



National Supplier Listings

First let's start with the legal stuff the lawyers make us say.

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Ice Cream Business Guide

Introduction

Starting any new business on your own can be stressful and frightening. In this book, we will try to teach you the basics on how to choose an ice cream vendor, negotiate your lease, hire employees, and market the business. Step 1 is.....don't panic. You have a lot of information to go through and it will take time. You won't necessarily understand everything, and not everything will make sense to you right away. If some of the business terms are foreign to you, don't worry. You will learn little by little.

At the end of the day, the most important thing is your drive to succeed. If you are a people person, you will take good care of your customers and the business part will take care of itself...one step at a time.

Why should you choose the ice cream business? It is said that 90% of Americans love to eat ice cream. With that in mind why not choose a business whose product is loved and enjoyed by so many people?

In general, ice cream is a mixture of cream and milk, sweeteners, flavoring and air. As it freezes air is beaten into the milk making the final product light and easy to eat with a spoon. There are other ingredients such as eggs used in rich French ice creams and emulsifiers and stabilizers that are added to many commercial ice creams to help keep ice crystals from forming. Quality, freshness of ingredients and the amount of air that is whipped into the product are factors that separate the best from the rest in the world of ice cream. Dried milk products and a lower percentage of milk fats (butter fats) are usually seen in economy ice creams. The higher quality ice creams are denser and less airy. Fresh products are used in premium ice cream plus they contain up to 20% milk fat and include minimal additives. The less air the higher the quality. If it doesn't have at least 10% Butterfat or has more than 50% air, it has to be labeled



"frozen dairy dessert". Some of the major national ice cream manufacturers have product on the shelf that has a lot of candy chunks in it and because this adds cost, they either reduce the butter fat or add air in order to lower the cost. If you look closely, some of them are labeled "frozen dairy dessert" because they are more than 50% air.

The three segments in commercial ice cream are super premium (Ben & Jerry's and Haagen-Dazs, premium (Dreyer's, Edy's and Breyer's) and economy (supermarket Private Brand). You should at least strive to sell premium ice cream in your ice cream parlor. Customers can taste the difference and they expect something more that the local dairies ice cream, although it depends on your local dairy. Some dairies make a fantastic product, so give them a shot too and "see what they got".

How to set up and organize your new business

When starting your new business you will need to decide if your business will be a sole proprietorship, a partnership or a corporation. This should be one of the first decisions you make once you have decided to go into the ice cream business. Some people are overwhelmed with the thought of making this decision. Below are the definitions of each type of business and the pro's and con's of each type. While we can explain your options if you want further advice on which way you should organize your business you may want to consult with an attorney or an accountant.

Sole proprietorship: a business owned by one person or a married couple that files jointly.

Partnership: a business owned by more than one person.

Corporation: A business organized as a separate legal entity owned by stockholders. You can have a corporation with as few as 1 or 2 people.

Most people choose the sole proprietorship form for their ice cream shop. This is really the easiest option and probably simplifies things at tax time since most of the time you just fill out a business profit and loss form and you claim the shop income on your personal return.



Business license and Tax ID numbers

Once you have decided which type of business entity you are going to have you will have to set it up. For a sole proprietorship you will need to file for a business license in the city you live. At city hall there will be a department for business licenses. Go there and fill out the pertinent information. There will be a minimal charge to obtain this license. You will also need to register the name of your business in the city and county so that no one else will use your name and you will not use a name that is already registered. You will need to do the above for a partnership and a corporation as well.

All 3 forms of business will need the following numbers in order to sell products, charge taxes and file taxes. You will need a tax id number. Your tax id number is also called an Employer Identification Number or EIN. You can apply by phone at 1-800-829-4933 between 7am and 10pm or simply go to www.irs.gov. Once online search for form SS-4. When the search is complete click on the online application. On the next screen scroll down and click on "apply online now". You can submit the form electronically or print and mail it in. There is more information online if you need more help. You must also check with your state regarding state and county sales tax id numbers. To find out what forms to complete check with the Department of Revenue in your state.

