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The Role of Competitive Priorities in Location Mobility and Menu Decision:
A Study of the Food Trucks Industry

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ABSTRACT

The recent revitalization of the food truck industry presents an interesting opportunity to study the competitive priorities of food trucks and how they are related to mobility and menu configurations. The industry was revitalized by the growth of gourmet food trucks as a result of the economic meltdown of 2007. The combination of a surplus of used food trucks and unemployed chefs brought the growth of a sophisticated menu sector of the food truck industry. This conceptual paper presents four propositions on how location mobility and menu decisions are related to a set of competitive priorities.

KEYWORDS: Competitive Priorities, Location, Food Truck Industry

INTRODUCTION

The food truck industry has been a part of the American landscape for many centuries, but in the past years several factors have helped a revitalization of the industry and the nascent of a new segment called gourmet food trucks (Hermosillo, 2012; as cited by (Esparza, Walker, & Rossman, 2014). This new segment of food trucks are crafting a more adventurous menus ideas (Buzalka, 2014) and a new way of operating food trucks.

This new segment of the food truck industry is attributed to the decline in the construction industry during the economic meltdown of 2007. The meltdown of the construction industry made many traditional food trucks go out of business; generating a surplus of used food trucks (Weber, 2012; as cited by (Esparza et al., 2014). Also, the economic meltdown made consumer cut back on restaurant expenses resulting on closing of restaurants or dismissal of chefs (Weber, 2012; as cited by Esparza et al., 2014). Some of those unemployed chefs saw an opportunity on the surplus of the food trucks and decided to start their own food truck business (Stein, 2008; as cited by Esparza et al., 2014, p. 146).

For companies, finding a good location is instrumental. In fact, companies use significant time and resources to find a good location. It is also known that a good location does not secure business success, but a bad location makes it very difficult for a business to survive (Park & Khan, 2006). Krajewski, Ritzman, and Malhotra (2007) present the following location dominant factors of the service industry: proximity to customers, transportation costs and proximity to markets, location of competitors, and site-specific factors.

Competitive priorities was a term coined by Skinner (1969; as cited by Ward, McCreery, Ritzman, & Sharma, 1998) to categorize the emphasis a firm was selecting to compete. The key competitive priorities are cost, quality, flexibility and delivery (Adam and Swamidass, 1989; Anderson et al., 1989; Leong et al., 1990).
The literature of location decision and competitive priorities are well established. But there is limited research in the area of location decision in an itinerant or nomad environment. This research study will explore how mobility and menu complexity allows the food truck operator to focus in different competitive priorities combinations. At the same time, the study will analyze how this new segment of gourmet food trucks could allow food truck operators to pursue different types of competitive priorities.

The food truck industry presents an interesting population since they are able to relocate fairly easily. With this in mind, this research study will explore the following question: How competitive priorities influence the location mobility and menu complexity decision of Food Truck operators?

The first section of the research paper will present background and literature review covering information about the food truck industry, location theory and competitive priorities. The second section will present a conceptual model with four propositions. The last section will present a discussion and some contributions.

BACKGROUND AND LITERATURE REVIEW

The Food Truck Industry

A growing segment of the foodservice industry are food trucks and food carts (Miller & Washington, 2013). Food trucks have been a part of the American culture, but the gourmet segment came to the market to redefined the food truck industry after the economic downturn of 2007 (Weber, 2012; as cited by Esparza et al., 2014, p. 146). This new segment have created a market niche with a strong public image and a customer base quite different from the traditional “taco trucks”, “lunch trucks” and street vendor carts (Hermosillo, 2012; as cited by (Esparza et al., 2014). This explosion of food trucks and truck followers was driven by a great variety of menus crafted by skilled chefs sold in food trucks painted in vibrant colors and great branding (Wessel, 2012).

The growth of the food truck industry is associated to the decline in the construction industry during the construction meltdown of 2007. At that time, traditional food trucks that served the construction industry went out of business and consequently, there was a surplus of used food trucks (Weber, 2012; as cited by Esparza et al., 2014). Another consequence of the economic meltdown was the consumers cut back on restaurant expenses resulting on closing of restaurants or dismissal of chefs (Weber, 2012; as cited by Esparza et al., 2014). As a result, unemployed chefs saw an opportunity in the surplus of food trucks and began venturing into the food truck industry (Stein, 2008; as cited by Esparza et al., 2014).

The nature of this industry is nomadic or itinerant. They tend to move several times during the day following sales and consumers. Typically, a food truck will serve different areas of the city such as parks, plazas, events, college campuses, construction sites and so on (Wessel, 2012). Also, as a result of the new trend in the food truck industry, new location types have been created. One example are the food truck parks were a public area is designated for food trucks to sell their food. The same concept has been adopted in the private sector; for example, a medical center manages a food truck park in their parking lot in order to offer a variety of menu options to their workers and patrons (Buzalka, 2014).

