Ice Cream Entrepreneur's Guide
GETTING STARTED IN THE ICE CREAM BUSINESS

MICHAEL GREENWALD
Ice Cream Entrepreneurs Guide

Getting Started in the Ice Cream Business

by

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Introduction to the Ice Cream Business

Everyone loves ice cream—there’s lots of it around and many people dream of making and selling it. It’s a great business and thousands of entrepreneurs are making money in it right now. You can be one of them!

An ice cream kiosk or shop is easy to manage and if the location is right, the return on investment is far greater than from stocks, bonds or bank interest and the cost is far less than would be required to purchase a condo or other income property. Net/gross profits normally run from 50-69% and net profit on goods is usually 100-177%. Read more about that on page 33. It’s a wonderful business with a lot of room for creative expression and after all, one expresses love for people thru food. And, business is booming!

Ice cream is as popular as it has ever been, with Datamonitor forecasting global value sales that by 2014 will be 21% higher than in 2009. The message is that many consumers are trading up to premium variants where the unique selling points are a combination of indulgence and innovation. http://www.arlafoodsingredients.com/news/new-team-brings-out-the-value-in-ice-cream/

Furthermore, during hard times, ice cream sales improve! This from Time Magazine:

While continued high unemployment is making economists nervous about the possibility of a double-dip recession, there appears to be no recession in the business of double dips. Official tallies in the ice cream business are hard to come by, but anecdotally, the ice cream market appears to be hot. Shop owners around the U.S. say they are packing more cups and cones this summer than last. What’s more, the number of customers asking for a double dip, or two scoops, seems as high as ever.
Lynda Utterback of the National Ice Cream Retailers Association says numerous members have told her their sales are up 25% from a year ago. Dutch consumer-products firm Unilever, which sells ice cream brands Ben & Jerry's, Breyer's, Good Humor and Klondike in supermarkets, reported that its first-quarter ice cream and beverage sales rose 7.4%. "Looks like people are turning to ice cream in a big way this summer," says Harold Waxman, who owns industry newsletter Ice Cream Reporter. "When things are hard, ice cream is a relatively inexpensive way to feel good."

Having helped hundreds of people get into the ice cream business, we are constantly reminded about how different we see the road to success compared to new ice cream entrepreneurs. Almost always the first thing newcomers ask about is: “How do I make ice cream and how much money can I make.” We think the right questions are: “Where is a good location” and “How do I generate sales?”

If you think that by making and/or selling terrific ice cream the world will beat a path to your door, get your bankruptcy documents ready now. The world is full of ice cream and quality alone will not beat the competition. One thing is certain: if you sell a lot of ice cream you will make money! What you really need to know is: how will you SELL your product.

The Ice Cream Entrepreneur
How to Start and be Successful in the Ice Cream Business

Dream Cones is an international franchisor and most of our customers make and sell premium gelato. But this book has been written for EVERYONE interested in the ice cream business, whether you plan to make it or just be a reseller.

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The reason why people respect successful entrepreneurs is because they know starting a new business is risky and success is to be admired. And they also know that most new businesses fail. There are many personal reasons why businesses fail but the main reason is because the entrepreneur did not do his homework.

Businesses start off as dreams and dreams are always pleasant. But making the dream become a reality requires research to make sure that what you want to do will make you money. This is never easy. Start off by looking at the competition. If there is no competition, Why? If there is a lot of competition, is there room for more? Talk to people in the business. Learn as much as you can. Then, make a business plan.

We talk a lot about a business plan in this book because it is the most effective tool to prove to yourself (as well as others) that your ice cream business will be a success. If you research the term “business plan” on the internet you will find hundreds of entries. The reason is that knowledgeable people know how important a good plan is, and hopefully by the time you have finished reading this book, you will too!
CHAPTER 1

Fundamentals of Starting Your Business

Opening any new business requires some long-range planning. A clear plan gives you a goal to work toward. It is like having a road map for a long trip. In this case the road map is a business plan. Like a good road map, your plan needs to include some things and omit others that are less important and will make the map harder to follow. This book is intended to provide a broad overview of the ice cream business and start you thinking about creating a business plan.

No matter what business you enter, it is important to know as much as possible about it before you start. A really good way to learn a lot is to get a job in a shop or gelato factory that makes/sells similar products. There is nothing like on-the-job experience! A wealth of information about making ice cream can be found in the eBooks we offer.

Another excellent source of technical information about making ice cream is the website of the University of Ugelph: [http://www.foodsci.uoguelph.ca/dairyedu/](http://www.foodsci.uoguelph.ca/dairyedu/)

Since you are reading this introductory text, it may be too early to start thinking about creating a business plan, but this is a good time to start thinking about what is in a plan and the information it will require.

Benefits of Franchising

Before we discuss a business plan, let’s talk about franchising and why it is beneficial. Being franchisors ourselves, going to all those franchise trade shows, we know better than most how important a franchise can be.
A huge benefit of franchising is the improved chance of success. According to statistics published by the US Small Business Administration (SBA), seven out of ten new businesses survive at least two years and 51 percent survive at least five years. This is a far cry from the older record that 50 percent of businesses fail in the first year and 95 percent fail within five years. One of the main reasons is that more and more owners open franchise operations.

- A recent survey of American franchisees found that over 80% were satisfied with their franchise and knowing what they know after two years, they would take it again.

**Advantages of Franchising**

Franchising has several powerful benefits, which is why so many people take them. The first is that the franchisor is successful, which is one reason why you are considering the franchise. This means they have avoided and/or made and survived many mistakes, which they will be sure you don’t make. We firmly fall into the “made them all” category—and we remember them ALL and will prevent you from making them! Second, they have developed a brand identity, which is valuable.

Another very important benefit of a franchise is that you get a very clear idea of cost before you invest. There may be surprises later but nothing like the unpleasant surprises that can occur during independent startups.

You get to meet the people who will support you and decide if you like them. Last but certainly not least, you get the training, support, marketing, branding ingredients and machinery you need without having to experiment.

A franchise offers you name recognition and a well-known product line. These are important in any business but even more so with food. The reason is that people form powerful food habits resulting in their consistently choosing one food brand over another, usually for their entire lives. If they like a certain brand selling near their home, they will inevitably buy it anywhere they go, in preference to all others. So, the power of the group works for the franchisee.

In addition, the franchisor provides collective advertising, sometimes locally and sometimes nationally and also provides you with ads and promotional materials you can use. They provide uniforms, branding graphics and lots of expertise. This does not guarantee you will be a success, but it greatly increases your chances. Whether or not you decide to franchise is a complex and personal decision but it is clear that the chances of success favor the franchisee.
Advantages of being independent

Obviously, the first one is that you do not pay a franchise fee or royalty. This can be a lot of money. Sometimes it is a whole year of profit!

All franchisors charge a non-refundable franchise fee and a startup fee. A shop or small desert restaurant fee of $25,000 is common. In some cases this is as much as the projected cost of the shop! Some charge an annual fee and/or demand a royalty, often 6% of your net profit. 6% of net profit may be as much as 20% of the gross! In addition, you have to buy their products and cannot switch around.

Being independent, you can select any products you wish and switch as you please. You can personalize your service and products to meet local demands. You can name your shop any way you wish, rather than “Dream Cones” or “Baskin Robins.”

Dream Cones is different from franchisors such as Baskin-Robbins in that most of our international franchisees make as well as sell ice cream. The product, gelato tastes and looks significantly better than mass-produced ice cream—but it is slightly more expensive. It does best in upscale malls or areas where people with some money congregate. We are not as well known as the largest franchisors and therefore charge much less for startup. You don’t get the massive brand identity as Baskin, but you do get a lot for your small investment. And, we do not charge a royalty fee or commission.

Whether you choose our franchise or another, franchising has a lot of advantages and you should research the proposals of various franchisees before making a decision.
The Elements of a Good Business Plan

Many potential ice cream entrepreneurs ask, "Do I really need a business plan?" My answer to this question is always, "Yes."

A business plan is like a road map. It outlines where you are, where you want to go and also gives you the directions you need to get there. It demands considerable research, takes time to write, requires a lot of data and depends in part on projections. But despite all of that, business plans are one of the most effective tools for starting a new business.

Like a good map, the business plan shows all the important locations on your trip but omits a lot of details that would actually make using the map harder. It is a delicate balance between having the essentials but skipping the details that are time consuming and not initially essential.

One of the main benefits of a business plan is that it helps you discover new ideas, different approaches and fresh perspectives. You often find products and approaches you never considered before.

Your final plan may be considerably different than the original; it's a flexible tool that can help you think creatively and come up with new ideas.

Choosing a Corporate Entity

Another early decision to make is about your corporate entity: what kind of legal structure you should operate under. There are many types of business entities, or corporate structures you can consider to start your business and their nature varies from country to
country, but here are the most common ones:

**Sole Proprietorship**
Sole Proprietorship is owned and run by one individual and there is no legal distinction between the owner and the business. The owner receives all profits and has unlimited responsibility for all losses and debts. The main disadvantage of a sole proprietorship is the unlimited risk. If something bad happens, you are completely responsible for it and need to protect yourself with insurance.

