

## **UNDERSTAND OPERATIONS MANAGEMENT CHALLENGES IN THE FOOD TRUCK BUSINESS**

**Norailis Ab. Wahab<sup>1</sup>, Ahmad Faez Abdul Halim<sup>1</sup>,  
Nur Suwaibah Rashid<sup>1</sup>, Nabilah Adam<sup>1</sup>**

### **ABSTRACT**

Nowadays, the phenomenon of food trucks business has become popular among Malaysian. Food trucks can be categorized from a Small to Medium Enterprise (SME) since the business only needs a few people to handle it. The cost to build up the business is not as much as the business based on brick and mortar stores. The existence of food trucks business has grown in the SME industry by leaps and bounds. The growth of SME industry is wavering the government to prohibit this business since there is no special discrete license allowing food trucks to do business in this country until now. So far, all the food trucks business is run by solely depending on the permit. The purpose of this study is to seek the issues arise in this business area in order to understand the food truck business in Malaysia. Regardless, the food truck business has now resurfaced with a rapid progress even though there are plenty of threats need to be faced including the competition and license issue. Looking through these challenges, the food trucks' owner's attitude and courage to take risks is a positive achievement which should be emulated by other entrepreneurs in Malaysia.

**Keywords:** *Operation management, SME, food truck, entrepreneur, Malaysia.*

---

<sup>1</sup> Writers are from Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia.  
E-mail: norailis@usim.edu.my

## **MEMAHAMI CABARAN PENGURUSAN OPERASI DALAM PERNIAGAAN TRAK MAKANAN**

### **ABSTRAK**

Kini, fenomena perniagaan trak makanan semakin popular di kalangan rakyat Malaysia. Perniagaan trak makanan boleh dikategorikan dalam Perusahaan Kecil dan Sederhana (PKS) kerana perniagaan hanya memerlukan beberapa orang untuk mengendalikannya. Kos untuk membangunkan perniagaan itu tidak seperti perniagaan berdasarkan kedai batu bata dan mortar. Kewujudan perniagaan trak makanan telah berkembang dalam industri PKS dengan pesat. Pertumbuhan industri PKS tidak dapat menghalang kerajaan untuk melarang perniagaan ini kerana tidak ada lesen khusus yang membolehkan trak makanan untuk menjalankan perniagaan di negara ini sehingga kini. Setakat ini, semua perniagaan trak makanan dijalankan semata-mata bergantung kepada permit. Tujuan kajian ini adalah untuk mencari isu-isu yang timbul dalam bidang perniagaan ini untuk memahami perniagaan trak makanan di Malaysia. Walau apa pun, perniagaan trak makanan kini telah muncul semula dengan kemajuan pesat walaupun terdapat banyak ancaman yang perlu dihadapi termasuk persaingan dan isu lesen. Melihat cabaran-cabaran ini, sikap dan keberanian pemilik trak makanan untuk mengambil risiko merupakan pencapaian positif yang harus dicontohi oleh usahawan lain di Malaysia.

**Kata Kunci:** *Pengurusan operasi, PKS, trak makanan, usahawan, Malaysia.*

### **INTRODUCTION**

While talking about the food trucks, it is related to SME initial, which stands for Small to Medium Enterprise. Although the SME is just a small company, it has a huge role in contributing to the provision of goods and services to the society. Basically, there is no specific meaning of the term of SME as most countries have their own definition of it (Omar et al., 2009; Hooi, 2006). According to Garikai (2011) SME can be concluded by seeing the number of employees working, capital employed and also sales turnover. Most of the countries focus on the number of employees in order to classify it as SME. For example in Canada, the term SME refers to the business which employs less than 500 employees with the gross revenues less than \$50 million. Contradict to German, it only needs a limit of 250 employees to be defined as SME. Besides, in New Zealand, a small business required 19 employees or less while in the United States, a small business refers to those with fewer than 100 employees, similar to Belgium.

According to Hashim and Abdullah (2000), Malaysia has defined the term of SME solely based on the total number of employees, the total amount of capitals, total assets and sales turnover. Furthermore, the SME in Malaysia has been classified into three groups which are micro, small or medium based on either the number of people employed (Table 1) or the total sales or revenue generated by a business in a year (Table 2).

