



# **A Guide to Arrest Failure in Food Trailer Start-ups**

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## **ABSTRACT**

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This thesis was commissioned by Penang Street Deli, a new start-up food trailer that serves Penang street food in Tampere. The commissioner realised that today, a lot of new entrepreneurs jump into the mobile food vending business, either a food trailer or a food truck. Without having any passion for cooking, in-depth know-how from food handling to food vending on the streets and thinking that the mobile food vending business is easy and lucrative. Eventually, they failed and lost money or even bankrupt.

The company commissioned this research because they want to create a guide for new start-up food trailer entrepreneurs to be aware of how they can arrest failure in their food trailer business before they jump in. Simultaneously, identify mistakes that may occur during the start-up. As always, successful stories on mobile food vending were heard, but very seldom on the unsuccessful parts. Therefore, start-ups need to understand the failure and how to arrest them.

The research also gave food trailer start-ups a basic understanding of the customers' demographics and behaviour, business model and operation structure used for running the food trailer's day-to-day business, as well as strategies to arrest failure. Also, the possibility of the food trailers business's future development.

The research was conducted using a qualitative research method. The chosen technique of the study was face-to-face interviews in two different categories: the food trailer owners and the food trailers' patrons/customers, as well as potential customers. A total of three food trailer owners were interviewed, and fifteen food trailer patrons/customers from different areas of Tampere were interviewed.

The commissioner intended to use the guide to create awareness for the new mobile food vending start-up entrepreneurs, as well as what to expect for the food trailer business to move forward.

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Keywords: start-up, food trailer, entrepreneur, food vending business, guide, customers, patrons, face-to-face interviews, failures, business model, operation structures, strategy

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## 1 INTRODUCTION

Food trailers or food trucks business in EU countries have become popular in the 2000s, the history of street food sold in EU countries mostly from carts, and small kiosks go in the early days. Today, with the influence of the US and Canada, more and more food vendors use food trucks or food trailers to sell not just fast and simple meals, but an array of meals from hotdogs, burgers, and traditional meals to international cuisines. (HET, 2021)

Ever since the pandemic quarantine and distancing started two years ago, everyone lives a new normal lifestyle. More people are being laid off and that has caused a new trend to start in the food and beverage sector, they have started to move out from brick-and-mortar into mobile food trailers or food trucks.

Nowadays, the perception of food trailers or food trucks has changed. In the past, food trailers only sold cheap, easy-to-consume food, but now they are selling speciality snacks, healthy vegan food, as well as international cuisines.

Today food trailers/food trucks are becoming more popular, this is because opening a brick-and-mortar restaurant and getting the right location is very expensive. However, food trailers are more affordable, especially for new food business start-ups as compared to a food truck. Food trailers are built out quite like food trucks. The distinction between them is that trailers are not self-propelled. It also gives more flexibility to repair and maintain. If the van or truck that was used to pull the food trailer broke down, the food business would not be down for the day with a rented truck. However, when a food truck broke down, the business will be down as well until the food truck is repaired. Normally a food trailer will park at a stable location for weeks or months.

Additionally, food trailers are flexible, they sell food without requiring an indoor dining place, which makes operating costs relatively low and can make more profits. This is also a way for passionate start-ups who love cooking and wish to serve their culinary work to the local community.

However, achieving success in the food trailer business is much more complex than it is perceived. The food trailers or trucks have as high as a 60% failure rate

within three years of opening. (MBA, n.d.) The main reason for failure is because of many start-ups' oversimplification and lack of proper start-up plans. (MBA, n.d.)

The purpose of this bachelor thesis is to provide advice to new food trailer start-ups to understand and be aware of why food trailers fail before they jump deep into the business. Even though it is considered a low-investment business, with accurate, realistic, and detailed planning developed, it can provide a solid foundation for the business. Besides that, specific costs, operational processes, marketing and branding plans, and market research also play important roles in arresting the failure.

The objective of this thesis will be dictating a set of strategies to help new food trailer start-ups learn how to avoid failure in the food trailer business. Also, showcasing ideas on how they can develop and sustain their business into the future.

## 2 THESIS PLAN

This thesis plan is a short introduction to the topic, objective, and purpose of this thesis. This thesis will give a brief idea of the different concepts and theories used, and explain what methods are used and how data are gathered.

### 2.1 Thesis Topic

The topic of this thesis is food trailer business start-ups. The thesis focuses on how to arrest the failure when starting a food trailer business. What are the most important things that need to be considered when starting a food trailer business?

The commissioner saw that the food trailer business has become a trend ever since the pandemic quarantine and distancing started two years ago. Today it has gained popularity, and many food start-up entrepreneurs, as well as established restaurants, have ventured into the food trailer business. Seeing is believing that this food trailer business can give much better profitable returns. Starting a food trailer business due to its low investment capital. Therefore, if one has solid start-up capital, one can start a food trailer business. But to be sustainable is the crucial part to consider, one needs to have the right skills, the right mindset, the right attitude, and the right business model to be sustainable. As quoted by Gordon Ramsay, "You don't come into cooking to get rich." (Team, 2021)

Even though the food trailer business was established hundreds of years ago, in the early days the 'pushcarts' or 'food carts' sell premade items on the streets (Weber, 2012). Today, young adventurous entrepreneurs think starting a food trailer business is a low-investment venture with high-profit returns. They took the risks to start the business. Based on 'luck' a few of them may have hit the right spot and earned a lucrative profit, but some ended in failure and lost all their money.

According to David Weber (Weber, 2012), starting a food trailer business is no small business, it features menu selection, trailer wrap design, cost-outs, market research, and various legal regulations. To run a successful food trailer/truck business is to be able to serve a desirable product quickly while still making a

profit. But behind every successful food trailer business, some failures are seldom mentioned.