Social media has been an important marketing and location-awareness tool for the gourmet food trucks. Social media is an ideal infrastructure for an industry in constant mobility (Wallace, 2011). They use specially Twitter which allows the trucks to inform their “followers” their location and also the schedule of locations (Esparza et al., 2014). Ironically, Twitter also allows food
truck operators to learn the location of other fellow food truck operators and prepare a better route with less overlap on a location (Wessel, 2012). Additionally, there are several phone applications like “TruxMap, TruckSpotting, Food Truck Fiesta and Road Stoves GPS” (Wessel, 2012) that inform the truck food customers the operating times and location of the food trucks of a specific city facilitating finding the trucks.

The traditional food truck industry suffers from a bad reputation. Wessel (2012) explains that before the revitalization of the industry, food trucks were known as ‘roach coaches’ as a consequence of their average food and rustic trucks. Other public concerns about the industry are crowded parking, noise, diesel fumes, and litter (Severson, 2011; as cited by Wessel, 2012)

The food truck industry regulations vary depending on the city or location. In some cities, food trucks need to be parked in a specific location, while in other cities, the food trucks are able to change locations freely and there are almost no restrictions for setting up (Miller & Washington, 2013). Some cities have created ordinance restricting the operation of food trucks in a particular area, for example an entertainment center (Berk & Leib, 2012; Tway, 2011; as cited by Esparza et al., 2014). Other cities enforce proximity bans establishing how close of a brick-and-mortar a food truck is allowed to operate (Berk & Leib, 2012; Linnekin et al., 2012; Norman et al., 2011; as cited by Esparza et al., 2014). Finally, food trucks need to follow health and food preparation codes, and parking and vending location regulations (Berk & Leib, 2012; Linnekin et al., 2012; Norman et al., 2011; as cited by Esparza et al., 2014)

The food truck industry also faces some operating challenges. For example, chefs need to prepare their dishes in a cramped environment (Jackson, 2014). In fact, some gourmet food trucks chefs have been in the necessity of modifying their menu items or change the execution or delivery of an item as a result of the space limitations (Jackson, 2014). They also face limitations as a result of the regulations. One good example is that in some locations, trucks are only allowed to carry a maximum amount of propane; limiting the production capacity of the food truck (Jennings, 2011).

**Competitive Priorities**

Skinner (1969; as cited by Ward et al., 1998) coined the term “competitive priorities” and argued the importance of manufacturers for choosing one or more key capabilities to focus their resources and efforts. It is commonly agreed that cost, quality, flexibility and delivery are key competitive priorities for companies (Adam and Swamidass, 1989; Anderson et al., 1989; Leong et al., 1990). And it is also accepted that a good alignment of competitive priorities and decision regarding the structure and infrastructure of operations could help evaluate the effectiveness of company (Leong et al., 1990; as cited by Boyer, 1998).

The debate on competitive priorities is centered on whether companies need to focus on one priority and abandon the others or if competitive priorities are complementary and commutative. The trade-off model presented by Skinner (1969; as cited by Boyer & Lewis, 2002) argues that companies must chose a competitive priorities that should be pursued and allocate all the company efforts, investment and time (Boyer & Lewis, 2002). This argument is based on specialization, being good at doing one thing and not wasting resources in other competitive priorities. Others author (Corbett and Van Wassenhove 1993; Noble 1995; as cited by Boyer &
Lewis, 2002) believe that there is a cumulative effect. This argument is based on the idea that a company can achieve one competitive priority and then pursue another. The integrative perspective reconciles the trade-off and cumulative models into one. Their proponents (Hayes and Pisano 1996; Schmenner and Swink 1998; as cited by Boyer & Lewis, 2002) present the argument that firms could implement both models concurrently.

The four competitive priorities are discussed in this paragraph. First, some firms put emphasis on Cost. Controlling cost could allow the company secure a space in the market. Cost-related categories include: (direct) production costs, productivity, capacity utilization, and inventory reduction (Ward et al., 1998, p. 1036). The second competitive priority is Quality. Quality allows companies to maintain a good market position. Garvin (1987; as cited by Ward et al., 1998, p. 1036) clarified the different points of view by suggesting an eight-dimensional framework: performance, features, reliability, conformance, durability, serviceability, aesthetics, and perceived quality. The third competitive priority is Delivery. This priority is the ability to deliver according to a promised schedule. (Ward et al., 1998, p. 1036). The last competitive priority is Flexibility. Flexibility allows firms to offer flexibility of the product they offer or volume they produce (Ward et al., 1998, p. 1036).

