

# Road trip

## Cold Stone executives do it by the bus

Cold Stone Creamery has an extensive plan to help increase average revenue per store to \$500,000. To sell this plan, Cold Stone executives boarded a bus and went directly to the owners.

When Dan Beem, president of Cold Stone Creamery, and four of his fellow executives decided to meet face-to-face with franchisees around the country, they didn't take private jets like, say, auto company executives. They took the bus.

But it's a pretty nice bus—essentially a large RV, with leather seats, a full kitchen and a flat-screen TV with a video game system.

The bus riders typically spent the first two days of the week holding town hall meetings with franchisees in a specific market. On the third day they participated in a community event, such as Make-A-Wish, with franchisees.

The executives stayed in hotels, but when the drive got long—as it often did—they bunked in the back of the bus. During drive time, they busied themselves: “We played a lot of ‘Rock Band,’” Beem said, referring to the popular simulated music video game.

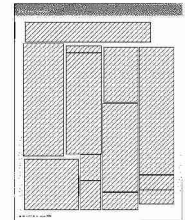
The tour began in early November, and when it finishes in January, executives will have visited 16 markets. During meetings with franchisees, Beem presented a plan to boost store revenue—the company's goal is to increase average-unit volume to \$500,000 per year. Hitting that goal, Beem says, will require a combination of new

products and flavors, lower-cost items, more advertising, co-branding with other concepts and a focus on improved operations.

“We're leaving no rock unturned.”



By Jonathan Maze





**Cold Stone President** Dan Beem visited franchisees around the country.

Beem said. "We used to hold an annual franchise meeting. This year we said, 'Should we ask our franchise community to spend the money to fly to Vegas for three days in a tough economy, or should we try a better idea?' So we went to them."

Founded in Tempe, Arizona, in 1988, Cold Stone specializes in mixing fruit, nuts and candy with ice cream on a frozen granite stone. Growth exploded in the early 2000s and the number of units more than doubled between 2003 and 2006.

But according to information from the company's FDDs, average-unit volumes shrank nearly 10 percent, from \$403,000 in 2004 to \$364,000, in 2006. And growth has since stagnated, remaining at approximately 1,400 units. There was modest growth in 2007, and Beem said he expected to finish 2008 with the same number of units as at the end of 2007. Many of those could wind up in other hands. According to the compa-

ny's Web site, 307 existing Cold Stone stores were for sale as of late November.

Amid this, franchisees have complained loudly that the brand they have isn't as strong as the one they thought they were buying. It's uncertain whether the bus tour will quiet those complaints, but some franchisees said they were impressed by the gesture of such a large bus tour. "The fact is, you've got the president of the company and his right-hand people standing in front of us, taking on issue after issue," said Adam Guy, who runs a store in Columbia, Missouri. "That's about all you can ask of a franchisor."

### Co-branding

In October, the chain announced a deal with Rocky Mountain Chocolate Factory to co-brand seven franchises, and is exploring a partnership to open co-branded locations with Canadian coffee-and-doughnut giant Tim Hortons. Three test stores in Rhode Island and Ohio are planned.

And expect to see more Cold Stone on TV and the Web. The chain is ending its traditional marketing partnership strategy, with companies like Major League Baseball and Pepsi-Cola, and will spend its marketing dollars exclusively on advertising. It even plans to hire a celebrity spokesperson.

"The focus will be on getting new traffic into the stores," Beem said.

A more challenging strategy is value. Cold Stone's prices are generally higher, a disadvantage at a time when an increasing percentage of diners are buying based on price. Cold Stone's strategy is

using limited-time offers to bring in those value customers.

The number of changes may seem daunting for a company in which execution has been a weak

point.

“We’ve never been good at (execution) as a franchisor,” Beem said. “We’re going to be great at it.” **FT**



**Cold Stone executives** boarded this bus to tell franchisees around the country of their plan to boost per-unit revenue.