

# Building a business

## Scoop at 6

In November 2008, BUSINESS REVIEW profiled the Scoop ice cream parlour in Covent Garden, London. **Ian Marcousé** returns to the business to see how it's getting on after 6 years of operation

**W**hen judging the best ice cream in London in 2011, *Time Out* magazine gave Scoop five stars for its 'frankly superior product'. In the highly competitive market for ice cream, Scoop also deserves praise for reaching its sixth birthday. It was tasty, but wasn't easy.

When Matteo Pantani founded Scoop in 2006, he was able to focus entirely on making great ice cream. From early morning he was in the basement of his Covent Garden site, making fresh gelato — perhaps in 15 different flavours. After the ground-floor ice cream parlour opened at 11.30, Matteo would spend a lot of time serving customers, training his sales staff and getting on the phone to suppliers. He had plenty of customers willing to pay £2 for '10 minutes of happiness', especially in Scoop's first summer (2006).

When Matteo had contacted landlords to find his first site, many had rejected him outright on the grounds that 'ice cream shops in Britain don't survive their first winter'. In January 2007, Matteo learnt why they felt that way. He pushed hard for sales to restaurants and tried various different in-store products, from cakes to waffles, but couldn't find a way to push sales above the business' breakeven point.

### Planning Scoop 2

When I first met Matteo, in spring 2007, he was aware that he needed to learn to delegate. Yet it was clear that every aspect of

Scoop affected him personally. A badly served ice cream hurt. Psychologically Scoop was Matteo and Matteo was Scoop. So appointing a store manager and delegating authority to him or her would seem fine in theory, but wouldn't survive the test of the real world.

However, Matteo's fellow (and majority) shareholders wanted him to expand from one Scoop to two or more, and Matteo could only devote time to Scoop 2 by spending less time at Covent Garden. He needed to delegate at Covent Garden, yet the force that made Scoop ice cream fantastic (Matteo's obsession) made it impossible for him to let go.

During the summer of 2007, hot days would see Scoop staying open until midnight. On one occasion I was working at just after midnight when an e-mail arrived: 'We've still got queues outside!' As a result, Matteo often worked 16-hour days, making the ice cream, then managing the shop. When autumn led to a drop-off in sales, Matteo was back focusing on the second outlet. Where should it be? In Canary Wharf, perhaps, with all those wealthy bankers? Or near Trafalgar Square, with the tourists?

By late 2007 it was becoming clear that Scoop enjoyed three types of customer:

- 1 tourists, who could be attracted to Scoop by a man holding an arrow (effectively passers-by)
- 2 local office workers

### 3 a growing number of local residents

The latter two groups were regular, loyal customers who might come once a week or more. In the winter of 2008, Matteo noticed that the hardest of regulars tended to be Japanese students, so he started making green tea ice cream.

The ideal site, therefore, would combine tourists and locals, giving plenty of scope in central London.

### Strategies for the future

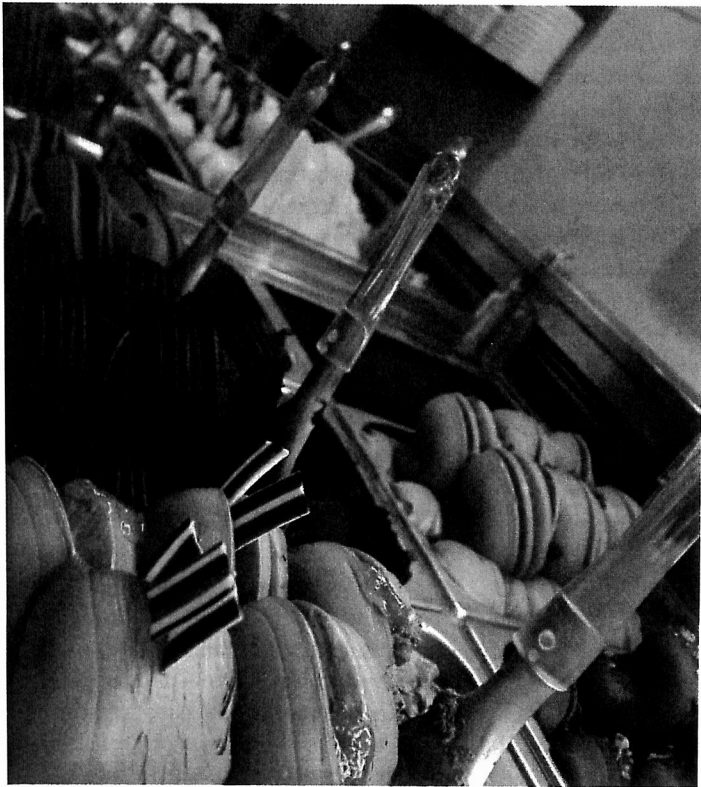
In fact, what followed was 2-and-a-half years of frustration as locations came up, proposals were put together and — eventually — landlords looked elsewhere. As this was during Britain's worst-ever recession, it seemed that no deal could be struck. But Matteo was unwilling to compromise on the quality of location, and the top locations he sought had lots of competition from other retailers.

