



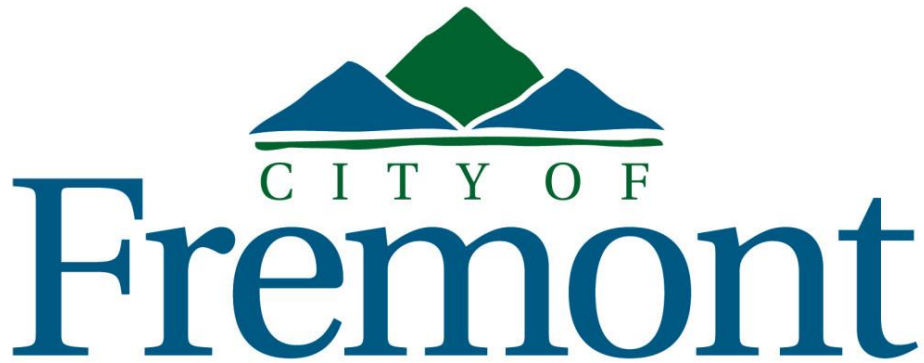
Food Business Entrepreneurial Training Academy

#2: Operating Models

Alameda County SBDC

FREMONT, CA

1/8/2019



Alameda County
LIBRARY
...Infinite possibilities

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Thank you to our sponsors

Economic & Civic Development Department
224 W. Winton Avenue, Room 110
Hayward, CA 94544

The Economic & Civic Development Department promotes economic development and public/private investment in the unincorporated communities of Alameda County. The Eden Area communities include Ashland, Castro Valley, Cherryland, San Lorenzo & Fairview.

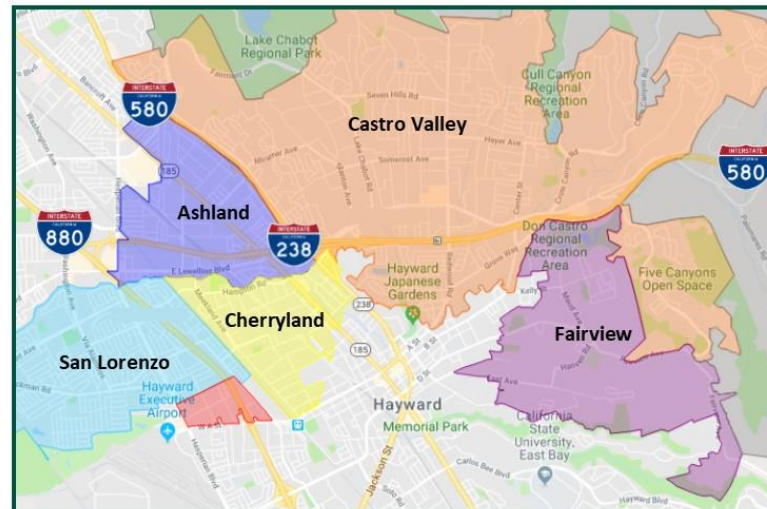
ECD works to...

- Attract new businesses
- Help businesses expand
- Offer small business workshops
- Offer award-winning Food Training Academy
- Provide technical assistance
- Offer one-on-one business counseling
- Attract new investment
- Find the perfect location for your business
- Provide marketing opportunities at signature events
- Be a liaison for property owners and real estate development projects

Phone: (510) 670 6506

Website: www.acgov.org/cda/ecd/

Facebook: [@AlamedaCountyECD](https://www.facebook.com/AlamedaCountyECD)



Operating Models

- CPG or Foodservice
- Cottage Food Act
- Farmers' Markets
- Commercial Kitchens vs Commissary Kitchens
- Mobile Food Units- trucks and carts
- For Profit
- Not For Profit and Non-Profit
- Social Enterprise

Two Sectors (and a few exceptions)

Consumer Packaged Goods (CPG)

- Bigger than the food sector
- Soda, yogurt, chips- interior of the store
- Traditionally in grocery stores and specialty shops
- Start up costs = ~\$30-\$100k
- Best to be a product line for brand awareness
- House of Brands or Branded House
- Exceptions in FMs' and RTE, RTD

