



Hot Franchises 2007 *October 30, 2007*

By Adina Genn

Welcome to Specialty Retail Report's second annual "Guide to Cart & Kiosk Franchises," where you'll find the details on more than two dozen cart- and kiosk-based franchises as you plan your specialty retail strategies for 2008.

There are a number of cart- and kiosk-based franchises out there for specialty retailers who want to be in business for themselves but also want the support of a franchisor who knows its product inside-out and understands the most-effective way to sell the product for maximum profitability.

Some of the franchises in this year's Guide are new, launched by small start-ups. Blue Heron Bags, is offering its franchise for the first time this fall (pending regulatory approval) and Cereality, in business since 2003, is in the midst of rolling out its nationwide franchise program. Others are well established and growing, such as Maui Wowi Hawaiian Coffees & Smoothies, with 498 of 500 locations run by franchisees, or Liberty Tax Service, with more than 2,300 seasonal franchisee locations.

There are more than 2,500 franchise concepts in the US, according to the International Franchise Association, a Washington-based organization that offers resources to the franchise community. And the number is growing, with 900 new concepts introduced since 2003. The fastest growing category? Specialty fast food and ethnic food, so it's no surprise that some of the concepts in our Guide are food-related. Franchising now contributes more than \$1.5 trillion to the economy, and is also the source of jobs for more than 18 million Americans, according to the IFA.

Buying into a system

Buying a franchise is a great way to get started because you can buy into a proven retail system and gain access to specific company secrets, business

processes and selling strategies. If you meet the franchisor's financial requirements, follow precise directions and dedicate yourself to success, franchising just may be the right opportunity for you.

Cart and kiosk franchisees get in-depth franchisor support, minus the expensive overhead of a larger "traditional" store. However, not all franchisors offer the same level of franchisee support, which typically includes in-person training (usually at the company's headquarters), site-selection assistance and marketing support. Nor do they require the same



financial investment. And all have varying levels of expertise in working with franchisees. So investigate each franchise offer thoroughly before you invest (see "Before You Buy" sidebar).

Of course, having a passion for the product is a big plus. Your enthusiasm for what you sell will go a long way in growing sales and building a loyal repeat-customer base.

Success by the spoonful

Cereality is a concept sure to please the cereal-loving crowd. Available as full cafés and kiosks, Cereality provides an outlet where customers can choose from dozens of brand name hot and cold cereals, more than 40 different toppings and a variety of milks (including soy and lactose-free) to make their own perfect breakfast—any time of day. Customers also can order proprietary parfaits, cereal bars, granolas and smoothies. For those in a rush, the company offers leak-proof to-go containers that resemble Chinese carryout cartons, complete with spoons that double as straws for milk-slurping purposes, called "sloops."

Staff "Cereologists" wear pajamas, and famous brand-name cereal logos take center stage in a "home kitchen atmosphere." Last year Cereality was awarded the "Experience Stager of the Year" award, or EXPY, presented by Joe Pine and Jim Gilmore, authors of the best-selling book, "The Experience Economy."

The Concept is already a hit in Newark Liberty International Airport in New Jersey, with another slated to open soon in Kennedy Airport in New York. The company also has locations in or near college campuses in Arizona, Pennsylvania and South Carolina. Going forward, Cereality hopes to create a nationwide network of franchisees in airports, universities, hotels, resorts, theme parks and healthcare facilities, among other locations. The company has received more than 7,000 inquiries from potential franchisees in the past year. "It's a young brand," says spokesman Kevin Donnellan. "Cereal is loved by young and old, and eaten any time of day."

In addition to field support to help franchisees get off the ground, the company also offers eight to 10 days of training at its Arizona headquarters, assistance with location selection, and marketing help to increase sales.

In July, Cereality was purchased by Scottsdale, Arizona-based Kahala-Cold Stone, which owns more than a dozen restaurant brands including Blimpie, Cold Stone Creamery, and Ranch1. What does that mean for potential Cereality franchisees? Expertise in supporting and growing the brand, Donnellan says.

Still brewing up sales

If cereal is not your thing, there's still plenty of growth in the coffee cart and kiosk market. Specialty coffee retail sales topped \$12 billion in 2006, up from \$8.4 billion five years ago, according to the Specialty Coffee Association of American (www.scaa.org). There are 3,600 coffee kiosks and 2,900 coffee carts in the US, the Association says. Cart and kiosk sales



combined were almost \$1.5 billion in 2006, up from \$1.3 billion a year earlier. The average kiosk pulls in \$300,000 in annual sales; the average cart, \$140,000.

Cuppy's Coffee, Smoothies & More, based in Pensacola, Florida is expecting significant growth

in the cart and kiosk franchise market. Cuppy's started franchising in 2006, and currently has 14 kiosks and two carts. Kiosks are ideal for malls and college campuses, and carts are well suited for hotel lobbies, says Rachel Clark, Cuppy's vice president of marketing. Cuppy's is actively working with malls and other shopping centers to find qualified franchisees as part of an aggressive growth strategy.



