



Presented to: Dr. Tarek Mady

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Executive Summary

PEI Patty Wagon Inc. is a local food truck that is owned and operated by four locals of PEI. The four owners are Laura Ready, Jack Fraser, Alex Hall, and TJ Shea. Each of the four own an equal share of the company with 25 percent. Our business saw the opportunity to be a profitable business since food trucks are becoming more and more popular around the world, with a 12.4 percent increase in the food truck industry over the past 5 years (Myrick, 2015). It is estimated that there are about 3 million food trucks in the US alone (Myrick, 2015). Food trucks are known to be quick, affordable, and convenient options when looking for a place to eat. The fact that food trucks can move from location to location to be more convenient for their customers is proving to be its differentiating competitive advantage. Our single sentence mission statement for PEI Patty Wagon Inc. is to provide an affordable and convenient alternative for our customers. This mission helps bring in \$79,200 in total sales in our first year of operations.

In addition to being a profitable business, PEI Patty Wagon Inc. is always looking to expand to become more profitable and to satisfy as many customer wants as possible. One thing we have done is brought in an eco-friendly way to serve our customers by purchasing containers and utensils that are biodegradable. As a company we feel that it is important to make a profit, but it is also important to do what we can to help the environment.

Company Description

PEI Patty Wagon Inc. is a food truck business that will focus on providing delicious food for the downtown Charlottetown area. Our business will be located mainly on the corner of Great George St. and Water St.; however, we will be moving around the downtown area depending on customer demands, and special events that are happening around the community. PEI Patty Wagon Inc. understands the major issue of global warming, and how serious of an effect it can have on our environment, so we have decided to make our contribution to help preserve our planet. All of our containers and utensils will be purchased from Eco Products Inc., which is a company that supplies products that are compostable, meaning it will help divert waste from our landfills (Eco Products Inc.).

Our competitive advantage will be that we will have extended business hours on the weekends, staying open to serve the nightlife crowd. Our business will aim to provide the most convenient and affordable option when grabbing a bite to eat late at night.

PEI Patty Wagon Inc. will be owned and operated by local residents Laura Ready, Tj Shea, Alex Hall and Jack Fraser. As stated above, our main location will be on the corner of Water St. and Great George St, and we will serve hamburgers, hotdogs, fries, poutine and other delicious items. Our goal is to provide our customers with delicious food, without needing to travel far to get it.

Situation Analysis

PEI Patty Wagon Inc. is a start-up company, so marketing is critical to its success and future profitability. We will provide several different meal choices such as burgers, hotdogs, fries, and poutine. The market goal is to serve the downtown Charlottetown population with delicious food while still being sustainable in our environment. We will also aim to be a superior alternative to other establishments in the waterfront area. PEI Patty Wagon Inc. is providing its customers with a menu that offers tasty burgers and fries at convenient and accessible locations compared to our main competitors such as Burrito Jax and China Garden.

Market Trends

The marketing trend for PEI Patty Wagon Inc. is to serve both the daytime and nighttime crowds in PEI, ranging in age from 19-25. Food trucks are a rising industry in North America, with an estimated revenue of 1.2 billion dollars in 2015 in the United States alone (Myrick, 2015). Our daytime market will differ from our nighttime market, as there are plenty of tourists, cruise ships and other special events that we will be looking to serve at during the day. We will also look into serving our food at other nighttime events or concerts as well.

We see this need of a food truck downtown and close to the bars as there is an increasing amount of activity. PEI is a hotspot for tourism each summer, and we will be looking to capitalize on that. There is also a needs gap for the nightlife of Charlottetown as there is currently only two main food establishments that are open. We will eliminate a long walk or cab fare that some would regularly be forced to pay for.

SWOT Analysis

The intention for PEI Patty Wagon Inc.'s SWOT Analysis is to pinpoint important areas of success and development needed to take advantage of all opportunities and possible threats.

