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## FOOD & FUN: Cold Stone scoops hot sales

Rapidly growing franchise entertains customers while it serves premium ice cream

**BY GREG TASKER**

In the four months since Cold Stone Creamery opened a store in Ann Arbor, selling its premium ice cream with a variety of mix-ins -- butterfingers and macadamia nuts in your French Vanilla? -- Lucine Morrell has become more than a regular customer. She has become a prospective franchisee.

Morrell, 47, a dental hygienist with an eye on her financial future, is considering attending the Arizona-based company's informational seminar Thursday at the Marriott East Lansing to learn about financing, revenue potential and other aspects of running an operation for the fastest-growing ice cream franchise in the United States.

"I think Cold Stone Creamery is going to be the next Krispy Kreme," said Morrell, an Ann Arbor resident who is a fan of the company's Berry, Berry, Berry Good, a blend of sweet cream ice cream, blueberries, raspberries and strawberries. "Their product is so good. I think it's a real moneymaker. If I could open a franchise within 20 miles of home, I would."

Morrell could be in luck. The company, founded in 1988, looks to open 60 stores in Michigan in the next three to five years, said Michael Flaum, Cold Stone's Michigan-area developer and a franchisee. He operates the Ann Arbor store, which opened in June at Arborland off U.S.-23. If that goal sounds far-fetched, consider:

Cold Stone has opened 250 stores so far this year, up from 228 in 2003. The company has opened eight in Michigan this year and has 18 in development, including stores in Livonia, Brighton, Canton, Roseville, Traverse City and New Hudson, Flaum said. So far, 16 stores have opened in Michigan. The newest is in Shelby Township in Macomb County.

Entrepreneur magazine ranked Cold Stone Creamery No. 25 in its annual 101 Fastest Growing Franchises and the company reached No. 4 in Restaurant Business magazine's Top 50 Growth Chains.

Boasting about \$380,000 in annual revenue per store, Cold Stone Creamery's 2003 revenues exceeded \$156 million, up 77 percent from \$88 million in 2002, company officials say. In all, the company has 800 stores in 46 states and the Caribbean and Guam since selling its first franchise in 1995.

"We're looking for entrepreneurs that are as passionate about ice cream as we are," said Flaum, who joined the company in 2003 after a variety of business experiences and is looking to open a franchise closer to the University of Michigan campus.

"What better business to be in than the ice cream business?"

Walking into a Cold Stone Creamery is not like walking into the typical ice cream shop. Expect a little show business. Employees frequently break into song while scooping ice cream from a gelato-style showcase.

At the customer's choosing, they add a variety of candy bar pieces, nuts, fruits, chocolate chips or brownies, to the ice cream, mixing the concoction with metal spades on a polished granite surface, refrigerated underneath -- the cold stone.

The result is often lines stretching out the door, even in a store as new as the Shelby Township franchise, which opened in September.

"It's really exceeding our expectations," said Ann Debus, a former account manager for a training and development center who opened the store with a partner, Maureen Gudenau.

"I play entertainment director when the line gets out the door and go over the menu and how to order. People wonder why there's a line out the door on a fall evening, but business has been just wonderful."

Debus and Gudenau weren't looking for a franchise. They had considered daycare, preschools, even Curves, something that would tap into their professional backgrounds in training and counseling.

They stumbled upon Cold Stone Creamery after Debus' mother began raving about the East Lansing shop.

"We felt it was a safe bet financially," said Debus, whose store employs about 28 people, mostly high school students. "We did a lot of research and felt very comfortable moving forward with Cold Stone Creamery."

The mix-in concept was introduced by Steve's Ice Cream in Boston a couple of decades ago and has evolved, allowing the growth of companies like Cold Stone Creamery and others, including the Houston-based Marble Slab Creamery, said Lynda Utterback, executive director of the National Ice Cream Retailers Association.

"This is not a new concept," she said. "There are a couple of other companies with the same concept. Everything is cyclical. How long (the concept) will stay, no one can tell, but going out for ice cream is an American tradition. It's next to Mom, God and apple pie."

### **Customers get creative**

Laura Fenwick, a spokeswoman for the International Franchise Association, said ice cream shops like Cold Stone Creamery "are growing because they offer quality products with not just a variety of flavors but flavors customers can create."

"I think that just might be the attraction. Not just customers, but small business owners are drawn to it," she said.

And never mind the obsession with low-carb diets. Ice cream is big business. Ice cream and frozen dessert sales amounted to \$20.5 billion in 2002, the last year for which figures are available. Of that number, \$12.5 billion was spent on "away from home" consumption.

That's ice cream or frozen desserts purchased at scoop shops, food service or retail sales outlets, says the International Dairy Foods Association, based in Washington, D.C.

And melt away any concerns about opening an ice cream shop in a cold-weather state like Michigan.

The company does considerable marketing activities, including community events and fund-raisers and this year unveiled a line of ice cream cakes that include equal layers of cake and premium ice cream.

"Ice cream is an all-around, all-year dessert," said Debus, who talked to the owners of franchises in Chicago and Minnesota about "cold weather" business.

"It's nice to go out for ice cream in the summer but people are always looking for dessert after the show or when they're out with friends. And we have appealing desserts."