Part of the company's growth strategy is focused on adding new menu items regularly. "We are always looking to increase revenue streams for our franchisees," by adding new menu items, including breakfast, lunch and snack foods, Clark says. The company rolls out new limited-time-only smoothie flavors every six-to-eight weeks, featuring summer fruit blends in July and August, and pumpkin pie flavors in October.

Cuppy's in-house real estate department helps franchisees find quality locations that meet specific demographic criteria, including high foot-traffic counts and high-caliber neighboring stores, Clark says.

Fashion is in the bag

Potential franchisees more interested in fashion than food can explore Annapolis, Maryland-based Blue Heron Bags, which at press time was awaiting state approval to franchise.

The kiosk-based company stocks designer handbags and totes in a range of styles and price points. The kiosks offer monogramming services, available in 30 minutes, enabling customers to purchase on impulse a gift that "appears [as if] they thought about it," says Amy E. Brown, the company's president.

Though the franchise is in the final stages of formation, the company itself has been around for more than 15 years and enjoys a healthy repeat-customer base, says Brown. She joined the firm in 2004, took over the retail side of the company in February and pursued franchising because so many entrepreneurs had asked

about the possibility of opening a Blue Heron Bags franchises. "It's a great business for the right person," she says. The ideal franchisee "loves the product and is a go-getter—sales oriented and organized."



The company offers customized software with templates to make monogramming easy, Brown says, adding: "If I can do it, you can do it." In addition to five days of training, the company plans to provide on-site support during the franchisee's first week of business and ongoing 24/7 monogramming support through its monogram equipment vendor. An online forum also will be available to connect franchisees with company management.

Blue Heron Bags also offers monogram services for products it doesn't sell, including sports team shirts and jackets, T-shirts, etc. Though there is no 30-minute guarantee for the service, "It's a positive feature and brings in an extra source of income," she says. The service also helps build brand recognition.

Benefits and drawbacks

Franchises offer franchisees significant benefits such as name recognition, bulk-purchasing power, training and management expertise, but there are drawbacks, too. Franchisees must be willing to operate under the confines of a franchise agreement that spells out specifically how the business is to be run. Those looking to take a concept and "make it their own" might not make the best franchisees.

The most successful franchisees are self-motivated entrepreneurs who are willing to work within the confines of a pre-established business model. The first step, then, is thoroughly investigating that business model before buying in.

Visit company headquarters. Understand every aspect of the company's Uniform Franchise Offering Circular (UFOC). Talk with past and current franchisees. Get to know the franchisor. In short, be sure to do your due diligence—before you sign on the dotted line.

Specialty Retail Report's **2007** Guide to

COMPANY	PRODUCTS	CONTACT	CITY/STATE
Auction It Today, Inc.	eBay drop-off store	John Hoose	Brighton, MI
Blue Heron Bags*	Personalized designer handbags and totes	Amy Brown	Annapolis, MD
Candy Bouquet	Floral-like designer gifts and gourmet confections	Anyone	Little Rock, AR
Cereality	Hot and cold cereals, smoothies and coffees	Staci Segal	Scottsdale, AZ
Coffee Expressions	Gourmet coffees, Italian gelato decadant desserts	Jeanna Kish	Waco, TX
Color Me Beautiful, Inc.	Cosmetics, skin care and color analysis	Analia Lane	Manassas, VA
CrepeMaker, Inc.	Handheld entrée and dessert crepes	Neysa Smith	Palmetto Bay, FL
Cuppy's Coffee, Smoothies & More	Specialty coffees, smoothies and more	Rich DeMerchant	Ft. Walton Beach, FL
Dippin' Dots Franchising, Inc.	Dippin' Dots ice cream, yogurts and ices	Dee Helm	Paducah, KY
GolfAhoj Golf & Cruise Travel Bureau	Golf tourism and cruise travel agency	Anthony Webber	Edmonton, Alberta, Ca
Great American Cookies	Cookies and cookie cakes	Vanessa Hepworth	Salt Lake City, UT
Guard-A-Kid	Child identification and safety products	Hossein Kasmai	Miami, FL
Liberty Tax Service	Computerized and online individual tax preparation	Steve Lepkowski	Virginia Beach, VA
Maui Wowi Hawaiian Coffees & Smoothies	Hawaiian coffees, espresso, snacks and smoothies	Kera Vo	Greenwood Village, CO
Mrs. Fields	Oven-fresh cookies and brownies	Vanessa Hepworth	Salt Lake City, UT
Nicolati's Coffee House	Gourmet coffee products	Franchise Dept.	Miramar, FL
Pretzelmaker	Hand-twisted fresh-baked soft pretzels	Franchise Dept.	New York, NY
Pretzel Time	Hand-twisted fresh-baked soft pretzels	Franchise Dept.	New York, NY
Relax Oasis	Massage services and related products	Marvin Maltz	W. Palm Beach, FL
Rita's Water Ice Franchise Company, LLC	Ice custard happiness	Tom Spadea	Trevoze, PA
Showcolate - Fondue Express	Select fruits covered with refined chocolate	Keith Watts	Waco, TX
Sir Chocolate, LLC	Chocolate-dipped fondue treats	Doug Whittaker	Denver, CO
The Coffee Beanery	Specialty coffees, smoothies and bakery goods	Stacy Peterson	Flushing, MI
The Original SoupMan	Gourmet soups, salads and sandwiches	Steve Gardener	New York, NY
We're Rolling Pretzel Company	Hand-rolled soft pretzels and beverages	Kevin A. Krabill	Alliance, OH