Table 1: Number of People Employed

|               | <b>Agriculture</b> | <b>Manufacturing</b> | <b>Services</b> |
|---------------|--------------------|----------------------|-----------------|
| <b>Micro</b>  | Less than 5        | Less than 5          | Less than 5     |
| <b>Small</b>  | 5-19               | 5-50                 | 5-19            |
| <b>Medium</b> | 20-50              | 51-150               | 20-50           |

In the recent decades, modern-style food trucks have become the preferences for most food lovers around the world instead of the brick and mortar store. United States of America and Australia are among the biggest players which popped up the culture. According to Myrick (2015), the annual food truck revenue is around 1.2 billion dollars with 12.4 % of industry revenue increases over the past five years. This is too small compared to the 709 billion dollars of annual restaurant industry, while countering back the complaints from restaurant owners who fear about losing the profit. Furthermore, the history of American food trucks started many years ago as mobile dining and street food and have been a part of the American’s dining habits since the late 17th century. Today, food trucks have taken a front seat in the world of American street food and have become a part of an ongoing food revolution. Australian also wants to see the food truck activities expand so that food trucks are trading all over the city beyond the City of Sydney’s boundaries, which has already happened in New York. In fact, the council-built Sydney Food Truck locator app has been downloaded more than 194,000 times (Han, 2015).

Table 2: Total Revenue Generated by a Business in a Year

|               | <b>Agriculture</b>  | <b>Manufacturing</b>  | <b>Services</b>      |
|---------------|---------------------|-----------------------|----------------------|
| <b>Micro</b>  | Less than RM200,000 | Less than RM250,000   | Less than RM200,000  |
| <b>Small</b>  | RM200,000 – RM 1mil | RM250,000 – RM 10 mil | RM200,000 – RM 1 mil |
| <b>Medium</b> | RM 1 mil – RM 5 mil | RM 10 mil – RM 25 mil | RM1 mil – RM 5 mil   |

Based on the tables, it can be concluded that food trucks in Malaysia are part of micro SME as the number of employees is basically less than five and the

total sales for the food truck business are usually not more than RM200, 000. Accordingly, the food trucks in Malaysia always participate in most of the events organized by SME Corporation Malaysia (SME Corp) in order to speed up their businesses. While food trucks started to gain attraction in Malaysia, particularly in the Klang Valley, SME Corp realized that it is the perfect time to grab the opportunities in enhancing the SME industry in Malaysia. They support numerous events for the food truck businesses such as organizing the food truck workshop and food truck feasts.

Ministry of Domestic Trade (KPDNKK) is the government's organization who is responsible for promoting trade in the country towards a more developed, competitive and innovative entrepreneur to be in line with the changing times. Food truck business is gaining interest among Malaysian entrepreneurs and it has attracted the attention of the government to help entrepreneurs in developing business based on food truck. Therefore, KPDNKK has adjusted a program initiated under the National Blue Ocean Strategy (NBOS) to help hawkers around City Putrajaya to upgrade their business. This program was known as 1Malaysia Mobile Hawkers (1MMH). Even though this program is open to all vendors around City Putrajaya, the organizers only chose ten entrepreneurs who made it through several phases to help them in terms of capital and so on. In addition, the participants must comply with certain conditions to ensure the success of this program 1MMH. This program aims to create business environment that is attractive and competitive, as well as to help the government in addressing the issue of the cost of living. 1MMH participants should also comply with all hygiene ethics issued by the Ministry of Health.

Malaysian just started the trend a few years back when Danial Marizd launched his modern food truck; La Famiglia Food Truck in October 2014 in the Klang Valley, where there were only two other food trucks with similar concept around them (Durai, 2016). Lee (2016) reported that MSM Equipment Manufacturer Sdn. Bhd. had manufactured food trucks since 2010 and today, they were even planning to increase production to 50 trucks a month.

## **LITERATURE REVIEW**

Food trucks business has already been enjoyed in various forms for so many years before (Blazevic, 2016). Frommer and Bert (2012) said that food truck business is the best alternative to explore the new concepts and dishes for those who are long on ideas but short on capital. . It does not only provide entrepreneurs an opportunity to get into business, but it also expands the industry by creating new jobs and improving the quality of life. The food truck business is mostly participated by the young generation (Gen-Y) as they love to try something new and adventurous in their life. Furthermore, the Gen-Y prefers to venture into this field because they do not have to be bound by any protocol in addition with the added bonus for them being their own boss (Venner-Pack, 2014).

