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COVER STORY

# OUTSIDE/IN



WHY  
FOOD  
TRUCKS  
ARE  
GOING  
BRICK &  
MORTAR IN  
ORDER TO  
SURVIVE

BY KENNETH HILARIO

16-19

PHILADELPHIA  
BUSINESS JOURNAL

September 1, 2017  
Vol. 36, No. 30, \$4.99

400 Market St.  
Suite 1200  
Philadelphia, PA 19106



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## COVER STORY

# TWO-WAY STREET

THE ONE WHERE FOOD TRUCK OPERATORS OPEN BRICK AND MORTAR RESTAURANTS TO SUCCEED OR SURVIVE

BY KENNETH HILARIO | KHILARIO@BIZJOURNALS.COM

**K**iki Aranita and Chris Vacca wasted no time in launching Poi Dog, a Hawaiian cuisine-inspired food truck that took to the streets four-and-a-half years ago.

Aranita was a Latinist, and Vacca was a Hellenist, but they left their previous lives in academia to make the leap into mobile food, acquiring the four-by-eight-foot food truck in February 2013.

They took to the streets in April that same year. Aranita likes to think of it as the fastest and cheapest food truck startup of all time.

Fast-forward to 2017, and she and Vacca have now graduated to a brick-and-mortar version of Poi Dog.

With the March opening of the restaurant in the Rittenhouse Square neighborhood, the partners are among the newest of local food truck operators who now operate full-fledged, stand-alone eateries. They've all opened restaurants to maintain and foster consistent growth that a food truck-only business may not have afforded.

At least five popular food truck operators in the past year have opened restaurants:

- ▶ Poi Dog in Rittenhouse Square
- ▶ Spot Gourmet Burgers, Steaks & Pork in Brewerytown
- ▶ Mac Mart in Rittenhouse Square
- ▶ Oink & Moo BBQ in Voorhees, N.J.
- ▶ Say Cheese and Revolution Taco owners 33rd Street Hospitality in Rittenhouse Square, East Falls and Jenkintown

It's not uncommon to hear people bursting onto the food scene after leaving their careers. They may be fed up with their current job; they may have decided to pursue their food passion; or they just found themselves there through happenstance, among other reasons.

For example, Poi Dog's Aranita and Vacca came from academia; Josh Kim of Spot Burger came from business and management; and Marti Lieberman of Mac Mart came from the fashion and retail industries.

Kim calls a food truck the "pre-step" to a restaurant.

"With restaurants, there's never a first step, and this is why a lot of them fail," Kim said. "There's never an incubation step or a small experimental phase for a restaurant to open."

It's helpful for first-time restaurateurs to learn how to operate a food truck successfully, since it teaches all the essentials in a "micro setting with very little overhead."

It's no surprise that restaurant space comes with high costs. Rents have skyrocketed over the last decade in Center City, particularly on the Walnut Street corridor, where restaurants have found it increasingly difficult to

*Chris Vacca and Kiki Aranita purchased their Poi Dog food truck for \$17,000. Their brick-and-mortar restaurant cost them around \$75,000.*

afford rents, according to Douglas J. Green of MSC Retail. Rents on Walnut Street today range between \$150 and \$200 per square foot, making it "very difficult to build a healthy restaurant," Green said. Rents on Chestnut Street are 60 percent to 70 percent of those on Walnut Street, but they've also increased over the past few years.

"Numbered streets and named blocks south of Wal-

nut will continue to provide the best value for restaurants looking to penetrate the Rittenhouse Square neighborhood," Green said.

Poi Dog and Mac Mart are both located on numbered streets in Rittenhouse Square.

The rents in the suburbs are increasing, too.

Rents in markets where restaurants can do robust



NEAL SANTOS



KENNETH HILARIO



lunch and dinners, like Radnor, King of Prussia and Malvern, max out around \$50 per square foot.

"This is significantly higher than just two to three years ago as several high-volume restaurants in the suburbs have proven you can do urban-type volumes at suburban rents," Green added.

Starting with a truck is attractive "because of the accessibility in terms of barriers to entry for an entrepreneur, who can take a risk, be edgier, try new things and build a following," said Jonathan Deutsch, professor of culinary arts and food science at Drexel University.

This factor is particularly important for a new, unknown brand entering the food market, posing less of a risk from a financial standpoint.

Lieberman, for example, ultimately spent about \$130,000 for the food truck and other expenses; the Mac Mart brick and mortar cost "less than \$500,000, more than \$200,000," she said.

Aranita and Vacca paid \$17,000 for the Poi Dog food truck, and paid about \$75,000 for the restaurant.

While a great way for an entrepreneur to get their foot in the door, in the long run, growth may be stymied.

"Philadelphia is larger than some cities, but it's smaller than others," Poi Dog's Vacca said, "and it became very apparent to us – when this food truck thing blew up and kept getting more trucks – that there's not enough people that will go to these trucks consistently that will be able to sustain this."

The two quickly realized they couldn't be just a food truck operation. "If we were just a food truck, setting up on the corner or doing the occasional event, we would not survive," Aranita said.

It came to the point where Poi Dog, the food truck, reached its capacity, and Aranita and Vacca had to turn down catering orders.

"If we keep doing this truck on its own, it's pretty much as good as it's going to get," Vacca explained. "If we want to increase the volume we can do, we have to have larger space to do it in, more consistent opening hours and a larger staff."

Entrepreneurs can scale a business by adding additional trucks, but they won't benefit from the economies of scale from a restaurant that has an incrementally larger kitchen, Drexel's Deutsch said.