In the case of the food truck operators, they need to choose their competitive priorities. Do they want to focus on cost by selling products that sell at a lower cost? Do they prefer to adopt a quality orientation and emphasize on offering products that are more sophisticated with a higher quality? Or do they prefer the flexibility of changing their menus as they change locations? Lastly, some food trucks operators could concentrate on having a good delivery strategy.

**Location and site selection**

Selecting a good location for a business is critical for the survival of a business. Finding a good location allows the business to generate sales and profit; on the contrary, a bad location will be difficult to overcome even if you have an excellent product (Park & Khan, 2006).Aside from the importance of the customer base implications of a location, the decision of a location is important because the firm is locking in resource that will be difficult to redeploy in the short term. There are several theories that explain location decision.

The central place theory’s main proposition is that consumers prefer to shop at a store that is closer to their residence (Christaller, 1933; Athiyaman, 2011). This theory focuses on transportation costs which states that the demand for a service declines as the distance increases. An important limitation of this theory is that consumers sometimes go to locations to purchase several products, making more difficult for the theory to predict what a good location is. A location that is closer to the center of the customer demand area has a better business opportunity than a location that is less centrally located (Litz & Rajaguru, 2008).

The principle of minimum differentiation main proposition is that proximity to rivals is more important than proximity to customers (Hotelling, 1929; as cited by Litz & Rajaguru, 2008). The argument is the relative proximity to other sources of the same product. This theory helps explain why some industries like the car dealership benefit from being in close proximity. There is a “cumulative attraction” (Nelson, 1958; as cited by Litz & Rajaguru, 2008) effect as a result of having several stores selling a similar product but in a differentiated way. (Litz & Rajaguru, 2008)

The main proposition of spatial interaction theory (Reilly, 1929, 1931) is that shopper will place less importance on distance if the attractiveness of the shopping destination is higher than a
nearby destination (Athiyaman, 2011). The main argument of this theory is that consumers evaluate where the transaction will occur, and not only the attractiveness of the product. Jones et al. (2003; as cited by Litz & Rajaguru, 2008) presented empirical support with a study of how consumers will drive additional distances to obtain less standardized goods and services.

The land value or bid-rent theory is based on the assumption of uniformly distribution of costumers in a hypothetical landscape. The theory presents that a central location is the better or low cost location for location for economic activities (Haig, 1926; as cited by Athiyaman, 2011)

The selection process of a site involves locating a good general area of the city for the business and identifying a site within that area (James, Walker, & Etzel, 1975; Marquardt, Makens, & Roe, 1983; Powers, 1997 as cited by Park & Khan, 2006) First, the location analysis evaluates a general area within a city. The factors related to the general location include but are not limited to economic conditions, population, potential competition, potential growth (James et al., 1975), trading area, transportation system, and traffic patterns and the volume of traffic (Powers, 1997; as cited by Park & Khan, 2006). The second part of the analysis is selecting a specific property. Some of the more important factors are: size, parking facilities, accessibility of utility and public services, convenience, and visibility are factors related to but not limited to the position of site (Khan, 1999).

The food truck industry has a built-in advantage as a result of its mobility. Trucks are able to choose a variety of locations on a daily or hourly base. This gives the industry the possibility of 'chasing' their customers (Wallance, 2011). Do food truck operators prefer an itinerant operation strategy or they prefer to find a location and settle?

THEORETICAL DEVELOPMENT/MODEL

The theoretical model builds on the following reasoning. Food truck operators need to define one or several competitive priorities to focus their efforts. Jogaratnam, Tse, and Olsen (Parsa, 2005) explain that restaurant owners must generate strategies that allows them to better adapt to changes in the environment and create business opportunities from them. Accordingly, food truck operators need to generate strategies formally or informal to compete in the market. Informal means that they could be defining their strategy even if they do not establish the priority formally, basically just by the way they operate. Depending on the competitive priority or priorities the food truck operator decides to pursue, the selection decision factors that will be dominant. The following research question is defined for the study and addresses the objective of this study: How do competitive priorities influence location mobility and menu decision of Food Truck operators?

Conceptual model

Before presenting the propositions of the conceptual model, I begin by describing different types of configurations food truck operators are able to follow. As seen in table 1, a food truck operator is able to decide to follow a permanent strategy or an itinerant strategy. There are some food trucks that prefer to find location for their food truck and settle their food truck in a permanent location. In a way, this is very close to the location decision of a restaurant. Also, there are other food truck operators that prefer to choose a more itinerant or nomad strategy by selling in different location at different times. Another important configuration that the food truck operator needs to decide is the menu complexity. There are some operators that prefer to have
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Competitive Priorities in Location Mobility and Menu Decision

