

# Decisions

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## FRESH *from the* FARM

With the opening of a prototype convenience store and aggressive plans to franchise its business model, Swiss Farms has come a long way since its days as a family dairy.



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# FRESH from the FARM

**With the opening of a prototype convenience store and aggressive plans to franchise its business model, Swiss Farms has come a long way since its days as a family dairy.**

By Erin Rigik, Associate Editor

**S**WISS FARMS STORES IS sporting a new look and bursting onto the franchise scene, expanding its business from 13 stores in the Pennsylvania market to an anticipated 100 franchise locations over the next five years, while simultaneously growing its fleet of corporate-owned stores. Its aggressive plans, outstanding leadership and focus on convenience retailing make it one of *Convenience Store Decisions'* 2010 Chains to Watch.

While the economy may remain sluggish, the Broomall, Pa.-based chain is pushing forward with a host of new strategies that will usher in a new era in convenience retailing. It opened a prototype store last November with a more modern appearance, larger format, emphasis on foodservice and

a wider array of convenience items. Swiss Farms is now ready to entice franchisees as it branches into the New Jersey, New York and Delaware markets.

Developing a franchise model has always been on the company's radar, said Paul Friel, Swiss Farms' chief executive. Its first franchise store is already under construction in Summerdale, N.J., and set to open this fall.

"Our stores have been around for more than 40 years and have had profitable growth. We think our stores are a great investment for any potential franchise candidates, and it's a great way for us to grow as well," Friel said. "We're going to continue to grow company units in our own market, however, franchising allows us to expand quite a bit further."

## DRIVING THROUGH

What makes Swiss Farms truly unique is it has been a drive-through grocer since inception. Swiss Farms is proud of its heritage as a family-owned dairy, created in 1968 as the retail outlet for Lebanon, Pa.'s Wengert Dairy. Since its humble beginnings, the chain has been known for providing staple products like milk, bread, eggs and butter, later adding more grocery items—with an emphasis on convenience.

The stores have always offered a double drive-through concept, allowing customers to shop without leaving their cars. Swiss Farms is now independent of the dairy—the Wengert family sold its dairy in 1999 to Dean Foods. It then sold the retail stores in 2003 to a group of local investors



ing with a new store design. “We always recognized these stores were built in the late 60s and early 70s, and are small dairy stores that really defined themselves with just milk and basic dairy items. As our consumers and our business evolved, that smaller format was somewhat limiting, so we set out to solve that by designing a new store prototype,” Friel said.

The company partnered with Chute Gerdeman, a strategic retail design and branding company, with numerous awards under its belt, including several for its 2006 design of M&M’s World in Orlando.

“In an effort to expand on a regional basis initially, and then a national basis, we wanted to create a prototype that had a national look,” said Rocco Fiorentino, president of Swiss Farms Franchise Co.

Chute Gerdeman designed new Swiss Farms logos to convey a “fresh from the farm” feel using the brand’s iconic rooster, sunrise image and a new color scheme. A curved green horizon line at the bottom of the logo was added to represent a landscape, as well as the speed of the drive-through shopping experience.

In reimaging the stores the design team incorporated the same red and white color palette used in its legacy stores, only in reverse—the newly designed prototype store has red walls and a white roof instead of the white walls and red roof on the legacy stores.

The finished prototype store was constructed in Milmont Park, Pa., and opened in November 2009. At 1,800 square-feet its footprint is larger than the legacy stores by 700 square-feet. The new design includes 270 degrees of glass so customers can better view the offering inside the store, plus four service doors and two bypass lanes for faster service. Eight 42-inch LCD monitors were also added to alert customers to deals inside the store, as well as a new LED sign on the front of the store that senses the temperature and posts ads for hot or cold products depending on the weather outside.

The chain also adopted a new tagline for both new and legacy stores: “America’s Drive-Thru Grocer.”

## FOCUS ON THE FRANCHISE

### MINIMUM FRANCHISE REQUIREMENTS:

Net Worth: \$750,000; Liquid assets: \$250,000

**Targeted growth areas:** Swiss Farms is looking for single and multi-unit franchisees in the following counties: Northern Delaware: New Castle County; Eastern Pennsylvania: Delaware, Chester, Montgomery, Bucks and Philadelphia County; New York: Nassau and Suffolk County; New Jersey: Camden, Gloucester, Burlington, Bergen, Essex and Union.

**Lot Size:** .5 acres minimum

**Franchise Fee:** \$40,000

**Estimated Initial Investment:**

\$461,000 to \$1.29 million

**Royalty Fee:** 4% of gross sales

**Franchise Training:** Three weeks of classroom and in-store training.

**Additional Perks:** Site selection, design and construction assistance; marketing and advertising programs; large distribution network; proprietary products; operational support; company Intranet; an experienced management team and business development coach.

