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SECTION D



Jack Nardo/The Arizona Republic

Devin Staunton holds up a Founders' Favorite, one of the creations at Cold Stone Creamery.

Scooping the competition

Cold Stone aims to stay No. 1, have 1,000 stores in '04

By Yvette Ammendariz
The Arizona Republic

On a U.S. map in his office, Doug Ducey tracks the growth of the leading retailer in the fresh-made ice cream market.

That company is his — Scottsdale-based Cold Stone Creamery — and the red dots spreading across his map number in the hundreds. Twenty-eight states, 282 stores, 302 more in the works, and a goal of 1,000 by 2004.

"Our goal is to make the world know us as the ultimate ice cream experience," said Ducey, president, chief executive and part owner of the privately held company.

Cold Stone, which made *Entrepreneur* magazine's top 100 franchise concepts this year, is not alone in its ice cream niche. Houston-based Marble Slab Creamery has nearly as many stores and expects to grow to 300 by 2005. Maggie Moo's Ice Cream and Treasures, based in Maryland, plans to triple to 250 stores by 2004.

The three companies combined have 38 stores in the Valley, with Cold Stone dominant.

Cold war

Three major retailers are battling in the fresh-made ice cream market.

Cold Stone Creamery

40 stores in Valley
Founded in 1988 in Tempe; now based in Scottsdale

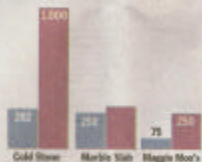
Marble Slab Creamery

5 stores in Valley
Founded in Houston in 1982; still based there

Maggie Moo's

3 stores in Valley
Founded in 1995 in Kansas City, Mo., now based in Columbia, Md.

■ Number of stores nationwide
■ Stores projected by the end of 2003



Source: The companies.

Only Ducey/The Arizona Republic

All specialize in the fresh-made market, making "super-premium," or rich, ice cream daily and providing a choice of ingredients that can be mixed in to customize the product. Cold Stone, for example, offers about 30 flavors and 40

toppings, including strawberries, almonds, coconut and brownies.

"It's limitless, the amount of different combinations you can make," Ducey said.

All are competing with ice cream retailers such as Baskin-Robbins, Dairy Queen, TCBY, Swensen's Restaurants and Ice Cream Parlor and fast-food shops — part of the \$13 billion frozen dessert retail market. But the "mix-ins" concept has become a fast-growing franchise. It also has crept into the packaged ice cream market in grocery stores, with more brands offering added ingredients, such as candy-bar bits, and higher fat content.

The companies attribute some of their aggressive growth plans to a slipping interest among consumers in yogurt and low-fat ice cream. Increased interest in franchising because of a weak economy also is fueling growth.

"Ice cream is going through a restructuring. The brands occupying the forefront of the market are going by the wayside," said Richard Sharoff, president and CEO of Maggie Moo's.

Yogurt concepts, such as TCBY, which grew quickly in the 1980s and early '90s, have pulled back. Market leader TCBY now has 2,500 stores in 67 countries, according to its Web site. That's down from about 3,000 in 1998.

The fresh-made shops think their concept has staying power, filling a

COLD STONE 1,000 stores in '04

From Page D1

void left by primarily yogurt shops.

In an industry increasing by about 2 percent a year, the three fresh-made franchisers report double-digit sales growth, according to the companies and the National Ice Cream & Yogurt Retailers Association.

That can be seen in Arizona, where Cold Stone plans to open 15 more stores statewide by the end of 2003. Marble Slab is planning a dozen more shops statewide in the next 24 months, said Chris Dull, vice president for franchise development. And Maggie Moo's anticipates at least five stores, but as many as 20, in the next few years, Sharoff said.

Lynda Utterback, executive director of the Illinois-based ice cream and yogurt retailers group, said ice cream shops are seeing growth in people seeking full-fat treats as a reward, even while the economy is slow.

"Ice cream always does very well in a poor economy because it's affordable for a family," she said. It also does well because it's commonly viewed as a low-cost comfort food.

Donald and Susan Sutherland, who remain part owners of Cold Stone, founded the company in 1988 with a store in Tempe. To create brand aware-



Russell Gates/The Arizona Republic

Cold Stone Creamery COO Sheldon Harris (left) and CEO Doug Ducey at corporate headquarters in Scottsdale.

ness of its fresh-made ice cream, Cold Stone started franchising in 1995. That helped the company more than triple in number of stores and revenues from 1999 to the present.

Ducey, who joined the company in 1996, anticipates meeting his 1,000-store goal partly because of the growing applications for franchises. He's received 7,000 so far this year, compared with 2,400 the same time last year.

Also, there are many areas left with no fresh-made ice cream stores, so he's looking for premier sites and the right franchisees to maintain growth.

"We never want to give up quality for quantity," he said.

Arizona State University is recognizing that growth and the company's commitment to community on Wednesday at its annual Spirit of Enterprise Awards.

Cold Stone ranked No. 76 in *Entrepreneur* magazine's Franchise 500 ranking for 2002. The magazine ranks franchises based on financial strength, growth rate and size of system. It also considers years in business, start-up costs, litigation and percentage of terminations.

Competitors Marble Slab and Maggie Moo's ranked Nos. 259 and 415, respectively.