* Franchise regulatory approval pending.

- KEY:
- Franchise Fee: Initial one-time franchise fee; other start-up fees might apply.
 - Add'l Costs: Additional funds needed for start-up, not including franchise fee.
 - Royalties: As a percentage of gross; other fees (advertising fee, etc.) might apply.

Cart & Kiosk Franchises II

PHONE	WEBSITE	CARTS/KIOSKS	FRANCHISE FEE	ADD'L COSTS	ROYALTIES	TOTAL LOCATIONS	FRANCHISEE LOCA.	SEEKING IN (US)
810.225.0555	www.auctionittoday.com	K	\$19,000	\$20,000-\$50,000	4%	105	104	All
443.766.8022	www.blueheronbags.com	K	\$30,000	\$70,000-\$153,000	5%	2	0	All
877.CANDY.01	www.candybouquet.com	K	\$3,900-\$31,000	\$6,020-\$21,380	None	840	840	All
480.362.4207	www.cereality.com	K	\$7,500	\$35,000-\$40,000	6%	4	2	All
254.776.2507	www.coffee-expressions.com	C/K	\$22,500	\$60,000-\$325,000	5.5%	2	2	S
703.471.6400	www.careersinbeauty.com	C/K	\$8,000	\$500-\$1,500	None	60	60	All
866.4.CREPES	www.crepemaker.com	K	\$25,000	\$80,000-\$150,000	6%	13	9	All
888.241.4324	www.cuppys.com	C/K	\$2,500-\$10,000	\$17,450-\$49,750	3%	34	34	All
270.575.6990	www.dippindots.com	C/K	\$12,500	\$67,928-\$222,750	4%	303	300	All
n. 877.415.5442	www.golfahoy.com/franchise	C/K	\$31,100	\$30,000	3%	1	1	All
801.736.5954	www.greatamericancookies.com	K	\$30,000	\$110,000-\$170,000	6%	281	281	All
305.477.3301	www.guardakid.com	C/K	\$19,900	\$750-\$1,000	None	77	77	All
800.790.3763	www.libertytaxfranchise.com	K	\$17,000-\$33,800	\$33,800-\$63,900	14%	2411	2348	All
) 877.849.6992	www.mauliwowi.com	C/K	\$27,500	\$45,000-\$250,000	0%-6%	500	498	All
801.736.5954	www.mrsfields.com	K	\$30,000	\$110,000-\$170,000	6%	508	508	All
954.874.2917	www.nicolatis.com	C/K	\$12,500	\$34,750-\$53,500	6%	0	0	All
212.277.1100	www.nexcenbrands.com.	K	\$25,000	\$105,000-\$160,000	7%	193	193	All
212.277.1100	www.nexcenbrands.com.	K	\$25,000	\$105,000-\$160,000	7%	211	211	All
561.688.1413	www.relaxoasis.com	K	\$25,000	\$75,000+	7%	3	2	All
800.677.RITA	www.ritasice.com	K	\$35,000	\$197,950-\$396,800	6.5%	470	463	E,S
877.757.1445	www.showcolate.com	K	\$27,500	\$99,500-\$155,000	6%	4	n/a	All
303.671.7150	www.sirchocolate.com	K	\$25,000	\$65,000-\$89,000	5%	4	3	All
888.385.2326	www.coffeebeanery.com	K	\$27,500	\$35,000-\$100,000	6%	159	157	All
212.768.7080	www.originalsoupman.com	K	\$35,000	\$120,000-\$180,000	5%	35	32	All
888.549.7655	www.wererolling.com	K	\$15,000	\$50,000-\$100,000	5%	55	47	All

- Total locations: Total company locations, including franchisee locations.
- Franchisee locations: Of the total locations, the number run by franchisees.
- Seeking in (US): All = Franchisor seeking franchisees in all US regions; E = Eastern region; S = Southern region