FIRST STEPS

The most important decision you will make on the road to success is most likely to be the location you choose. You've probably already heard of the 3 most important factors involved in a successful retail operation: location, location, location. I cannot stress enough the importance of this, especially when it comes to ice cream.

Ice cream is an "impulse" product. In other words, people who buy ice cream usually do it on impulse when they see it and are tempted. It is less likely these days that people will make a conscious thought to go to an ice cream parlor. Sure, some still do, but many more sales are made to customers who happen to be brought to the area for another reason.



I've listed the key factors to look for when considering your location below. If your location meets most of these, you are off to a good start:

Location and Traffic

- Car traffic is nice, but more importantly, how many people are walking by?
- If you are counting on high car traffic, make sure that your location is easily visible from the street and easy to access (parking, etc.)
- Are they typically there to browse or to buy?
- Being in a Wal-mart type plaza doesn't guarantee success. It depends on how close to the Wal-Mart door you are.
- Talk to existing businesses and ask them what the traffic is like.
- If you are counting on car traffic as your main traffic, a drive thru window is almost mandatory.
- Enclosed malls are better for year round traffic and people prefer them to stroll through and buy ice cream! 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.
- 3-4 good anchor stores would help.
- Visit the site on different days at different times to see how consistent the traffic is.
- Competition: How many parlors within a 1 mile radius? If inside a mall, who else is serving ice cream? Competition is not necessarily a bad thing. If someone else is on one side of the mall and doing well, chances are that you will do well on the extreme other side of the mall.
- Population is key. If the area is somewhat congested, that's a good sign.
- Visibility. Will everyone who walks close by know that there is ice cream there?
- Would you buy ice cream there? Can you see yourself hanging out and enjoying a cone or cup in the area?
- Hours of operation: Make sure that the peak traffic flow is during hours that you're



willing and able to be open.

- Make sure you have adequate space. 800-1000 sq ft is a pretty good middle ground.
- Is the area growing?

Good locations/Bad locations:

Good:

Indoor Malls, airports, zoo's, university campus, amusement parks, strip malls (high traffic), next to a movie theatre, superstore (inside a Wal-mart), professional building, train station, beach area, sporting arena.

Bad:

Strip Mall unless in thriving area with obvious high traffic (low traffic, no real anchor's), busy street (but being on the wrong side), gas station, fast food/snack operation that failed.

LEASES:

After you find out what they want for monthly rent, don't be afraid to ask for a stepped up lease with a low initial amount. For example, free rent for the first month, half the rent for the next three months, then full rent beginning in month four. Or a couple of hundred off per month for the first year. This is just a negotiating guideline. They may not go for it, but it doesn't hurt to ask. In fact, they may be expecting you to. If you don't, they may feel they can take advantage of you in some way. So it's always best to shoot for the sky and then see what they will give in to. It is in their best interest to help you get off on the right foot and be successful. Many will be willing to help if they believe in you.

From my experience, you probably don't want to pay more than \$3000 per month. It's very hard to make a go of it at a higher monthly rent unless you are talking about an airport or ridiculously high traffic mall. An average rent for a parlor is in the \$1800 range. Of course, these are just general benchmarks. An average parlor should sell around \$18,000 per month. A rough industry standard says that rent should fall within 8-12% (10% x \$18,000 = \$1800 per month)



COST PER SCOOP ANALYSIS:

In general, parlor ice cream is packed in 3-gallon tubs. Edy's, Breyer's, Blue Bell and most premium brands come in 3 gallon, round cans. A ballpark figure as far as cost is concerned is about \$30/tub for premium ice cream. Some companies charge less for Vanilla, Chocolate and Strawberry and a little more for everything else. The \$26 is a good average figure for premium ice cream. You are supposed to get 55 four-ounce scoops out of a 3-gallon tub. This works out to .47 cents per scoop. I like to add 8 cents to the cost to cover waste, giveaways, etc. So were looking at .55 cents per scoop. Many companies will try to manipulate these figures in their best interests, but I can tell you from experience that the \$.55 per 4 oz scoop is pretty reliable. Add another 5 cents for cup and spoon or the cone for a total of .60 cents per scoop. Very doubtful that in real life it works out to be any less, even if you are paying a few bucks less for the tub. Cheaper tubs usually have more air whipped in and you yield less, therefore having the same or higher cost when it comes down to it. My recommended retail is \$2.00.