Two Sectors (and a few exceptions)

Foodservice

- - Fine Dining
- - Family Dining
- - Casual Dining
- - Fast Casual
- - QSR
- - Institutional

In essence, they have the same financial model with different emphasis

- Example: Masa's and Burger King

Cottage Food Act

Qualifying:

- Will you prepare and/or package cottage food products at the home where you live?
- Is your cottage food product on the State approved list?
- Do you have one or fewer full-time employees (excluding immediate family or household members)?
- Will your gross annual sales be limited to \$50,000?
- Registration and Permit Requirements Flowchart
<http://www.cdph.ca.gov/programs/Pages/fdbCottageFood.aspx>

Farmers' Markets

MYTHS:

- FM to retail or restaurant
- It's a cheap way to start
- Regionally governed and varied
- Run by a local gov't, certified producer or non-profit
- Farmers grow and sell – with one 2nd cert
- Non-Agriculture Products
 - Do market research
 - Complete application
 - Get health permits
 - Create booth

Farmers Markets- cont'd

- ▶ California Department of Food and Agriculture
(http://www.cdfa.ca.gov/is/i_&c/cfm.html) (overarching)
- ▶ California Farmers Markets Association
(<http://www.cafarmersmkts.com>)
- ▶ Pacific Coast Farmers Market Association
(www.pcfma.com)

Commercial Commissary Kitchens

- Must be health department certified
- Determine the type, space and time you will need
- Typical station rate in the Bay Area is \$25-32 per hour
- Often have upper rent limits (\$1200-\$1800)
- Processed Food Registration Permit – local public health department
- On all counts, play nice here!

Co-packers

- Certified commercial kitchen with business acumen
- Traditionally start with a client at \$100k in annual contract
- Newer smaller co-packers with monthly minimums of \$5k
- Recipe to formula to bench top prototype
- Nearly a full-time job
- Simplifies business and decreases margin so be careful with costing

Mobile Food Units

- Ohhh boy!
- Monthly sales of \$30-50k– worth considering
- State Housing and Community Development to obtain the HCD insignia
- Public Health Dept for inspection and certification
- Business license from each city you plan to sell in
- State Franchise Tax Board for a seller's permit
- <http://www.acgov.org/aceh/food/calCode.htm>
- Zoning department or sponsored event

Financial Models

- For Profit
- Not for Profit
- Non-Profit
- Social Enterprise

Q&A/Wrap Up



Course Syllabus

1/3/2019 Class 1: Concept (mission/vision/values)

1/8/2019 Class 2: Operating Models

1/10/2019 Class 3: Consumer Packaged Goods & Food Service Models

1/15/2019 Class 4: Understanding Costs (cash/profit)

1/17/2019 Class 5: Operations

1/24/2019 Class 6: Marketing Communications

1/29/2019 Class 7: Financial Projections

1/31/2019 Class 8: Legalities & Resources

2/5/2019 Class 9: Funding Your Company

2/7/2019 Class 10: Your Business Plan

Appendix

Cottage Food Act Information Sheet:

- <http://www.cdph.ca.gov/programs/pages/fdbcottagefood.aspx>

Average Profits for a Small Café

- <http://smallbusiness.chron.com/average-profits-small-cafe-30768.html>

Food Cost to be Considered in Choosing an Operating Model

- <http://www.chefs-resources.com/produce/produce-yields/>
- Important to consider EP and AP- edible portion price and as purchased price. Also remember to include butter, olive oil and bread on the table. That needs to be paid for somehow and somewhere.

Produce Yields

- <http://www.chefs-resources.com/produce/produce-yields/>

How to Calculate Food Cost (this is an especially great article!)

- <http://www.starchefs.com/cook/business-tips/how-to-calculate-food-cost>

Breakeven Analysis

- <http://www.orbablog.com/blog/restaurants/what-is-your-restaurants-break-even-point/>