



GETTING STARTED IN THE FOOD TRUCK BUSINESS





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Food trucks are more popular than ever. In the past decade, we have seen massive growth on a scale never-before-seen in this industry. In fact, the food truck business has increased by 12.4 percent since 2013 with the average mobile kitchen grossing \$300,000 a year.



Furthermore, industry reports from IBIS World state that the food truck industry pulls in close to \$1 billion annually. This is a really exciting time for us! Not only is there huge potential for business here, a whole new generation of creatives and entrepreneurs are starting their own food trucks and bringing a lot of really innovative ideas to the table.

Whether you are a restaurant professional looking to strike out on your own, an established business wanting to expand, or just someone seeking a creative outlet, food trucks have a lot to offer.

If you are thinking about starting your own food truck, there really is no better time than now! Owning and operating your own food truck is a great option for all kinds of people. Whether you are a restaurant professional looking to strike out on your own, an established business wanting to expand, or just someone seeking a creative outlet, food trucks have a lot to offer. Sure, the task can seem daunting at first, but Legion is here to help guide you through the ins and outs of the food truck business.





OPENING A FOOD TRUCK **VS.** OPENING A RESTAURANT

The first thing you are probably asking yourself is “What makes starting a food truck a better option than opening my own restaurant?” The short answer is that food trucks are just cheaper and easier to manage. They require a much simpler business model and have fewer moving parts (businesswise, that is!) to keep track of.

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Here are a few of the **main advantages** that food trucks have over traditional restaurants:

MOBILITY

One of the biggest pitfalls for a lot of great restaurants is getting stuck in the wrong location. Neighborhoods change and maybe your new customers want something different, or maybe your landlord is raising the rent and driving up your operating costs. Any number of situations can arise where the location of your restaurant can hurt your business.

With food trucks, though, this isn't an issue because you aren't tied to a single location. You can essentially go wherever your customers are. You can also participate in food truck rallies or other events around town to gain more exposure. Of course, you'll want to be familiar your city's regulations regarding when and where you are allowed to set up shop.





LOW OVERHEAD

Brick-and-mortar restaurants have notoriously high overhead costs. When operating a restaurant, you'll have to consider expenses such as:

- **Utilities** - this includes water, electricity, gas, sewage, and trash service among others.
- **Permitting** - Permitting costs can be as much as 25 percent of your total budget when operating a restaurant. With food trucks, it is significantly lower.
- **Advertising** - Image, branding, and signage are generally easier and cheaper with a food truck.
- **Property taxes** - Depending on how your food truck operates, you might be able to avoid property taxes altogether!
- **Maintenance** - You'll want to have a relationship with a good mechanic if you are operating a food truck, but repairs are generally less expensive and you won't have to keep a custodian on staff.

Of course, food trucks still have their fair share of overhead expenses, but they are generally much cheaper and less of a headache to operate than brick-and-mortar restaurants.

SMALLER STAFF

Brick-and-mortar restaurants generally require a sizeable staff to run effectively. You'll need to fill positions such as:

- **Host/hostess**
- **Waiter(s)**
- **Busser(s)**
- **Kitchen staff**

And this is a pretty bare-bones operation. Not only is it more expensive to employ this kind of staff, it is much more difficult to manage. A food truck, on the other hand, can be run by just two people - one person does the cooking and one person takes the orders.

Simple as that.



COST OF ENTRY

It's no mystery why the food truck business is so attractive. When compared to opening a brick-and-mortar restaurant, the industry has a much lower cost of entry for young and first-time business owners and doesn't require a strong business background.

Food trucks also provide established restaurants with an inexpensive way to market to expand their business into new sectors, such as catering and events.

No matter what your reason is for starting a food truck, you need to go into this venture prepared with a knowledge and understanding of the start-up costs. This way, you can plan accordingly and turn a profit quicker without any surprise expenses.

BUILDING A FOOD TRUCK

Food truck costs are hard to estimate because they depend on so many variables. Generally speaking, you can expect to pay anywhere from \$50,000 to over \$100,000 to have your food truck built. This depends on several factors such as the type of vehicle you choose and if it is used or new.

Every state has different standards for what constitutes a legal mobile food unit, so, ideally, you'll want to work with a food truck manufacturer who is based in the state you will be operating in. You will also want to work with a builder who can guarantee that your truck will be up to code and meet state regulations or you get your money back.





MARKETING / BRANDING

In addition to building the food truck itself, you need to come up with the concept behind it. This involves the name, the look, and the feel of your business.

Of course, you've probably already had the idea in your head for awhile now, but bringing it to life is a different story. Your food truck builder should have some experience with marketing and branding as well as food truck construction, so expect to pay a little extra for the food truck wrapper, graphics, and company logos that are essential to your brand identity.

LICENSING / PERMITS

Licenses and permits are necessary to getting your food truck up and running. Without the proper permits, you could be shut down and prohibited from doing business. Permits also cost money, so you'll need to be financially prepared for this aspect, as well.

Unfortunately, it's hard to give an estimate of what these costs will be because they can vary greatly between states, cities, and counties. The best advice we can give is to check with all local jurisdictions to make sure everything is in order. Luckily, the growing popularity of food trucks is encouraging many lawmakers to be more relaxed when it comes to licensing and permitting.

Make sure to look into the following permits:

- Vehicle license
- Seller's permit
- Food handler's permit
- Health department permit
- Fire certificate



INSURANCE

Brick-and-mortar restaurants have notoriously high overhead costs. When operating a restaurant, you'll have to consider expenses such as:

- Food poisoning claims
- Auto accidents
- Worker's comp
- Theft/vandalism

There are all kinds of policies available through different insurance companies, so make sure to shop around and find the right policy that fits your business needs.

FINANCING YOUR FOOD TRUCK

The cost of starting your own food truck can be intimidating. While many food truck owners have financed their business with their own 401k savings or with loans from their family, not everybody has access to these funds. Fortunately, there are plenty of options when it comes to securing financing for your food truck business.

BUSINESS LOANS

Getting a business loan from your bank is one way to go, but beware that this not always the easiest option. Before you fill out a loan application, be sure to do your homework and know exactly what type of loan you need to start your business and what you will use the money for. For example, are you looking for seed capital or start-up capital? Chances are you need startup capital, but what will you use it for? Examples of start-up costs can include:

- Building your food truck
- Fees and licensing
- Payroll
- Stock/inventory

You also need to be prepared to lay out some of your own cash up front. Even if you have a perfect credit score, banks will be looking for at least some percentage in cash or assets up front. Keep in mind, though, that the money you have up-front, you more likely you are to get the loan.





MICROLOANS

A microloan is a great option if you only need a small amount of working capital to purchase inventory, supplies, repairs, or other short-term expenses. Microloans can be received for up to \$50,000 but are usually given for less than that.

Microloans are not given out through big banks, but rather community lenders that fund small businesses or nonprofits. They are generally easier to obtain than a bank loan and have more leniency as far as credit score and repayment terms go.

CROWDFUNDING

Not everybody has a rich uncle they can turn to for a loan. If you don't want to rack up interest charges by borrowing from a bank or community lender, why not turn to the community itself? Crowdfunding is a relatively new phenomenon where a large number of people donate small amounts of money to help a particular cause - in this case, your food truck.

You've probably seen this before on websites like Kickstarter or GoFundMe. The benefit is that it has a much lower risk for everybody involved and it can also help to generate interest in your new business venture. Since people donated out of sheer interest (you are not obligated to pay them back), you know they will be visiting your truck once it is up and running.