**Limited Partnership**
A limited partnership has at least one or more “limited” partners who do not participate in management and limit their loss exposure to their investment in the business. Every limited partnership must have at least one personally liable general partner (someone who takes all the risk) although the general partner can be a corporation or another limited partnership to control the risk.

**General Partnership:**
Each partner has an equal voice in the management of the company, which can survive the death or withdrawal of a partner if so specified. Of course the partners can make an agreement about who has what responsibility and what part of the profit they get. But all of the partners are liable for their own debits as well as debits or claims against the company. So, if the company is sued each partner is completely liable. The profits once disbursed are declared as simple income on individual tax returns as in a sole proprietorship.

**A limited liability company (LLC)**
An LLC is a flexible form of enterprise that blends elements of partnership and corporate structures. An LLC is not a corporation. The primary characteristic an LLC shares with a corporation is limited liability, and the primary characteristic it shares with a partnership is pass-through income taxation. Each individual can just claim the profit as part of their personal income. This keeps the paperwork much simpler than a corporation. It is often more flexible than a corporation and it is well-suited for companies with few owners.

**Corporation (Inc.)**
There are many different kinds of corporations but their main benefit is that liability is limited to the assets of the company unless gross or criminal negligence can be proved. Shares of the company can be sold or divided among the principles and the company survives the death or withdrawal of any shareholders. Usually corporate officers are appointed/hired who run the company.

In a corporation, decisions are made by a board of directors, but some rights are reserved for the shareholders. Taxation is fairly complicated with a lot of paperwork but this can actually be used to benefit the company and limit its taxes.
CHAPTER 2

What is Ice Cream?

Since you are considering going into the ice cream business you should know a bit about what you are planning to sell. Commercial, mass produced ice cream began in the USA in 1929 with the invention of the continuous freezer but what we call "homemade" ice cream, meaning ice cream made in small batches, has been around for hundreds of years. Stories about the origins of ice cream—in China, in Persia, in Asia, in Europe go back into antiquity—but none of them have been substantiated.

Ice cream's origins are known to reach back as far as the second century B.C. We know that Alexander the Great enjoyed snow and ice flavored with honey and nectar. Biblical references also show that King Solomon was fond of iced drinks during harvesting. During the Roman Empire, Nero Claudius Caesar (A.D. 54-86) frequently sent runners into the mountains for snow, which was then flavored with fruits and juices. Maybe that’s just as well—there is no single truth—ice cream is multi-national—it belongs to us ALL!

"Ice cream" is actually a legal term in many countries, requiring a product that has a minimum weight of at least 180-190gr/L (1.6 lb./gal.) and contains at least 10% butterfat. If a frozen dessert does not meet these requirements it has to be called something else—but not every country has this legislation. After cholesterol was discovered, ice cream manufacturers wanted the butterfat requirement changed so that they could use more vegetable fat, but the dairy associations blocked them.
Products that do not meet these specifications are classified as “frozen desserts.” In the past this implied low quality and even today a lot of frozen desserts are cheap quality. Some are given a brand name, such as “Tasty Freeze” to divert the consumer’s attention from the quality. In other cases, expensive inclusions such as candy or cake have been added, necessitating the need to reduce butterfat content or increasing air content.

In countries where this law does not exist, many ice cream manufacturers use a combination of butterfat and vegetable oils to achieve the desired level of fat. This reduces both cost and health risks.

**Butterfat** is an important part of ice cream, contributing to its texture, taste and aroma. It plays an important role in bonding the dissimilar components of ice cream. There are products that mimic butterfat but high butterfat (8-10%) still represents more than 78% of the ice cream market.

Butterfat consists of many triglycerides (different types of fat), which solidify at widely different temperatures. When ice cream mix is frozen some of the triglycerides remain liquid and some solidify, with every variation in between. This adds to complexity of taste, which is exciting. Ice cream is in fact classified by its butterfat content:

<table>
<thead>
<tr>
<th>Class</th>
<th>Butterfat</th>
<th>Milk Solids</th>
<th>Sugars</th>
<th>Solids</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gelato</td>
<td>6-8%</td>
<td>11-12%</td>
<td>10-15%</td>
<td>32-34%</td>
</tr>
<tr>
<td>Economy</td>
<td>10-12%</td>
<td>10-11%</td>
<td>14-17%</td>
<td>35-37%</td>
</tr>
<tr>
<td>Trade</td>
<td>11-12%</td>
<td>10-11%</td>
<td>14-17%</td>
<td>37-39%</td>
</tr>
<tr>
<td>Deluxe</td>
<td>13-14%</td>
<td>8-9%</td>
<td>13-17%</td>
<td>39-40%</td>
</tr>
<tr>
<td>Premium</td>
<td>14-16%</td>
<td>7-8%</td>
<td>13-17%</td>
<td>40-41%</td>
</tr>
<tr>
<td>Super Premium</td>
<td>18-20%</td>
<td>6-8%</td>
<td>16-17%</td>
<td>42-44%</td>
</tr>
</tbody>
</table>

**Premium and Super Premium**: Today, top-end manufacturers like Haagen Dazs call themselves “super premium manufacturers” but this no longer means they sell ice cream with 20% butterfat. That much would make the ice cream too gluey. Today the term “super premium” means that the ingredients are top-of-the-line and air is limited to 40-50%.

Ice cream shops usually sell premium or super premium ice cream. The customers can taste the difference and they expect quality. The quality of the ingredients and the amount of air whipped into the product are factors that separate the best from the rest.

In addition to butterfat there are other things that make premium or super premium ice cream superior. The machines that make it are more expensive and extrude it at a lower temperature, yielding smaller ice crystals that make the product smoother. The flavors are usually all-natural, made with fresh or frozen fruit, fruit pulp and fruit juice. A major component of many flavors is vanilla. The vanilla in premium and super premium is all-natural. The cheaper brands mix artificial vanilla with a little natural. Also, the solids in premium ice cream are fortified with skim or buttermilk, not whey, which improves texture.

While Ben & Jerry and Haagen Dazs, Bryers, etcetera are internationally-known, quality brands, there may be local manufacturers who produce equally good products. They may not have the internationally-known name of Ben & Jerry or Haagen Dazs, but com-
munities always appreciate their own products and you may get more service, more free promotion and the benefit of local pride by selling them.

**Gelato:** Although too low in butterfat content to legally be called “ice cream” gelato is a premium form of ice cream. It is actually heavier (more dense) than commercial ice cream because it has more solids and less air. Most gelato is all-natural and made with real fruit flavors and natural vanilla. For this reason and the lavish amount of milk solids, gelato is considered “super premium.”

The main **composition difference** between gelato and commercial ice cream is that it contains about 20-35% less air, 15% less sugar and 60% less butterfat than premium ice cream. They are replaced with milk solids. This makes gelato much healthier and the flavors more intense but the smaller amount of air results in more milk solids per scoop, hence higher ingredient cost.

Another difference between gelato and commercial ice cream is the factory cost, which is huge. However, once the commercial factory is set up and running, manufacturing costs are very low, output is high and few workers are required to run it, whereas a gelato factory is more like a commercial kitchen and has a higher overhead.

**“Continuous” manufacturing:** The most common type of ice cream sold today is made commercially using the **“continuous” manufacturing process.** This consists of feeding a steady stream of liquid “mix” and highly pressurized air into a freezing chamber where it is frozen under high pressure to about -6 to -12°C, then scraped off the freezing cylinder before being extruded “downstream” as they say, into other machines that shape, form and package the product. Read more about the continuous process in our eBook, *Gelato Maker’s Guide.*

After being extruded from the continuous freezer, the ice cream may be mixed with “inclusions” such as nuts or fruit bits from a hopper or extruded in various forms. Then the ice cream is blast frozen and packed.
Ice Cream Specialties

Ice cream can be made into many products that broaden your product line and boost sales. Certainly among these are ice cream cakes, rolls and sandwiches. Soft serve is another type of specialty but if you do not want to sell it, a soft serve machine can be used to make milkshakes and frozen yoghurt.

**Ice cream cakes and rolls**

are very popular and they represent an important part of your takeout product line. People buy cones and sundaes to eat on-the-spot but they buy ice cream cakes and rolls to take home. These products plus cookies, cakes, pastry, candy and even light food supplement your eat-on-the-spot sales and adds to your bottom line. Over time you develop a nice market for these products which may end up representing 20% of your total sales.

If you make your own ice cream, cakes, rolls and ice cream-on-a-stick are easy to make. If not, most large ice cream manufacturers sell them. In both cases it is wise to learn how to use a pastry sleeve to write on ice cream cakes, so you can create specialized messages such as “Happy Birthday Cheryl.”

Ice cream cakes and rolls can be placed in a display freezer along with tub ice cream but usually they are marketed in an upright freezer. In order to sell them you will require a sturdy box, possibly insulated and most vendors also keep a stock of dry ice so the product does not melt.

