INTRODUCTION

Starting your own catering business can be both financially rewarding and fun. Whether you cater events on a full-time or a part-time basis, the opportunities are excellent. Each catered event is a new experience and challenge with a new group of people. With the rewards and fun come demanding work, for which you will need stamina and the ability to work under pressure.

GETTING A LICENSE

Virginia law requires that caterers be licensed and meet other requirements for food service establishments. In Virginia, the Board of Health insures that food for distribution and sale to the public is safely prepared, handled, protected, and preserved.

To obtain a license, apply to the local Health Department. Before a license is issued, the Health Department will inspect your business to see that it meets food sanitation requirements. Once a license is issued, the Health Department will conduct routine inspections of your business. These inspections are needed to help insure compliance with food sanitation rules developed to protect the public from food borne illness. Outbreaks of food borne illness have been attributed to factors such as poor hygiene by personnel, inadequate cooking, and improper cooling and storage of food.

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LOCATION OF A CATERING BUSINESS

In Virginia, the law requires that the food operation area be separate from the kitchen facility of your home. The Health Department will inspect the area that you intend to use for food operation before they will issue a license. Plans and specifications for construction or remodeling of an area must be submitted to the Health Department for review. Complete partitioning and solid, self-closing doors must separate the food operation area from your home kitchen. There must be separate sinks for food, utensil washing, and cleaning. There also must be a separate sink to be used only for hand washing. Water and sewage supplies and plumbing systems must be approved. Equipment and food-contact surfaces must meet regulations of the Virginia Board of Health.

LOCATION OF A HOME-BASED BAKERY

The Virginia Department of Agriculture and Consumer Services (VDACS) has the authority to see that clean and wholesome bakery products such as cakes, breads, and cookies, are prepared under proper conditions. Although a license is not required for a home-based bakery, VDACS must inspect the facility that you intend to use. A separate kitchen is not required, but the products and ingredients must be kept separate from those used by your family. VDACS will need formulations (recipes) of the products that you intend to prepare as well as flow processes for these products. To ensure that good manufacturing practices (GMP) are used, all products must undergo basic laboratory testing to make sure that they are not adulterated with bacteria that cause food-borne illness.

If the products will be sold to retail outlets, they must be labeled. The label must include: 1) name of the product; 2) net weight of the product; 3) name and address of the manufacturer; and 4) a list of the ingredients in descending order by weight. All packaging used for the products must be made of food grade sources, as recognized by the Food and Drug Administration and the United States Department of Agriculture.

DETERMINING YOUR PRODUCT AND MARKET

The development of a business plan will aid you in planning a successful business. Prior to starting a catering business, you need to determine your type of business—i.e., cakes, receptions, seated dinners, box lunches, picnics, hors d’oeuvres, or dessert course—and the type of food you will serve (primarily convenience or "from scratch").

Analyze your market. Ask yourself the following questions to see if your business venture will satisfy at least one of the following fundamental elements of success. If not, you probably do not have a viable business idea.
The questions are:
- Will the business serve a presently unserved need?
- Will the business serve an existing market in which demand exceeds supply?
- Can the business effectively compete with existing businesses because of some "competitive advantage?"

Decide whom you will target as customers. Who is your competition? What are their strengths and weaknesses? Where will you get supplies? Decide how you will promote your business. Will you need to employ staff to help with production, service, and cleanup? What other skills do you need to make your business successful? For additional information on Developing a Business Plan, see VCE Publication 354-302, available from your local Extension Agent.

START-UP COSTS

You may choose to start your catering business by renting items to keep initial costs to a minimum. You may rent the use of kitchen facilities, utensils, tables, tablecloths, serving equipment, and other items. This will allow you to: 1) Build a reputation; 2) develop some capital for investment and expansion; 3) evaluate how much time and money you want to invest and the impact that this business will have on your family.

DEVELOPING A CREATIVE MENU FOR SPECIAL EVENTS

Factors affecting menu planning include the type of event, time of event, number of people to be served, available equipment, number of food preparers and servers, and the amount of money to be spent.

The menu needs to include a variety of foods that are acceptable to the customer and the occasion. Be able to suggest menus that show a balance in color, texture, shape, sizes, flavor, cooking methods, and cost. Plan to include nutritious foods from each of the food groups, including:

* Meat, poultry, fish, dried beans, eggs, and nuts;
* Bread, cereal, rice, and pasta;
* Vegetables;
* Fruits;
* Milk, yogurt, and cheese.