Strengths • Price • Location • Minimal wait times • Biodegradable utensils and containers	Weaknesses • Limited seating • Food Variety • Limited staffing
Opportunities • Able to expand operations with more trucks • Ability to travel to special events	Threats • Bad weather • Foodborne diseases • Easily duplicated

Strengths

Our strengths include our location and convenience, as we will be able to move our location to best serve our customers. There are no current rival food trucks in our market segment. Our ability to move our location according to where our customers are, allows us to be in prime territory for our target markets. Our aim is to lead customers towards our products over other alternatives which can be located much farther away. Our convenience will hopefully bring a sense of popularity along with it, as you could eat and socialize with many friends as you wait for your cab/ride home. Since our utensils and containers are purchased from Eco Products Inc., we will be able to set a positive example for other fast food restaurants/food trucks in our industry by showing customers just how much we care about our environment and our people in it.

Weaknesses

Our weaknesses involve relying on the tourism success as well as the success of the bars. A weakness to having a food truck is that we don't provide the regular atmosphere of a restaurant, and that all orders will be considered "take-out." This can be an advantage and a disadvantage as we do not have to worry about slow service from our waiters/waitresses, but at the same time we have to ensure that our customer service is extremely strong, as we normally only have one interaction with the customer. Since our menu offers mainly burgers and fries, we do not offer the variety that other restaurants might. Also, since we have decided to stay open late on weekends, we expect to find difficulty in hiring minimum wage workers that are willing to work late on Friday or Saturday nights.

Opportunities

Our opportunities can stem greatly from our large tourism population, and large weekend crowds. With the influx of people from cruise ships, as well as other tourists, we will be able to generate an increase in butterfly customers, which will bring in a great increase in profit in short time. PEI is a very busy place in the summer time, hosting plenty of events and festivities, so we will be able to gain profit from this.

Threats

The biggest threat to our food truck is the unpredictability of weather. On days of bad weather, it will definitely negatively impact our sales, however this is the case with many downtown area businesses. Just as the bad weather will negatively impact our sales, days with sunshine will make our sales much greater.

Food born diseases can affect our business greatly, especially because we are not a direct marketing channel, and we will be getting our food from our suppliers. If there are food born diseases in our suppliers manufacturing plant, or needles found in the potato manufacturers that we buy from, it could have a huge impact on our sales.

Our last threat is the possibility of duplication. Food trucks are a relatively simple start up company, so if we find great success with our opening, we have to be prepared to have competitors soon after. In saying this, we will have a team in place that will ensure we stay ahead of our competition.

Industry (Main trends)

The main trends of our business come from street foods, which has been on the rise over the past couple years with increased amounts of food trucks showing up all over the world. Bringing delicious food with quick simple customer service for reasonable cheap prices at locations of customers' convenience.

Competitors

As of right now we do not have any current competition against our food truck from rival food trucks in our segments we are targeting in our area, but do receive competition from Burrito Jacks, and the China Garden and Taco Boys due to all our late hours of operations which lead customers to their establishments after a night out.

Customer Trends and Behavior and Insight

The main trends we have observed in the downtown Charlottetown area is that people are looking for faster more affordable food. Businesses like Taters have succeeded in being convenient but not as affordable. The younger generations also look to a company they relate to

and see as “cool”. Our social media account will be a big part of this trend by getting our word across in an easily accessible way. Our target market tends to look for the most affordable options, especially our night life crowds.

