



# Starting a Successful Food Business

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# About SCORE

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As a resource partner of the SBA, we help small businesses by:



Providing free  
business advice and  
mentoring



Offering low or  
no-cost business  
training



Sharing free business  
templates and  
resources

Request a SCORE mentor at [www.score.org/find-mentor](http://www.score.org/find-mentor)



## Your Presenter: Heather Turner



**Heather Turner**  
Executive Chef: Inn at West  
Dennis 2003

- 20 Years working in the back of the house/8 Years as an Executive Chef
- Started as a dishwasher at 13 with a work permit
- Culinary Institute of America Graduate
- 20+ Years as a Business Owner working with Hospitality
- Author
- SCORE Mentor since 2018

# Program Outline

- *What does it take to succeed?*
- Home-Based Businesses (Catering, production, person chef, baker)
- Commercial Kitchens
- Mobile Food Units/Food Trucks/Carts
- Brick & Mortar
- Creating A Plan
- Understanding The Regulatory Landscape
- Resources



# What does it take to succeed?

*Starting a food business requires:*

- **Realistic expectations**
- Entrepreneurial mindset
- Sufficient time
- Solid commitment
- Sufficient investment
- A written business plan

# Setting Expectations

*What do you picture yourself doing in your business?*





# Time Management

- Cooking/Preparing
- Menu Creation and Management
- Inventory Control/Waste Management
- Marketing/Promotions
- Customer Service (In Person/Reviews)
- Bookkeeping
- Maintenance
- Bill Pay
- Vendor Management
- Staff Training
- Hiring/Firing and **more.....**



# Entrepreneurial Self-Assessment

- Do you have the mindset to run your own business?
- Can you and your family live without a steady paycheck?
- Are you willing to work long, unpredictable hours?
- Are you a self-starter who can figure out on your own what to do?
- Can you take a long view of success and persist through a learning curve?
- Are you risk-averse or are you willing to risk the possibility of failure?



# Time Commitment

*Be realistic about the **time commitment** involved*

## **A Typical day:**

- Long hours
- Preparation + Execution
- Opening/Closing
- Physical & menial tasks
- Admin days/nights
- Nights/Weekends/Holidays

***Can you find a structure to fit your desired schedule?***



# Investment

*How much will it cost to start your business?*

■ Initial investment

+ **operating capital**

- How much do you have?
- How much can you raise?
- How much can you afford to lose?
- Don't count on grants!
- Possible to get a partner?
- Be sure to include a cushion!



# Risk

*Make sure you understand what you are signing up for and exactly what will happen if you fail*

- Some businesses *do* fail
- What's the worst thing that can happen? Typical scenario.....

## **Best way to succeed is to be:**

- Conservative (i.e. start small, with low investment)
- Realistic
- Well-prepared

***Writing a business plan reduces risk!***



## Risk

*Take steps to protect your investment and limit your personal liability:*

- Operate as a business entity
- Have insurance that covers “more”.
- Consider strategies to limit personal liability
- Consult a lawyer
- **Have a back up plan**

Where you start may take you in unexpected places.....



## Home-based business



## Where will you operate?

### OPTION 1: Home-based business

- Usually under “cottage” food laws
- Usually does not require business license, inspection
- In VA also have “home food processing”
- Fairly restrictive
- Most affordable if it fits, it can be a good first step
- Be realistic about costs

***It is not true that working out of your home involves “no overhead”  
And it may not be possible.***

## Home-based business



# Home-based Business

*Potential costs of operating under cottage food laws:*

- Forming LLC and annual renewal
- Insurance
- Bank account fees
- Fees to sell at farmers' markets, events, etc.
- Marketing expenses (website, business cards, signage)
- Credit card processing
- Kitchen and office supplies
- Packaging
- Travel and delivery
- Tax preparation/payroll
- *Your time!* (opportunity cost)

## Commercial Kitchens



# Where will you operate?

## OPTION 2: Commercial Kitchen

### *When and why to consider this option*

- Informal arrangements versus membership kitchens
- Pros & cons of informal kitchens:
  - o *Can be hard to find, limited hours*
  - o *May be shared with existing business, like a caterer; or in a church, other organization, or community kitchen\*\**
  - o *May be least expensive option*
  - o *May offer hourly or daily rental vs. long term commitment*

