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Cold Stone custom-mixes ice cream with edible frills

By Michele Chandler

Let the rest of the nation go low-carb. Cold Stone Creamery has gone full fat, and people are lovin' it.

The 16-year-old Arizona company has turned its frosty ice cream into a sizzling trend, and nowhere is its frozen treat hotter than the Bay Area. With stores already flourishing locally, the 678-store nationwide chain plans to open branches later this year in Saratoga and San Francisco.

Cold Stone attracts customers by offering a twist on conventional ice cream cones and cups: custom-mixing premium ice cream with a choice of edible frills including marshmallows, coconut flakes, Gummi Bears, M&M's, pistachios, bananas or bits of Kit Kat and Snickers bars. The ingredients are swirled together atop a refrigerated granite slab -- the "cold stone."

First-timer Ginny Cullen, a real estate agent from Morgan Hill who visited a Cold Stone Creamery last week, opted for chunks of pecans mixed in to a heaping serving of butter pecan ice cream.

"I didn't know they did all this," Cullen said between bites one recent afternoon at a Cold Stone outlet at Westfield Shoppingtown Oakridge mall in San Jose. "With the quality and everything they do, I will be a repeat customer."

Diners like Cullen have made Cold Stone a nationwide hit.

The company is moving up on Entrepreneur magazine's annual list of the nation's "101 Fastest Growing Franchises." Cold Stone ranked No. 25 in 2003, up from No. 35 in 2002. There's even talk of expanding overseas.

The chain intends to melt the competition. While industry giants Dairy Queen and Baskin-Robbins saw sales and the number of units stagnate last year, Cold Stone's outlets rose by about 60 percent to 541, while revenue soared 70 percent, to \$154 million.

Interest from franchisees is robust, driven by Cold Stone's relatively modest start-up fees (about \$300,000) and product popularity. In 2000, inquiries dribbled in from one or two potential franchise owners a week to the company's Bay Area overseers. Today, the group is fielding 100 e-mails and letters weekly from interested people, said Alex Chan, area developer for Cold Stone in Northern California. The company has 37 Bay Area locations.

Industry experts say it's all due to Cold Stone's focus on premium, full-fat ice cream and flashy, have-it-your-way approach. Customers can choose from an array of ice creams -- flavors range from coffee to cake batter -- frozen yogurt or sorbet. That selection can be custom-mixed with the customer's choice of dozens of ingredients including fruit, candy and nuts and can be laced with flavored syrup or other ingredients.

Watching workers prepare the creations is another part of the treat. Using ice cream spades, Cold Stone employees scoop ice cream onto a freezing slab of granite, add the requested "mix-ins" and manually blend away.

Chocolate crickets

The company isn't afraid to raise eyebrows in its quest to capture the spotlight. In 2001, Cold Stone landed in the news after serving chocolate covered crickets as part of a promotion linking the ice cream chain to the popular "Survivor" reality television show.

That insect delicacy is no longer on Cold Stone's menu. But other creations with lighthearted names remain, including Monkey Bites (banana ice cream, bananas, coconut, pecans and Crunch bar), Oreo Overload (sweet cream ice cream, Oreos, fudge and chocolate chips) and Cookie Mintster (mint ice cream, Oreos, fudge and chocolate chips). Looking to expand interest, Cold Stone recently introduced a new product, ice cream cakes, at some locations. For traditionalists, there are always banana splits and ice cream sundaes.

With all the hubbub over popular weight loss diets that have undercut interest in foods high in carbohydrates from Krispy Kreme doughnuts to pasta, Cold Stone is developing a low-carb ice cream; it already offers sugar-free and fat-free versions. But Cold Stone executives don't expect that eating trend to blunt their success. "We definitely don't think that is a trend that will necessarily affect our core business. People love ice cream and ice cream lovers want to indulge in a super-premium product," Cold Stone spokesman Kevin Donnellan said.

While each store sets its own prices, the rising cost of milk -- a key ingredient in the proprietary ice cream mix -- isn't being passed on to customers, Donnellan said. Instead, the company is banking on traditional summertime sales increases, which usually boost business for individual Cold Stone stores from 15 percent to 35 percent, he said.

Competitive prices

The chain's Oakridge store charges \$3.69 for a medium serving of ice cream with one item blended in. That's approximately what competing ice cream chains charge.

While Cold Stone's popularity with customers and franchisees means the company will likely attain its goal of operating 1,000 stores nationwide by year's end, competing customized ice cream firms are also gaining traction, according to Jon Schallert, president of the Florida-based Schallert Group marketing consulting firm.

Those include Marble Slab Creamery, a Texas concern that predates Cold Stone and sells custom-mixed ice cream creations as well as coffee and baked-from-scratch pastries. Also on an expansion binge, Marble Slab has 250 locations in the United States and Canada, including five in the Bay Area and others slated to open in Sunnyvale and Gilroy.

"The franchises that have the most success long term not only build up a brand identity, but also create components of the franchise that nobody else can steal," Schallert said.