Friday while school is in session. Although they prefer the hours at the college, they like the revenue opportunities at their current location, but with the increased competition, they simply do not know what to do. Specifically, they stated that they wonder about the following issues: Should they purchase another food truck to operate at the college so that they can operate at two locations simultaneously? Alternatively, should they move their current operation to the college? Then again, should they just keep going as they are and develop different menu items and operational strategies to help them compete with other food trucks? And regardless of their location, as entrepreneurs operating a small mobile food service operation, what else can they do to market and promote their business? They also want to address the following areas with regard to successful food truck operations: growth and trends, laws and regulations, menu design and pricing, useful marketing strategies, technology and equipment, and effective customer service.

## Background Information

**Entrepreneurs and Entrepreneurship.** Definitions of entrepreneurs and entrepreneurship vary (i.e. Maritz & Donovan, 2015; Rumelt, 2005; Shumpeter, 1934; Sharma & Chrisman, 1999). In his seminal work on entrepreneurs, Shumpeter (1934) depicted them as people who combine resources in new ways; more recently Rumelt (2005) described an entrepreneur as one who constructs a new business with some degree of originality. Typically, entrepreneurship is seen as actions that involve creating, renewing, or innovating within or outside of an organization and entrepreneurs are the individuals or groups who practice entrepreneurship (Sharma & Chrisman 1999, p. 17). Therefore, entrepreneurship and entrepreneurs are found within large



they can operate (Esparza, Walker, & Rossman, 2013). As a result of these often-extensive restrictions, food truck associations have formed in many large cities such as Boston, Los Angeles, and New York to try to change and improve upon the regulations and restrictions imposed on food truck businesses (Esparza, Walker, & Rossman, 2013). However, the laws and regulations regarding the operations of food trucks remain daunting in many locales.

**Menu Design and Pricing.** Recommendations to food truck operators about their menus include the advice of not overextending themselves by offering too many menu items and developing a strong brand and sticking with it (Myrick, n.d.-a). Operators are encouraged to figure out their target markets and then design and maintain food and an environment to suit that market. Once a food truck has created its identity, it is wise to be authentic and true to that identity and to make sure that it is reflected in the menu (Myrick, n.d.-a). And, just like restaurateurs of brick and mortar establishments, food truck operators need to control food costs and apply competitive, thoughtful pricing strategies. While traditional restaurants would do well to offer items that are easy to prepare, that tactic is essential for food trucks as the wisdom of using ingredients in more than one menu item and being careful about the price of ingredients to keep menu prices in line with what the market will pay (Pasevic & Magnant, 2005).

**Marketing Strategies.** Many food truck operators use social media as marketing tools (Wallsten & Rhyan, 2014). Food truck operators have observed that the use of social media, specifically the use of Twitter, has a direct relationship on their competence in terms of being able to sell their products at more than one location on any particular day (Wessel, 2012). It is no surprise that the use of social media, such as Facebook and Twitter, allows operators to connect directly with their existing customer base to update customers about their locations, hours, and menus (Hall, 2014). There is also some evidence that having both a Facebook page and a website relate to increased business survival for food trucks (Wallsten & Rhyan, 2014). Another suggestion related to marketing is to hold a grand opening event with special promotional offerings (Myrick, n.d.-a). Additionally, over the long haul, operators need to be consistent with food, service, hours, and locations, as these basics help to market their businesses. Remembering that the food truck is a business not just a hobby, and running it as such is obvious, but one that merits stating, as operators are trying to promote a profit making business and not simply a trendy past-time (Rogers, 2010). Operators do not want to forget to allow and encourage enthusiastic customers to help spread the word about the food trucks they like via social media and word-of-mouth.

**Technology and Equipment.** Food trucks not only rely on technology for their marketing, they need reliable technology simply to function. Many do not want to just accept cash; they want to be able to process credit cards, but relying on inadequate technology can

cause problems in terms of processing orders and issuing receipts. In addition, trucks rely on geo-location services to help their employees and their customers find them and therefore, they need those services to work properly (Freed, 2014).