Porters 5 Factors Model

Direct Competitors	• Our competition varies from daytime to nighttime as fewer options are available during the night • During the day we need to have strong advertising to attract customers	• China Garden • Burrito Jax • Peake’s Quay • Taters • The Chip Shack • Water Prince Corner Store
Substitutes	Fast Casual • Establishments that are cheaper alternatives, but are not a healthy substitute. Premium Casual • Substitute for customers who want a dining experience • Greater Menu Selection	Fast Casual • McDonald’s • Wendy’s • Harvey’s • Burger King Premium Casual • Hunter’s Ale House • The Factory • Merchantman • Victoria Row Restaurants
Entry Barriers	Barriers that exist that create obstacles that preventing new businesses from entering the market	• Government Regulations • Finding Suppliers • Threat of Substitutes
Supplier Power	Supplier power refers to the pressure suppliers can apply to businesses	• Raising Price • Lowering Quality • Ability to shape the market’s competition
Buyer Power	The pressure consumers exert on businesses to make them provide	• Lower Prices • Provide Price Incentives • Customers are in large concentrations

Marketing Strategy

Mission

The goal of PEI Patty Wagon Inc. is to provide an affordable and convenient alternative for fast food in downtown Charlottetown.

Marketing and Product Objectives

PEI Patty Wagon Inc. intends to operate every week during the summer season in downtown Charlottetown on Great George Street. Apart from our main location we will also move to specialty locations if there are events with high profit possibilities or our customers have a high demand for a location, such as, sports tournaments, concerts, fundraisers, etc. We will provide burgers, fries, poutine, and drinks at affordable prices. We are prepared to stay open as late as our customers keep arriving on the weekends (around 3 a.m.) due to the heavy bar crowd.

PEI Patty Wagon Inc. will have a strong social media presence and be able to stay relevant with the Millennial and Generation Z populations this way. This way we can establish a brand perception of being a new and affordable food for the local citizens of Charlottetown. We project a fast growth in our weekend hours due to our high market share we will be able to obtain. When the bars close the only close convenient restaurants are China Garden and Burrito Jax, which are almost half a kilometer away, especially after a night at the bar. Both restaurants' cheapest meals start at around twelve dollars and average around fifteen dollars. If people are looking for inexpensive food, which they often are after spending at a bar, they are left with taking a taxi to McDonalds. PEI Patty Wagon Inc. fills the void in between these options by providing customers with affordable food, only two minutes away from the bars. This is easily foreseeable because our food will be served for almost half the price of our competitors and twice as close to the bars, where our target market will be coming from. By dominating the late night fast food market, we will be able to develop an awareness for our company for the day time customers.

During week days we will still be able to maintain good profits because of our location and ability to change locations. In this area of downtown most of the restaurants are more expensive and target tourists. Our food truck targets the average Islander that isn't looking to spend twelve or more dollars on a meal. PEI Patty Wagon Inc. will rely largely on word of mouth marketing from our customers and our active social media, with giveaways and humorous

relevant tweets to connect with our customers. Customer relations are big for PEI Patty Wagon Inc. and that's why we will also hold weekend late night specials for people who purchase a larger meal.

Customers who spend fifteen dollars or more after twelve on the weekends have a chance to roll a dice to win a free taxi ride to wherever they like. Our location makes us impossible to not walk past on the way to our competitors. By staying active on social media we will be able to notify our customers when we're serving at a new location and send out surveys for feedback. We intend to grow fast initially and maintain our position throughout the summer season, by taking customer insights on our food and what new foods or options we could introduce to the company. Our social media account will also keep us relevant throughout the closed seasons by putting on contests for coupons to be used in the next business season.

Target Market

The market segment we will be entering is downtown fast food. We have a very specific target market that consists of mostly people between the ages of nineteen and twenty-five during our weekend hours. We also have a weekday/daytime market that will look very similar but will vary based on what our location is. We can see the demand for many families looking for affordable fast food when out and we intend to provide to this crowd during weekdays.

These age groups prefer to eat inexpensive due to the fact that many are trying to pay for school or may still be low income. This group is particularly influenced by trends and social media and that is a big part of how we want to advertise ourselves to them. On weekends we project most customers will be closer to their early twenties due to the fact that these are the ages that usually stay out after bars close or are still around when they do close. This market will most likely be living off a low income and have already been paying for overpriced drinks at the bar. At this point in the night they will be looking for a nice dining experience and inexpensive food that will fill their stomachs. It is not enjoyable having to walk the current distance to buy a fifteen-dollar meal at two in the morning, and it can also be dangerous walking the streets downtown if intoxicated and it can be especially uncomfortable for women having to do it in heels.