As the population of the Gen-Y is the largest in the country, it has indirectly caused a big impact in the development of food trucks business in Malaysia.

Venner-Pack (2014) stated that the biggest advantages of food truck is, it can move around wherever and whenever they want in order to catch bigger target market. Besides, today's young generation always love to be independent, meaning that they will be the boss of their own business. In addition, young generations tend to grow their passion towards food truck industry, even though they already have their own career. They even explore food and beverage industry on their own without formal education or past experiences. It appeared that the younger generations tend to try new things, even though they will face risks in the future.

According to Ragavan (2014) the food truck industry was found since long ago. This can be seen from the ancestors who were using tricycle in their days to sell fresh vegetables, ice creams fried items etc. Then, second wave of mobile trucks came in. They started selling *cendol*, *tau fu fah*, *Ramli burger* and *Luk-luk*. Based on these experiences, the young generations have come out with a new brand and innovation, which is also adapting the trend from the US. The desire to look different makes the younger generation always eager to explore something new in order to create something different to make it a trend. Indirectly, it will stimulate a person to have a creative thinking as well as assist them in improving the country's economy.

## **METHODOLOGY**

The authors required different types of information that qualitative studies can provide which is rich in detail. Thus, the information was gathered through in-depth interviews as an interpretative approach with La Famiglia Food Truck, a business that exist since early 2000 by using food truck in selling their products. Interviews were conducted at their own premises that lasted for an average of one hour. The results of the interviews were transcribed immediately after each session. Initially, to crystallize the responses, further analysis using NVivo software mainly involved the data with the aim of identifying and classifying feedbacks regarding the above-mentioned objectives was used. The results of interview and its discussion will be elaborated in the following section.

## **FINDINGS AND DISCUSSION**

### **The Challenges**

La Famiglia Food Truck was a unique idea of a young entrepreneur, Danial Marizd, who was looking for something new in food and beverage industry. The name of the truck came from an Italian word, means family and the decorations, while the foods they were selling used the Italian concept.

Some of the menus were *Bonnano Bolognese, Genovese Carbonara, Colombo Pasta Salad, Gambino Olio, Luchese Tuna Pesto, The Boss Pasta, Omerta Wedges and Luciano Pizza Fries.*

With different backgrounds of educations, but sharing the same passion and experiences in delivering a coffeehouse for the past three years, it became a stepping stone for Danial, Syazwan and Rushdi as a team to explore more on the mobile restaurant, which was popular in the West. In fact, they claimed to be the pioneer of food truck trend in Malaysia and they were among the most famous and preferable food truck. This can be seen from the crowd of people around La Famiglia compared to the other nearby food trucks. Their daily routine locations were as on the following Table 3 except in the presence of scheduled or booked events.

Table 3: Time of Operation

| <b>Time</b>            | <b>Location</b>   |
|------------------------|---|
| 11.00 a.m. – 2.00 p.m. | Jalan Dungun, Bukit Damansara (in front of HELP University) |
| 9.00 p.m. – 1.00 a.m.  | Taman Tun Dr. Ismail, which is also at Bukit Damansara      |

Zul as the operational staff was responsible with the routine and have to supervise two other workers in order to maintain the effectiveness of the workflow. He was present at both sessions, while sometimes Danial himself did the supervising job. According to Zul, they closed their business in Jalan Dungun and Taman Tun Dr. Ismail, Damansara almost every day to cater for booked events. Zul also mentioned that during this season, they received a number of customer complaints when they did not open for business. This was because they did not have a sufficient number of staff and trucks to handle two operations at the same time. Zul had to make sure existing programs continue to run smoothly on a daily basis and took some risks to probabilities in the future.

