

# EXPLORING MARKET POTENTIAL AND VENTURE FEASIBILITY FOR FOOD TRUCK BUSINESS IN PUNE: AN ENTREPRENEURSHIP CASE STUDY

**Palak Sharma<sup>1</sup>**

## 1.1 Abstract

Food and Beverage market is undergoing an unprecedented revolution in India, making it crucial for all formats to cater the need for uniqueness of concept and quickness of service. This case study explores the feasibility and market potential of food truck business in Pune Market for North Indian cuisine. The analysis of the market and business plan development depends on both internal and external factors, with the objective of developing a B-plan that can attract angel investment and venture capital.

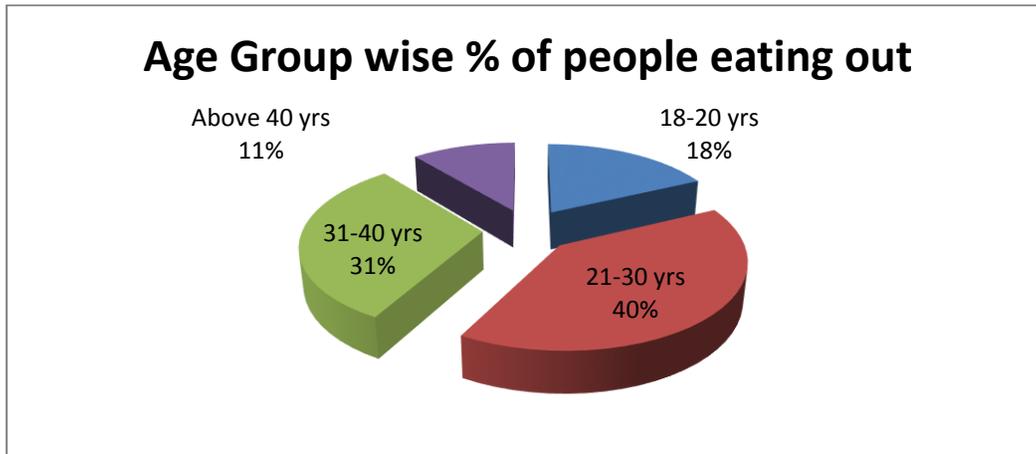
## 1.2 Introduction

The food and beverage market in India has grown at a rate of 23-24% (CAGR) over the past three years. The major contributors to this growth are quick service restaurants (45% popularity) and casual dining restaurants (32% popularity) as compared to all other formats in the market. Customers have given the best response to standalone restaurants that either cater to local tastes or have unique concepts which are otherwise missing in the market.

With food comprising of majority of our expenses, this segment is always expected to grow, even if the rate of growth can vary. Economically viable members of the society between the age group of 21 and 54 years are the ones who contribute nearly 50% to the growth of food and beverage sector. Age wise customer profiles of most restaurants and eating joints reveal that 71% of customers frequenting their outlets are between the age of 21 and 40 years. This clear demographic shift is grounds for coming up with retail formats which are designed to cater to younger audiences.

---

<sup>1</sup> Asst. Professor, Pune Institute of Business Management



### 1.3 Business Partners

Ms. Saanvi, Ms. Pari and Ms. Geet want to start a business venture together, right after they complete their MBA in 2015. For this, they have been working on a business plan for the past 6 months and have collected a huge amount of industry data. The business idea is simple; they want to start an authentic food truck by the name of “Mitti di Khushbu”, offering North Indian cuisine in the city of Pune. They have identified target markets and are willing to share cross functional responsibilities. But there are still certain areas on which they haven’t worked on and must dedicate time to figure these out if they want to start their business right after MBA.

While Ms. Geet is an expert chef in North Indian Cuisine and would be assuming the role of Chef, she is also a major in Operations and will thus be managing the supply chain and vendors. Ms. Saanvi has a passion for social media marketing, digital media and all thing related to branding. She would, therefore, prefer to be the marketing manager for the Food truck taking the responsibility of generating sales, conducting market research, spreading brand awareness and developing a brand image. She is also happy to assume the responsibilities of a sous-chef. Lastly, Ms. Pari is a major in Finance with a flair for travelling. She will be driving the food truck, managing accounts and taking orders.