Various factors contributed to food trailer failure. The main reason is people always think with their heart that they can easily reach their goals by starting a food trailer business and overlook many important details. Just because starting a food trailer is less expensive than venturing into a small restaurant business, which perceives as a guaranteed way to achieve financial freedom.

The reason food trailer businesses fail within the first year of operation is that the entrepreneur jumps into the business too quickly perceiving it is easy to start and in trend. One lacks passion for food and customers serving the desire is financial freedom, therefore one has never prepared for the rollercoaster life in a food trailer business.

A lack of understanding of the target demographic, which means a lack of understanding of customers' wants and what appeals to them, is also another cause of the failure of the business.

Moreover, the entrepreneur in the food trailer business needs to have sensitivity towards numbers in profit planning and how to optimize profit. When one lacks a business growth mindset, it will slow down the continuation of finding ways to better reach and serve the customers. (Lee, 2021)

Focusing on these reasons for failures in the food trailer business will help the commissioner to be aware of the types of barriers and failures one may face in the start-up journey, as well as the types of strategies the commissioner may need to adopt to avoid failure and promote business growth.

In this thesis, a comprehensive descriptive research method will be adopted, that is 'Qualitative Research'. Therefore, the results cannot be expressed by precise numbers or statistics. The research will examine natural settings and interactions with food trailer patrons, food trailer owners and the local community, on their personal experiences, opinions, and understanding about, how they think about the existence of food trailers in the community. Why do they like or dislike the food trailer? What was the experience like when food was purchased from a food trailer?

## 2.2 Thesis Objective, Purpose, and Research Questions

The objective of this thesis is to identify failures that the commissioner may face and strategies one may take to correct the failure. The objective of this thesis can be formulated with the following research questions:

“Why food trailer fails?”

“What strategies are needed for the food trailer business to avoid failure?”

“What type of business operations does a food trailer need?”

“What type of business model a food trailer should have?”

“What are the future developments in the food trailer business?”

These research questions are going to play an important focal point throughout the whole thesis writing process. The goal is to assist entrepreneurs aware and understanding what possible failures they may face during the early stages of food trailer entrepreneurship. As well as showing what type of future business development is in the food trailer business, to break through failure, and achieve success and business sustainability. (Weber, 2012)

## 2.3 Concepts

This thesis will focus on the concept of how to arrest food trailer business failure and the types of strategies to take into consideration to turn failure into success. The business model and theories will act as resources for the strategy formulation. The definition of the concepts and the literature will act as the basis for this thesis.

There are plenty of opportunities for small-budget food business entrepreneurs in the food trailer or truck industry. Instead of starting a food business in a brick-and-mortar in a fixed location, the food trailer business will physically need kitchen equipment, and food ingredients, as well as a powerful vehicle, to tow the food trailer to the business location. Additionally, personal skills and attributes that lend themselves well to operating a food trailer include a ready smile, grace



under pressure, customer service skills, culinary know-how, marketing, negotiation, and number crunching. (Weber, 2012) Once one has set up all the necessary variables for starting a food trailer business, one also needs to seriously look into the right concept or branding idea for the food trailer that is appealing to one desired neighbourhood. On contrary, a food trailer owner needs to learn and understand the laws and regulations of the local municipality in compliance with one food trailer business, as they will impact every aspect of starting the business.

### **2.3.1 The Difference Between Food Trailers and Food Trucks**

Food trailers and food trucks are both mobile food services. The difference between them is their size. Food trailer kitchen is approximately 8 feet (244cm) – 53 feet (1600cm) long and 7 feet (213cm) – 8.5 feet (260cm) wide. A food truck usually ranges from 10 feet (305cm) – 26 feet (792cm) long and 7 feet (213cm) wide. The food trailer is large enough for full-sized restaurant equipment and cleaning supplies, but for a food truck, it depends on more countertop cooking equipment and space-saving storage solutions. (Jones, 2022)

The food trailer is not mobile, it requires hitching onto a powerful vehicle to tow from one location to another, sometimes it may be too large for certain parking locations, therefore it needs a high walking traffic location for long-term operation. Normally, food trailers will participate in large events, seasonal fairs, weddings, and concert venues. Since the kitchen trailer and transport vehicle are not connected, the trailer can be dropped off at an event location and the vehicle can be used to run errands if it needs to. Generally, it is less expensive than food trucks, and it has a wider space to fit in a full kitchen. It only requires licensing, insurance permits from the local municipality and health permits. The challenges associated with the food trailer are that before moving the food trailer, it needs to be packed up and hitched up to the transport vehicle and due to its size, this makes it difficult to manoeuvre in narrow streets and parking locations. (Jones, 2022)

The food truck is a vehicle and kitchen in one, it can be driven from one location to the next more lucrative location if it has a mobile vending permit from the local municipality. Its mobility makes the food truck perfect for stop-and-go service

and provides access to spots across the city areas. But sometimes due to automotive troubles, the whole business halts until the issue is fixed. Furthermore, it is much more expensive to purchase a food truck, additionally, there is a lot of paperwork, licensing, insurance and permits required that also includes municipality permits and health permits, and every year the truck needs inspection by the vehicle authority on the health of the truck. (Jones, 2022)

### 2.3.2 Fundamental Reasons for Start-up Failed

Every start-up entrepreneur has ambitions and goals. Some may just want a small food trailer business, where this small business can give a decent income to support their daily lives, and flexible working hours when they want. Some may have the ambition to start big and ambitiously want to grow into franchise food trailers or even a food chain restaurants business nationwide.

Every start-up entrepreneur needs to know, where he wants his business to go, how to grow the business, how much time is needed to put into the business, one individual commitment and how to operate the business.

