

Catering

Vital Information

Start-up Investment

Low - \$1,000 (working from your own kitchen)

High - \$75,000 (outfitting a professional kitchen)

Estimate of Annual Revenue and Profit

Revenue \$200,000 - \$2 million

Profit (Pre-tax) - \$50,000 - \$1 million

(G)astronomical Profit Potential

Whether you plan to cater small, intimate affairs every day, or huge extravaganzas for %0,000 people once a year, the profit margin potential in the catering business is extremely high. Some caters manage to walk away with 66% of pre-tax profits. That figure may seem hard to believe, but when you stop and think about all the ways caterers can keep their overhead to practically nothing it becomes a more credible figure

You can begin your catering service out of your own home, using a spare bedroom as your office. You can use your own kitchen (but be careful about Health Department regulations) or perhaps rent a kitchen in a restaurant, school, or church on an as-needed basis. You needn't employ any full-time waiters or bartenders etc., there's a whole army of part-time people out there willing to work when you need them. There are very few items you may need to cater an affair that you can't rent for the day, these include china, flatware, glasses, tents...

About the only immediate cash-outlay you'll encounter is what's needed to market your services. You will want to think carefully about what market you want to target and pick your advertising medium to reach that targeted population... If you are interested in catering for weddings, you may want to contact florists, department store heads, musicians, and people in charge of places that book weddings. If corporate entertainment is more to your liking you'll want to

contact the corporations in your area (the chambers of commerce should be able to supply you with area names).

Know Which Side Your Bread is Buttered On

By far the most important marketing tool you will need to cultivate is word of mouth. Most brides, corporations, etc., are not going to risk embarrassment by trying an unknown caterer. If you are fortunate enough to have a good reputation when you enter the catering business, i.e., were the chef at a successful restaurant on that in your advertising. If you are starting cold, you may need to be really creative in order to get your business going.

Perhaps you will need to invest some capital in throwing a party of your own and invite the decision-makers from various corporations in your area, or the aforementioned florists, department store heads, etc. These people are not going to risk their equally valuable reputations by recommending an unknown entity -- so give them something to remember and to endorse.

Also, especially in the beginning, add that little extra touch to the affairs you cater. DON'T CUT CORNERS! Remember, your compensation will not always come in the form of dollars and cents, reputation is equally as valuable, perhaps more so in the long run. Remember -- that little "extra touch" is often more effective and sometimes cheaper than advertising.

Where Are You Going?

In the catering business, you have an unlimited growth potential. You can buy your own facilities and accoutrements, hire full-time chefs and servers, use temperature-controlled holding cabinets and vans, or you can rent just about anything you need.

You may decide you want to cut down on the middle-man's profits by owning the items you find yourself renting on a regular basis: china, flatware, tents. You may want to enhance your recognition factor by designing a "signature" for instant recognition, for example, painting your logo on the outside of your delivery van. People will see this logo as the van moves around the city and when it is at the site of an affair you are catering.

Food for Thought

While 70% of the restaurant is food oriented with the rest going for service, organization, etc., this figure flip-flops to 30% in the catering business, the rest being delivery, transporting the food, lining up rental equipment, juggling

personnel. Organization is what counts in the catering business.

You also need to be a "salesman" with a magnetic personality in the catering business. You are going to deal with corporate executives, party planners and nervous brides. You will need to convince your prospective clients that you will not only provide a memorable feast, but it will be there on time, presented attractively, and served quickly and unobtrusively.

There are a number of sidelines that naturally spring from the catering business. You can act as a coordinator for flowers, party locations, or themes. You can be caterer and party planner, caterer and florists, caterer and rental agent. Don't limit your options. Be creative!

Remember, if people wanted to stick to a set menu, they could go to a restaurant, so be flexible. Make your menu suggestions, just suggestions (a starting point, if you will). Let the client be your guide, but don't miss opportunities to turn a modest "do" into a major profit-making event. Don't hesitate when you see an opportunity to "bump-up the bottom line of an event. You may be able to turn a barbecue into a Hawaiian luau complete with roast pig.

Make sure that every event is party to remember. Go that extra inch, sometimes it can be a mile -- and result in mile-high profits. The only restrictions placed on your catering business are those you place there yourself.

Resources

Industry Association

National Association of Catering Executives, 2500 Wilshire Blvd., Suite 603, Los Angeles, CA 90057 (213) 487-6223

National Institute for Off-Premise Catering, 1341 N. Sedgwick, Chicago, IL 60610 (800) OFF-PREM

National Restaurant Association, 311 1st St., N.W., Washington, DC 20001 (800) 424-5156

Publications

Special Events Magazine, 20048 Cotner Ave., Los Angeles, CA 90025 (213) 477-1033

Catering Today Magazine, P.O. Box 222, Santa Claus, IN 47579 (812) 937-4464

Consultant

Jay Treadwell, Optimum Services, 5420 Grove St., Chevy Chase, MD 20815 (301)
656-6389

For additional information helpful in setting up your new business, information about licenses, permits, the legal structure of your business, taxes, insurance and much more refer to the Business Start-Up Fact Finder Manual