\$2.25-\$2.50 isn't out of the question, but might be too much depending on the area. You are in this to make money, so do some competitive research in your area and make sure that you start off as high as the market will seem to bear. Raising prices later because you realize you aren't charging enough is never good, so make sure you pay particular attention to your pricing strategy right off the bat. The majority of new business owners make the mistake of not pricing their products high enough. Don't let this be you. A \$2.00 retail makes the COGS (cost of goods sold) 30%. (.60/\$2.00 = 30%).



BASIC SAMPLE OPERATING PROFIT/LOSS STATEMENT:

This statement is intended to be a very basic example and is not a guarantee of anything. Actual p/l varies according to hours open, full time employees, etc.

Period: 1 Month

Sales: \$22,500 Cost of Goods: (30%) \$(6,750)

Gross Profit \$15,750

Less: Overhead

 Rent
 \$(2,000)

 Utilities
 \$ (750)

 Labor
 \$(6,000)

 Equipment/Biz start Loan
 \$(1,200)

 Advertising
 \$(250)

 Administrative
 \$(200)

 Misc
 \$(200)

Total Overhead \$(10,600)

Total Monthly Profit: \$5,150

OTHER ITEMS TO SELL:

It is not a bad idea to try and diversify your operation as much as possible. Popcorn, cotton candy, and other fun foods are a good incremental sale. Cookies and pastries are also good if you know a good place to get them fresh. A suggestion may be Otis Spunkmeyer, a vendor of cookies, brownies, pies, muffins, etc.). 888-ASK-OTIS.



SOFT SERVE?

It would be great to be able to have both soft serve and hard pack in your parlor. Depending on your financial situation, this may not be a reality. Soft Serve machines are relatively expensive. They are a good investment if you are adding them to an existing snack shop and want to get into the ice cream business, but I don't necessarily recommend them to start off with if you are on a limited investment budget and trying to get a parlor off and running. You can purchase 2 sixteen-flavor dip freezers for less than what a 2 flavor soft serve machine will cost you. Hard pack yogurt can be excellent!

On the other hand, if you have the financial backing, there are many soft serve fans out there, and this can be an incremental sale.

CHOOSING YOUR BRAND

There are great premium brands out there such as Edy's, Breyer's, Blue Bell, Blue Bunny, as well as many strong regional brands. A key issue when choosing a brand is not only the quality of the product, but also the distribution services in your area. Not all brands are available in all states. You need to find out who distributes the brand (company owned routes vs. independent distributors) in your area and make sure that the organization seems capable and competent to handle your needs. Do they stock as many flavors as you want to carry? Can they give you a flavor list to order with? Who else do they service in your area (you can check with them to see if they give good service and are dependable). What brands to they distribute?

BALLPARK INITIAL INVESTMENT

Depending on what your situation is, the minimum equipment investment might be 15-20k if you go with a portion of the equipment used

It can be done for less, and certainly for more, but an average independently owned basic parlor would cost you in the vicinity of 50K to put together. Depending on the theme you choose, ("old fashioned parlor with steel stools, etc.) how much work needs to be done to the location,



etc., you could be looking at 6 figures. The figures below are intended to give you an idea of how the initial start up costs might breakdown. Depending on your specific theme or situation these figures could be adjusted up or down. Working capital (basically what you should have in your checking account to maintain positive cash flow, etc.) can be as low as \$3500. I've seen some franchise numbers that suggest a 10k working capital figure. Obviously, the higher the better and the main objective here is to guard against a slow start, unexpected costs, a need for increased advertising and promotions, etc.