In a food trailer start-up, **Passion**, **Cash** and **Expertise**, are the fundamentals to the success of the mobile food business. As a starting point, passion is essential because it provides the spark of inspiration that ignites the entire undertaking. From the marketing perspective, passion plays an important role in creating compelling stories that help customers to relate and believe in the brand that ties into the concept of the food truck/trailer business (Weber, 2012, pp. 40-41).

'Cash is King' is a phrase that uses to refer to how cash has played a superior role in our daily lives and businesses. Cash is very important for start-ups to work out as flexible as possible in making changes. As quoted, 'With capital, you can play. Without it, you are out of business. (Weber, 2012, p. 42).

Expertise in food trailers such as business skills, food preparation skills, food portioning, sources of ingredients at a fair price and how to communicate with customers, can be learned before starting the business, by getting a job try-out in the industry or volunteering in food events.

In the 21st century, most working adults will take a minimum of one meal and approximately two tea breaks outside their own homes. The need for outside-cooked food is there, and for food entrepreneurs, this is a massive opportunity. Unfortunately, many start-up food businesses fail within their first year of business because of critical mistakes made at the beginning of the business. According to Wilson K Lee (CEO and Founder of the Profitable Restaurant Owner Academy), four huge mistakes should take into consideration, when a start-up food entrepreneur failed: (Lee, 2021)

Mistake 1. The start-up entrepreneur is not the right fit for the food trailer/truck business. One jumps into the business because they see their friends or peers profiting from the business. When there is a strong desire to make more money, then one 9 to 5 job is not enough, without being aware and unprepared for the rollercoaster life of running a food trailer business.

Therefore, before starting, one must consider these questions. One must first consider if one is willing to work more than 40 hours a week. This is because the normal typical office working hours are 40–45-hour work week. One can spend time unwinding in the pub with friends or comfort sofa at home with family after work hours, as well as entire weekends and public holidays. If one is unwillingly to put in the hard work and spend time to build the business engine, then the food trailer business might not be one to take on.

Secondly, the food trailer business is part of the hospitality sector; it is about providing services to other people. The food trailer business goes beyond just food, it is about the experience one's food trailer can deliver to its customers, who enjoy the flavourful meals and the atmosphere created for them. Therefore, one needs to consider if serving people is enjoyable.

Thirdly, as a start-up entrepreneur, one may often work without receiving wages for months or even years. If one needs regular cash flow to sustain one's livelihood and feed one family, then one should be prepared for the possibility of not earning any healthy income for a while. (Lee, 2021)

Mistake 2. Identifying the ideal customer for the food served in the food trailer is crucial. When lacking knowledge of the target demographic or target customers, will prevent one from building brand loyalty and brand followers. Besides that,

this also includes location, marketing, pricing, menu item selection, brand colours, website, social media sites, language communication style and competitor's activities should all revolve around the target demographic. (Lee, 2021)

Mistake 3. New start-up entrepreneurs lack profit planning knowledge. to Wilson Lee, 'If you don't plan for profit and optimize your numbers for profit, you can't make any profits. (Lee, 2021) This means that start-up entrepreneurs will follow or trail strictly on the competitors' pricing or undercut the competitor's pricing to gain a competitive advantage, without further studies or lack of new strategies on how to gain more profits from their sales.

Mistake 4. Food trailer entrepreneurs will not succeed without a growth mindset. The growth mindset is what pushes an entrepreneur constantly seek new ways and ideas to improve and succeed in one's business regardless of any challenges one may encounter. A lack of growth mindset means that one lacks the drive to go forward to reach out to customers, and a lack of communication between the community and peers. (Lee, 2021)

### **2.3.3 Strategies to Avoid Failure in Food trailer Start-ups**

In every organisation, there are strategies to anticipate challenges and keep up the focus on their operations, as well as competitors' activities. This goes the same for the food trailer business. These strategies can help to strengthen the performance of the food trailer to achieve the desired goals.

For a food trailer to stay in business, grow and evolve; it is important to keep evaluating business strategies. When the right strategy is in place to take risks and embrace the changing market trends, so as not to be left behind in the competition.

To avoid failure, entrepreneurs need to ensure that the concept of the food trailer can appeal to the desire of the local community. If the food served from the trailer is good but has no appeal in the local community, this has indicated that the business is fighting an uphill battle, the business will lose time, effort, and money

building a concept that is not in demand. On the contrary, if the food trailer business has the right concept, it will automatically appeal to the local community and the food trailer business will market by itself. It is important to identify the problems and challenges faced by the local community and how the food trailer business can help to solve their problem. For instance, today the new trend indicates more people are craving fresh, healthy, vegan food, at the same time they also need quick, grab-and-go vegan meals for short lunch hours. If the food trailer business concept fits into the grab-and-go, healthy, vegan meal, the food trailer business is in a position to succeed.

Apart from solving the problem and identifying the correct location with high enough foot traffic in the area, a great business also starts with a great story according to David Weber. A sensible story included with lots of details to make them real and relevant can appeal to the customers and local communities. The story must be compelling, make sense, consistent and have a great ending for the business to be great. (Weber, 2012)

#### **2.3.4 Operations**

Once the food trailer business has a great story, it also needs to have the right product, selling it in the right place at the right time. If the food trailer chooses a great product but sells at the wrong place, then the story and the business will not work out. For example, in a food trailer serving food that is process-oriented and labour-intensive in a busy high-traffic area, all customers will be waiting in a long line for their food, and sometimes they turned away for alternatives. The speed of handing out food must be fast and no time to waste. It is essential to understand that not any type of food translates into a successful food trailer business.

If an entrepreneur operates a food trailer business mainly for profitability and not passion, this will not be successful. In operating a food trailer business, one needs to love the food produced to succeed. It is essential for a 'foodiepreneur' to share their passion for a particular cuisine that has a formative experience, as David Weber mentioned that food is one of the most universal experiences, and cooking is a near-universal skill. (Weber, 2012)

People love good food; it is important to strive for the best food outcome which is accessible to the customers. But very often, there are several competitors in the same area serving similar food with a similar way of preparation. To avoid the competition, it needs to create a niche by making a tweak to the classic.