These factors can make the walk feel much longer, and can be enough to take customers away from these businesses. PEI Patty Wagon Inc. intends to help this target market eat for less

and save them from the painful, tiring walk which can take a lot away from a good night at the bars. This is why we will be most profitable on the weekends because we will be serving a large portion of our target market. Throughout weekdays we will be using our social media to connect with our market and find the best locations for them in the daytime. All whilst also serving our other portion of the market which still falls under the average islander category but this market age could vary more, as well as possibilities of family crowds.

Points of Difference

PEI Patty Wagon Inc. has two significant points of difference: our price and our location; along with other minor benefits. The price of a meal at the Patty Wagon will be almost half of one at Burrito Jax or China Garden (our late night competitors). We see ourselves being very different from our nighttime competitors and excelling in this market. With price often being debatably the number one concern of our target market this sets us apart.

The other large concern for this market is location, due to the fact that they have to walk after drinking at the bars. We will be located under two minutes from Peake's Quay which is under half the time it would take to walk to our competitors. Another big difference is our environment. By not being an indoor restaurant set up, we create a more comfortable atmosphere for our market. They won't have to worry as much about their volume or behavior because it will be more of a quick stop to eat before going home. This will be very beneficial to customers who are more intoxicated and have troubles behaving at these high blood-alcohol levels.

This comfortable atmosphere will contribute to building good customer relations and a sense of safety for the customer when eating because they are not under the constant surveillance of multiple restaurant employees and cameras. During the daytime we will have higher competition and that's why being a food truck will help us. By being active on social media and in the community we will be moving locations as we see fit, creating bonds with our customers so when the weekend arrives we're a sure choice.

Positioning

Our position in the downtown Charlottetown fast food market is to be seen as the food for the average young adult. We are here to meet the needs of our customers and provide them with the affordable and convenient food they demand. No longer will they have to make a strenuous

walk to over pay for food after leaving the bars. And no longer will they have to pay tourist prices when enjoying a day downtown. We're simply meeting the demands of the average young adult market to gain a high market share and initial growth. This along with establishing a trendy brand in the eyes of our consumers through social media. We project that by meeting so many customer needs at once we will be able to establish a relationship with our customers to keep growing our business and expanding based off future changes in customer needs and wants.

The Marketing Program

Product/Branding Strategy:

At PEI Patty Wagon Inc., we aim to provide exceptional food at affordable rates, while putting ourselves above our competitors with our high quality burgers, and our fries that are made with PEI potatoes. PEI Patty Wagon Inc. will specialize in creating classic burger and fries, offering a variety of burger/fry/poutine options. We will have a very simple menu, consisting of only 5 different burgers. We will, however, be changing up our menu frequently, based on our consumers' tastes.

All of our cutlery will be bought from Eco Products Inc., which is a company that specializes in "reducing the impact on air, water and soil to reduce our generation of solid and hazardous waste" (Eco Products Inc.). PEI Patty Wagon Inc. is aware of the extreme pollution that the traditional plastic cutlery has on the environment, and we believe that we can make our contribution to making the Earth greener by carrying these products. All of their products are made from 100% renewable resources, and are compostable, meaning it will help divert waste from landfills (Eco Products Inc.).

We will be hosting many polls and surveys on our social media sites to stay up-to-date with our customer demand, while consistently selling our traditional items.

Since we plan on focusing on a late night consumer base (after 9 p.m. on Friday and Saturday) our customers will be rewarded for spending more than \$15 dollars in a single purchase at our establishment by getting the chance to receive a free cab ride home. They will be given two dice, and if they roll double sixes they will receive a free cab ride home. Another

aspect that will set us above our competitors is our online system that will allow customers the opportunity to place orders beforehand with a set pick-up time for faster service.