Plan for eye appeal by using at least four colorful foods on each menu or food tray. Plan for contrast in texture and flavor. Contrast crisp foods with soft, creamy foods. Use strong and mild flavored foods together. Balance light and heavy foods. Use foods that complement each other.
As a caterer, you will need to decide whether you will make all foods "from scratch," or purchase some convenience foods. If you make all foods, consider your skills, equipment, and time as you plan menus. Also, it is important to prepare a quality product of standard consistency. Develop a quality standard for each item. Use "high-tech" equipment designed to produce a consistent product. After considering skills and equipment, compare the cost of caterer-prepared items with purchase costs. Evaluate for cost savings and quality consistency. Do this for each item offered before determining a pricing structure.

Develop an information packet that includes sample menus and prices, other services you provide, and past events you have catered. Develop a portfolio of pictures that show how food was presented at these events.

Every caterer needs to develop a contract to operate in a professional, business manner. Write the contract in simple language that both parties can understand and state the terms of the agreement. Have an attorney review the contract form. Include the following items in the contract, as applicable. These are:

- Names, addresses, and telephone numbers of parties involved (buyer and seller);
- Date of the agreement and date of the event;
- Time of event;
- Location of event;
- Room set-up, decorations, tablecloths, etc., to be used;
- Type of menu;
- Estimated and guaranteed attendance;
- Service arrangements;
- Duration of activity;
- Entertainment;
- Pricing arrangements and potential price increases;
- Deposit required (25, 30, or 50 percent of cost when the contract is signed);
- Discount (if any) for full payment at the time contract is signed;
- Cancellation provisions specifying cases of cancellation because of illness, broken engagement, or death. The contract needs to specify how much of the deposit will be retained due to cancellation.
- Applicable taxes;
- Include space for signatures at the bottom of the contract form.

Carefully consider contract terms, write them in simple language, and print them in a size that is easy-to-read. This is to insure that everyone understands the terms of the contract.
INSURANCE

Insurance is a necessary expense. This includes product and personal liability, as well as coverage on the space used for the business, equipment, vehicle used for the business, and worker's compensation for any employees. Insurance protects you from the unexpected. For more information on insurance issues, please contact your Extension Agent to borrow the video, Insurance Issues for the Home-Based Business.

To operate a profitable catering business, you need to decide on a price that is appropriate for the services rendered. Determining the costs of catering an event is the most important part of covering your expenses and earning profits. Caterers price their services using different methods. The pricing formula that covers your costs and provides a profit is as follows:

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\text{Materials} + \text{Overhead} + \text{Labor} + \text{Profit} = \text{Price}
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**Materials** include the costs of the food or beverage items. Also, include any shipping and handling costs incurred to acquire these materials.

**Overhead costs** are the variable and fixed expenses that must be covered to stay in business. Variable costs are those expenses that fluctuate including vehicle expenses, rental expenses, utility bills and supplies. Fixed costs include the purchase of equipment, service ware, marketing and advertising, and insurance. After overhead costs are determined, the total overhead costs are divided among the total number of catering jobs expected.

**Labor costs** include the costs of food preparation and service. Also included are Social Security taxes (FICA), vacation time, retirement, and other benefits such as health or life insurance. To determine labor costs per hour, keep a time log. When placing a value on your time, consider the following: 1) Your skill and reputation; 2) wages paid by employers for similar skills; and 3) where you live. Other pricing factors include image, inflation, supply and demand, and competition.

**Profit** is a desired percentage added to your total costs. You will need to determine the percentage of profit added to each menu item or type of event.

Determining a price is not easy. It is as much an "art" as it is a "science." There is no one exact price. Base your price on the type of event being catered, special services offered, and your competition. When considering your competition, your three pricing choices are to: 1) Charge the same as your competition; 2) charge more than your competition; or 3) charge less than your competition. It is important to cover all your costs if you want to stay in business. There are computer programs available to help you price foods and keep financial data for decision-making.
BUSINESS RECORD KEEPING

Record keeping is not difficult, but it is important and can be time-consuming. You need to develop a system that helps you keep track of income, expenses, and profit or loss to determine business growth and for tax purposes. Contact a local accountant for assistance in setting up your record keeping system to save time and money later. Additional information on record keeping and taxes is available from your local library, bookstore, the Internal Revenue Service (IRS), local Small Business Administration (SBA) office, Small Business Development Center (SBDC), or Virginia Cooperative Extension office.

REFERENCES


ADDITIONAL RESOURCES