Moreover, due to the limited space capacity, foods still need to be prepared safely, successfully, and profitably. Foods that require extremely safe handling are not suitable to serve from food trailers, for example, raw fish and delicate food that need special ingredients and equipment to prepare or food that needs a long hour of cooking to perfection. This is because customers who come to the food trailer, expect to have their food super quick and convenient. Therefore, the menu item should only contain items that are relatively simple to adjust and quick to prepare. (Weber, 2012)

Crafting a winning menu for a food trailer has always been tricky. According to David Weber, the food trailer's menu needs to be observed constantly. From the menu, one can learn about the customers eating behaviour in different locations. Knowing that it helps one to adjust the inventory on the food trailer. For example, if a vegan item is selling fast in the location as compared to non-vegan, then reduce the non-vegan item. Furthermore, limiting the number of food items on the menu will make logistics easier and cheaper. When the menu items increase more operational, storage and preparation time is needed. Always maintain a lean operation, and only serve customers with what they want. As a rule of thumb, always adopts Pareto's Principle the 80-20 rule, getting 80% sales from only 20% of the menu items. Rather than serving every item, only identify and serve the top 20%.

Always communicate with the customers and observe their behaviours. From the observation it allows one to collect feedback and continue to improve and refine the food menu, remove items that are not in demand, and replace them with better alternatives. According to Wilson K Lee, when the food trailer business continuously collects feedback and improves, the business will become known for the few items that you are very good at delivering. This is how the business builds a community of loyalists. (Weber, 2012)

The food trailer is very transparent, customers can observe through the window and see the entire operation, therefore never compromising on the value-added

component of the process, this is because the more value added to the overall experience for the customers, the more value they will get out of the purchase and the more likely they will come back again, not just for food, but for the show. (Weber, 2012) For example, a special way of preparing milk tea which is very popular in Malaysia. It is called 'Teh Tarik' which means pulled tea. It refers to the practice of 'pulling' the tea by pouring it from one tall metal mug to another from high above several times. Pulling and pouring milk tea preparation aerates the beverage and becomes light and frothy instead of dense and heavy. When this is put on display, it will create value in the overall customer experience.

### **2.3.5 Lean Business Model for the Food trailer**

The food trailer business is lean, it is a business that maximises value while minimising waste such as too much time used for delicate food preparation and traditional cooking method that took long hours to cook the food. The business model focuses on improving processes across the value stream to eliminate waste and deliver optimized value to the customer, this can help to run the food trailer business in more sustainable ways. (Lynn, 2022) The lean business model also helps food trailer entrepreneurs strive to be the best. The menu on the food trailer is the minimum viable product, it gives entrepreneurs the to experiment with the food customers want and are willing to pay for, if the menu idea is not working, it is easy to fix. (Lindenberg, 2015)

To eliminate the waste, the daily operations in the food trailer from start to finish need to be considered. The major aspect to consider is the operation flow of food production, it is important to work out where the food is produced and the lead time for the production is taken. Store-bought products from vendors versus in-house made products, readymade products from vendors, what to prep on the food trailer at the start of the day, as well as what to prepare for order; all these decisions will greatly impact the infrastructure required, daily routine operational flows, and the revenue of the food trailer business. (Weber, 2012)

## **2.4 Future Development in the Food Trailer Business**

Growth opportunities for the food trailer business are promising, and established food trailer owners may want to grow their businesses by opening more trailers. It is indeed the next logical way to develop one's brand. But it all depends on which area or municipality one wants to be in, and what is the population number in a selected municipality. In-depth research needs to be done before jumping into it.

However, there are challenges the business owner may face, once one decides to grow from one food trailer to more than two food trailers, the owner can only be in one place at a time. If the owner may think of employing some employees into the team and training them to represent the business, it will be a good idea, where the business owner can delegate the tasks to the employees. But the owner's personalised approach towards its customers will create a more distinctive feature for the trailer business that will not be there in every trailer's location. When customers visit the food trailer, it makes a big difference if they can interact with the owner, at the same time the owner can also receive immediate feedback and understand the customer's experience better.

When owning a few food trailers and training new employees to be stationed at different locations may have its challenges. The employees may not be incentivized as food trailer owners, for instance, inappropriate ways of preparing food, cutting corners, missing from work without notice, duplicating owner recipes, lack of customer relations and careless customer service. As David Weber mentioned, running multiple trailers will require a change in the types of activities the owner does as an entrepreneur. Rather than operating a trailer efficiently, the owner will be working on getting others to operate the trailers effectively. (Weber, 2012)

Another way of owning several food trailers and transferring the operation 'know-how' is through food trailer franchising. Franchising, or a business franchise model, is a contractual business model or relationship where the established brand, known as the 'franchiser,' allows an independent business owner, or franchisee, to use its branding, business model, and other intellectual property. In exchange, the franchisee puts up the initial capital for the business, helps to promote the brand and pays a license fee. The franchisor supports its franchisees by providing training to recreate the menu and know-how on operational systems



and marketing. (Myrick, 2010) The concept of franchising business for McDonald's, Subway, Hesburger, and Burger King, offering ownership of their business model to entrepreneurs in other municipalities or within the EU region. Entrepreneurs can own and run a local business that is part of a large, typically successful, proven entity. (Calmes, 2012)

The advantage of franchising is that the franchisor can effectively control the food trailers business, standardisation of operation and food menu. The franchisor retains control of the food truck's brand and licenses for the franchisee to use its successful food truck business model and brand. In exchange, the franchisee puts up the initial capital for the business, helps to promote the brand and pays a license fee. The franchisor supports its franchisees by providing training to recreate the menu, and know-how on operational systems and marketing. Simultaneously, the franchising company needs to do the research and scout locations, which helps the franchisee bypass the trial-and-error stage. Therefore, with the support and guidance from the franchisor, the franchisee can easily start the business. (Calmes, 2012)

The disadvantage of starting a franchise is the price. Franchising can be very expensive due to its franchise licensing of intellectual property (a food trailer's menu and operational systems) as the basis of a franchise contract and other confidential operational information, trademarks, logos and designs, and copyright materials.