Price Strategy

PEI Patty Wagon Inc. will focus on customer-based value pricing so that our potential consumers feel as though their perceived value is maximized. We plan to use the pricing penetration strategy, as we need to gain a large consumer base right away in order to be successful in this business. The food truck industry has experienced a 12.4% increase in industry revenue over the past five years (Myrick, 2015). With such a fast-growing industry, we need to gain our market share quickly, and we believe that with the penetration strategy we can achieve this.

Our average burger price is going to be \$7.00, with our lowest price being \$5.00, and our highest being \$9.00. Our average fries price will be \$2.00, however we assume that they will most likely be purchased most often with our burger, fries and drink combo, which averages to be \$9.00. We will offer a variety of colas, juices, and water at a price of \$1.75.

Our combination deal will be significantly lower than the price of our leading competitors, who have average sale prices of about \$12-15. We plan to offer daily deals and reward customers for a larger purchase to give ourselves a competitive advantage.

Promotion Strategy

Social Media can be a driving force to starting up a new business, especially since we are targeting the younger market. Scott Baitinger, the owner of Streetza Pizza (a large food truck company in Milwaukee) says that “Twitter is key to his business success, estimating that 70 percent of his sales can be directly tied to social media” (Lagorio-Chafkin, 2010). We plan to use social media on a daily basis to offer our customers different deals, promotions, and other information. There will be polls with alternate menu options, allowing the consumer to have a direct impact on what is put on our menu. We have many contests planned to happen with the use of our social media pages that will be released over the span of our first year.

We estimate that 3% of our projected sales for the first year will be put back into our promotional efforts. As shown in our financial statements in Appendix A, we estimate to have a

total revenue of \$79,200.00, which means that we will spend approximately \$594 in advertising ventures.

Place Strategy

Since PEI Patty Wagon Inc. is located in the streets of downtown Charlottetown, it will have a direct marketing channel from our company to our consumers. Our products will be sold from our truck to our customers without the need of any intermediaries.

The supply chain for our business will be simple, as our potatoes are coming from local Island potato farmers, and our burgers will come from the PEI Beef Plant. Our cheese, lettuce, tomatoes, and other ingredients being outsourced from other external suppliers. As mentioned above in our product description, all of our cutlery will be bought from Eco Products Inc., instead of using the traditional plastic options.

Customer Service

At PEI Patty Wagon Inc., we strongly believe that the key to success in our customers. If we can guarantee that our customers have a positive experience every time they interact with our company, we will be very successful. That is why at PEI Patty Wagon, we will put our customers above all.

We believe that it is essential that our business hires qualified candidates that are people-oriented, fun, and exert excellent social skills. The employees can have a huge impact on our customer-base, especially in a small town like Charlottetown.

Financial Data and Projections

PEI Patty Wagon Inc. expects to bring in a total of \$79,200.00 in our first year of operations. We have split up our projected market into three categories: daytime, nighttime – Friday, and nighttime Saturday. For our daytime numbers, we have based it on 3.33% of the potential market, averaging about 50 meals a day – assuming that the weather cooperates. We believe that 50 meals over the span of our seven hour working day is not unreasonable. For our weekend projections, we used higher percentages of the market, as there are very few

competitors. We expect to sell about 200 meals per weekend between Friday and Saturday nights. Our weekends will be quite busy as we will be located close to Peake's Quay, which is a bar that often hits its capacity (600 people) each Saturday night. In total we will aim to bring in a monthly total of about \$21,600.

Our meals average at nine dollars, and cost us only \$3.50, giving us a gross profit margin of 61%. After taking into consideration all of our fixed and variable costs (as shown in Appendix A and B), we will have a net income of \$6,411 after our first year. We will breakeven once we have sold 2,758 meals, or once we have reached \$24,819.23 in sales.

