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Extended Abstract of Master Thesis

Business Plan for a Food Truck Startup

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Business Plan for a Food Truck Startup

Abstract

This thesis was created to analyze and determine the feasibility of establishing a food truck in the Czech Republic. A literature review of authors well-versed in business helped develop a practical model for the company. A series of analyses were conducted to measure the environmental factors and their impact on starting the business. The core findings have led to the proper composition of a business plan that can be referenced in the future.

The theoretical framework is comprised of the key elements found in a business plan, the business model canvases, crucial internal components, and the strategies involved in establishing the organization. Further research of applicable data was analyzed and used to compose a business plan in the empirical section. A financial analysis and risk factor summation method combine to evaluate the overall viability of the company and estimate its profitability for prospective investors. The final results revealed strong potential in the realization of the company and may lead to future investment.

Keywords: food truck, BBQ, Carolina, cuisine, feasibility, opportunity, customer service, hospitality, market, success

Podnikatelský plán pro start-up pojízdného občerstvení

Abstrakt

Tato práce byla vytvořena s cílem analyzovat a vyhodnotit proveditelnost zřízení pojízdného občerstvení (známé také pod názvem food truck) v České republice. Literární rešerše autorů znalých v oblasti podnikání pomohla vyvinout praktický model pro vznikající společnost. Byla provedena řada analýz k měření environmentálních faktorů a jejich dopadu na zahájení podnikání. Hlavní zjištění vedla k vytvoření řádného podnikatelského plánu, který lze v budoucnu využít.

Teoretický rámec zahrnuje klíčové prvky obsažené v podnikatelském záměru, schéma podnikatelského modelu, klíčové interní komponenty a strategie spojené se založením organizace. V empirické části byl proveden další výzkum aplikovatelných dat a následně použit k sestavení podnikatelského plánu. Kombinace metod finanční analýzy a sčítání rizikových faktorů byla použita pro hodnocení celkové životaschopnosti společnosti a odhad její ziskovosti pro potenciální investory. Konečné výsledky odhalily silný potenciál pro realizaci společnosti a mohou vést k budoucím investicím.

Klíčová slova: food truck (pojízdné občerstvení), BBQ, Carolina, kuchyně, proveditelnost, příležitost, zákaznický servis, pohostinství, trh, úspěch

1 Objectives and Methodology

1.1 Objectives

There are four objectives purposed in the Diploma Thesis. The first being a primary goal, and the following three serve as supplementary objectives:

1. The core aim is to determine the feasibility of opening a food truck in Prague;
2. To identify the market trends in the Czech Republic;
3. To create a circular business model for sustainability;
4. To determine how to expand the business

1.2 Methodology

To accomplish the four primary objectives, both qualitative and quantitative methods were used in the writing of this thesis. For clarity and focus, the research was designed to extract answers from the most knowledgeable sources available. The literature that was reviewed came from experts in the field and, in some cases, founders of business principles and concepts, e.g., Michael Porter and Alexander Osterwalder. With the guidance of these resources, theory was put to practical use as a business plan for the food truck. The methods used helped determined each element involved in bringing the idea from conception to realization.

Methods of data collection:

- Market research (trends, business environment, and financial dynamics)
- Surveys
- Taste testing
- Investor's perspective

Methods of data analysis:

- External & Internal Analyses
 - PESTLE Analysis
 - Porter's 5 forces
 - Value Chain Analysis
 - Product Analysis
 - BCG Matrix

- Financial analysis
 - Five-year projection
 - Pessimistic
 - Conservative
 - Optimistic
 - Month-to-Month conservative projection
- SWOT Analysis
- TOWS Analysis
- Lean Startup Canvas Model
- Feasibility Analysis
 - TELOS Method
- Evaluation for Investments
 - Risk Factor Summation Method
- Surveying the local community

2 Results and Discussion

2.1 Market Research

To reach the consumer base and get an understanding of their purchase patterns, a survey was conducted to over a hundred people within the area. Many results gave a clear indication of consumer preferences and their buying habits while others were vaguer. The first two questions verified data collected from the university. The student body has more females than males at a ratio of 53:47, nearly identical to the survey results of 54:46. From the survey's second question of age range, there were a few outliers such as professors and locals who had participated. This was to represent the entirety of the obtainable market in Suchdol. It did, however, still come very close to the statistics of other data with approximately 60% being 18-25 years old.

Key information that was gathered in the surveys will guide the business in its projections and assist in manager's decision making. The most important findings are as followed:

- Nearly 90% of those surveyed had ordered from a food truck before
- 50% dine-out once or twice a week on average; 30% claim three to four trips out
- Roughly 60% spend about 150-250+ CZK per meal dining out
- 50% of respondents prefer chicken, 27% beef, and only 6% choose pork*
- There were 84% who were willing to try new foods
- 80% claimed they would pay more for higher quality meals
- At least 60% say they support businesses that are eco-friendly

*The fact that only 6% chose pork as a preference was disheartening as it is a core component of the menu, but the following poll of 84% showing that they are willing to try new foods gave reassurance that there is still a good chance of sales for this item.