### CUSTOMER DEMAND

While the original 12 legacy stores will remain as is except for the new tag, new corporate and franchise stores will adopt the new prototype look, which has created a welcomed amount of community buzz and media attention. Swiss Farms and Chute Gerdeman received the Global Shop Association of Retail Environments’ 2009 global design award for the new store design.

In addition to the usual fare, the prototype offers a foodservice menu featuring rotisserie chicken, fresh produce, meals to go and fresh baked goods for the morning.

In deciding what new items would most benefit Swiss Farms’ customer base, Swiss Farms took its cue from local grocery stores. “We studied how our customers shop our stores, and

with the help of MVP capital partners. Together they are working to expand the Swiss Farms brand.

Today, Swiss Farms fills an important niche, skewing toward take-home packages, such as gallons of milk, cases of water and two liter bottles of soda—the kind of items customers would buy in the express lane of their local supermarket.

“Customers drive up to our sliding glass doors, and we’re like the local milk concierge,” Friel said. “Our employees come out and take the order, fill it, put it in a bag, take it to the customer’s car, and put it in their back seat or trunk if they like—it’s a very convenient service.”

About two years ago, Swiss Farms began to set the wheels in motion for expansion through franchising, start-



## AT A GLANCE: SWISS FARM STORES

**WITH 12 LEGACY STORES** and a newly designed prototype store in Pennsylvania, Swiss Farms is set to open its first franchise in Summerdale, N.J., and plans to open two more corporate-owned stores, as well as multiple franchise locations in the next few years.

**Headquarters:** Broomall, Pa.

**Founded:** 1968

**Leadership Team:** Paul Friel, CEO; Rocco Fiorentino, President; Al D'iorio, Chief Financial Officer; Rob Coldwell, Director of Franchise Development

**Sales:** In 2009 the average sales volume for a Swiss Farms was \$1,634,977 with a high of \$1,857,488. In 2008 the average sales volume for a Swiss Farms was \$1,600,187 with a high of \$1,798,322. In 2007 the average sales volume for a Swiss Farms was \$1,538,906

they use us as a fill-in grocer. Think of the 10 item or less aisle in the grocery store, only you drive your car though the aisle and get out quickly—that's what we aspire to be," Friel said.

After examining IRI sales data, polling its customers and observing customer intercept at local grocery stores, Swiss Farms realized it had an 85% overlap with the grocery express lane. Where it fell short was the fresh food segment. "Rotisserie chicken, produce, meal solutions—those were things we didn't have in our legacy stores that met that shopping need, and that's why we incorporated those into our new concept," Friel said.

### FRANCHISING THE BRAND

With the prototype up and running, Swiss Farms wasted no time securing its first franchisee, John Betz, who has been in the franchise business since 1990. Betz & Associates already runs 15 locations—its growing portfolio of brands includes Auntie Anne's

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Pretzels, Starbucks Coffee, Kohr Bros. Frozen Custard and Johnson's Popcorn. Betz & Associates has committed to opening three Swiss Farms stores in Camden County, N.J., over the next three years. The first of the three is set to open this October in Summerdale, N.J.

A second franchisee also has signed on to open a store in Montgomery County, Pa., and Friel said the chain

has heard from a number of interested franchisees in the New Jersey and New York markets. In addition, two corporate-owned Swiss Farms locations are scheduled to open in 2011 in southeastern Pennsylvania.

The company's initial foray into franchising developed from a hard look at the unit economics of the chain.

"We thought we could accelerate our growth through franchising

given the fact that we stack up pretty well economically in comparison to a QSR or other franchise opportunities, including average sales and low real estate size requirements," Fiorentino said. "Because our stores can fit on a half-acre lot, we have a competitive advantage, and it's a good time for acquiring real estate. It's a buyers market and we're able to consider sites that would have been difficult for us to afford two years ago."

In selecting franchisees, Swiss Farms looks for partners who it is confident will deliver exceptional customer service. "Some retailers don't emphasize customer interaction. This is a high priority for us. If you look at comments from our Facebook friends to our press clippings, you'll see that our customer service is a critical factor in our success," Friel said.

As Swiss Farms looks to entice franchisees, it expects its focus on technology to be a major draw. It selected Microsoft Dynamics AX for Retail to integrate its point-of-sale (POS) data with back-office operations to help the company maintain a single database that incorporates sales and customer information from all stores and centralize pricing at POS terminals.

Next up Swiss Farms is debuting online ordering for customers, and is currently developing a smart phone app—set to roll out this October with the opening of the first franchise store—that will allow customers to send advanced orders to the store from their mobile phones.

"It's great for our consumers, and from a business perspective, we are confident that not only do we have a unique format and what we think is a very competitive and compelling business model, but we have state-of-the-art technology to help our franchisees operate the business right from day one," Friel said.

The chain is also starting to get a lot of momentum as it signs up more franchisees.

"As we go from 2011 to 2012 you'll see a significant increase in the number of units we can get open," Friel said. "I'm certain in 2012 and beyond you'll see more rapid expansion." **CSD**



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