Implementation Plan

PEI Patty Wagon Inc. plans to follow a tight schedule in order to accomplish all of our objectives that we have created in order for our business to be a success. We have listed four phases below, which help to keep us focused on our business goals. These phases are essential to our company as they are what will lead us to our success.

The four phases are: Preliminary Phase, Development Phase, Pre-Opening Phase, and Growth Phase.

Preliminary Phase:

The first phase, which has actually already begun on October 31st, is our preliminary phase. In this phase we will create the foundation on which our company will be built. During this time, we will conduct many hours of market research to ensure that we stay on top of the latest trends and local competitors. Possible threats will be continuously evaluated so that we can be sure to turn these threats into opportunities for growth. This phase will continue until the end of 2016, where we will then advance to the development phase.

Development Phase:

Beginning on January 1st, 2017, our business will start looking into developing our brand equity and overall services. We will ensure we register our business, obtain our licenses, and deal with all legal affairs necessary during this time. By the end of our development phase, we need to have all of our applications done, and be ready to start our launch.

Pre-Opening Phase:

March 31st marks the day we commence our pre-opening phase. In this phase, we will make sure all of our equipment is purchased and our truck is ready to go, and also all of our hiring will need to take place during this time. Much of our advertising efforts will need to take place in this phase, as we will need to educate our consumers on why we are the best option available. Our social media pages will be constructed, and contests for gift cards and other prizes will be launched. This phase will run right up until our opening day, June 1st, where we will move into our last phase.

Growth Phase:

The growth phase is a very important phase because it is our last phase. During this phase, it will be essential that we are continually adding new products and improving our services, as no product lasts forever. In order to be a successful company, we will have to stay on top of our market and competitors so that we will remain the top option for fast food in downtown Charlottetown.

Contingency plan

The main risk when opening up a new business is whether or not the business is going to be successful. PEI Patty Wagon Inc. relies on tourism and local nightlife for our success, which can be a risk for our company if the tourism is not good during the summer. There are plenty of difficulties when it comes to starting up a business, such as, what type of food your customers want and what price they are willing to pay for it. Those factors need to make customers feel as if we are offering more than our competitors. If we have a comparative advantage over competitors it is more likely for people to buy our product.

The worst case scenario is that people feel that they are not receiving the best value. This would cause our business to fail, but if this happens, we would just need to go back to the beginning of our process and begin down a different route. If people are not ready to embrace the food truck industry right now, that is a huge loss for us and for them, however we can always rebrand ourselves and try again. The best case scenario is that our business is a great success, with sales generating quickly and people who love what we have to offer. It is ideal if people

find that our food is delicious and are more than willing to pay this reasonable price. We reach our break-even point in a very short period of time which allows us to begin to make a profit.

Epilogue

Over the past month working on our marketing plan for PEI Patty Wagon Inc., we all learned many things about how to start up a business. We all learned that it is not that easy to do, and it is not simply just thinking of an idea. There is so much more to it, such as choosing the right price, finding the right product, and trying to be a profitable business. In order to make a profit you have to ensure you put work into finding the right price in order to succeed; however even still prices from suppliers can change, and economic factors can also have an effect, causing the pricing issue to become much more complicated. The hardest part of starting a business is making sure people know about you and your product/services. If you have a great product but no one knows about it, it will be very difficult to be successful.

We also found out that there is a serious amount of overhead costs that we were not aware of when starting a business, which is shown in our financial data. Whether it be for utensils, legal fees, business permits, truck expenses, and truck insurance, there were many small items that added up very quickly. Those are just a few examples, but there are plenty more that prove why it is so hard to have a profitable business.

Even though it is hard to be a profitable business when creating a small business, we as a group see that it is definitely possible with a lot of hard work. With a good product that makes consumers feel as if they are getting the best value, partnered with good marketing that gets the businesses name out there, success is obtainable. Small businesses can be very profitable, as food trucks are a 1.2 billion dollar business in the United States (Myrick, 2015). This industry is still growing because people love a quick meal that tastes great. The fact that food trucks have increased 12.4 percent in the past year means that they are successful and the bigger they get the more successful we will become (Myrick, 2015).