**Be creative in seeking out unused space from other food businesses**

## Commercial Kitchens



## Membership Kitchen

- Requires longer term commitment (usually min of 6 months)
- Might also be business “incubator” or “accelerator”
- Might have different membership levels E.g. food truck support or kitchen rental only vs. kitchen use + incubator or business advisory services
- Or memberships based on hours of use (e.g. nights and weekends only vs. 24/7 access)
- Storage may be extra with each type being charged separately (Unrefrigerated “dry storage”, refrigerator, freezer)
- Expect cost of \$900+ per month

## Commercial Kitchens



## Membership Kitchens

### *Incubator or accelerator services vary widely*

- Potential services include
- General business assessment and development advice
- Assistance with licensing and regulatory requirements
- Referrals to third party providers for legal advice, trademarking, label development and compliance, branding design, packaging, financing,
- Active involvement in getting your product in front of retail or wholesale buyers or distributors
- Opportunities to participate in special events
- Opportunities to try out your concept as a “pop up” retail or restaurant venue (for 1 night up to 6 months, depending on the incubator)
- Assistance preparing for and establishing brick and mortar location

## Commercial Kitchens



## Membership Kitchens

*Cost of incubation/accelerator services varies Widely*

Ranges from:

- No additional cost over the membership
- Increased cost for counseling services
- Services for equity (% ownership of your business)

***Up to you to weigh cost vs. speed to get your business running, then growing***



## Where will you sell?

### **Order-based business, e.g.**

- Catered events
- Custom orders (e.g. wedding cakes)
- Meal delivery

### **Event-based**

- Festivals, events
- Pop-up locations
- Farmers' markets



# Where will you sell?

## **Retail – Direct to Consumer**

- Market or food hall stall or kiosk
- Food Truck or Trailer
- Brick & mortar location
- Online (own website)
- Online (through another website, including Amazon, Etsy, etc.)

## **Wholesale – to or through another business**

- Markets or other retailers
- Caterers
- Restaurants, cafes or other food service outlets
- Distributors



# Food Business Regulations

## *Typical Cottage Food Laws*

- Only certain types of low-risk foods can be produced
- Limited to non-hazardous foods
- Foods can only be sold in limited places
- Usually only direct to the consumer with no middle man (i.e. not to restaurants, retailers, etc. who will then sell to consumer)
- Must meet requirements for selling in your residence (e.g. no pets, own home)
- Prescribed labeling
- Often a dollar limit on annual sales

## Mobile Food Operations



## Where will you operate?

### OPTION 3: Mobile Food Operation

*Perceived as much less expensive than brick and mortar*

- Potentially expensive but limited risk
- Start-up & operating costs can be substantial, may require external Financing
- Potential costs: Food trucks can run \$20-150k, depending on the vehicle type, whether new or used, and what type of equipment is needed

## Mobile Food Operations



# Mobile Food Operation

## **Costs:** Regulatory costs

- Licenses, permits, inspections, etc. to get started
- Vary widely from county to county under \$1000 to about \$2900
- According to Chamber of Commerce, Washington DC is among the most expensive in the country. Up to \$30,000 annually in Washington DC
- Regulatory costs continue on an annual basis after initial start-up
- Need to factor into monthly operating expenses
- Can be very costly

## Mobile Food Operations



## Mobile Food Operation

*Potential costs:*

***Usually still need commissary kitchen!***

- Licensed place to prep, store food
- Place to hose out truck, dispose of grease, etc.
- Parking/Space rental can be an added cost

## Mobile Food Operations



# Mobile Food Operation

*Trucks and trailers are **heavily regulated***

Understand regulations before jumping in, buying truck, etc.