### **Measuring Productivity**

At the beginning, La Famiglia started its operation at Jalan Dungun and Taman Tun Dr. Ismail, Damansara. Six months later, one of the owners, Danial came out with new idea to expand the business at a new place. He started to think about the idea as he saw that La Famiglia has already reached stability and it was the perfect time for them to expand their business. Furthermore, the number of competitors during that time was not too much since the business by food trucks has not received a warm welcome within Malaysian entrepreneur yet. After some discussion, Danial and his team finally agreed to open another branch of La Famiglia at SS15, Subang Jaya since the place is always crowded either on weekdays or on weekends. Moreover, it could be said there was no competitor to

La Famiglia to operate its business because during their observations and survey, they had never seen any food trucks operating around the area. This made the owners of La Famiglia more confident with the decision that was made.

Danial and his business partners then, started their operation at Subang Jaya after a month of surveying the location. In the beginning, everything went smoothly according to their plan although it was quite challenging for them to move to three different places in a day. The business started to be complicated when they were unable to cope with overwhelming commitment at the same time. This was because La Famiglia only had one truck, and of course, it was impossible to move in two different places at the same time. Over the time, the operating La Famiglia in Subang Jaya became a bit slow causing difficulties for them to get regular customers over there.

### **Processing Plan**

Zul had a good habit of keeping things clean and he was very good at it. This made Danial and his partners liked him and held a good grip of him, so that he can stay loyal to La Famiglia. In fact, since two years of operation, they received no complaint about food poisoning or other bad things such as hair in the food like what always happen in food production process. However, he needed to train the staffs to act like him as people differ.

In 2016, La Famiglia participated in Independence Day event at Dataran Merdeka among other booths and food trucks. In the queue in front of La Famiglia Food Truck, a conversation happened between a group of customers and Zul can clearly hear it from inside the truck. A customer praised La Famiglia's food by expressing that he was not able to state the reason he was always engaged with the food truck. Another customer was arguing and asking the first customer to look at the queue as the staffs were working too slowly for him. Later, he began to raise his voice to the queue and the staffs inside the truck by asking to hurry up. However, a third customer disagreed with the second customer. He responded by asking the second customer to be reasonable as La Famiglia cannot put many staff inside the truck at the same time. In fact, it can be said that nearly all the customers in the queue did not mind waiting a little bit longer for the delicious Italian meals. Zul from inside the truck was smiling. But deep inside, he kept thinking about the issue. He wrote orders on pieces of paper and sticked it in front of the truck (refer to Figure 1), so they could finished the orders on track. But still, Zul felt that he can do something better, faster and in a more orderly manner.



Figure 1: A Sticky Note in the Red Circle

### **Monitoring and Controlling Demand**

La Famiglia ran its business operations as scheduled (refer Table 1) since they began its operations. This was intended to maintain the name of La Famiglia. In addition, the purpose was to ensure the increasing number of regular customers from time to time. If the La Famiglia had to be closed for certain reasons which cannot be avoided or they got something emergency, Daniel will ensure the closure information was informed to the customer immediately. Normally, the operating information of La Famiglia was notified on its own application, websites or they will post it on the available social sites.

According to the information stated in the *La Famiglia* application, during the festive season in the past two years, especially on Shawal Fest, La Famiglia was closed for a week. However, on the second year of the operation, Daniel decided to take a leave just for three days compared to the first year operating, for a week. Daniel assumed that it could be an opportunity for La Famiglia to increase in profits as Taman Tun Dr. Ismail is always crowded with people, even during festive season. The increasing of the profits can be achieved from regular customers and also newcomers who are celebrating the festival there.

In order to run up the business earlier than usual, Daniel tried to set up the target accurately, either for the target on the customers or the target on the business profits. Since it was the first time for *La Famiglia* running up the business in the first week of *Hari Raya*, Daniel put the total up to only 5 % of profit increases based on his observations on population cycles during Shawal Fest in the past year. Unfortunately, the target of Daniel was totally wrong when the three-day operations of La Famiglia did not give any profit. They ended up operated at a loss during Shawal Fest because the customers' target was not able to be achieved based on the analysis that was done.



## **Promising Quality of Food**

La Famiglia usually used fresh ingredients for each of their meals to keep the quality of their food. Danial emphasized the use of fresh ingredients and products so that customers can enjoy their meals. However, when there was excess material from the previous sale, the workers did not comply with Danial's instruction.