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Appendix A:

PEI Patty Wagon Inc.

Revenue

Sales	\$79,200.00
Cost of Goods Sold (food only)	30,888.00
Gross Profit	<u>\$48,312.00</u>
Gross Profit Margin	61%

Expenses

Fixed Costs:

Truck	\$10,000.00
Vehicle Insurance	3,000.00
Vehicle License	400.00
Application Fees	200.00
License to Operate	125.00
Legal Fees	1,200.00
Accounting Fees	1,000.00
Kitchen Equipment	2,000.00
Total Fixed Costs	<u>\$17,925.00</u>

Variable Costs:

Advertising and Promotional	\$594.00
Salaries Expense	22,176.00
Gas & Repairs	1,800.00
Knives	60.29
Forks	60.29
Spoons	60.29
Napkins	89.90
Plates/Baskets	43.33
Cups	133.93
Lids	69.42
Straws	175.73
Total Variable Costs	<u>\$23,976.00</u>

Net Income (Loss)	\$6,411.00
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Total Variable Cost per Unit	\$2.50
Contribution Margin	\$6.50
Break Even Point in units	2,757.69
Break Even Point in dollars	\$24,819.23

Appendix B:

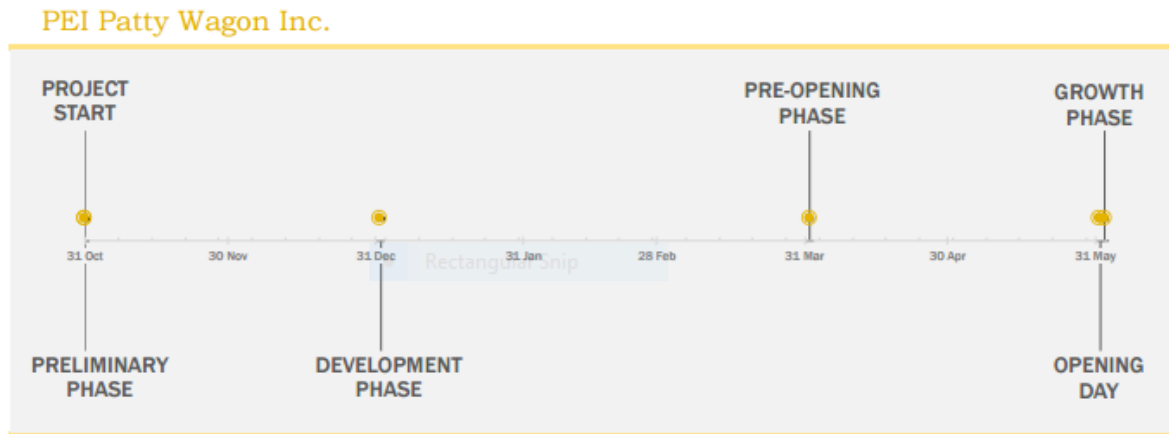
**PEI Patty Wagon Inc.
Monthly Sales Mix**

Potential Forecasted Market Daytime Sales (3.33% of Market)	50
Potential Forecasted Market Friday Night (10% of Market)	50
Potential Forecasted Market Saturday Night (25% of Market)	150

Product	Number of Meals Sold	Average Unit Price	Total Monthly Sales	% Total Revenue	Avg. Cost Per Meal	Gross Profit Margin per unit
Daytime Meals	1400	\$9	\$12,600.00	64%	\$3.50	61%
Nighttime Meals - Friday	200	9	\$1,800.00	9%	\$3.50	61%
Nighttime Meals - Saturday	600	9	\$5,400.00	27%	\$3.50	61%
Total	2200	\$9	\$19,800	73%	\$3.50	61%

Appendix C:

Implementation Plan:



Appendix D:

Logos and products provided by graphic designer Dylan McQuaid