(Myrick, 2010) which may prevent small-budget entrepreneurs from taking up the franchise offer.

## **2.5 Thesis Process**

The overall formation of this thesis is straightforward, and it is a candid guide for a food trailer start-up entrepreneur. The first chapter introduces the thesis topic. The second chapter is the thesis plan, where readers are guided through the objectives and purposes of the thesis, applicable ideas, theories, literature, and methods. The third chapter of the thesis is introducing the case company in more detail and focuses on the reasons why failure in the food trailer business at the early stage and what strategy to arrest failure is needed. Chapter four goes into

detail about the research method and explains how the data is collected and analysed. Chapter five will focus on the main objective of this thesis. The final chapter, chapter six includes the conclusion and recommendations.

### **3 CASE COMPANY**

#### **3.1 Penang Street Deli**

Penang Street Deli is a food trailer, established in October 2021. It is a Malaysian street food trailer that sells freshly prepared street food from Penang, a street food capital city in Malaysia renowned for its diverse food culture. The food served by Penang Street Deli has a mix of traditional Malay, Chinese, Indian and fusion cuisines from Baba & Nyonya, an ethnic group defined by their genealogical descent from the first waves of Southern Chinese settlers in the Malay Peninsula in the 15th through 17th centuries.

The company is serving flavourful street food from Penang conveniently and affordable to the Tampere community to enhance the experience of diverse food culture. Looking forward to creating new culinary job opportunities through entrepreneurship and business franchising.

The commissioner has no previous experience in cheffing but had experience in freelancing with her late grandmother's fish cake factory and small café while in Malaysia. Currently, the food trailer has already started its operation as a cloud kitchen, online ordering pick-up service and events. Also, collaborate with other food trailers for food events and concerts. The food trailer is temporarily unable to run full operation in a fixed location, this is due to the scarcity of locations within the city area but sourcing for a fixed location is ongoing.

#### **3.2 Penang Street Deli's Mission**

To provide quality and authentic food to the community conveniently and affordable, by introducing different flavourful street food from Penang, to enhance the lives of customers and the community. At the same time promoting different and diverse food cultures from different continents to the community, by enhancing cross-cultural understanding through food.

### **3.3 Penang Street Deli's Vision**

To improve the happiness and comfort of the local community and promote flavourful street meals from a different culture, as well as create new job opportunities for the younger generation through entrepreneurship education and business franchising, as well as a sustainable business.

## **4 DATA COLLECTION AND ANALYSIS**

### **4.1 Research Objectives**

The main objective of researching the food trailer business is to find out why the food trailer business fails and to determine the perceptions of target customers towards the food trailer business, also opinions from the food trailer owners themselves. The goal of this research is to observe the food trailer business in operation and identify challenges that may cause failure to the business and find ways to improve the operation, as well as the customer's experience.

The objective of this research is to find out the perception of customers who are patrons of food trailers. The research will help to determine the customer's experience with the food served from the food trailers and to find out their attitude towards the pricing and brand awareness of the food from food trailers. Through this observation, the research can find a suggestion for further improvement in food trailer business operations and customer experience. Additionally, the research also tries to discover the types of channels customers prefer when seeking information on food and beverages. Based on the interview, any feedback that may arise can also be adapted to help with future food trailer business improvement and development.

### **4.2 Qualitative Research Design**

Qualitative research uses non-numerical data such as interview transcripts, notes, text documents, video, or recording audio to collect and analyse the data. By using a qualitative study, it can provide different ways of understanding the respondents by freely disclosing their experiences, thoughts and feeling without any constraint, unlike the closed-question survey, which will not be able to disclose the respondent's emotions. In qualitative research, the approach is based on an interview with customers, and the data gathered is mostly nonnumerical. The interviews are classified into two groups. The first group is the food trailer business owners, and the second group is the customers or patrons. The first group, due to the language barrier, only selected English-speaking food trailer

business owners are interviewed. For the second group, the commissioner has appointed a Finnish-speaking friend to assist in the interview.

### **4.3 Face-to-Face Interviews**

A face-to-face interview method has been chosen for the survey. The first group face-to-face interview was done in Tammelantori, which has the most diverse food trailer businesses. Use a straightforward way of interviewing to collect the data. The researcher approached the selected food trailer suggested by the commissioner, but the researcher found that some food trailer businesses could hardly converse in English, therefore have to look for alternatives. As for the second group, the interviews were smoothly completed and for this group data were collected from two areas, one was at Tammelantori and the other one was at a concert event, where the commissioner's food trailer was stationed.

### **4.4 The Advantages and Disadvantages of Qualitative Research**

Qualitative research has its advantages because of its flexibility, where data collection and analysis processes can be used as new ideas, hence they are not rigidly decided beforehand. All data collected is under natural settings, which means it occurs in the real world, at the same time, the data collected can reflect the customer's experience and perceptions toward the food trailer businesses, which sometimes can bring meaningful insights and also can be used to improve the business operations and the food products. The open-ended responses show that the researcher can discover opportunities and challenges which may have never been thought of.

There are limitations in analysing and interpreting qualitative research data because, in a real-world setting, data are affected by a lot of uncontrollable factors. Another shortcoming of qualitative research, it is non-replicable. This means that the researcher can decide on the importance and relevancy of the data analysis. Therefore, data interpretations can vary greatly. In a normal situation, qualitative research data collection is labour-intensive, only a small sample size is used for

collecting the data, and it is difficult to conclude due to biased data to represent a wider population.