As far as equipment, food trucks obviously have limited space and unlike brick and mortar restaurants, which vary greatly in size, layout, and design, food trucks are more uniform in their facilities. Obviously, food trucks need refrigeration, food preparation and storage areas, stoves and/or grills, and at least one large window to use for serving customers. Also, the truck needs to pass a fire and safety inspection to be allowed to operate and details vary by the licensing agency in a particular location (Mealey, n.d.).

**Effective Customer Service.** Paying attention to details can help food truck operators offer high quality service to their customers (Rogers, 2010). This means attending to the human aspects of service such as the attitudes and actions of the food truck operator's interactions with customers and the physical components of service such as containers and condiments provided. Another less obvious strategy toward enhancing customer service is to allow customers to see the cooking operations; by being transparent, the customers can see exactly how food is prepared and the food truck operator can build trust and rapport with customers (Myrick, n.d.-b).

Also, food truck operators need to recognize that they themselves are frequently customers. Examples include when they rent a commercial kitchen to use to help prepare their food, when they park in commissary lots, when they purchase the food and other items for their businesses, and when they participate in events (Customer Service, n.d.) such as food truck rodeos, etc.

## The Dilemma

The major issue facing Garrett and Susan is that since the new trucks have been operating nearby they have seen their own business level off and they are worried that they will not achieve their own financial goals (see Appendix B). They have hoped to grow their business and perhaps even purchase a new food truck to add to their fleet that would allow them to operate at their current location and also provide increased mobility for their business so that they could more readily serve other venues such as the college. However, they are not sure about what they should do next or what information might help them to make effective business decisions. The dilemmas that Garrett and Susan face include the following: deciding how to contend with these issues, determining what information would be most useful to them to incorporate strategies for success into their business plans and operations, and then choosing how to use this information in their own operation in the future to maintain a competitive advantage.

## Conclusion

The Intergalactic Food Truck is one of thousands of businesses tak-

ing part in the growing entrepreneurial, mobile cuisine trend. It appears to be off and running in its current location, but as with any businesses, it faces ongoing challenges. Given that the operators of this food truck had little to no experience in the industry and that many others may be dreaming of or are actually setting up mobile food truck operations today and in the near future, the availability of more useful information could make a difference to food operators and would-be operators across the country and even around the globe.

## Discussion Questions:

- What are the unique aspects of food truck operations compared to freestanding restaurant operations?
- Based on the entrepreneurship business life cycle, what useful suggestions might be made to these operators and why?
- How might Garrett and Susan improve their current operation and resolve the issues facing their business?
- How could the operators of the Intergalactic Food Truck increase their competitive edge as more food trucks begin to operate?
- What strategic planning should be done in order to remain successful in the future?
- What should be included in a food truck operator's manual? Why?

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**Appendix A**

**The Food Truck and its Menu**



**Appendix B**

**Food Truck Income Statement**

	1st Year	2nd Year	3rd Year
Gross Sales	300,000	400,000	500,000
Less Allowances	1,000	1,000	2,000
Net Sales	299,000	399,000	498,000
Cost of Goods Sold	179,400	239,400	298,800
Gross Margin	119,600	159,600	199,200
Operating Expenses			
Utilities	1,200	1,500	1,700
Salaries	76,000	79,000	102,000
Payroll Taxes/Benefits	9,100	9,500	13,200
Advertising	3,000	4,500	5,000
Office Supplies	1,500	2,000	2,500
Insurance	1,200	1,500	1,800
Maintenance	1,000	1,500	2,000
Outside Services	3,000	3,000	3,000
Waste Supplies/Trucks	6,000	7,000	10,000
Telephone	900	1,000	1,200
Rent	9,000	9,500	9,900
Depreciation	2,500	2,000	3,000
Total Expenses	114,400	122,000	155,300
Other Expenses			
Bank Loan Payment	15,000	15,000	15,000
Bank Loan Interest	6,000	5,000	4,000
Total Expenses	128,400	142,000	174,300
Net Profit (Loss)	(800)	17,600	24,900

(Source: References for business, 2015).