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Hot Ice Cream

Cold Stone Creamery is stirring demand for a product whose sales had been frozen for years

By BARBARA KIVIAT

A decade ago, Doug Ducey was selling Folgers coffee to restaurants when his West Coast customers began asking for the kinds of pricier gourmet blends served at Starbucks. He dismissed it as a fad. After all, what could possibly change America's coffee-drinking habits?

O.K., he missed that one. But today, lesson learned, Ducey, 39, is well on his way to doing for ice cream what Starbucks did for coffee. The challenge is similar: Americans spend about \$9 billion a year on ice cream in places like scoop shops and restaurants, a figure that hasn't budged much since the late 1990s. Yet Ducey, CEO of Cold Stone Creamery, has turned the company into the nation's fastest-growing ice cream franchise. How? Cold Stone custom-blends high-quality ice cream with your choice of "mix-ins" (cherry pie filling with Reese's Peanut Butter Cups, anyone?) in an attractive and entertaining atmosphere.

Based in Scottsdale, Ariz., Cold Stone has 425-plus shops and is opening more than one a day in August and September. These days you're more likely to come across a Cold Stone than a Ben & Jerry's or a Haagen-Dazs. Although Baskin-Robbins remains the industry leader with 2,271 U.S. locations, Cold Stone grew five times as fast last year, according to Entrepreneur magazine. For the first half of this year, the closely held company says, it rang up sales of \$71 million, a 56% jump over the same period last year.

Devotees explain that Cold Stone isn't just any ice cream shop. Customers at the recent opening of a Times Square store in New York City walked in to find ice cream displayed in a gelato-style showcase imported from Italy. After waiting in a line that stretched out the door, Stephanie Crittenden, 24, ordered cream-flavored ice cream, then added brownies and fudge. The custom concoction was mixed together in front of her by employees wielding metal spades on a polished granite surface refrigerated from underneath - the "cold stone." Employees periodically broke into song, especially when they received a tip.

Steve's Ice Cream in Boston popularized the mix-in in the 1970s, and today two other growing chains - Marble Slab Creamery, which is based in Houston, and MaggieMoo's Ice Cream & Treatery, based in Columbia, Md.--employ similar ingredients and theatrics. But both trail Cold Stone in revenue and number of shops. Why? Ducey sets aggressive goals and then has his top managers - who hail from organizations like McDonald's - sprint after them. Cold Stone also knows how to mix up the mix-in, as in a Survivor-inspired promotion two years ago that combined ice cream with chocolate-dipped crickets. (The mixture was freakishly popular; the company ran out of supplies in a week.)

Boosting revenue at all three chains is America's growing hunger for ice cream that is high in butterfat, making it expensive, unhealthy and very tasty. Retail sales of nonfat ice cream and yogurt have been falling, while those of full-fat ice cream are booming. The slow economy also helps premium ice cream sales, according to Scott Hume, managing editor of the trade publication Restaurants and Institutions. "Maybe you can't take the family out to a casual-dining restaurant," he says, "but you can still take them out for indulgent ice cream." The low start-up costs of an ice cream shop compared with those of a full-fledged fast-food joint help make the chains more attractive to franchisees, says Hume.

Ducey aims to have 1,000 profitable shops open by the end of 2004, but he vows that as the franchise grows, Cold Stone will stick to being a scoop shop and avoid supermarket sales since you can't get a made-to-order flavor in your grocer's freezer. Ducey is so serious about his ice cream, you can't even get a cup of coffee - not even Folgers - in his store. Ducey's response? "We sell coffee ice cream."