



ZOUP! FRESH SOUP CO.

Contender puts expansion on slow burn,
plans simmering for 12 new outlets in 2005

By Teresa Gubbins



According to Eric Ersher, managing partner of Zoup, left, the Ferndale, Mich.-based company is taking a measured approach to expansion, with six franchises awarded so far and 12 budgeted for 2005.

\$8.50, and locations bring in sales that average \$760,000 annually.

Ersher and Elias got into soup via the spice route. Their previous company, Michigan Foods, made spice mixes.

"We started doing soup mixes for a restaurant chain, and the relationship evolved," says Ersher, managing partner. "They wanted a ready-to-use soup product. So we built a commissary, and lo and behold, we were in the wholesale soup business."

For five years they delivered to the back doors of restaurants, where they observed what kinds of soups were being made and sold.

"That was the beginning," Ersher says. "We started asking around, and the consensus was that really good soup was hard to find."

The two opened their first store in a small strip center in Southfield, Mich., in September 1998. Lines formed on opening day, and Ersher did not leave the store for three days. The unique-

ness of the concept generated so much local press that the two men hardly needed to advertise at all, officials say.

While the initial success brought home the realization that Zoup had found a lucrative niche, it took time to make the leap to chase growth through franchising. First they invested some time in recipe development.

"We hired a chef, and for a one-year period all he did every day was create soups," Ersher says. "Every weekend we would have family and friends come down to do tastings or evaluations."

The group took the well-received recipes and created a central facility, where the soups are made and then shipped to various outlets. Not only does having a commissary maintain consistency, it allows the franchisees to focus on hiring people-oriented staff members, rather than duplicating full kitchens at each site.

Zoup's other offerings, including panini sandwiches and salads, are easier to assemble at the locations. Among the salads are the Sonoma with romaine, spring mix, gorgonzola, dried cranberries, sliced almonds and raspberry vinaigrette dressing. The Asian features romaine, chow mien noodles, Asian noodles, sliced almonds, chicken, scallions, sesame seeds and sesame dressing.

Among the Meltz! Panini Sandwiches, available in whole and half sizes, are the Zesty Southwest Turkey with sliced turkey, pepper jack cheese, tomato and chipotle mayonnaise and the Italian Chicken with

in a fast-casual world brimming with concepts pushing sandwiches, wraps and burritos, Zoup! Fresh Soup Co. stands out for its laserlike focus on soups.

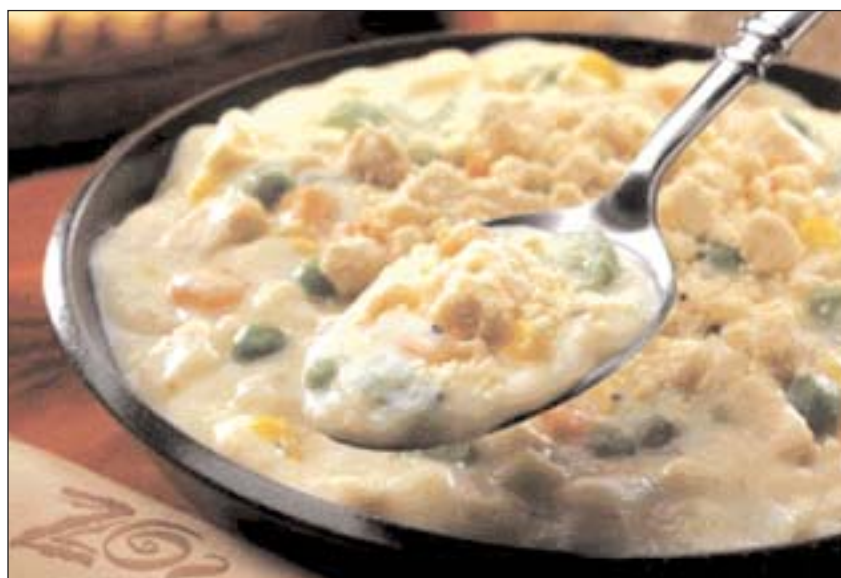
Few other chains have set their sights so precisely. But specialization has worked for this Ferndale, Mich.-based company, which was founded in 1998 by Eric Ersher and David Elias, a pair of cousins and friends who took a roundabout path to become missionaries of soup.

That is not to say that Zoup is like the satiric store from the "Saturday Night Live" sketch that sold only Scotch tape. Over the past six years the company's Internet-savvy approach to collecting customer feedback has spurred an ongoing expansion of the menu. But soup always will be Zoup's first love, the founders promise.

Drawing from a reserve of more than 200 potages, the chain offers a dozen soups daily at 12 branches located in some of Detroit's more affluent suburbs. The selection runs from such basics as clam chowder to novelties like macaroni-and-cheese soup.

The top seller is chicken pot pie, with chicken and vegetables in a creamy base, topped with a puffy pie crust, officials say. Ethnic soups such as the Indian muligatwny and the Cajun shrimp and crawfish étouffée are popular, too. The average check is

Rich and creamy chicken pot pie with homemade pie crust topping consistently is among Zoup's customers' No. 1 picks.





Left: Customers pressed for time can order and pay ahead of time – online or by phone – and quickly pick up their meal at a special register.