Table 1. - Conceptual Framework

<table>
<thead>
<tr>
<th>Mobility</th>
<th>Menu Complexity</th>
</tr>
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<tbody>
<tr>
<td>Itinerant</td>
<td>CP: cost and setup flexibility</td>
</tr>
<tr>
<td>Permanent</td>
<td>CP: cost and speed of delivery</td>
</tr>
<tr>
<td>Simple</td>
<td></td>
</tr>
<tr>
<td>Sophisticated</td>
<td></td>
</tr>
</tbody>
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a simple menu and other operators that prefer a more sophisticated menu. Simple menu
opponents are very close to what people perceive as ‘traditional’ food trucks and sophisticated
menus are similar to the ‘gourmet’ segment of the industry. The previous arguments leads to the
following four combinations: Simple menu with a permanent location, simple menu with an
itinerant location, sophisticated menu with a permanent location, and sophisticated menu with
an itinerant location.

Propositions

Operators that select an itinerant location strategy and serve a simple menu will need to have a
flexible setup and control their costs. They will be operating in different location and each
location will require a different set up. Since each location along the route have different
customers and infrastructure requirements, the food truck operator will need to adapt or have
flexibility on their setup and operations. Operators that focus on cost will tend to adopt a simple
menu. Having a more sophisticated menu could generate additional operating costs that will be
reflected in their final price and will affect their customer base. This combination of operating strategies will be more appropriate for a food truck operator that focuses on cost and flexibility. Accordingly, I present the following proposition:

**P1:** Food truck operators that have an itinerant location strategy and a simple menu will focus on cost and setup flexibility.

There are other operators that will prefer a permanent location strategy while serving a simple menu. This type of setup needs to concentrate in speed delivery. Normally, people will drive to the truck and expect a fast service. The operations could be similar to a fast-food restaurant. Food truck operators need to control the cost since they are competing with other food serving facilities. This combination of operating strategies will be more appropriate for a food truck operator that focuses on cost and delivery. Accordingly, I present the following proposition:

**P2:** Food truck operators that have a permanent location strategy and a simple menu will focus on cost and speed of delivery.

Food truck operators that prefer an itinerant location strategy and a sophisticated menu will need to compete in quality and flexible menu. If the operators visits several different locations and serves quality products, it will be necessary to customize their products to the different locations that the truck visits. It could be serving a different item or portion. This combination of operating strategies will be more appropriate for a food truck operator that focuses on quality and menu flexibility. Accordingly, I present the following proposition:

**P3:** Food truck operators that have an itinerant location strategy and a sophisticated menu will focus on quality and flexible menu.

The last configuration is related to the operators that select a permanent location strategy and serve sophisticated menu. This type of operator will need to concentrate on controlling quality and having a great delivery. Customers of this type of food trucks will drive to the permanent location looking for a special dining experience. For this reason, the delivery of the meal should play an important role. The delivery system could be with waiter or having other amenities like music or a great view. This combination of operating strategies will be more appropriate for a food truck operator that focuses on quality and delivery. Accordingly, I present the following proposition:

**P4:** Food truck operators that have a permanent location strategy and a sophisticated menu will focus on quality and sophisticated delivery.

**DISCUSSION AND CONTRIBUTIONS**

This research paper explores how the food truck operators are able to select several competitive priorities configurations and how these configurations could dictate the location mobility preference and menu complexity. The study also integrates and compares the gourmet food truck segment to the traditional food truck industry. This new segment is revitalizing the food truck industry and creating a need of the regulations that allows a better control of their operations.

The first factor analyzed in is study is location mobility. Food truck operators have two options: select a permanent site or be an itinerant operator. If they select a permanent site, basically the food truck operator is competing with bricks and mortar restaurants. So they need to select their
competitive priorities accordingly. If they select an itinerant configuration, the food truck operations is able to select different sites and leverage that location mobility advantage. The next factor that the food truck operators need to define is their menu complexity. A simple menu will allow the food truck operator to compete in cost. A more sophisticated menu would allow the operator to compete in quality.

This study presented four different propositions as a result of those decisions. First, if the food truck operators select an itinerant location strategy and a simple menu the operator should focus on cost and configuration flexibility. If the food truck operator prefers a permanent location strategy and a simple menu, the operators should focus on cost and a speedy delivery. In the case that the food truck operator prefers an itinerant location strategy and a sophisticated menu, the operator should focus on quality and a flexible menu. Lastly, if the operators select a permanent location strategy and a sophisticated menu; the food truck should focus on quality and refined menu delivery.

This study provides guidance on some location factors and competitive priorities for food truck operators. This study is important because the industry is growing and food truck operators have several alternatives when defining their competitive priorities. The study presents how two decision (location mobility and menu selection) could require a focus on some competitive priorities. Also, this study could help policy makers better understand the different needs of food truck operators. If policy makers want to encourage the creation of a specific segment of food trucks, the propositions presented in this study allow the policy makers make a more informed decision.
REFERENCES