The problem customers have with an ice cream cake is that it is so large that the customer would have to empty most of the freezer of their home refrigerator to keep it. This is the reason why dry ice is so important. Just a half-kilo (a pound) of dry ice will keep an ice cream cake frozen 4-6 hours.

Having your own baking department means having a 1 or 2 deck oven, a mixer, a food processor and some decorating equipment. Of course it also means having a baker full or part time. An alternative is to find someone who loves to bake who can make baked goods for you in their home. This saves you space, machinery investment, salary and bookkeeping expenses.

Products made at home are purchased by the piece and you can usually order in the late afternoon for delivery the next morning. If you are offering cakes you will want to develop a photo catalogue showing what you sell. If you are franchising your franchisor usually has this for you.
Other Frozen Desserts

**Sorbets**
and sherbets are two other frozen desserts made without milk. Sorbets are often called “fruit ices” as they contain fruit, fruit pulp, fruit juice, sugars, vegetable fibers and stabilizer/emulsifiers. They are tart and much more intensely flavored than ice cream and very refreshing.

**Sherbets**
are similar in composition to ice cream but contain only 2% vegetable fat and no milk. They are less tart than sorbets and more smooth but more intensely flavored than ice cream.

**Soy ice cream**
is a frozen dessert similar to ice cream made without milk products. Our Soy-So Delicious® frozen dessert is made with soy protein which has no flavor. The product tastes the same as gelato. Soy desserts are preferred by lactose-intolerant customers, vegetarians and vegans. This is a small market but almost no-one caters to it, so it can be very lucrative, attracting lifetime customers.

**Sugar-free products**
During the 20th century sugar-free products often tasted terrible. Today, most countries (except the USA) offer maltitol-sweetened desserts. Maltitol tastes just like table sugar and has no aftertaste. It is a sweetener made from starch that has 40% less calories than table sugar and does not raise blood glucose levels as much.

In the EU, “sugar-free” products that contain fruit, which has some natural sugar in it must be called “no-sugar added” instead of “sugar-free.”

**Frozen Yoghurt**
is a cultured milk product made from the action of bacteria on the lactose in the milk, producing lactic and acetic acid and carbon dioxide. These and several other components give yoghurt its characteristic fresh taste and smell. Most companies that sell it also make it. Whereas most ice cream has 31-38% solids, natural yoghurt is about 12-15% solids. This makes it very tasty as a kind of light custard but much too light to have the thickness, creaminess and intense taste of either soft serve or hard ice cream.

Yoghurt comes and goes in importance but it is becoming popular again and this is a fad you don’t want to miss. People mistakenly believe it is healthier than ice cream or prevents aging, but there is no scientific evidence of this. Furthermore, “premium” yoghurts contain added butterfat, thickeners and stabilizers and by the time you have added the sweetener, it is not really any healthier than yoghurt flavored gelato. In fact most people can’t tell the difference. Normally it is made in a specialized pasteurizer-ager.

Yoghurt can be flavored with syrup or ice cream flavoring. It can be frozen in a soft serve machine and chopped fruit and fruit juice can be added making it into a smoothie. An
emulsifier/stabilizer can be added and it can be made into an ice cream like product in a batch freezer.

**Soft serve**

is really nothing more than ice cream made in a specialized batch freezer. The drum and dasher have been reshaped so that ice cream can be extruded directly from the machine and sold. The mix is slightly different than gelato mix but not much. Milk shakes and softies such as yoghurt smoothies can also be made in a soft serve machine.

Soft serve is a very appealing product, especially for children (50% of sales) and adults like it because of its low price and also you get a lot for your money. Since it is served at about -6°C (the same temperature as gelato extruded from a typical batch freezer) the relative warmth makes it taste creamier and also reduces the amount of sugar needed to make it satisfying.

Soft serve has several big advantages over hard ice cream: you do not need a display freezer, a blast freezer or trained manufacturing personnel. You can install the unit in the morning and start selling by lunchtime. In addition to having no manufacturing costs aside from buying the machine and mix, you also have little overhead as the machines take up little space. Finally, most machines run on household current and are air cooled, so there is no installation cost. Therefore, profit is higher compared to hard ice cream.

**QUALITY:**

Almost everywhere soft serve is a low-end product sold at low price. The product is rarely labeled “ice cream” mainly because it usually does not have sufficient butterfat to qualify. In addition, non milk vegetable proteins exceed the ice cream maximums of most
governments regarding substitutes for milk solids. Last but not least, many ingredients are artificial, especially the flavors.

**Why is low-end so popular?**
Soft serve manufacturers quickly learned that children represented about 50% of their market. It was easier to target them with child-oriented advertising. Children are not so sophisticated enough to taste quality. In addition, another reason the kids loved it was the fun of making it. The parents liked it because you got a lot for your money and the price is low.

**Disadvantages of selling soft serve:**
Fast food vendors such as McDonalds, Burger King, etc. quickly tapped into this huge market and competed on the basis of price. This led to a relentless downward spiral of profits until it reached the point where only the biggest players, with their huge traffic volume and economy of scale could compete. This spiral also pushed most of the soft serve base manufacturers out of the business, leaving only the big guys, who made their own and the Chinese, that made it with god-knows-what. Today, quality soft serve is making a come-back because of the soft yoghurt trend. People are starting to open fancy soft serve kiosks offering many flavors and often a self-serve topping bar.

**Advantages of selling soft serve:**
In the right place, where there is no competition from the Big Guys or at fairs or special events soft serve can be a big winner, especially if combined with the right graphics and marketing. Even in these places, however, the public is aware that soft serve is a low-end product and they resist upward pricing.

**Packaged ice cream**
Packaged ice cream is another way to boost sales and becomes a steady part of your income over time. Typical sizes are pints (liters) and half-gallons (2 liters). Even though you offer scoop ice cream, small, 4 oz. cups are popular take-always and having an insulator bag and dry ice encourages people to buy quantity. Gelato makers often sell 6-packs of scoops. These look very attractive in the freezer.

Even though you are trying to sell premium or super premium ice cream at premium prices it never hurts to have a sliding glass-chest freezer containing good-quality packaged products that sell at lower prices.

Although most of your customers arrive understanding that your premium products are priced above the low-end market, some economy conscious people, especially if they have several children may resist the higher prices. Having less expensive alternatives can save a sale.

**Terms used in the ice cream industry:**

**Milk solids non-fat (MSNF):** also called “serum solids.” These are the non-liquid, non fat solids, as are found in powdered skim milk.

**Base:** All of the solids used to make ice cream, including milk solids, sugars, fats and emulsifiers. Oils are considered “solids.”
Inclusions: any solids, such as nuts or candy bits added to the ice cream after it is made. To calculate overrun: \((\text{finish volume} - \text{start volume}) / \text{start volume} \times 100\).

Mix: ice cream base including the liquids.

Overrun: refers to the volume increase after the mix is made into ice cream. Overrun consists mainly of air but also includes expansion in volume of water that has been converted into ice.

Example: 3L mix becomes 4L of ice cream: \(4-3=1; 1/3 \times 100=33\% \) overrun. The mix is expanded by 33%. The finished ice cream contains 25% air.

Display: Gelato is heavier than ice cream and its freezing point is a little lower than commercial ice cream. Commercial ice cream can be kept hard at \(-15^\circ C\) but gelato requires \(-18^\circ C\). This may appear to be a small difference but it is important when buying a display freezer. Many ice cream freezers only freeze to \(-15^\circ C\). Be sure you buy one cold enough to keep your product hard!

**CHAPTER 3**

Making Gelato

One thing is certain: if you decide to make ice cream rather than buy the finished product for resale, it’s easy to make, so do not focus on this when you start thinking about entering the business.

Many of our customers exhaust themselves considering which machines to buy and EX-ACTLY how much profit they can make per scoop. This is important before committing money but it is the least important thing in the beginning.

Relax! You WILL learn how to make gelato, which is particularly easy using our ingredients but certainly not difficult no matter whose products you use. But selling great ice cream and making great gelato is different from making money.

As with commercial ice cream, gelato starts its life as a base powder and a flavoring that is somewhat similar to a thin jam. Flavors are sometimes called “paste.” Most shops buy
pre-packaged ingredients because of the machinery required and the large number of di-
verse components required to make the many bases and flavors required. In our factory
for example, we stock 250 components to make 5 different bases and 50 flavors.

The base comes as a powder and is mixed with water or milk. If water is used, the re-
quired milk is contained in the mix as milk powder. No matter what you heard, fresh and
powdered milk can produce the same quality product.

Traditional mixes require a pasteurizer and are made with fresh milk. The trend, especial-
ly in smaller operations, is away from using hot milk for several reasons: it requires a pas-
teurizer, which is expensive and takes up a lot of space. The milk has to be fresh and
requires refrigeration.

Many smaller manufacturers are buying mixes made with powdered milk to which boiling
water is added, achieving instant pasteurization. Cold mixes are also available. Cold
mixes are slightly more expensive than hot mixes but they offer considerable convenience
particularly in small spaces. They often include flavor and all one must do is add water
and mix.

