



***SMOOTHIE
KiNG***

**5 Benefits of Simple
Operations in the
Smoothie Sector**

Table of Contents

- 1.** Introduction
- 2.** The Key to Operations: K.I.S.S.
- 3.** Why Simple is Better
 - Lower Capital Investment
 - Smaller Real Estate Footprint
 - No Cooking Equipment
 - Streamlined POS systems
 - Minimal Waste Created
- 4.** How Smoothie King Embraces KISS
- 5.** Growing With a Purpose

Introduction

When investing in a franchise, simple systems and operations should be a top consideration. New business owners have enough stressors. Once they open the doors to their new location, they shouldn't have to face a huge learning curve when it comes to operating it. Buying into a concept that offers a simpler system of operations will allow you and your employees to hit the ground running. This results in benefits for the owner and also translates into more positive guest experiences.

Full-service food franchise concepts are notorious for having complex and expansive menus. They often try to have something for everyone, in an effort to keep up with evolving trends and answer consumer demand. The unfortunate consequence is often a muddled menu that deviates from the core value upon which the concept was originally founded. A concept that tries to be all things to all people is destined to fall short on its goals. These brands end up creating an overly complicated supply chain in an effort to make sure the right ingredients make it to every restaurant.

Meanwhile, they're forced to purchase extra equipment to produce lower quality products at a higher cost to the business. How? For starters, each menu item that requires multiple steps to create opens up the opportunity for errors to creep in—especially when you're working with kitchen equipment and appliances like ovens, refrigeration units and stoves. As a result, each additional piece of equipment and ingredient will drive up cost of operations. How can you prevent this from happening?

The Key to Operations: K.I.S.S. (Keep it Simple, Smoothie)

KISS is an acronym that encourages simplicity. The reality is, a franchise operator can encounter numerous complications:



Fluctuating
Food Costs



Capital
Expenses &
Maintenance



Utilities



Recruitment &
Hiring Costs



Payroll &
Employee
Benefits



Rent &
Occupancy



Marketing &
Advertising



Technology
Infrastructure

A simple business model is one of the reasons why the smoothie sector is such an attractive business opportunity for many entrepreneurs. One of the defining characteristics to look for in simple operations is devotion to a single, primary product.

For instance, smoothie bars typically direct most of their time and effort on smoothies. Instead of trying to offer something for everyone, specialized concepts have the opportunity to focus all of their energy and effort on a single product or service—which they can then customize to fit the needs of each consumer. This allows business owners to offer a limited line of products, keep costs down, leverage simple operations and keep regulatory issues to a minimum.

Why Simple is Better:

1. Lower Capital Investment

Operating a full-service restaurant requires a significant amount of capital upfront to purchase everything from food, cooking and baking equipment to storage, disposal, ventilation and other expenses related to customer service.

Many of the fixed costs associated with owning a full service restaurant include rent, insurance and property taxes. Rent and occupancy costs for restaurants that inhabit a large square footage can on average take up to ten percent of a restaurant's monthly revenue¹. Now add to that insurance premiums ranging from the standard general liability, business owner's and worker's compensation to more involved insurance policies for full service concepts that require commercial auto, inland marine and liquor liability insurance. The more moving parts you add to a restaurant's daily operations, the more it inevitably costs to run.

However, when it comes to operating a smoothie bar concept, initial expenses are often limited to equipment, construction and inventory. According to the 2016 Market Research Report by IBISWorld, Capital intensity in the Juice and Smoothie Bars industry is low and for every dollar spent on labor only \$0.16 is allocated to replacing materials². This is due to the fact that a smoothie concept calls for fewer materials outside of cash registers and equipment used to makes juices basic machines like blenders and juicers.

Simple operations equates to less capital upfront and less materials to purchase in the long haul. The majority of the smoothie business is labor-based. In the case of a concept like Smoothie King, the total amount of people on staff is about 12, with only three working at any given time. With a low investment on materials and a small core staff needed, less money is needed to quickly get off the ground.

2. Smaller Real Estate Footprint

Concepts that employ simple operations require less space by their very nature. Less space equates to maximizing the return on investment for franchise owners as demonstrated by lower rent per square foot and the option to purchase less or smaller equipment.

Non-traditional real estate is an additional benefit, especially with smaller stores. In many cases, smaller footprints open up more real estate options—a trend that can be seen in a variety of retail formats, including big box stores scaling down to create a better experience for their customers. With respect to a smoothie concept, areas that have high foot traffic but minimal retail space include:



Hospitals



Office Buildings



Shopping Malls



Universities

Establishing a store in one of these areas can be a tremendous advantage in terms of attracting new guests as it offers an added convenience and boosts a unit's visibility. If you combine built-in foot traffic with simple operations, you can quickly serve a higher volume of guests.