#### **4.5 Qualitative Data Analysis**

Qualitative data analysis can range from factual to conceptual and interpretive. According to Methodologist Robert E. Stake ( 1995 ) observes, "Good research is not so much about good methods as it is about good thinking" (p. 19). Thus, a brief discussion of how to "think qualitatively" is addressed first. (Saldana, 2011)

In qualitative data analysis, there are no universally applicable techniques to apply to generate findings. The analytical and critical thinking skills of the researcher play an important part in qualitative data analysis. Therefore, there will be no similar results generated in the repeated study. (Dudovskiy, 2011)

Before transcribing an interview, one needs to prepare and organise the data collected. By reviewing the data to identify any patterns of repeated ideas emerge, such as words and phrases repetition by scanning for words and phrases most used, or words and phrases used with unusual emotions during the interview by the respondents. After identifying the patterns and relationships of the data, the data will link the research findings to the research aims and objectives. (Dudovskiy, 2011)

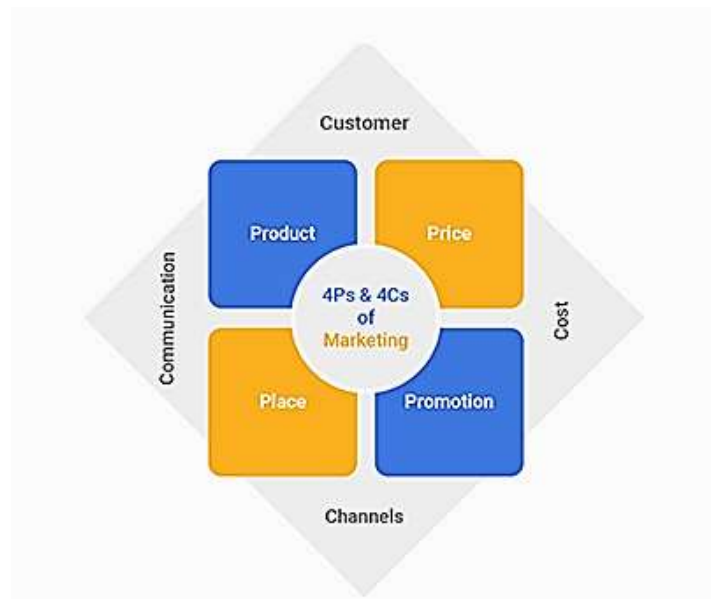
## 5 Marketing Mix for Food Trailer Business

The marketing mix is a set of controllable, tactical marketing tools that are used by businesses to acquire the desired response from their targeted market segment. Tactical marketing tools can be used to influence demand for products or services, as well as marketing planning for the business. (Armstrong, 2012)

Marketing mix elements are blended into an integrated marketing program to achieve the objectives of the business by delivering value to its customers. The four Ps concept takes only the seller's point of view in the market, and not the customer's view. Today, from the customer's viewpoint on customer value and relationships, it is described as the four Cs. This is where marketers see themselves as selling their products or services, and customers as buying value or solutions to their problems. (Armstrong, 2012) The four Cs are customers, cost, communication, and channels.

4Ps	4Cs
Product	Customer solution
Price	Customer cost
Place	Convenience
Promotion	Communication

(Armstrong, 2012)



4Ps and 4Cs of the Marketing Matrix

Source: Pay Per Click Tools (<https://ppcexpo.com/blog/4ps-an-d-4cs-of-marketing>)



Therefore, for the food trailer business to be sustainable, it needs to have a blend of the marketing mix, that is the four Ps and four Cs. If the food trailer business is concentrating on the four Ps of the marketing mix, it is designed to meet the food trailer's business objectives by providing its customers with value, but the focus is only on the business owner's view of the market. The viewpoint of the customers is not taken into consideration.

In the four Cs, the customer's interests are put forward ahead of the business owner's interests. Instead of products or services, it should be the customer's solution to their problem. The second C refers to the cost and not the price, they want to know the cost of acquiring the product or services. Customers are looking for convenience and not a place to purchase products or services. Customers want two-way communication with the marketer that makes the product. For example, customers have been craving Southeast Asian food, instead of flying 9000 kilometres to eat them, now they found out from social media that there is a food trailer selling this unique cuisine within their municipality.

## **5.1 Marketing Analysis of the Food Trailer Business**

To manage the marketing function of the food trailer business, it needs to start with a complete analysis of the food trailer business's situation. A SWOT analysis will be conducted to evaluate the food trailer business. This will help the food trailer owner identify where the capabilities and limitations are, for the business to progress. At the same time make the most of opportunities in the external environment to its advantage and overcome or minimizes unfavourable external factors that may present challenges to its business performance.

In addition to the SWAT analysis, Porter's Five Forces will also be introduced to analyse the level of competition within the food trailer industry and to guide the business strategy to increase competitive advantage. ( Investopedia, 2022)

### **5.1.1 SWOT Analysis**

SWOT and Porter's 5 Forces analyses are both tools used to analyse and strategic decision-making. Porter's 5 Forces usually uses to analyse the competitive

environment within an industry when making long-term plans, generally a micro-analysis tool. Meanwhile, SWOT analysis is looking more deeply into the business to analyse its internal potential (macro). (Hall, 2022)

### **Strengths**

Penang Street Deli is a relatively new food trailer business. It has created a unique proposition from its food menu by serving food from the streets of Penang. Additionally, its tagline 'Your friendly neighbourhood street deli!' and the overall colour of the food trailer is white and red which gives a friendly and warm image of the trailer. To further enhance that the food trailer is bringing Penang street food from 9000 kilometres away to the local community. The meals ordering service also extended into online ordering through Google Business, Facebook, WhatsApp Business, and Instagram. Received good reviews from customers.