Below: Zoup units offer dine-in customers a comfortable and casual setting where they can relax and enjoy their meals.



grilled chicken, roasted red pepper, basil mayonnaise, provolone cheese and balsamic vinaigrette. Customized salads and sandwiches as well as smoothies also are available.

Ersher and Elias didn't open their second store, located at the Renaissance Center in Detroit, home of General Motors' global headquarters, for another year.

Their path to soup may have been opaque, but the team was always clear on how to sell it, says marketing director Elise Rowan, who helped define the chain's contemporary look and feel, with its autumnal burgundy and burnt orange colors and open, airy design.

"From the beginning, we had talked about how Zoup! should be cool and hip," she says. "But we also wanted it to have polish. We wanted it to look as good as any chain out there, as good as a Starbucks or a Panera, places that have a lot of resources to develop their looks. We wanted it to be that good even when it was one store."

A linchpin of Zoup's marketing program is allowing customers to taste samples of soup, officials say. Ron Santibanez, a foodservice consultant in California, applauds that practice as one of the best things a restaurant can do.

"I believe sampling is much more effective than any type of advertising," he says. "Because the real challenge is how can I get this food in the consumer's mouth."

"If a new restaurant is opening, they can spend a ton of money on advertising, but I always tell them that if they can get a couple of thousand people to come in and get the food in their mouths, they're better off."

Zoup is similar to an ice-cream parlor, wherein customers come up to the counter and employees dish out spoonfuls of soup. People get to taste how good the soups are, and the sampling encourages dialogue between customers and staff, officials say, noting that interaction is at the top of Zoup's agenda.

"One of the things about being focused on the customer and the front-of-house is that we can tell our story," Ersher says. "We're not in the back-of-the-house, chopping up vegetables. Very often, first-timers won't necessarily understand the Zoup concept. We really train and encourage our staff to tell our story."

In addition to soup rotation and sampling, the third plank of Zoup's strategy is its Web site, which plays a major role in interacting with both customers and franchisees. Since most of Zoup's outlets are situated in high-density, white-collar office markets, its customers

are an unusually computer-savvy bunch who can sign up for Zoup's daily e-mail, which announces soup flavors and specials. The number of names on the mailing list is in the thousands.

"These are people who are online, and we do get busy during the lunch hour," Ersher says. "Ordering online helps save time by ordering and indicating the pickup time, so that it's ready and waiting at the pickup-only area."

Store managers use Zoup's Web site to order soups, enter inventory and schedule labor. The site also allows the company to track each store's sales numbers. It's the benefit of coming of age in a world defined by technology, officials say.

"We were new, and we embraced technology and grew it as the company grew," Ersher says.

Zoup officials have taken a measured approach to growing the company, with six franchises awarded so far and 12 budgeted for 2005, all in nearby areas. Ersher calls their selection process "rigorous." Among other items, it includes some personality profiling, since customer interaction is a large part of the business.

"We break down the development process into small pieces and put it on a specified schedule," he says. "Often applicants that are unable to meet that schedule or any commitment will drop out. For us that has proved to be a useful way to select good systems-oriented entrepreneurs."

Zoup's approach to finding locations is similarly scientific. The company retains demographic and map-

ping services that help them key in on success-breeding factors, such as daytime population, the percentage of white-collar workers, traffic patterns and income. They also look for certain kinds of neighbors, although Ersher would rather not name names.

"They're just successful retailers who have long, more traditional retail hours that drive traffic on weekends and at night," he says.

When Zoup first opened, it inspired a couple of copycats, including one fellow in Michigan who vowed to launch his own soup chain. But no one has been able to clone the concept, officials claim.

Zoup's singular theme could be both a strength and a liability, says Cathy Sarky, an executive at Marketing Research Services, Inc. in Cincinnati.

"There can be a danger in being too single-focus, in that it will minimize your opportunity to expand across all consumers," she says. "But companies that focus on one product and develop that often have a stronger position than does a place with so many different products that the consumer doesn't know what's being offered."

But Zoup has expanded its menu beyond soup, first introducing salads and then sandwiches, both of which have been extremely popular, Rowan says.

"People would say, 'Gee, I love the soup, but I sure would like a salad to go with it now and then,'" she says. "Adding salads also addresses what some people perceive as the seasonality of soup, that it's only a winter item. The truth is, people eat hot food all year round. But we brought on salads and then sandwiches, and they were a huge success."

Still, officials say they want to stay true to their origins.

"We are a soup restaurant, so we developed products that would complement our soups," she says. "We view them as something to go with, not instead of. We position them as such, and we expect to sell them as such. We bundle them that way, as combos — soup and salad or soup and sandwich — always including the soup because that's what brings people back. We recognize that you run the risk of becoming just like everybody else."

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CONCEPT: Zoup! Fresh Soup Co.

OWNERS: Eric Ersher, David Elias and Gary Gilbert

HEADQUARTERS: Ferndale, Mich.

YEAR FOUNDED: 1998

NO. OF UNITS: 12; 6 company owned, 6 franchised

CHAIN'S ANNUAL SALES: N/A

AVERAGE ANNUAL SALES PER UNIT: \$760,000

PER-PERSON CHECK AVERAGE: \$8.50

WHERE IT TRADES: Michigan and Ohio

NEW MARKET TARGETS: Midwest

TOP EXECUTIVES: Eric Ersher, managing partner; David Elias, managing partner; Elise Rowan, director of marketing