Rent (\$1500) x 3 (first/last/security) Utilities (Deposit) Contractor (Cabinetry, etc)	\$4500 \$1000 \$10,000
Ice Cream, Drinks, Cones, Candies, etc.	\$2,500
Advertising	\$500
	\$750 \$750
Paper goods, cleaning supplies, office sup, misc	
Plumbing (sink, dipper wells, etc.)	\$1500
Insurance Premium	\$400
Signage	\$2000
Deposits/Liscences	\$1500
Cosmetic work to space	\$1000
Working capital	\$7500
Architectural & Legal	\$2500
Equipment:	
Dipping & Storage Freezers	\$8000
Flavorail	\$3000
Under counter Fridge	\$1800
Waffle Cone Baker	\$750
Hot Fudge Warmer	\$350
Glasses/Metal Shake Tins	\$350
Shake Mixer	\$600
Register	\$300
Total	\$50,800



Menu Development

All of your customers will have the same question when they enter your store. What is on the menu? It will be up to you to determine how to satisfy all these hungry people. Most ice cream parlors feature a menu that is hung on the wall. This allows the customer an easy view of what you offer. You should consider some of the following ideas when developing your menu:

The theme of your operation should fit logically with your menu

Target the taste preferences of the demographic and ethnic profile of your clientele

Plan your menu to accommodate the percentage of on-premise eating vs. grab 'n go

Ensure traffic with a good representation of high volume items on your menu

Build revenues with skillful placement of high profit margin items

Remember that complementary food items can be crucial revenue generators.

We recommend that you visit other ice cream parlors, particularly national franchises and take a VERY close look at what they do. Even if it takes you a few visits. Try to model your offerings and the way it is laid out to what they are doing. Bottom line is that these franchises have put a lot of money and research into what they do, and it makes sense to see if you can get some good tips from them.

While the whole-hearted recommendation of your staff is the most effective way to draw attention to certain items, a highlight on the menu ensures every customer will at least see which items you consider your best or most popular.

The key to highlighting menu items is unusual or special placement on the menu, special type or color.

Even writing the word "special" beside the menu item with a circle around it, is a way to draw attention to a particular menu item.

Product and Getting the Most out of Your Suppliers

At some point you need to determine who you are going to buy your ice cream from.

Remember from the beginning of this document that ice cream comes in different qualities.

There is economy; premium and super premium ice cream and the degrees are determined by the amount of butter fat and air. The more butter fat the more dense, the less air, the smoother and



higher the quality. To attract your customers again and again you will want to have the best ice cream you can afford.

Once you have selected your supplier you will want to select the flavors you will be offering. With a basic parlor you will be ordering a 16 drum + a 12 drum freezer for 28 flavors or a 16 drum + a 8 drum for 24 flavors. Select standard flavors that sell well and then you can rotate other flavors based on season or availability. You will want to order your ice cream so it will be in your store 2 days before opening. This will give your employees a chance to learn how to scoop and serve the ice cream. You will also need to order other food items like toppings, ingredients and supplies for cakes, cones and waffle cone ingredients.

Here are some strategies that will help you get the most out of your suppliers. Unless a supplier is offering to loan you equipment because you will be selling their brand, you should definitely ask for some type of start up offer. It's not out of line to ask for 10-20 free tubs, or \$250-\$500 in free product. If you are investing as much money as you are, your supplier should be ready to come to the table with a little help. This will also be important since you may want to have a fifty-cent cone day or something like that to kick off a grand opening. The supplier should be the one shouldering this load.

Once you are open, and know how many tubs a week you will be purchasing, you may be able to negotiate a better price. Twenty-five tubs a week or more should get you at least \$1 or \$2 off per tub. Fifty tubs or more a week should get you \$2-3 off the best price they list. If you have a lot of back-up storage, you can also ask for a discount for ordering 25 or more tubs at a time. The biggest expense distributors have is stopping the truck to drop off an order. If you help them make fewer drops, you should be rewarded.