Commercial bases are machine-made and packaged, untouched by human hands. Also,
the ingredients are manufactured at high temperatures and machine packed, so even the
components are very clean or almost sterile. Also, fresh milk gelato is usually made with
pasteurized/homogenized store-bought milk, so both the moral and legal requirement to
pasteurize has been met.

Since gelato is made fresh, stored at very low temperatures and sold quickly, it is unlikely
to develop contaminants from the ingredients. In fact, most contaminates if any come
from dirty hands while manufacturing, not from contaminated materials. For these rea-
sons the pasteurizer is disappearing in smaller operations. Larger manufacturers prefer a
pasteurizer because it mixes, drives a maximum amount of air into the product and then
keeps it cold until use.

Once the base is made into mix, it is chilled 3-4 hours, which makes it creamier. Then it
is ready to be made into ice cream.

Gelato is made in a “batch freezer,” which is a machine with a freeze chamber and a
powerful scraper motor. The mix is poured into the freeze chamber and the machine is
started.

At this point the flavor is usually added, unless it was already a part of the base. Fruit fla-
vors are delicate and should never be pasteurized as this may damage the flavor. They
have been previously pasteurized and also acidified with citrate, both of which retard the
development of bacteria.

A rotating scraper, called the “dasher” scrapes the hardened ice cream off the freeze
chamber walls and tumbles it, adding a small amount of air, which is essential. The fin-
ished product is extruded from the machine at about -6°C (-21°F) into a pan. It can be
swirled and decorated for sale by the scoop or put into a cup for bulk sale.
Once the gelato is made it is blast frozen as quickly as possible to at least -28°C. in order to arrest ice crystal formation. It is then ready for sale.

Whether to make gelato or buy and sell commercial ice cream is an important decision. Of course the first reason is that a manufacturing setup is expensive and the operators require training. Gelato equipment to both make and sell gelato including ingredients can cost between €15-30,000.

In addition to the cost of the manufacturing equipment, air conditioning, clean water, factory space, storage space, workers and delivery are required. Also, you will need a retail outlet unless you stick exclusively to manufacturing and selling wholesale. Some operators make the gelato where they sell it, which makes management easier but may mean added cost for the extra space.

**Small Gelato Factory**

The small factory on the next page was designed by us for one of our franchisees and is in actual operation. It is in a 'minimum” space and we suggest a larger one if you can get it. The storage area is not shown.

This factory, with two 18 L water cooled batch machines can produce about 900 L of gelato in about 9 hours.

In this factory the powdered milk base is first mixed with just-boiled water, chilled in the upright freezer and then poured into the batch machine. We always recommend having two batch machines so you have a back-up and also sometimes you get big orders.

After the ice cream is made it is stored in the blast freezer and later transferred to the top-opening freezers prior to shipment. The shelves in the center store flavors most of which do not require refrigeration after opening.

**Product Line**

Gelato comes out of the batch freezer at about -6°C (-21°F) and has the consistency of soft serve. It can be extruded into tubs which are then decorated for sale as scoops or transferred into cups or packages for bulk sale. If you are developing a wholesale line, a larger container, usually pails, are filled.
Gelato can be made into cakes and rolls. It can be scooped into little balls that are first blast frozen and then dipped in chocolate or other coatings.

Another popular product is ice cream on a stick. These are made in molds and once blast frozen they are removed and dipped in a coating. The coating, called a “comfiture” is either a liquid at room temperature or is melted in slightly warm water. It hardens when it touches the ice cream but usually the product is hung by a clothespin in the blast freezer to finish the hardening process.

**Wholesale**

Wholesale is an important part of every ice cream business. You sell for less but you also do not have to invest in an outlet or staff. In many cases restaurants or hotels that are interested in buying your product will want a free freezer to store the product. If they are selling from a menu an inexpensive chest freezer will do and you can use the freezer as a way of getting a 2-3 year contract. You can even ask for a deposit on the freezer which helps reduce you out-of-pocket expense.

Display freezers where the restaurant or hotel sells by the scoop are much more expensive than chest freezers and are usually too costly to give for free. But you can offer the buyer a long-term lease and also a performance guarantee, which will help reduce out-of-pocket expense.

Read a lot more about ice cream manufacture in The *Gelato-Maker’s Guide*.

**Why do people make gelato?**

Gelato is a superior product that tastes better, looks better and is healthier than commercial ice cream. It is usually sold from highly decorated tubs, which make the product look very alluring. The shops that sell it often also sell gourmet pastry, cookies, crepes, espresso, granita and light food. It is often sold in upscale malls or areas where people with money go and in those areas the people know they will be paying more for whatever they buy.

Also, there is a huge amount of commercial ice cream available everywhere and selling it is very competitive. Profit is constrained by competition. Gelato is a niche with much less competition, competing for a smaller market that is too small for most commercial manufacturers to enter. Correspondingly, most ice cream vendors lack either the motivation or the expertise to sell a sophisticated product line, preferring to stick with mass sales. This level of sophistication also eliminates many lower-end vendors.
Why do people sell commercial ice cream?

The mass-appeal of commercial ice cream is hard to deny. Many people, particularly the less-affluent, grow up eating economy or trade quality ice cream and develop powerful food habits for it. They actually don’t like quality ice cream! We once took our gelato to a Thai funeral in a poor area. The people liked the chocolate and the strawberry but everything else was left untouched. It was either “too strong,” “too tart” or “strange.” They had spent a lifetime eating the artificially-flavored high-fat products like Walls and those are what they preferred.

Buying commercial ice cream is simple. If you franchise you can advertise a brand name. If not, you can shop around and in many cases the same brand-name manufacturers sell the same quality ice cream in a plain package or use another name for it. So, you can get some real bargains and better quality.

Cost-containment is important in any business but even more so when selling commercial ice cream. This is because there is lots of competition for the ice cream dollar. Ice cream is an impulse food. They see it, they want it. If your outlet is located away from the competition you have a bit of latitude regarding sale price. But, if you are in a mall, surrounded by competition selling economy or trade quality ice cream, price can be the deciding factor for many of your potential customers.
There are four things that are essential in having a successful ice cream outlet: location, location, location—and—I forget the other one. Ice cream is an impulse food—you see it, you want it. A “good” location has lots of foot traffic.

No matter what size outlet you open or what you sell, its location is unquestionably the single most important decision you can make. This decision is so critical that we consider a big part of the benefit of franchising with us is the help we give regarding location.

Many an ice cream business has failed because of poor choice. The difference between a good location and a bad one may be just a few meters.

We had a friend who called and was excited because he thought he had found the perfect location for an ice cream kiosk. It was on the first floor of a mall (very good), right in front of the door (very good) and at a main walkway intersection (very good). But when we got there we immediately told him “Don’t do it!” Why?

Everything he told us was true but he omitted a few things. The big one was he didn’t tell me about the column. It was a large column. It hid the kiosk from the people entering and also the people approaching from the left on the main walkway. And, to the left of the column on the main walkway was a kiosk with a big sign that further hid his location from that direction.

The people approaching from the right had to pass a long line of confection and dessert stands that were the competition. They were in larger spaces, sold a wider product line and had better opportunities to market. Last but not least, the walkway where my friend would go was a dead end. He ignored my advice. He lasted two months.

Location tips to remember:

- Is the location busy at peak hours, lunchtime, dinner and evenings? If the location is not really busy at these times, you cannot prosper.
- Car traffic is nice, but foot traffic is more important.
- If you are counting on car traffic, make sure that your location is easily visible from the street for not less than 4 seconds at 40kph (enough time to see your sign), is easy to access after drivers see it and it has good parking.
- Success in an open-air mall depends on how close you are to high-volume outlets like a supermarket.
- Visit the site on different days at different times, particularly peaks (lunch, dinner, evenings) to see how consistent the traffic is.
- Competition: How many dessert/ice cream shops are located nearby. Competition in a mall is inevitable, but having competition in the same area as you will dilute sales. Locating your shop near a brand name like Ben & Jerry’s is death. If an ice
cream shop is on one side of the mall and doing well, chances are that you will do well on the other side, providing of course that your side has equal foot traffic

- Visibility. Will everyone who walks close by know that there is ice cream there?

**Good Locations**

Indoor Malls (in the right spot), airport departure lounge, zoo’s, convention centers, amusement parks, high-traffic open-air malls, near a cinema, near a superstore, train station, beach area, sports arena. Strip malls if located near a high-traffic store.

**Location in a mall:** Enclosed malls are better for year round traffic and people often stroll around in malls for amusement, making them perfect customers for impulse sales. Also, they are open in the evenings and this has seasonal advantages, particularly in temperate climates. In winter people in malls buy ice cream whereas in strip malls ice cream sales fall off dramatically in winter. In general, it’s better to pay more rent and be in an enclosed mall than to pay less and be in a strip mall.

We always urge our startups to try and open a kiosk in a mall. Upscale malls can be good because people know prices are higher in them. But be careful. If the upscale mall is super upscale and has little foot traffic you have a problem. This mall may be good for selling diamonds but ice cream needs loads of passers-by.