### **Weaknesses**

The business started last October 2021, several applications for different locations in the city area have been submitted to the municipality office, and until today the food trailer is still waiting to go into full field operation.

### **Opportunities**

Especially after the pandemic, a lot of events such as concerts, festivals, pop-ups and private events during the spring and summertime, in which Penang Street Deli managed to participate. Since Penang Street Deli is a new brand in town, the brand image is easily accepted. Furthermore, the uniqueness of the food serves has a good opportunity to penetrate the street food market.

### **Threats**

The biggest threat to Penang Street Deli is the other established food trailers in the market. Since the food trailer business in Tampere has minimal available locations open for food trailers to be stationed. At the same time, there are companies which owned more than 5 food trailers trucks that have prevented newcomers from entering the market. The increasing price of raw ingredients due to the increase in petrol gas, the price of electricity and the Ukraine war have all

posed a huge threat to the business. This has caused a lot of uncertainties in menu price settings.

### **5.1.2 Porter's Five Forces**

Porter's Five Forces defines the most important criteria to consider when looking at the competitive landscape of a business. It is used to measure competition intensity, attractiveness, and profitability of an industry or market. ( Investopedia, 2022)

#### **Competition**

Many food trailer competitors in the Pirkanmaa region offer almost equivalent food trailer services and very similar pricing to restaurants.

#### **Potential for New Entrants**

Food is easily duplicatable, it is sometimes impossible to prevent new entrants into the market. To create a strong barrier to entry, it is ideal for existing food trailer companies to have more food trailers stationed in available locations.

#### **Power of Suppliers**

The power of suppliers is high, this is because there are limited numbers of suppliers for products and services. Therefore, switching from one supplier to another is very low and the supplier has more power which can drive up the input costs.

#### **Power of Customers**

The ability for customers to drive prices lower is low, because currently in Tampere, there are two places where customers can get Malaysian food, one is from a Malaysian restaurant (Borneo Ravintola) and Penang Street Deli. But both entities are running at a different concept, one is a restaurant Malaysian food, and the other is a street food trailer, the only similarity is the menu price for the set

meals. Customers have no other choice but to purchase meals from a food trailer or restaurant unless they are based on how convenient to reach meals.

### **Threat of Substitutes**

It has posed a high threat for food on Penang Street Deli that can be substituted with Thai food or Indian food, as both of this food are very close substitutes except for the type of herbs used in the cooking.

## 6 Conclusion and Recommendations

The main objective of this thesis is to create a guild for new start-up food trailer entrepreneurs, on how to arrest failure in the food trailer business. Before that, there are several theses about the food truck business and how to be successful in this business. Paint a great picture of how positively to run a food trailer business, same time earning good revenue from it. It is easy to say than done.

From the perspective of an experienced food trailer business owner, running a food trailer business is hard work. The sales revenue and the customer's feedback are often the most powerful motivator to food trailer owners.

Reading through the mobile food handbooks and several food trucks business stories, which have created a curiosity of looking at the failure perspectives to write this thesis.

The question in Chapter 2 is, 'What are the most important things that need to be considered when starting a food trailer business?' The answer to this question is to take time to do the research for coming up with a viable business plan. Raise enough funding to start the business, but most start-ups have overlooked the predicted future performance of a food trailer's annual earnings based on monthly or quarterly financial performance data. When a food trailer is short of funds, it will become irresponsible, such as cutting corners on cleaning, and reckless vending. There should be an extra set aside budget to cushion starting the business.

Always think of how one can improve one's food and serve customers better, instead of thinking about how much profit one can earn in a day.

It is also very important that to be successful, the food trailer business owner must work responsibly for one's food and the community. Treat customers with respect. Vending responsibly can help to improve the industry and make the business sustainable, at the same time providing a positive food trailer image to the community.

Food trailers in the four seasons countries work differently from the tropical countries. Normally changing seasons especially from autumn to winter, can make

the food trailer operating very challenging. During the wintertime, sales are expected to drop during the slow season and profitability will drop simultaneously. Therefore, it is a good practice to plan in the summer and get a line of credit to help manage through the wintertime. Even though it is cold winter, fewer customers are willing to come, waiting in line under the freezing weather, food trailer owners can draw up a meal delivery plan to deliver meals to customers, this can keep the food trailer running during the slow wintertime.

The commissioner in this thesis intends to provide some fundamental ideas and guidance to the future food trailer start-up entrepreneur on what challenges to expect and how to arrest failure to sustain the food trailer business.

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## APPENDICES

Appendix 1. Three key numbers must know to avoid making mistakes in the food trailer business

### 1. Average Order Value (AOV)

The Average Order Value is defined as the average amount of money spent each time a customer places an order. This is calculated by dividing the total revenue by the total number of orders.

Assuming that the food trailer is selling doughnuts for 3€ each. On average 2 doughnuts are sold per transaction, therefore, the AOV is 6€.

Now, if the food trailer owner can bundle these doughnuts into batches of six and twelve, it is possible to boost the AOV to between 18€ and 36€. By using strategic pricing, it can increase the AOV from 3 to 6 times.

The increase of AOV can lead to a massive reduction in the cost of acquiring customers, by increasing how much each customer may spend with one's food trailer.

Example: the food trailer wants to make 1000€ in monthly revenue, instead of attempting to bring in 150 customers, by increasing the AOV to 20€ and targeting just 50 customers.

The concept of package bundling applies everywhere in the food industry. (Lee, 2021)

### 2. Cost of Goods Sold (COGS)

The Cost of Goods Sold (COGS) measures the average amount spent on each item sold. Most of the time this is used to measure the cost of ingredients (raw materials) put into the product. However, COGS does not measure other operating expenses such as packaging costs, distribution costs, labour costs, etc. Understanding COGS per product is key to running a profitable food trailer business.