### Limitations on:

- Size of truck
- Where you can park/sell
- Tow behind limits

***If someone isn't ALREADY doing what you are planning or where you are planning it, there might be a reason!***

## Mobile Food Operations



## Food Business Regulations

*Typical Food Truck/Trailer laws:*

1. Business license for the mobile food business itself
2. Employer Identification Number (EIN) from IRS
3. Vehicle itself has to be commercially licensed
4. Depending on the vehicle and jurisdiction, driver could need commercial driver's license
5. Seller, vendor, or peddler's license may be required by localities in which you are selling  
May be required of one or all employees on the truck
6. Food handler's license  
May be required of one or all of employees on the truck
7. Health Department inspection and permit for the truck
8. Health Department inspection and permit for the kitchen out of which the truck works
9. Fire Department inspection and certificate  
Usually required if you cook on the truck, have a propane tank, generator, or generate grease
10. Sales tax account for state and/or local tax agencies
11. Event license for selling at special events might be required for EACH event
12. Certificate of Occupancy might be required for selling on private property

**Food truck & trailer requirements vary dramatically by state & county.  
Check your local laws**

## Brick and Mortar

# Where will you operate?

## Brick & Mortar

- Buying/Lease commitment
- Loan/Lease deposit
- Personal guaranty on lease/loan
- Potential build-out expense
- **PLUS** all other start-up costs (Licenses, inventory, equipment, marketing, etc.)

## Brick and Mortar

# Brick & Mortar

### *Ways to decrease cost/risk:*

- Think smaller:
- How much space do you really need?
- Can you start small and increase later?
- Consider a kiosk, stall, or pop-up
- Consider less expensive areas
- Can you find month-to-month opportunity?

### **Do Your Research. Competitors and Site Assessments**

### **Look for spaces already built out with kitchen facility**

- Consider buying a business for sale
- Consider a franchise
- Consider a partnership, space-sharing, or renting part of facility to other businesses

## Brick and Mortar



## Mapping Your Course

*Can you bootstrap your way to your ultimate goal? E.g.:*

- **Brick & mortar bakery:** cottage business doing custom orders commercial kitchen expanding to farmers' markets then to retailers kiosk or stall, brick & mortar shop
- **Retail product in markets & on Amazon:** cottage business or commercial kitchen selling at farmers' markets, selling and sampling in small retailers, incubator/accelerator to increase volume and get into larger accounts
- **Full service restaurant:** commercial kitchen-based catering to build customer base, menu, track record food truck or trailer or accelerator-supported pop-up and/or stall-based business brick and mortar



# Creating a Plan

## *Why will your business succeed?*

- How is the market evolving and changing?
- Be realistic: The number of food businesses of all kinds is exploding so competition is fierce!
- How will you attract and retain Customers
- How will you attract the attention of the food media
- How will you find and retain Employees



# Creating a Plan

*At a minimum, your business plan should include:*

- Written summary of your business concept
- How will you set up the business and what will be involved in detail?
- What kind of customer experience are you creating and what will be involved in delivering this every day?
- Your summary should include the who, what, when, where, how & why
- Basic Profit & Loss statement for 1 year
- Marketing plan
- Timeline for putting the business together

**+Community Research/Assessment**  
**+Competitor Research/Assessment**



# Understanding Food Business Regulations

**Can be very complex and sometimes difficult to ascertain:**

- Many laws regarding food-based businesses are at the county level

***If you are operating or selling in different counties, you may need to research and comply with laws for all of them:***

- E.g. if you are operating a food truck or selling at farmers' markets in different counties



# Common Start Up Mistakes

- Lack of Initial Research
- Underestimating Costs
- Not accounting for major fluctuations of food and supplies and adjusting
- Not staying on top of marketing
- Not staying on top of competition
- Lack of a pivot plan
- Calculating food costs incorrectly



## Where to get help?

- Many resources exist today to help you start a food-based business
- SCORE – If you don't have a mentor, sign up for one!
- SCORE and SBA websites - How to write a biz plan and more  The Economic Development Authority in your county – Guide you on how to start a business in your area, understand regulations
- Membership kitchens in your area
- Entrepreneurship programs for food-based businesses
- Local food truck associations

# Questions



# Helpful Links

- Find SCORE resources for small businesses at [www.score.org/templates-resources](http://www.score.org/templates-resources)
- Find more SCORE live and recorded workshops and courses at [www.score.org/get-business-training](http://www.score.org/get-business-training)
- Book an appointment with a SCORE mentor at [www.score.org/find-mentor](http://www.score.org/find-mentor)





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