Another good reason to start with a kiosk is that it is a cheap startup and a mall is prime territory if the location in it is right. If you don’t do well in your first location you may be able to move. If everything in your first mall fails you can load the kiosk onto a truck and move. In malls, the first floor is prime space for gelato, near entrances, escalators and main walkway intersections are best. Food courts are usually not great because most people go in their to eat a meal. Mall ice cream is a sort of between meals impulse food.

**Non-Mall Locations:**

If you open on a street where most of the shops close at day’s end, it is likely that the street will be deserted at night, robbing you of one of your most lucrative periods. What happens on the weekends? Do most of the shops in your area close on Sundays? If so, you will probably be dead on Sundays, which should be one of your busiest days. Check out the action at night. Is yours an area where people promenade? Is there something nice to walk around, like a park, river or view? If the location has foot traffic, count it. Do not assume anything.

If you live in a temperate zone, what happens to business when it gets cold? Do you have a supplementary product you can sell when ice cream sales drop off?

If there is little foot traffic passing your location, can it be seen easily from the street? Is it easy to pull off and park to make a purchase? Drivers have to get your marketing message in 2 seconds, no more. That is how long it takes to pass your location at 40 km/hour.

Do not fall in love with beautiful places. The beauty is only useful if all the other elements of your requirements fit. People often lease beautiful places only to find that the beauty does not turn into profits.
Selling gelato: Since gelato is an artisan product, made by hand, it does best in highly targeted locations where people can afford gourmet cuisine. Areas surrounded by office buildings, banks and close to upscale shopping are good. Since a shop is larger than a kiosk it must attract more customers and that means offering a wider variety of products. Time and again, small shops offering a light food menu, cookies, cakes and ice cream are solid winners. In most cases simple food with a good sauce and nice presentation makes people happy. This is a particularly good formula for airports.

Manufacturing in your Shop or Kiosk

Before getting into a discussion of the various shop sizes and their merits, let’s talk about making ice cream in your retail outlet. Of course the first question is whether to make it or buy finished ice cream, which was previously discussed.

There are advantages and disadvantages in making gelato in your shop as opposed to making it elsewhere.

**Advantages:**

Making ice cream in your shop centralizes your operation, reduces transportation cost, optimizes staff and if the manufacturing can be done where customers can see it this is a form of marketing that is very compelling.

Furthermore, sales are not continuous during the day and there will be time, especially in the morning, when staff have enough time to make ice cream, so labor costs can be discounted.

In addition, many shops have either a back room, a kitchen area or enough space in the retail area to accommodate the necessary equipment, which consists of a batch and blast freezer plus a working table and refrigerator. So, factory manufacturing cost, usually 30-35% the cost of ingredients, can be discounted.

**Disadvantages:**

Even the smallest manufacturing operation takes 3-5 additional s.m. (32-53 s.f.) of space and retail space is expensive. If you are starting off small, instead of a 9 s.m. space you will probably need a 14-15 s.m. space, adding 66% to your rent. In fact, if you go to that expense you might as well consider an 18 s.m. space, where you can sell a much wider product line. Read more about that later on.

It is often possible for the small startup to make ice cream in a spare room, garage or even kitchen, where overhead is low and then transport it when you go to the shop. In addition, in most places kiosk and shop space is standardized and 9-10 s.m. is common but 13-15 s.m. is not.
Retail Outlet Size
Matching Your Money to Your Dreams

The ice cream business is a lot of fun and can be very profitable but before plunging in, it is important to match your business goals to your investment capital. Regardless of what you decide it is important to have a cash reserve of about 25% of the startup cost or enough to keep the operation going for at least 4-6 months, so that you do not run out of money before the business becomes profitable.

Clearly, the least expensive way to start is with an ice cream cart and the most expensive is to open a full-size factory with outlets. Let’s summarize your choices:

**The Kiosk**

The simplest, least expensive retail outlet is a kiosk, which is almost invariably opened in a mall, which is also one of the best places to start a small ice cream outlet. They are extremely easy to manage with just weekly visits. Employee theft and shrinkage is easy to spot. The space is small but the air conditioning is free because the mall supplies it.

A kiosk is your biggest bang for the buck. The ice cream is made elsewhere or you buy commercial. It requires much less investment than a shop and if the location turns out to be not good, you can move. You can open 2-3 kiosks for the cost of a single shop and that increases your exposure. All of the machines in a kiosk are hard assets and if things don’t work out you can sell them.

This is a 9 s.m. kiosk showing a 180 cm display freezer and cash counter. This freezer has a lower reserve bay for 15 tubs. Behind it is a cabinet/counter with a cone maker. The 3-seat counter to the right takes up a bit more space.
**Kiosk up to 9 s.m. (97 s.f.) Photo above**

Our standard 9 s.m. kiosk is shown ABOVE. The basic equipment required is:

- display freezer
- cash register
- storage freezer
- cash counter
- cabinet-work counter (or under-counter fridge)
- mixer for cone batter

The cost of the entire setup is less than $20,000. Of course you can also have a slush machine, coffee machine and a crepe maker.

About the smallest kiosk is a 9 s.m., usually 3x3 m. (9.8’ x 9.8’’) allowing room for a 160 cm 16-flavor display case, a 60 cm cash counter and 60 cm for entry.

In this space you can sell soft serve, gelato in tubs or commercial packages products such as ice cream sandwiches, pre-made cones and also have enough room on a rear counter to make milk shakes, slush and coffee.

If the rear counter is replaced with an under-counter refrigerator you could store milk for shakes, fruit for sundaes and soft drinks in it. If you get the under-counter fridge, you will need a wall cabinet for storage.

**The 15 s.m. (161 s.f.) kiosk or small shop:**

The next size kiosk is like the one shown above. It requires 15 s.m. of space (3m x 5m). It is slightly less portable than the 9 s.m. model but it has the capacity to offer many more products than the smaller kiosk including:

- ice cream
- ice cream cakes and rolls
- cakes
- pastry
- coffee
- soft drinks
- light food
- crepes
- slush drinks
- milk shakes
- and much more

However the ice cream is made elsewhere. This kiosk without the equipment costs about €7,000. The equipment costs €9,000-€23,000 depending on what you want.
The 21 s.m. (226 s.f.) kiosk or small shop (3m x 7m):
By stretching this kiosk 2 meters, adding 6 s.m. bringing the floor space to 21 s.m. you can add a batch machine and blast freezer and make ice cream.

The 27 s.m. (290 s.f.) kiosk or small shop:
By adding 2 more s.m. to the length you can add side seating, bringing the seat capacity to 12.

Large Shop w light food 30-60 s.m. (322-645 s.f.)
Now we are talking about a shop the size of a small Dairy Queen with the capacity to be a full-size dessert shop and also a light food restaurant with a broad line of desserts and light food.

Shop Setup Cost
THE FOLLOWING LIST IS JUST AN EXAMPLE

<table>
<thead>
<tr>
<th>Cost</th>
<th>USD</th>
<th>Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td>$1890</td>
<td>€1,323</td>
</tr>
<tr>
<td>Rental deposit 3 months</td>
<td>$5,670</td>
<td>3,970</td>
</tr>
<tr>
<td>Utilities (Deposit)</td>
<td>$900</td>
<td>630</td>
</tr>
<tr>
<td>Interior decor</td>
<td>$12,000</td>
<td>8,400</td>
</tr>
<tr>
<td>Minor repairs/improvements</td>
<td>$1,000</td>
<td>700</td>
</tr>
<tr>
<td>Plumbing</td>
<td>$1,500</td>
<td>1,050</td>
</tr>
<tr>
<td>Product Inventory</td>
<td>$4,500</td>
<td>3,150</td>
</tr>
<tr>
<td>Advertising</td>
<td>$500</td>
<td>350</td>
</tr>
<tr>
<td>Miscellaneous supplies</td>
<td>$750</td>
<td>525</td>
</tr>
<tr>
<td>Insurance Premium</td>
<td>$400</td>
<td>280</td>
</tr>
<tr>
<td>Signage</td>
<td>$2,200</td>
<td>1,540</td>
</tr>
<tr>
<td>Deposits/Licenses</td>
<td>$1,500</td>
<td>1,050</td>
</tr>
<tr>
<td>Architectural &amp; Legal</td>
<td>$2,500</td>
<td>1,750</td>
</tr>
<tr>
<td></td>
<td><strong>$35,310</strong></td>
<td><strong>€24,718</strong></td>
</tr>
</tbody>
</table>