If one fails to calculate this number, one will end up setting prices too low. Setting the price to account for all the costs that go into the production process.

For example, The food trailer is selling ramen at 8€ per bowl. It seems like a very attractive price for the customers.

Assume that COGS has already taken up 4€ in expenses. Still, it has to account for the cost of labour, rent, marketing, and other miscellaneous expenses made during the 'production' process.

By the rule of thumb, the labour cost should account for 25% of total expenses, rental 25%, and COGS 25%. This has made room for other minor expenses and allows us to set a reasonable and profitable selling price.

Since prices are flexible, the business owner is the price setter. A bowl of ramen can be sold for anything between 5€ and 16€.

By compromising on price, prices can be set up for profit. To minimize COGS, a food trailer business owner can take advantage of seasonal items. For instance, if mangoes are in season and can get them cheaply, it is advisable to include them as a special dessert item on the menu. Once the fresh mangoes that will increase their perceived value and reduces COGS, which both add up to higher profits. (Lee, 2021)

### 3. Burn Rate

The burn rate is a measure of negative cash flow. It is a rate used to describe how quickly a new business is spending the original capital to finance itself before recording positive cash flow.

The burn rate is usually measured in terms of monthly expenses for the business. Essentially, it asks the question: how much are you going to take out if you have zero business in a month?

For example, an established food business which runs out of a restaurant. The rent and labour, the overhead cost may be from 5000€ - 7000€ monthly. This amount becomes a monthly burn rate. The burn rate will be lower if the operating food business is in a food trailer.

Burn rate is vital as it enables a business to plan properly to ensure the business keeps running and helps it stay out of bankruptcy. It is also allowing the business to continue until it becomes profitable. (Lee, 2021)

□

## Appendix 2. How to calculate food cost percentage

Food cost percentages are very important, it helps operators to track overall costs and individual ingredient prices — empowering operators to make data-driven decisions for optimized spending that helps foster profitability.

Calculate the actual food cost for the week using the following food cost formula:

$$\text{Food Cost Percentage} = (\text{Beginning Inventory} + \text{Purchases} - \text{Ending Inventory}) \div \text{Food Sales}$$

Example:

Beginning Inventory	= 1500€
Purchases	= 400€
Ending Inventory	= 1600€
Food Sales	= 1000€

$$\text{Food Cost Percentage} = (1500 + 400 - 1600) \div 1000$$

$$\text{Food Cost Percentage} = 300 \div 1000$$

$$\text{Food Cost Percentage} = 0.30 \text{ or } 30\%$$

A good food cost percentage should be 28%-32%.

(Guinn, 2021)

### Appendix 3. Interview questions for food trailer owners

1. What are the best and worst parts of operating a food trailer?
2. What skills and expertise are needed in the food trailer business?
3. What was your biggest lesson after you started the food trailer business?
4. What is the fundamental requirement for success in the food trailer business?
5. What are the challenges in the food trailer business?
6. Do you think having a business plan is important for a food trailer business?
7. Does seasonality have a great impact on the food trailer business? How do you overcome this situation?
8. How do you create a menu for your food trailer? Can any type of cuisine be introduced in the food trailer?
9. Do you have quality control over the food from the food trailer? How do you perform to control the quality of food?
10. Does food packaging important to the food trailer business?
11. Does speed matter in food trailer service?
12. Do you think branding is important for the food trailer business?
13. Does social media play important role in the food trailer business?
14. Do you use social media responses as feedback? Why yes/no?
15. Do you think consistency is important for the food trailer business?
16. How easy is it to get a vending location in the city area?
17. How do you sustain your food trailer business?
18. How do you maintain your food trailer?
19. What are the growth opportunities for the food trailer business?
20. What types of technology do you use to manage your food trailer business?
21. What is the future of the food trailer business? Why do you think so?

Appendix 4. Interview questions for food trailers' customers and potential customers.

1. Do you like to buy food from a food trailer? Why yes/no?
2. How often do you buy food from food trailers?
3. What is your food preference for food trailers?
4. What do you think about food from a restaurant vs a food trailer? Or ready-made food from supermarket shelves vs food trailers?
5. What do you think about food trailer hygiene factors?
6. Are there more choices of food from the food trailer? How about their quality?
7. Do you think eating at a food trailer is cheaper than eating in a restaurant? Why do you think so?
8. What type of food do you prefer vending from the food trailer?
9. Is the food served from the food trailer value for money? Why?
10. In your opinion, are there any growth opportunities in the food trailer business? Why do you think so?

## Appendix 5. Four Ps and four Cs?

### What are the Four Ps?

The Four Ps and Four Cs of marketing are referred to the broad areas marketers need to consider when designing a marketing strategy.

The product in this matrix refers to anything related to the business's actual goods or services. It could mean designing new products, modifying existing products, or considering which products should be discontinued.

Price involves deciding on the amount that customers need to pay for their goods or services. Factors taken into consideration include value, demand, and customer needs.

Place in this matrix is placed, also referred to as distribution. It refers to how the marketer's product makes it onto the shelves of retailers, the location of the stores, and the amount of store coverage the business may have.

Promotion refers to methods used by marketers to communicate with customers. This includes advertising, events, or even word of mouth among customers themselves.

### What are the Four Cs?

The 4Cs are also known as Customer, Cost, Communication, and Channels. They are all different aspects, there is a complex relationship between each of them that marketers need to consider achieving their goals.

The customer refers to any stakeholder group that the business deals with. This could be current customers, potential customers, or even investors.

Cost refers to the amount of money a business needs to maintain itself. This includes expenses, prices, and profits.

Communication refers to how business information is shared with customers at every touchpoint (in person, online, or over the phone).

Channels refer to different types of distribution channels that are available for transporting goods or services to customers. (Anon., 2022)