### 1.4 Market Background

The three partners have decided to do business in Pune city with special focus on certain markets after analyzing the market density and probability of success. Below is the data accumulated by them about the Food and Beverage market of Pune:-

- **Total Population of Pune – 1.02 Crore** (Approx, as per 2011 census and an estimated growth of 9% in three years); Approximately 61% of this population is urban i.e. 61 lacs; sex ratio – 915 per thousand
- Current **economically active population** in Pune is 52.3% of the total population. This can, therefore, be estimated at **53 lacs** approximately. (Between the age group of 15-59 years).
- **Per Capita Income in Pune – Rs. 60000** (Second highest in India)
- **Population density in Pune is 603** inhabitants per square kilometer.
- Immigrant population in Pune – According to 2001 census; 15% of population in Pune was immigrant. This was expected to come down to 10% between 2011 and 2021. Thus expected **immigrant population** can be estimated at **10 lac individuals** in 2014.
- Key contributing sectors to Pune's economy are IT (26%), service, transport, trade and hotelling.
- Total no. of North Indian Cuisine serving restaurants in Pune is approximately 3800, including dine out, home delivery, café and delis, bar formats of which 3735 are listed on Zomato.com. Kothrud has a density of over 110 North Indian restaurants, Viman Nagar has over 90 and Baner has over 70 restaurants serving North Indian cuisines.

### 1.5 Business Idea

The partners have consciously decided to target areas where population density and frequency of immigrant population residence or visit is very high. They are considering to capture areas like Hinjvade IT Park, Kalyani Nagar IT park, Yerawada and Magarpatta in the Morning hours between 10:00 AM – 4:00 PM. Between 10:00 – 1:00, they want to capture the **breakfast market with a limited menu** –

1. Parantha and Lassi combo – Aloo, Paneer, Pyaaz, Namak-Ajwain, Methi and Gobhi (Priced at Rs. 50/-)
2. Samosa-Chana and Lassi combo (Priced at Rs. 40/-)
3. Chole Poori/ Aloo Poori and Lassi combo (Priced at Rs. 50/-)

Between 1:00 PM – 4:00 PM, they want to capture the **lunch market with a limited menu** which can be varied on different days of the week –

1. Rajma Chawal with Lassi combo (Priced at Rs. 60/-)
2. Mutter-Paneer and Parantha with Rooh Afza combo (Priced at Rs. 60/-)
3. Daal Makhani and Parantha (Priced at Rs. 50/-)
4. Makki di Roti - Sarso da Saag (Priced at Rs. 75/-; seasonal)
5. Rooh afza-lemon mix (Medium @ 20/-; Large @ 30/-)

6. Lassi (Medium @ 20/-; Large @ 30/-)

The next leg of the day between 6:00 PM – 11:00 PM, would be aimed at capturing markets like MG Road, FC Road, Koregaon Park, Kalyani Nagar, Aundh, Bavdhan, Pimple Saudagar, etc. wherein immigrant population either visits or resides. **6:00 PM – 8:00 PM will be focusing on snacks market** with a limited menu that can have some variation on different days of the week–

1. Paneer Pakode (Priced at Rs. 30/-)
2. 2 Samose (Priced at Rs. 30/-)
3. Special Masala Chai (Priced at Rs. 10/- per cup)
4. Aloo-tikki (Priced at Rs. 30/-)
5. Paapdi Chaat (Priced at Rs. 30/-)

The **dinner market will be targeted between 8:00 PM – 11:00 PM** having the same menu as the lunch menu. Average ticket size per customer is expected to be Rs. 50 per day and average customer turnover expected per day is around 300. The advantage of covering varied geography in Pune city allows for a larger customer density to be expected. An expected monthly turnover of Rs. 390000 can be expected, if downtime of certain 4 days can be factored in. Estimated cost projections for starting this business are as follows.

Cost Heads	Expected cost (in Rs.)
Food Truck	3500000
Legal documentation and Permits	100000
Fixtures and utensils	100000
Monthly raw material cost	40000
Monthly fuel cost	70000
Marketing and promotions cost	25000
Annual Insurance cost	100000

## 1.6 Sourcing of funds

Now as the meeting with Mr. Dhanraj, the VC, approaches; Geet, Pari and Saanvi are worried about their final business plan. They know they have some good market understanding and the required skill set to run this business successfully. But Ms. Sia is known to bring an audit team along and is a successful venture capitalist with more than 7 cash rich ventures under her belt. The initial investment influx for this business can totally change the quality and brand of this

food truck and designing a fool-proof business plan is the only way to convince Mr. Dhanraj to invest.

The business model which can win Mr. Dhanraj over will have to be consistent with external market scenario and promise and ROI north of 30% for sufficient funding to be raised for 'Mitti Di Khushbu'.

**References:**

1. Pune District Census 2011 Data; Extracted from: <http://www.census2011.co.in/census/district/359-pune.html>
2. <https://www.zomato.com/pune/restaurants/north-indian>
3. Truck Profiles; October 2013; Food Trucker; <http://foodtruckr.com/2013/10/what-i-wish-id-known-before-starting-my-food-truck/>
4. O Terenzio; March 2015; How much does a food truck cost; Open For Business; Extracted from: <http://openforbusiness.opentable.com/tips/how-much-does-a-food-truck-cost/>
5. Unlocking the potential in the food and beverages service sector, 2015, Grant Thornton, FICCI; Extracted From: <http://ficci.in/spdocument/20589/F&B-Report.pdf>