Machinery & Equipment

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<tr>
<th>Cost</th>
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<th>Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Display Freezers</td>
<td>$8,000</td>
<td>7,300</td>
</tr>
<tr>
<td>Upright Glass Door Freezer</td>
<td>$2,200</td>
<td>1,540</td>
</tr>
<tr>
<td>Pastry Case</td>
<td>$875</td>
<td>612</td>
</tr>
<tr>
<td>Storage Freezers</td>
<td>$500</td>
<td>350</td>
</tr>
<tr>
<td>Under counter Fridge</td>
<td>$1,400</td>
<td>980</td>
</tr>
<tr>
<td>Waffle Cone Maker</td>
<td>$850</td>
<td>385</td>
</tr>
<tr>
<td>Hot Fudge Warmer</td>
<td>$350</td>
<td>245</td>
</tr>
<tr>
<td>Shake Mixer &amp; hardware</td>
<td>$670</td>
<td>468</td>
</tr>
<tr>
<td>Cash Register</td>
<td>$300</td>
<td>210</td>
</tr>
<tr>
<td>Uniforms</td>
<td>$300</td>
<td>210</td>
</tr>
<tr>
<td>Cash reserve</td>
<td>$12,000</td>
<td>8,400</td>
</tr>
<tr>
<td></td>
<td><strong>$29,845</strong></td>
<td><strong>€19,001</strong></td>
</tr>
<tr>
<td>Total</td>
<td>$65,155</td>
<td>€43,718</td>
</tr>
</tbody>
</table>
Pricing Your Products

If you are located in an upscale area you should be able to charge about 12% more than elsewhere. Of course a big factor is how much ice cream is in a scoop but again, the competition will set the standard. But scoop size varies tremendously. In America a 4-ounce (112 gr.) scoop is normal but in Thailand a 2.5 ounce (70 gr.) scoop is typical. Using the American example:

<table>
<thead>
<tr>
<th></th>
<th>USD</th>
<th>Euros</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ice cream costs 4 oz scoop</td>
<td>$0.50</td>
<td>€0.35</td>
<td></td>
</tr>
<tr>
<td>Shrinkage</td>
<td>0.10</td>
<td>0.07</td>
<td></td>
</tr>
<tr>
<td>Spoon, cup, napkin</td>
<td>0.10</td>
<td>0.07</td>
<td></td>
</tr>
<tr>
<td>TOTAL COST</td>
<td>$0.70</td>
<td>0.49</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SALES PRICE</td>
<td>$3.50</td>
<td>€2.45</td>
<td>$2.75</td>
</tr>
<tr>
<td>COST</td>
<td>.70</td>
<td>0.49</td>
<td>.70</td>
</tr>
<tr>
<td>gross profit</td>
<td>$2.80</td>
<td>€1.96</td>
<td>$2.05</td>
</tr>
</tbody>
</table>

Cost of goods $0.70/$2.80 = 25%

It is always wise to price your products toward the top-end of the pricing range. In the beginning you can offer grand opening discounts and eventually you can lower prices if the market demands it—but raising prices is always taboo. Customers get angry at increases whereas they are always happy with reductions.

Leasing

It's easy to understand that the cost of rent is probably the second largest expense you will have after cost of goods. Many a tenant has been driven out of business because the rent was too high but this can also be because sales were too low! Furthermore, rent can be high because the landlord is gouging you or because the location is hot. Of course it was not hot for the last guy, which is why the spot is up for rent!

A rough rule-of-thumb states that rent should be about 10-15% of projected sales. In the gelato business, we always recommend upscale locations—which have upscale rents. If you are selling an upscale quality ice cream you need an upscale customer base and lots of passers by. If you see that the competition gets about 3% of the foot traffic (it may be less), you can anticipate about the same.

So, if the sale-to-passers-bye is 3%, then if 10,000 people pass by your location during the day you will get 300 customers. If the rent is $1,840 Euros/month and you are making a gross profit of $2.80/scoop, you will need to sell 657 scoops/month to pay the rent. You are projecting selling 300 scoops per day @$2.80 each gross profit= $840 x 30=$25,200/month. 1,840/25,200=7% or selling 150 scoops/day is 14% so this rent is OK.
Of course you may be selling more than ice cream and your income per customer should be higher because about 20% of your customers will buy something in addition to ice cream and you will probably also sell some sundaes and takeout as well.

Getting a good lease is extremely important but most landlords have a prepared lease that benefits them and they don’t like to change it. Finding a good location is so important that when one is found you are highly motivated to rent it but that does not mean you should sign without examining it thoroughly. Sometimes landlords will allow modifications if they are not major ones and these small changes can help you immensely.

**Escape clause:** First among these is the escape clause. Woe unto the tenant who signs a long lease without an escape clause and then finds out his shop is not profitable! This is especially true if your company entity is not an LLC or incorporated, limiting your liability but even if it is, the landlord can sue. Furthermore, the landlord is not highly motivated to find a new tenant if you are paying the rent. At the very least, the landlord will keep your rent security and deposits.

An escape clause simply states that you are allowed to terminate the lease within a specified period, usually 90 days, upon earlier notice, say within 60 days.

**Liability:** Landlords are motivated to pass as much liability on to the tenants as they can. Logically your liability should be limited to areas of your responsibility, such as health/safety of the product, risk from defective furniture and fittings you installed and hazard-accidents such as customers falling on wet floors. But sometimes landlords like to pass all liability to the tenant such as the roof falling in and heaven help you if you fail to notice this and do not provide adequate insurance to cover.

**Product Line:** The product line you plan to sell may change after you begin operations. This is particularly true of food businesses. You may think that because you specified you are selling ice cream that this implies “light food.” It does not! And the guy down the mall who is selling light food will be sure to have a chat with the landlord if later on you decide to broaden your product line. So it is wise to specify a product line as broad as possible.

**Length of Lease:** Sometimes landlords try to specify a month-to-month lease and really it is better to just walk away from these. The landlord may tell you this is just a form of insurance against rowdy or unreasonable tenants but it is in fact a sword over your head hung by a thread. You may say to yourself that you have a kiosk that is easily moved, but the customers you have will be lost. And the business interruption and uncertainty of where you will go is significant.

A long lease benefits the tenant but not the landlord. It locks in rent increases and locks out new prospective tenants the landlord might prefer. A 1-year lease is a minimum and it should come with several options to renew. To know where you are on this subject, just assume the landlord will kick you out when the lease expires and see where that idea takes you.
Escalator Clause: Don’t be afraid to ask for an escalator lease, with the first month free, then half the rent for the next few months, then full rent beginning in month four. Usually landlords laugh at this but sometimes they will compromise by giving you the first month or two free. At least it shows that you are thinking.

Location Guarantee: This means you won’t wake up one morning and find a Dairy Queen next to you.

CHAPTER 5
Your Product Line

The product line is important in any business but even more so when selling commercial ice cream. Operations that just sell scoops often fail if they have to compete with competitors who also sell light food.

To illustrate my point, take a look at what Dairy Queen offers:

<table>
<thead>
<tr>
<th>Standard Soft Drinks</th>
<th>Malt Drinks</th>
<th>Special Beverages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shakes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deserts</td>
<td>5 types</td>
<td></td>
</tr>
<tr>
<td>Soft Serve</td>
<td>2 Types</td>
<td></td>
</tr>
<tr>
<td>Ice Cream</td>
<td>6 flavors</td>
<td></td>
</tr>
<tr>
<td>Sundaes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

And that’s not all. Here’s the food:

<table>
<thead>
<tr>
<th>Food Item</th>
<th>Grilled Chicken Salad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ultimate Burger</td>
<td>Crispy Chicken Salad</td>
</tr>
<tr>
<td>Deluxe Double Cheeseburger</td>
<td>Grilled Chicken Caesar Salad</td>
</tr>
<tr>
<td>Deluxe Cheesburger</td>
<td>Crispy Chicken Caesar Salad</td>
</tr>
<tr>
<td>Double Cheeseburger</td>
<td>Fish Sandwich</td>
</tr>
<tr>
<td>Cheeseburger</td>
<td>Chili Cheese Dog</td>
</tr>
<tr>
<td>Double Burger</td>
<td>Chili Dog</td>
</tr>
<tr>
<td>Single Burger</td>
<td>Hot Dog</td>
</tr>
<tr>
<td>Chicken Basket</td>
<td>Burrito</td>
</tr>
<tr>
<td>Chicken Snack</td>
<td>Corndog</td>
</tr>
<tr>
<td>Grilled Chicken Sandwich</td>
<td>French Fries</td>
</tr>
<tr>
<td>Crispy Chicken Sandwich</td>
<td>Onion Rings</td>
</tr>
</tbody>
</table>

DQ originally started as a custard-out-the-window operation but now has a huge product line, snappy graphics, a lot of equipment with a big investment, their own training school, marketing division, international advertising and nice uniforms. This proves that expanding product line is important for success.
Ice Cream Point-of-Sale Problems

**Sandiness:** Sandiness is caused by lactose precipitating out of the ice cream, forming little crystals. It is usually the result of the manufacturer using too much whey in the mix. The problem may not be apparent either when the ice cream is made or delivered. It can occur days or weeks later.

Lactose is the least soluble of all the sugars in ice cream. As the ice cream sits, more and more liquid water becomes ice and finally the remaining concentration of liquefied lactose becomes too great to remain dissolved and it precipitates. This problem is a manufacturing defect and the ice cream should be returned.