Flavor placement is important. This is not a matter of marketing. Why is flavor placement important? Because different areas of the freezer are colder and different flavors harden easier than others. For example: Anything with rum, caramel, or extra fudge is normally a soft flavor. Harder flavors include plain chocolate, coffee and others. You may have to test a flavor in different spots to determine where the optimal placement will be. The four coldest places in the



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dip freezer are the four corners. Why? Because the tub is against two cold walls. As you move

toward the middle of the freezer, the temperature is slightly warmer, with only one freezer wall

against the tub. It makes sense to rotate tubs toward the middle if you find that they are too hard

to scoop. You can also adjust the thermostat in order to find the optimal scooping temperature,

but this might be tricky because of the different consistency of the flavors.

Should you hand-pack or buy pre-package individual boxes to sell? It is best to stick to hand-

packed pints and quarts. There is more profit margin in hand-packed than in pre-packed. In

addition, you can probably offer a wider flavor selection in hand-packed. Customers will not

have a problem paying a premium for a flavor they can't find elsewhere.

Should you have novelties (stick bars, etc.) in your store, or will this cannibalize sales of the

more profitable scoop product? Depending on how many flavors you are scooping, you probably

want to stay away from novelties. If you are serving 8 flavors or less, you will want to consider a

novelty selection. If you are serving 12 or more flavors, best to not offer these. The profit

margins are traditionally less than they would be on scooped items. In addition, these are

generally national brands that are available in most convenience stores.

Should you sell by scoop or by weight? It would seem to make sense to sell by weight, but

this is sometimes difficult to manage during peak hours when you are trying to move fast. It is

best to actually sell by regular, large and extra large rather than by the scoop. These sizes could

be determined on a menu board such as:

Regular cup/cone: 4oz - \$2.50

Large cup/cone: 6 oz - \$3.25

Extra Large Cup/Cone: 8oz - \$3.75

How many scoops do you REALLY get out of a 3 gallon tub? Most national brands will yield

about 55 four-ounce scoops. Real life: about 50 four-ounce scoops. If you sold all regular 4oz

scoops during a tubs life, you would probably yield less than the \$100 you would expect. Why?

If anything, you and your employees will over-scoop slightly. The real number may be 45 \$2



scoops out of a tub. So you can expect your revenue per tub to come in around \$90 if you sell only Regular cups/cones. When you factor in large cups and extra large servings, you need to adjust total revenue slightly, due to the discount on larger servings. Depending on your sales mix, your average tub should yield no less than \$70, if you are paying about \$20-\$25 per tub. You want your revenue to be roughly 3 times your cost.

Can you expect your supplier to pay if your ice cream melts down because of a freezer problem or power outages? Your supplier should be willing to at least share if you experience a meltdown for ANY reason (except for natural disasters). Try to negotiate for at least 50% credit. The supplier should want to avoid selling damaged product just as much as you do.

Helpful Hints for your product

Handling

Ideal frozen storage temperature is -15 to -20 degree F

Monitor your freezer's temperature on a regular basis to avoid product damage

When receiving shipments, transfer product to your freezer immediately (within 10 minutes).

Avoid exposing product to temperature variations.

Rotate inventory on first in, first out basis.

For proper air circulation, store containers about 2 inches away from the walls of the freezer and away from the compressor.

Never store products open or uncovered in the freezer

After you have opened a container for your dipping cabinet; continue to use the lids or a tight cover at night to minimize exposure to air.

Don't store other foods or products in your dipping cabinet. Ice cream quickly absorbs foreign flavors and odors.

Keep the lids of your dipping cabinet closed whenever possible to reduce the risk of heat shock. Store soft flavors on the outside corner of your dipping cabinet

Tempering



Ice cream stored at -15 degrees F is too hard to scoop.

The tempering process takes 18-24 hours (1 tub form -15 degree F to 5 degree F), depending on the hardness of the flavor.