For example, a concept like Smoothie King offers franchisees significant flexibility in terms of real estate, typically only needing between 800 – 1,600 square feet of space to operate comfortably. This ability to fit in just about any space is due to the nature of the smoothie concept and its lack of any major machinery. All the material needed to operate a Smoothie King is scalable and portable, making it easy for franchisees to look beyond traditional freestanding stores when searching for viable locations. A lot of the brand's locations can fit seamlessly in densely populated areas with numerous traffic generators like airports, food courts, mall kiosks and gyms.

3. No Cooking Equipment

Single product-driven concepts typically require either a single piece, or minimal equipment, to create the final product. This allows you to avoid or at least simplify the traditionally complex process for getting a uniform product in the hands of a customer.

In the example of a smoothie bar, because the business only produces smoothies, there is no need for an oven or a stovetop. The exclusion of heat saves franchisees money on equipment and maintenance. No heating equipment can also reduce:



Risk of
Fire



Risk of
Operational
Hazard



Insurance
Premium
Cost



Health Code
Violations



Need for
Mandated
Equipment

4. Streamlined POS systems

An easy to operate point of sale (POS) system is essential for sustained consistency and customer satisfaction. When an order is placed through the POS, any member of your staff will be able to read the order and produce the same product every single time. This will serve to help eliminate staff error and ensure that employees will get each order right the first time. This will also help ensure that a customer has a consistent experience no matter what location they frequent; increasing satisfaction and motivating repeat visits.

The ease and efficiency of systems, such as the recipe management combined with the POS, frees up franchisees to focus on other areas of running their business. It can help take away some of the pain associated with resource management, by providing you with an organized breakdown of what items sold and when.

5. Minimal Waste Created

Average full-service and limited-service restaurant profit margins range from 2 to 6 percent. What contributes to such slim margins? A significant factor that impacts gross profits is food spoilage³. Since every spoiled product or mixed-up order must be thrown away, operators watch their food costs increase with each instance of order error or expired inventory. A smoothie bar concept that integrates its POS with other aspects of operations, such as order management, helps its employees make fewer mistakes and create less waste.

As a result of better technology that can help cut down on food waste, these innovative, simplified concepts are reducing their contributions to the 25,000 to 75,000 pounds of food waste generated by restaurants in any given year⁴. The issue is a growing concern in the restaurant industry with several players trying to figure out ways to cut down on food waste. At the same time, operators can more accurately track inventory and reduce the likelihood of waste. Smoothie bar concepts that are devoted to making a single type of product help generate stability in cost of goods sold. Since the products require fewer materials and less equipment, the chance of creating excess, unnecessary waste is lowered.





How Smoothie King Embraces KISS

Smoothie King is a concept built on simple operations. With its low capital investment relative to other QSR concepts, integrated POS and smoothie management system and specialized products, it sets franchisees up for success with a business model that is simple to replicate and can be carried out in just about any part of the world. The franchise is completely scalable and is easy for the most novice business owner to learn and master.

Smoothie King's purpose is to offer the world a better and mindful alternative to the many unhealthy options available to consumers. Franchisees can help bridge the nutrition gap by inspiring those that live in your area to live a healthy and active lifestyle.

Interested in becoming part of this franchise opportunity?





Growing with a Purpose

We created the original Smoothie Bar in 1973, with founder Steve Kuhnau experimenting with different blends of real fruit and nutrients to create smoothies that would combat his food allergies and nutritional deficiencies. From that point, we've created dozens of unique smoothie recipes specifically designed to help people achieve their wellness goals.

One Smoothie at a time, our quest has spanned 43 years, to more than 800 locations across 33 states, three countries and counting. As we embark on the next generation of growth, our tactics have evolved, our approach has matured, our guests have become more sophisticated.

Our “purpose” has never wavered. We were, are and always will be here to inspire people to live a healthy and active lifestyle. Our future depends on our ability to always stay true to our purpose, deliver our promise and continue to positively impact the lives of each and every guest we connect with around the globe, one Smoothie at a time.

How to Get Started

For more information, contact our Franchise Development Team at

985.635.6984.

Smoothie King Franchises, Inc.

3900 North Causeway Blvd., Ste. 1300

Metairie, LA 70002

SmoothieKingFranchise.com

- 1 <http://www.bakertilly.com/uploads/restaurant-benchmarking.pdf>
- 2 <http://www.ibisworld.com/industry/juice-smoothie-bars.html>
- 3 http://rrgconsulting.com/ten_restaurant_financial_red_flags.htm
- 4 <http://www.businessinsider.com/solving-food-waste-in-americas-restaurants-2016-5/#according-to-an-analysis-by-the-green-restaurant-association-a-single-restaurant-can-produce-approximately-25000-to-75000-pounds-of-food-waste-in-one-year-here-a-feedback-volunteer-plates-a-meal-during-the-feeding-the-5000-festival-in-new-york-citys-union>