

Culture Change

HOSPITALITY: Encino frozen yogurt chain Menchie's jumps to Canada and Japan.

By **ALEXA HYLAND** Staff Reporter

MENCHIE'S started swirling frozen yogurt in the San Fernando Valley, and now the self-serve frozen yogurt chain is taking its sweet treats international.

Menchie's Yogurt Inc. signed its first two international franchisees in May, in Canada and Japan, a significant step for the fast-growing, privately held company in Encino.

Now that Menchie's has gained a following in the Western and Southern United States, executives are focusing on expanding the company internationally and plan to open franchisee-owned locations in Mexico, Australia and Dubai by the end of this year.

"Menchie's all-American model fits in domestic and international markets," said Menchie's Chief Executive Amit Kleinberger. "We provide this experience that creates emotions, a response and a bond and the brand is something the world is ready for."

Menchie's has been expanding at a rapid clip since husband-and-wife team Adam and Danna Caldwell opened the first location in 2007 on Laurel Canyon Boulevard in Valley Village.

The company then opened a few more stores and began offering franchising opportunities. By 2009, there were 32 Menchie's, according to Chicago food industry research and consultancy company Technomic Inc.

By comparison with competitors in the self-serve frozen yogurt market: There were 61 Yogurtland stores in 2009, 19 Cherry on Top stores and nine Nubi Yogurt stores. But Kleinberger said Menchie's plans to have 71 locations, mostly franchises, by September.

A frozen yogurt craze was launched in 2005 by L.A.'s Pinkberry Inc. and local rival Red Mango Inc., which began opening stores in the United States in 2007 after success in

South Korea since 2002. Tart-tasting desserts at the chains cost an average of \$5, but can get even pricier after toppings are added.

The weak economy chilled consumers' cravings for premium-priced frozen yogurt, and as a result industry analysts said Menchie's and its self-serve frozen yogurt brethren have been able to thrive as Pinkberry and Red Mango melted. That's because Menchie's and others charge customers anywhere from 30 to 39 cents an ounce, significantly less than Pinkberry and Red Mango, which charge by cup size and number of toppings.

"New growth has been much more around the Menchie's style of frozen yogurt," said Darren Tristano, an executive vice president at Technomic. "And that's been on target with the economy because consumers want volume, and they feel like they are getting value when paying by the ounce or pound."

But will the growth of self-serve frozen chains on the Menchie's model outpace the demand? U.S. sales for the frozen dessert category, which includes ice cream, frozen yogurt and smoothies, dropped by about 2.4 percent to an estimated \$6.1 billion in 2009.

Despite that decline, Tristano said there's still a market for self-serve frozen yogurt, especially in underserved areas such as small cities and rural towns.

"There are opportunities across the United States because the appeal seems to be broad across the American palette," Tristano said.

Kleinberger acknowledged the danger of oversaturation, saying the company makes sure to open shops in underserved locations.

"We try to find the sweet spot in every market," he said.

Menchie's declined to disclose financial details. But according to Technomic, the company had about \$25.4 million in U.S. sales in



PHOTO BY THOMAS WASPER

2009, a 748 percent increase from 2008. By comparison, self-serve chains Yogurtland saw sales of \$42 million, while Cherry on Top hit \$9.1 million and Nubi \$4.5 million.

Young growth

The Caldwells started Menchie's about three years after their first date, when the couple discovered a mutual love of frozen yogurt.

"It's really a love story," said co-founder Danna Caldwell. "We went to get a frozen dessert and then our passion for frozen yogurt turned into this business idea."

The business name came from the Yiddish word "mensch," meaning "good person." That's what Adam Caldwell called Danna Caldwell early in their relationship.

The Caldwells focused on differentiating Menchie's from other self-serve frozen yogurt chains by making sure each store catered to its community, and the families that live there.

"The minute a family enters the store, they have a different experience," Danna Caldwell said. "They are greeted with, 'Hi, welcome to Menchie's,' and are encouraged to sample the product and create their own unique mix."

Each Menchie's is decorated with bright colors and outfitted with a giant-size chalkboard where kids can doodle. There's also merchandise, such as toys, accessories and apparel from \$2.99 to \$24.99.

When David and Danna Caldwell opened the first Menchie's, they were 28 and 29 years old, respectively. Danna Caldwell admits that the couple wasn't quite prepared for the kind of growth that occurred.

The couple hired Kleinberger, an entrepreneur who most recently operated a senior care facility, and a team of executives with experience in running and building businesses.

Menchie's franchises for \$330,000 to \$400,000 per store. By comparison, a Yogurtland franchise costs about \$385,000 to \$435,200.

While Menchie's executives are targeting international locales for further growth, they also have plans to be operating in every state by the end of 2011.

Also, Menchie's launched its own private-label frozen yogurt, which is made by a dairy for the company using proprietary ingredients created by a Menchie's research and development team, in May. The first flavor from the private label is called Vanilla Snow and is available at the stores now.

Kleinberger said the private label will allow Menchie's to create flavors for each market. For example, the company would be able to develop flavors favored by Japanese consumers.

"It's the next level for a company that's growing to become a global organization," Kleinberger said.