Temper ice cream in a dipping cabinet or tempering freezer (5 degrees F). You don't want to set ice cream on the counter to temper. This is called "shock temper" and will adversely impact the texture and quality.

Some softer flavors will need very little or no tempering.

The correct serving temperature is 7-8 degree F.

Tempered product should not be returned to a storage freezer.

Shelf Life

Stored at the proper temperature (-10 degrees F for storage) and unopened, most ice cream products have a shelf life of 365 days.

It is still very important to rotate your inventory!

Once product has been tempered for scooping, shelf life decreases significantly. Shelf life is cut in half with every 10 degree increase in temperature.

An opened container tempered for scooping will have a shelf life of about 10 days.

Scooping ice cream out of the container at a uniform level (I.e. scraping down the sides) and properly covering the ice cream will extend the shelf life.

Staffing

The first thing you will need to determine is how much time you plan on working in the store. What will your role be? Will you be out front scooping or will you be an owner who manages only or will you hire a manager and just visit the store several times a week. You will need at least 5 employees and one of those could be you. The staff does not have to be full-time most ice-cream parlors use part-time employees to run the front and possibly a full-time employee to work as a manager of the store. You will want to have at least one other person other than



yourself that can open and close the store. If you are the only person you will burn out very quickly. With that said you will want to be at the store everyday for the first few weeks or month to make sure everything is running smoothly.

Advertising for hiring can be done several ways. You can post a "hiring" sign in the front of your store while you are completing the finishing touches of your store. You can advertise in the local newspaper or school newspaper. If there is a university or college nearby you can post flyers stating that you are hiring, the number to call or when to come by the store. And finally word of mouth or referrals.

There will be certain characteristics you want to look for when hiring your staff. Remember your employees will be your contact with your customers. Your customers will have a good or bad experience based on their interaction with your employees so making good hires is very important. Here are some traits you might find important.

For a small basic ice cream parlor the hiring should be done by you the owner. If you expand the business or open more parlors you may want to have a manager involved. If there is more than one person involved in the hiring process you will want to make sure that you are all on the same page asking the same questions and looking for the same type characteristics.

Training your staff

Now that you have hired the right people to work for you, you will want to provide them with the proper skill set so they will be happier. You always want them growing and improving. Scooping and serving ice cream is a skill they will all need. They will need lots of practice to do this the correct way. See your .pdf attachment for correct scooping techniques, but keep in mind the following:



- Avoid over scooping. This is a profit killer. Obvious, yes, but a lot of shops lose a ton of money when over scooping. Make sure your employees weigh the portions for a long time until they get good at it.
- 2) Avoid dropping pieces of one flavor into another. It happens, but just make sure employees know that they need to remove the piece. It doesn't look right, and people eating ice cream are picky about little things.
- 3) Hold the scoop by gripping it firmly and making your arm and shoulder do the work, rather than your wrist.
- 4) Try to go about ½ inch into the ice cream and "shave" it. This will form a little air pocket inside the scoop and give the appearance of a larger serving. The air pocket will disappear as the customer eats it.
- 5) Try to work the product down evenly. This makes the whole display look a lot better
- 6) Don't use a wet scooper. It will leave traces of water in the ice cream and these traces will freezer and become ice. NOT GOOD! Nobody wants little pieces of ice in their ice cream

Customer service is more important than ever. People expect prompt, courteous service with a smile. Every time.



SAMPLE STORE LAYOUTS















NATIONAL SUPPLIER LISTING

Please visit <u>www.TurnKeyParlor.com</u> to see our supplier listing.

There is a link that says "Supplier Listing" toward the top of every page. Once you land on the listing, you will see a map and choose your state.

I hope you found this free guide informative and useful.

Please keep an eye out for e-mail's from us from time to time. These will include industry updates, interesting facts and special offers here and there. Hopefully you'll find most of these e-mail's relevant to your needs.

Look forward to hearing from you down the road!

Neil



Neil Williams President



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