Raw materials were separated according to boxes. One box was opened each day, if the stuff in the first box finished, they opened the second box. Each package was opened normally, and used and finished within a day of their sales. However, on certain days, there were surplus of raw materials and their employees used these products for the next day without being noticed by Danial and other managers. They made the decision to use the items to prevent the loss of surplus food. Unfortunately, they received negative feedbacks from their customers regarding the quality of their food for the day. Danial was disappointed with the attitude of the employees while carrying out their duty by not following the instructions.

They also received comments from regular customers such as the food prepared taste slightly different than before. Besides, there was a customer who commented via Facebook said their food did not have any different taste compared to other outlets. La Famiglia was only special because of its mobile business but they did not know how to control the food quality. These were the feedbacks from customers of La Famiglia where they were regulars there. The lack of quality of these foods can eliminate customers' confidence in their business. Therefore, managers should emphasize control on the workers so that similar incidents will not happen again as well as to guarantee the quality of their food is hygienic and safe.

As a company that operated business, La Famiglia surely needed to confront any sort of challenges and obstacles along the route of success. In fact, the act of confronting the challenges would result in a more matured company to the ups and downs in the business realm. La Famiglia ran smoothly on a daily basis while taking some risks. Danial as the founder of La Famiglia needed to think and manage every decision made accordingly to avoid losses. Additionally, a food truck faced higher risk of customers' availability since it was a mobile restaurant. In the event of a larger crowd and longer queue, customers started to agitate to the slow production process. Besides, the lack of power from the electric generator required La Famiglia to rely on ice boxes to maintain the quality of raw materials. Overall, these were among the internal management challenges and obstacles along the production process of a food truck. There were also some external issues as mentioned in the previous section such as license for mobile food trucks and a clearer guidelines from the authorities in terms of licenses and permits even though they were already registered under the government.

## **Developing Mission and Strategies**

After the positive growth of the company, the team started to think of something else for the better future. Hence, they came with an idea of purchasing new food truck to be located in Malacca region. The reason why he thought so was because sometimes, he heard that the founders wanted to set up the new truck as soon as the end of this year. While on the other occasion, he heard they wanted to do so by early next year. To be precise, Zul wanted to make some sort of confirmation. After a while, Danial responded to the question by saying that he did not have a solid final decision. Actually, he tried to respond accordingly, so there will be no speculation at the workplace. To Danial, he himself is a perfectionist. He loved to do something new, but in a very particular way. Zul seemed dissatisfied with the decision. He argued with the fact that La Famiglia gained a lot of profit these recent years and the act of buying a new truck and put new staff are small matters to him. Then, Danial reminded Zul that it may not be as easy as it seems as he has to allocate more budget on salaries. Besides, he also needs to hire someone just like Zul's position to maintain the production process. Finally, Zul agreed with the rationale, but still pointed out his doubt that the whole idea could be done much faster. Danial concluded by saying that the staff matters were only one small part of the whole plan.

## **CONCLUSION**

The food truck business has increased its popularity in Malaysia. Although it shows a very positive growth, the food trucks owners in Malaysia are still confronting legal issues with the authorities with yet, nearly unreliable solutions regarding licensing. This is one out of several other issues that make the legal food trucks business is not as easy as it seems if it is not directed on a right track. Most of the food truck does not have a special license as a trader, but they are doing business with the permission from the authorities such as Kuala Lumpur City Hall, KPDKK and other authorities involved. However, the government still plays a role in building a reputation for food truck industry to the entire country by helping the traders in terms of capital and the provision of special places to do business under the IMM. Furthermore, the government will also ensure that each trader of food truck perform the operations accordance with the standards of hygiene issued by the ministry of health Malaysia in ensuring the quality of the food provided is safe and hygienic. Finally, food truck in Malaysia is a business that could grow if it keeps receiving continuous attention and support from the government in promoting this industry globally. Although other countries are ahead of us in this industry, it is not an obstacle for the food truck industry in Malaysia to make its mark in the global market.