The most common defects are the result of handling after the ice cream is received:

**Heat Shock:** This problem is the result of warm air hitting the ice cream when it is in a display case. This causes the surface of the ice cream to slightly melt and then freeze, resulting in surface ice crystal formation and if it happens again and again, it can result in an ice glaze and flavor deterioration of the product. If the problem is not too extensive the ice cream can be mixed up with a spatula to distribute the damaged surface.

**Coarseness:** The next step after heat shock is when the entire product develops large ice crystals, usually caused by loss of power and the ice cream rises above -16°C. This is the temperature where about 60% of the water becomes semi-liquid, or like a slurry, allowing water molecules to migrate to the ice crystals, increasing their size. When power is restored and the ice cream re-freezes, large ice crystals form which are unpleasant. The only way to fix this problem is to allow the ice cream to melt completely and reprocess it.
Route Sales
In the U.S. ice cream route sales drivers earn about $34,000 USD. This is slightly less than the median US income whereas route drivers that sell food, such as lunches, do better earning about $46,000.

This is the main reason why route ice cream sales have greatly declined in the US but in developing countries there are enough people looking for any kind on income to support this industry. You just don’t want to be one of them—you want one or more of them to work for you.

Seasonal or Special Events
Prime territory of special events are fairs, flea markets, music festivals and night markets. The foot traffic is intense and if you have an attractive stand and a good product, my how the money rolls in! But, don’t get me wrong. Working the fairs is no romp in the park! It is a tough, tough business, very stressful and full of unexpected problems that grinds up people. Only the fit-test survive.

Getting started isn’t easy. You need to learn about local laws and apply to many different festivals. One of the hardest parts of vending food is getting your first break at a festival or fair. You’ll need to convince the organizers that you should be vending food at their event. After all, their choice of vendors makes or breaks their effort! You’ll need a convincing application in order to become a food vendor and this is where being a franchisee (such as ours)
can be a big help—because the franchisor is a larger, successful operator and therefore so are you.

In order to gain acceptance, having a good-looking or unique stand or outlet is important. If you have a stand, trailer or vending truck you will need good photos of it. If you have no setup, you should consider making one in Photoshop or hiring a professional to do a rendering. It does no good to plan if you cannot convince the organizer to let you in!

If you are making your own ice cream, vegetarian or vegan events are a prime source. Not many companies make a prime vegan or vegetarian ice cream such as our Soy-So Delicious! Also, offering a Light Line of sugar-free, healthy products is both unique and appealing. As they used to say, “you gotta be a jive cat and look hip or they gonna give you the cold shoulder.”
Research the specific fair or festival carefully. Think of ways that your products fit in. Find out what paperwork you will need. You may need a license for vending food. Most festivals have a list of the licenses, insurance and permits they require. You will have to present them with your food vendor application. Find out about insurance requirements, if health permits are needed for your workers, if you need to be a registered company and if so, what docs you must present.

In most of these places visitors know and accept that prices are higher. The number of passers-by is intense which is ideal for ice cream and dessert sales. Big competitors such as McDonalds and Burger King rarely set up at these places and frequently they are barred because the fairs specialize in letting smaller operators flourish.

These events, being time-limited are high pressure. A machine failure is a disaster. Two to three times the number of workers are required and the hours are long—but oh Lord, how the money rolls in!

Some vendors set up in temporary buildings or tents. The advantage of this is that they cost much less than a vending van or trailer. But of course a tent or temporary building is much less mobile and in the summer, tick tock, tick tock, time is money. You need to start planning for the summer schedule as early as possible so that you can move quickly from one event to another. Don’t start planning later than Christmas! People who plan well often make enough money in the summer to live the whole year.

Vendors at fairs sell either food or desserts. The dessert vendors usually sell a mix of ice cream, soft serve, cotton candy, hot fudge sundaes, milk shakes, slush drinks and soft drinks. In addition to the big decisions about what to sell you must decide on a refrigeration source.
Obviously plugging into an external power source is ideal, leaving you with only the problem of how to deliver frozen products to the trailer, which is usually done by packing the products into urethane fish boxes and adding dry ice.

Generators are important for long hauls but it is uneconomical to buy a really big generator and try to run the entire operation from it because so much power is required and the generator must be run continuously during the event. Normally a chest freezer is added beneath a work counter and this is where frozen products are stored during trips. If the haul is less than 18 hours, dry ice will do the job.

**Ice Cream Carts**-Ice cream carts usually sell low-end ice cream at low prices and if you are pushing, peddling or driving the cart, it’s a hard way to make a small amount of money although you, too can sometimes gain entry to local fairs and events. But if you have a good source of inexpensive ice cream (not gelato) and enough capital to buy a number of carts, plus the business and organizational skills to organize licenses and permits, lease space (sometimes) plan routes, resupply, replace absent workers and a calm when things go wrong, it can be quite lucrative.
CHAPTER 6
Marketing/Advertising

First of all, always keep in mind that ice cream is an entertainment, not a food. People do not eat ice cream because they are hungry. They eat it for fun. Part of the fun is just plain eating it, part is how it looks, how your shop or outlet looks, how your sales staff look and how they treat the customer, how your promotions look and the emotions they generate— in fact there are many subtle entertainment elements involved in making a sale.

No matter what size outlet you open or what you plan to sell, it is important to develop a marketing plan and factor its costs into your startup plans. I am sure you have noticed that successful food companies such as McDonalds or Baskin Robbins are never far from the public eye. A combination of mass media advertising and an unending flow of specials, discount cards, buy-one-get-one-free and other promotions pop up almost daily. Of course you cannot match their marketing budget but their promotions are an indicator that the Big Guys think they work. Good marketing will work for you.

Of course you cannot do the type of marketing McDonalds does because they have many outlets and so much more to spend. You have to be more creative and concentrate on promoting to your target market, which are the people closest to your outlet. McDonalds may have many stores in your area and wants the whole city to know what they have to offer. You probably have just one or two shops and it is the people in the immediate surrounding area who are your potential customers.

Of course marketing can start right at your shop or kiosk. It can consist of buy-3-get-one-free cards, flavor of the month, discount cards, promotion flags or other advertising placed in the surrounding area, target campaigns at
office buildings, schools or right in your mall. This is a big subject and very important. When you are budgeting the cost of your startup, be sure to allow at least 20% of the gross startup cost for marketing! This essential subject is covered in much more detail in our eBooks, Ice Cream Dream and in Gelato Maker’s Guide.

ABOUT OUR FRANCHISE

Advantages of Franchising

Entrepreneurs can get into business three ways. One way is to buy an existing business. Another is to franchise; the third way is to start from scratch. But it is never easy to start from scratch, especially a technical business such as ice cream manufacture.

Franchising has some of the advantages of buying a successful business—You get brand identity, uniforms, a product line, machinery, technical support, training, menus, layout design, lease negotiation, advertising and point-of-sale software—some of the many things you would get if you bought a business. This represents a huge savings of effort and time.

As a franchisee, you get the help of experts who have been in the business a long time. You also get to meet the people who will support you and decide if you have confidence in them.

Last but certainly not least, you get the training and machinery you need without having to experiment.

Another very important benefit of a franchise is that you get a very clear idea of cost before you invest. There may be surprises later but nothing like the unpleasant surprises that can occur during independent startups.
The Dream Cones Franchise

Dream Cones is different from franchisors in that most of our international franchisees make as well as sell ice cream.

When you franchise with Swensen or Baskin you get the power of their name—but you gotta pay! Usually they want $30,000 USD up front and 6-8% annually of your net. That might be as much as 18% of your gross! We are not as well known—yet—and therefore charge much less. You don’t get the massive brand identity as Baskin, but you do get a lot for your small franchise fee. And, we do not charge an annual royalty or commission.

What you get from Dream Cones

What you get:
Location selection assistance  Perspectives and renderings
Lease assistance  Exterior façade design
Shop design  Exterior sign design
Lighting and electrical plans

We provide and train you to use:
Display freezers  Cake cases
Batch freezers  Coffee machines
Blast freezers  Cone bakers
Pasteurizers  Stainless kitchen equipment

We supply:
Uniforms  Promotional graphics
Paper cups  Advertising
Napkins  Website design
Business cards  Promotional campaigns
Discount cards  On-going technical support
Brochures

You can see, you get a lot for very little money!
**Shop franchises**

All shop franchisees are obliged to buy machinery and ingredients for the life of the Agreement, five years, and put up a performance guarantee, which is refundable if you do not renew the contract, providing of course that you have lived up to the terms of the Agreement.

**Terms:**

You are free to sell food and other products we do not offer and we can help you set up a kitchen and provide food menus, recipes and training to make food if you wish. You are obliged to use our name on the facade and show only our marks and colors on the display cases holding our products. If you are planning to open a restaurant you can name it as you wish but if you are selling mainly desserts and light food, the shop must be named “Dream Cones” and use our marks and logos.

Building a factory requires the owner to also open at least three retail outlets, to provide retail capacity for the factory. Area rights give the franchisee the right to take on sub-franchisees, charge them a franchise fee and performance guarantee but the sub-franchisee is also obliged to sign an Agreement with us for which there is no charge.