"You just keep adding more infrastructure," he said.

The food truck is the only consumer-facing part of the business, but there are other things that come with expenses like a commissary, or physical locations truck owners are required to have before and after vending for food preparation, maintenance, among others.

"Just because you're mobile doesn't mean you don't have that cost. You do," Deutsch said. The leap to brick and mortar and retail space could become more logical.

"You're already paying rent for a building that you can't sell food out of, except from your truck," said Sean Parker of Oink & Moo BBQ, which now operates three food trucks and two restaurants.

A brick and mortar "alleviates that," Parker said. "It's a solution to finding a commissary. A lot of commissaries are shared, but a restaurant is your own place and home."

## CHALLENGES ON WHEELS

There are a number of problems that come with food trucks that may impede growth, chief among them the seasonality of the business.

"The limitations of food trucks are based on weather," said David Fiorenza, economics instructor at Villanova University's School of Business.

Fiorenza was involved in setting up the Phoenixville



SPOT BURGER

Josh Kim serves up a tasty lunch. He opened the Spot Burger restaurant in Brewerytown.

Food Festival, which has become a semi-annual event. "If we have four or five days of straight rain, there's no or little business, and you don't make that up," Fiorenza said. "Brick and mortars can enjoy days like Thanksgiving and New Years."

A brick and mortar has the potential for a steady revenue stream, important not only for the operators, but the people that depend on the income they provide.

"We believe it brings more consistency to the process, and we can retain employees longer," Oink and Moo's Parker said. "We can build more of a brand that way."

A lot of food trucks are now event-based operations, rather than out on the streets vending on a daily basis.

"It's hard to keep employees who have such open availability and not necessarily the same income every week," Parker added.

Making sure employees continue to get paid was a large impetus to open Rittenhouse Square's Revolution Taco, according to Michael Sultan, who co-owns 33rd Street Hospitality with Carolyn Nguyen.

33rd Street Hospitality runs food trucks Revolution Taco and Say Cheese, and restaurants Revolution Taco in Rittenhouse and Borough Brewhouse in Jenkintown.

It's grown to 30 employees companywide.

A mobile business also presents its own challenges.

"It's a huge pain in the ass to run a food truck," Drexel's Deutsch said. "That should not be underestimated."

Running a restaurant with a small kitchen is already a challenge in and of itself.

"When you add the complexity in maintaining a vehicle, parking and all that, it is mindbogglingly complex and annoying," said Deutsch, who said a brick and mortar "certainly makes life more predictable."

With a brick and mortar, more money is made, but it also allows food truck operators to reach more people.

"Many think that because the truck is on wheels that you are able to reach more people in a variety of places," Mac Mart's Lieberman said. "While in some aspects that is true, it becomes difficult when you book for private events and catering."

These only allow for very small or very specific groups to get food in very specific time periods, Lieberman added, rather than being in one centralized location for the masses to get to.

That's a common problem food truck operators associate with roaming food. A restaurant gives consistency.

Food truck operators have always advocated the fact that they are small businesses at its very definition. A restaurant pushes that distinction even further.

It legitimizes a business and its model, Kim said.

"When food trucks are building a brand, there's no brand power behind it," Kim said. "When you have a brick and mortar, it legitimizes it and says these guys are actually serious about growing."

The growth in the overall food and beverage industry in Philadelphia is helping food truck operators take flight and open restaurants.

"The city has helped a lot with grant programs [for] food businesses to get off the ground," Kim said.

When a food truck operator is in the mix of a successful food scene, an entrepreneur's natural instinct is to get better.

"They want to show Philadelphia what they're about," Kim said, "and they know they can do that even better in a brick and mortar that's open consistently versus a roaming food truck that may not be open."

"The Philadelphia food environment scene is a great incubator for these entrepreneurs in the food realm," Kim added. "They know they can establish themselves in food, become a legitimate brand and bring the momentum right to the bricks."

Many restaurants that began as food trucks or carts have foregone their mobile brethren as they continued to grow, including Philadelphia's Insomnia Cookies and Washington, D.C.'s District Taco, which next year will open a restaurant in the Philadelphia region.

The ones that opened a brick and mortar in the last year, however, don't have near-term plans to kick their trucks to the curb.

Kim recommends entrepreneurs keep food trucks in their arsenal. "The more revenue streams you can get, the better," he said. "I've talked to a few where they were so stubborn and headstrong, and didn't want to do deliveries, explore apps or want to do anything anymore with the food truck."

That's the wrong way to approach it. Food trucks are the "gravy on top of everything," said Kim, who said annual revenues may fall by 30 percent if the food truck did not exist.

The food truck business has become a two-way street; restaurant chains are creating their own mobile counterparts, including Saladworks of Conshohocken.

"Food trucks themselves have made a remarkable transformation from 'roach coach,'" chief executive Patrick H. Sugrue told the Business Journal in an earlier interview.

"Now your most innovative food entrepreneurs are using food trucks, and they add to your social currency," Sugrue added. "It's an important part of our marketing communication beyond utility."

For food truck entrepreneurs looking to expand into restaurants, Poi Dog's Vacca and Aranita recommend a business plan separate to one crafted for a food truck.

The two partners created a business plan for the Poi Dog food truck through the Wharton Small Business Development Center, and they had to modify that plan to fit the needs of a restaurant.

Entrepreneurs also shouldn't base the success of a brick and mortar on the successes of the food truck.

"They have to draw out projections based on what a standard model would be [for a restaurant,]" Vacca said.