## REFERENCES

- 1Malaysia Mobile Hawkers. *Portal Rasmi Kementerian Perdagangan dalam Negeri, Koperasi dan Kepenggunaan*. Retrieved 27 May 2016 from [http://www.kpdnkk.gov.my/index.php/my/?option=com\\_content&view=article&id=1238&Itemid=1319&lang=my](http://www.kpdnkk.gov.my/index.php/my/?option=com_content&view=article&id=1238&Itemid=1319&lang=my).
- 1Malaysia Mobile Hawkers. *Usaha Kerajaan Tanggani Kos Sara Hidup*. Retrieved 27 May 2016 from [http://www.kpdnkk.gov.my/images/KPDNKK/Kenyataan\\_Media/2016/1MALAYSIA%20MOBILE%20HAWKERS%20-%202024.03.2016.pdf](http://www.kpdnkk.gov.my/images/KPDNKK/Kenyataan_Media/2016/1MALAYSIA%20MOBILE%20HAWKERS%20-%202024.03.2016.pdf).
- Blazevic, D. (2016). Food truck trend In Malaysia. Retrieved 27 May 2016 from <http://myflamingwheels.com/our-stories/2016/2/11/food-truck-trend-in-malaysia>.
- Butler, S. From chuck wagons to pushcarts: The history of the food truck. Hungry Story. Retrieved 27 May 2016 from <http://www.history.com/news/hungry-history/from-chuck-wagons-to-pushcarts-the-history-of-the-food-truck>.
- Durai, A. (2016). Is the food truck scene in Malaysia going places?. Food News. Retrieved 27 May 2016 from <http://www.star2.com/food/food-news/2016/01/10/is-the-food-truck-scene-in-malaysia-going-places/>.
- Frommer, R. & Gall, B. (2012). Food truck freedom: How to build better food-truck laws in your city. Retrieved 27 May 2016 from <http://ij.org/wp-content/uploads/2015/03/foodtruckfreedom.pdf>.
- Garikai, B.W (2011). Exportation Challenges by Small and Medium Enterprises and Possible Exportation Strategies. Retrieved 27 May 2016 from <http://www.articlebase.com/business-4056101.html>.
- Han, E. (2015). Food Trucks Association: Sydney vendors unite to redefine the power lunch. The Sydney Morning Herald.
- Hashim, M.K., & Abdullah, M.S. (2000). Developing SMEs taxonomies in Malaysia. *Malaysian Management Journal*, 4(1), 43-50.
- Hooi, L.W. (2006). Implementing e-HRM: The readiness of SME manufacturing company I Malaysia. *Asia Pacific Business Review*, 12(4), 465-485.
- Katua, T. (2014). The role of SMEs in employment creation and economic growth in selected countries. *International Journal of Education and Research*, 2(12), 1-4.
- Lee, J. (2016). Food trucks gaining speed. Retrieved 27 May 2016 from <http://www.thestar.com.my/metro/smebiz/focus/2016/02/01/food-trucks-gaining-speed/>.
- Misrani, S.Z. (2016). *Santai, Praktikal dan Menguntungkan*. Retrieved 27 May 2016 from [http://www.kosmo.com.my/kosmo/content.asp?y=2016&dt=0405&pub=Kosmo&sec=Rencana\\_Utama&pg=ru\\_01.htm](http://www.kosmo.com.my/kosmo/content.asp?y=2016&dt=0405&pub=Kosmo&sec=Rencana_Utama&pg=ru_01.htm).

- Myrick, R. (2015). Food truck industry statistics show worth of 1.2b. Mobile-cuisine.com. Retrieved 27 May 2016 from <http://mobile-cuisine.com/trends/2015-food-truck-industry-statistics-show-worth-of-1-2b/>.
- Omar, S., Arokiasamy, L., & Ismail, M. (2009). The background and challenges faced by the small medium enterprises. a human resource development perspective. *International Journal of Business and Management*, 4(10), 95-102.
- Ragavan, S. (2014). The genesis of mobile food in KL. Retrieved 27 May 2016 from <http://www.timeout.com/kuala-lumpur/restaurants-and-cafes/food-trucks-in-kl>.
- Venner-Pack, N. (2014). Food trucks start to gain traction in the Klang Valley. Retrieved 27 May 2016 from <http://www.thestar.com.my/business/sme/2014/09/26/my-restaurant-has-a-handbrake-food-trucks-start-to-gain-traction-in-the-klang-valley/>.