There were talks with the owner of Klub G to have a trial run of the menu items along with a taste test survey given at the end of the meal. This was unfortunately postponed indefinitely as the impact of the coronavirus had more impact than we had anticipated. The taste tests were, however, conducted with small groups of friends and family members instead. The feedback was unanimously positive, but with risk of potential biases, will not be used as true data.

2.2 Feasibility

Based on the TELOS Method, each category revealed the business to be both viable and actionable. The technology is available and will be a great assistant in operations and marketing tools. The QR code concept has potential to drive a large amount of traffic to the truck and retain loyal customers. As a cash-based business without large overhead or monthly expenses, the feasibility is high as long as there is operating cash flow. With the total investment of 1 125 000 CZK / 45 000 USD, the expenses should be covered until profits are generated. Legal dynamics are very limited in hindering the business. As long as the food quality and proper zoning is maintained, the company will be on the right side of the law. Operations will have a learning curve working in a small environment with limited hands to delegate tasks to, but it is a matter of preparation and training. The company is not undertaking an entirely new concept or business model, so with proactiveness and proper guidance, the operations will run smoothly. Lastly, for the feasibility of scheduling, there is little threat to delaying the launch of the food truck. No capital will be spent until an investment is received, so nothing will remain idle during the startup phase. The forecast for launching the business will be swift as each piece is in order to move forward.

Upon review of the business plan, too, there is an even greater confidence in the company's potential. The environment is suitable for another competitor to join the market and there is enough market share for them to all remain profitable. Carolina's Finest has a solid business model and enough strength in its story to break into the marketplace. Although the financials are simply rough estimates without exact projections, even the most pessimistic predictions showed the business obtaining profitability within a few years. There will be additional costs that may not have been factored in and dynamics that have to be resolved beforehand, but the core business model has convincing viability.

2.3 Evaluations for Investment

With the feasibility of the business analyzed and confirmed, an evaluation for investment was the subsequent step in preparing the company for realization. A Risk Factor Summation Method was conducted to calculate the potential value for Carolina's Finest in the Error! Reference source not found. section. The results are as followed in **Figure 1**:

Figure 1: Risk Factor Summation Method

Risk Factors	Ratings	Additions/Subtractions
1. Management Risk	-2	-500,000 Kč
2. Stage of the Business	-2	-500,000 Kč
3. Legislation/Political Risk	2	500,000 Kč
4. Manufacturing Risk	0	
5. Sales and Manufacturing Risk	2	500,000 Kč
6. Funding/Capital Risk	1	250,000 Kč
7. Competition Risk	0	
8. Technology Risk	2	500,000 Kč
9. Litigation Risk	0	
10. International Risk	1	250,000 Kč
11. Reputation Risk	1	250,000 Kč
12. Potential Lucrative Exit	1	250,000 Kč
Average initial valuation		1,000,000 Kč
Total	6	2,500,000 Kč

Source: Own Calculations

2.4 Investments

After proposing the idea to numerous friends and family, two potential investors had inquired about the startup. One was a friend from school, and the other was introduced through a mutual friend who was interested in the concept. The business plan was sent over for them to review so they could gain better insight on the entirety of the project. Upon their

own analysis, they decided the business was worthy of investing and gave a few proposals of potential partnerships. Their preference was to either be an angel investor or a silent partner. The two offerings are as followed:

The first offer was a two-pitch proposal. Either he could provide an investment of the full 625 000 CZK with a return of 20% (125 000 CZK) within three years, or he would take equity instead. If he were to participate in operations, the business would be split 50/50 after his initial investment was paid back. Otherwise, he would only take a 20% stake in the company until his decided exit date.

For the second proposal, the investor would put up 100 000 CZK in exchange for 10% equity in the company. In addition to the funds, he would provide his services in the marketing department and assist with any IT issues.

To have two offers certainly furthered the confidence in starting the food truck and will provide a point of reference for further valuation of the company. Each investor had an attractive proposal, and will both be heavily considered, but at this time there has not been a decision made on who will become a partner.

2.5 Exit Plan

After considering all the options available, the owner of Carolina's Finest would likely make his exit plan much further into the future after acquiring full ownership of the company again. As investors draw up their exit plans, Daniel will buy out their stake in the company and continue operating the business. The end goal is to develop a network of restaurants and food truck concepts and have them under an umbrella company. This would include various types of cultural dishes built with head chefs leading the operation. Prague would remain the epicenter of the headquarters, but ideally, there would be expansion into other cities that would accommodate the unique taste and flavor offerings.

The final exit plan would be to sell the company to the management teams and chefs, as the purchase by another larger conglomerate may dilute the individual brands. A small equity stake in the company would remain in Daniel's name and would be carried into a generational account as long as the businesses remain.

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