Eventually, in June 2010, Scoop 2 was opened in Brewer Street, Soho. This location, just a short walk from Piccadilly Circus, blended tourists and locals, just like the original Covent Garden store. In addition, it was a main pedestrian route from Piccadilly to Soho and could therefore gain extra custom.

Sales at the Brewer Street branch started quite slowly. Matteo still needed to organise production in Covent Garden (the ice cream was delivered by van to Brewer Street) and so perhaps the store lacked dynamism. However, by the end of 2010 sales at Brewer Street were catching up with Covent Garden.

### Conflict and cash flow

By this time, Matteo understood enough about production constraints to realise that they could open only one more store, while relying on Covent Garden for all production. He made



it clear to his investors that they would have to invest in a new factory unit, at which all production should be concentrated. In the meantime Matteo kept looking for outlet number three.

In summer 2011 there was a bombshell. Matteo's majority shareholders appointed a chief executive to run the business. The new appointee set about sidelining Matteo into the role of production manager.

With the benefit of hindsight, Matteo can look back on this as a necessary step. The new man didn't last long, and when Matteo retook the reins he was determined to act as a top manager rather than as an ice cream entrepreneur. The focus would now be on making Scoop into a business profitable enough to grow without further outside finance. The first step to achieving this would be for Matteo to devote time to training two staff in how to make the complete range of Scoop ice creams. By releasing him from the Covent Garden basement, he would be able to manage the business more effectively.

With more time available, Matteo found it possible to open Scoop 3 in early April 2012, in South Kensington. Again this would provide a mixture of tourists, local residents and local office workers. Unfortunately, shockingly wet, cool weather made April a dead loss for ice cream sales. With cash flow strained by the investment cost of the new branch, the impact of a sales drought was severe. Matteo found himself on the phone to suppliers, fighting a cash flow hiatus. This suddenly switched to a battle for extra production as the weather swung to a heat wave in May.

### Lessons learnt

So, what has Matteo learnt about the process of building a business? He would be the first to agree with those who warn of the difficulties of the step from entrepreneur to business leader/manager. The qualities that made him a passionate founder of an ice cream business were exactly what hindered him in trying to develop and to delegate. He also warns of just how hard it is to deal with landlords in central London. Strong demand for good property seems to be a constant, making it all too tempting to grow by taking on second-rate locations.

What does Matteo still need to sort out? The most obvious need is to establish a successful strategy for the winter months. All this would need to do is to achieve breakeven from January to March. It could be based on a different product profile in the winter (doughnuts, crepes or hot chocolate?) or could be based on a more proactive promotional approach. I would suggest he forms links with human resources departments of local businesses, setting up days at which staff from specific local firms get special offers, such as a large ice cream for the price of a small. Matteo would welcome ideas from schools.

A factor he still need not take too seriously is competition. For although there's much, much more than in 2006, no serious rivals have set up near his outlets. In the longer term, however, clear brand differentiation will be crucial. As the business develops, the importance of marketing will increase. Overall, Scoop's sixth birthday is a reason to celebrate. Make mine a pistachio and stracciatella.

Ian Marcousé is the founding editor of BUSINESS REVIEW and a founding fan of Scoop.