Designing and supervising the construction of this operation takes considerably more effort on our part and also obliges us to visit your location several times and also be present for at least 10 days during the startup, to supervise installation, training and startup manufacturing. We usually provide a startup gelato chef for the first month or two, until your own gelato chef is competent.

**Terms:**

Full area rights as specified excluding existing shops already operating in your area if any. 5-year renewable Agreement.

**Join the Family!**

We treat our franchisees like family. Your success is our success. We don’t make much from the franchise fee and rely on selling you ingredients over many years. If you do well, we do well.

You can learn a great deal about the ice cream business and see photos of many of our shops and marketing graphics by downloading our free eBook, *Ice Cream Entrepreneur* and purchasing *Ice Cream Dream, Gelato Maker’s*
Guide and Startup and Stay Up in Ice Cream, Ice Cream Business Startup Kit available as a download from our website.

We also recommend you start your ice cream adventure by purchasing our Ice Cream Business Startup Kit which provides essential information for the startup ice cream entrepreneur plus you get both of our eBooks, Ice Cream Dream and Gelato Maker’s Guide. Next take our 10-day training course which includes daily lectures by Dr. Greenwald and daily hands-on factory training with close supervision. The course is very intensive and you will work hard. The course also takes you on excursions to various dessert shops in Bangkok. During the course you can decide if we are right for you and discuss your needs with our experts. If you do not want to franchise you will have learned a lot and we can still offer you machinery and ingredients if you wish.

Books by Michael Greenwald:

The Cruising Chef Cookbook

Rated 5-stars by Amazon.com at http://www.amazon.com/Cruising-Chef-Cookbook-Michael Greenwald/dp/0939837463/ref=pd_bbs_sr_1?ie=UTF8&s=books&qid=1221650035&sr=8-1

A cookbook for sailors written by long distance sailor Michael Greenwald.

"Having just begun sailing, cruising and cooking aboard our sailing vessel, I wanted an up-to-date good reference manual. I found this book quite by chance. I consider this to be an essential item for the "chef" aboard ship. Every tip imaginable is included. The recipes are simple to prepare, yet elegant and tasty. To my surprise it also contains a section on what to do with certain food obtained "on the hoof" in 3rd world countries. I will buy this book for friends as a Bon Voyage present. A "must-have" book in the galley! The sailing stories scattered about the book are also good reading."

Customer review: Christine Carr, Amazon.com

Survivor

Captain Greenwald’s (US Merchant Marine (RET), US Army Medical Corps (RET)) other book, Survivor, is a series of gripping tales of sea survival wrapped in a text about surviving boat and ship disasters. Made famous by the author’s appearance on the Oprah Winfrey show, this text was carried aboard every US Merchant Marine flag vessel for many years. Richly illustrated with hundreds of photos, graphics and drawings. His 28 years of blue
water experience and his understanding of danger shines thru. 600pp [out of print but we have a few copies left–€34 EURO by air mail–call us]

Ice Cream Entrepreneur’s Guide will give you a broad overview of the ice cream business and develop a successful business strategy. The subjects covered in this book are expanded in our other books:

Ice Cream Dream $19.95
How to Start Your Own Ice Cream Shop pp 175
SKU 885 871 900 0302

Everyone loves ice cream

—and many people dream of selling it. It’s a wonderful business with a lot of room for creative expression and after all, one expresses love for people thru food. Your believe that?

Now, let me tell you the truth. The ice cream business is tough and competitive because there’s lots of money to be made in it and your competition wants to make damn sure you don’t make any of it. It you think having a nice-looking place and making great sundaes is going to get you to Fat Cat Street, get your bankruptcy papers ready now.

Making money in ice cream is a tough business. People do not buy the best ice cream—they buy the best-marketed ice cream! Learn about marketing, using mailing lists, discount cards and special promotions. Learn how to create an inviting facade, the right décor and interior colors, creating signature dishes that your customers will adore.

Ice Cream Dream is a treasure house of essential information with loads of interesting photos and graphics that can help turn the difficulties of a startup into a much easier ride.

I have helped people all over the world open ice cream businesses and I can vastly improve your chance of success. You can buy any other book but there is just no chance you will ever find a combination of solid tips and sound advice like you can find in Ice Cream Dream and if you are not delighted I will give you your money back.

Here’s what you get in Ice Cream Dream:
• WHAT IS ICE CREAM?
• DOING YOUR HOMEWORK
This book is entirely oriented to helping the potential ice cream entrepreneur open a retail outlet and be successful. Interesting stories and valuable tips from an expert with franchise outlets all over the world. Just the tips on location selection alone are worth the small price of this book!

**Gelato-Makers Guide $24.95**

*Manufacturing and selling ice cream*
*(previous edition titled Startup and Stay Up in Ice Cream)*

SKU 885 871 900 0300

A master, authoritative text about the manufacture and sale of ice cream, the major text of the ice cream industry, years in the making, with hundreds of photos, charts and graphs. Just the Table of Contents alone is seven pages long!

Having spent ten years making and selling gelato, developed all of the flavors and bases used in the industry and built ice cream factories all over the world, there aren’t many people with more experience and expertise than Dr. Greenwald.

Everything you need to know including machinery selection, factory layout, pasteurizing, making gelato, sherbets, sorbets, sugar-free and soy frozen desserts, making ice cream cakes and specialties, health/safety, delivery, display, marketing—so much is packed into this eText! Dozens of photos, charts and graphs. Boy, do you ever get your money’s worth with this book! Comes with many free recipes and formulas.

But don’t think *Gelato Maker’s Guide* is just technical and dull. It has dozens of interesting stories and anecdotes plus chapters devoted to retail sales, marketing, selecting refrigeration equipment and getting your ice cream business up, running and MAKING MONEY! There are no other books on the market as complete as *Gelato Maker’s Guide*!

Below is a list of the chapters in the Guide but the chapter titles alone do not reveal the depth and insights you get on each subject:

- Chapter 1: Every Level of Sin
- Chapter 2 Composition of Ice Cream
- Chapter 3 Batch Freezers
- Chapter 4 Continuous Freezers
- Chapter 5 Soft Serve
- Chapter 6 Pasteurizers
- Chapter 7 Flavors
- Chapter 8 Stabilizers & Emulsifiers
- Chapter 9 Bases
- Chapter 10 Health, Sanitation and Safety
- Chapter 11 Freezers
- Chapter 12 Packaging
Chapter 13 Decorating
Chapter 14: Opening a Gelato Business
Chapter 15: Sorbets, Sherbets, Ice Drinks
Chapter 16 Ice Cream Specialties
Chapter 17 Semifreddo
Chapter 18 Vegan Specialties
Chapter 19 How a Gelato Factory Operates
Chapter 20 Wholesaling Ice Cream
Chapter 21 Marketing & Advertising
Chapter 22 Formulae & Miscellaneous
The Kit has been complied from more than a decade of experience in the ice cream business—you could spend WEEKS searching the internet for the same information and not find it!

The kit contains an entire chapter about how to create a business plan, your roadmap to success. The plan is so important because we know that many small business fail because the entrepreneur did not have a clear vision of the road to success. There are many business plan forms and software available on the market but none are as complete, targeted to the ice cream business and clearly explained as ours OR YOUR MONEY BACK! YOU MUST BE SATISFIED!

Most of all, the Startup Kit contains solid advice about what is REALLY important in any business—being happy, providing value, creating customer loyalty, developing attitudes and approaches that make your customers return again and again—stuff you just cannot put in a list. You might end up spending $65,000 to build a dessert restaurant—why not spend just a few bucks up front to make sure you start off right!

In addition to covering a lot of subjects not discussed in the other books, the Startup Kit expands your knowledge of critical areas such as catering, throwing parties, business legal structure and leasing. Just the leasing chapter alone contains tips that could save you THOUSANDS OF EUROS. Here’s what is in the guide text:

1 GETTING STARTED
2 MAKING THE RIGHT CHOICES
3 NAMING AND BRANDING
4 FINANCING YOUR STARTUP
5 LEGAL STRUCTURE
6 LEASING
7 YOUR BUSINESS PLAN
8 STARTUP COSTS
9 YOUR STAFF
10 MARKETING
11 DISTRIBUTION
12 CATERING
13 BOOKKEEPING

Our **ICE CREAM BUSINESS STARTUP KIT** will pay for itself many times over in directing you along the path of success and SAVING YOU MONEY! In addition, you get ABSOLUTELY FREE our wonderful retail shop startup book, *Ice Cream Dream* PLUS our Grand Master of gelato manufacturing books, *Gelato Maker’s Guide*. These two books together are worth $32 USD so for just a little bit more you get the entire Startup Kit, plus the many free PDF files, with sample business plans, spread sheets and other important material!
The Dream Cones franchise is much less expensive than buying an existing business or franchising with a name brand. Our franchise is almost like taking on an experienced partner—except you don’t have to split the profits!

Our franchise network is growing so quickly! Join the family! Become a Dream Cones Franchisee!