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What Works

One Scoop, Two Bottom Lines
Nonprofits are buying Ben & Jerry's franchises to help train at-risk youth

By Ken Yamada

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what works

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NONPROFIT CORPORATE FRANCHISING

One Scoop, Two Bottom Lines

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The manager at the Ben & Jerry's scoop shop knew as soon as his employee reported to work that day that she was high. He could see it in her eyes.

"Another employer would have fired her on the spot," said Jennifer Shewmake, director of creative enterprises at the Latin American Youth Center (LAYC), the Washington, D.C. nonprofit that owns and operates the ice cream parlor on Capitol Hill. "But we knew that she was actively working to stay clean, and we knew that the job was important to her." The manager gave her a second chance.

The employee got her opportunity because the shop is not simply trying to sell ice cream. It is also a hands-on job training program for at-risk youth. And in this case, the decision paid off. The employee straightened herself out and returned to work. Still, LAYC, which runs an array of programming for Latino youth, including a charter school and a shelter for homeless boys, knew it was taking a big risk.

"Negotiating a double bottom line is challenging," Shewmake said. "We have to make some really tough decisions. When we fire somebody, we have to really think – are we doing the best thing for this person? Our goal is to train young people and to make sure they gain the employability skills they came for. If we fire them, they are not going to get those skills."

At Pac Bell Park in San Francisco, teens sell ice cream and gain valuable on-the-job skills.

PHOTOGRAPH COURTESY OF JUMA VENTURES

This is just one of the dilemmas faced by nonprofits that participate in Ben & Jerry's Homemade Inc.'s "PartnerShop Program." Under the program, the South Burlington, Vt.-based ice cream company helps nonprofits open and operate Ben & Jerry's franchises dedicated to employing at-risk youth. Currently, eight nonprofits operate 13 PartnerShop franchises nationwide. In addition to LAYC, the shops are owned by Common Ground in New York City, the Postgraduate Center for Mental Health in New York City, Greyston Foundation in Yonkers, N.Y., Lawson House YMCA in Chicago, the Youth Job Center in Evanston, Ill., Juma Ventures in San Francisco, and Metro Community Investment in Minneapolis. This year, these shops will employ about 600 people, paying employees between $6.15 and $9 per hour.

PartnerShops look like the other 250 for-profit Ben and Jerry's stores nationwide, with youths dishing up ice cream from behind counters. However, PartnerShops are staffed by young people (typically ages 15 to 25) from poverty, homelessness, mental illness, or juvenile delinquency. Consequently, the nonprofits must offer youth support programs such as job training, entrepreneurial skills, and classes on everything from resume writing to business basics.

The nonprofits pay the same costs for ice cream and supplies as standard Ben & Jerry's franchises, and retain proceeds from ice cream sales. However, Ben & Jerry's waives its standard one-time $30,000 franchise fee for nonprofit owners. The company also provides nonprofits with management training, special marketing support, and travel stipends for twice-a-year Ben & Jerry's corporate meetings.

"We have PartnerShops," said Leslie Halperin, the program's manager, "because we think it's an incredible way to give back to the community."

The decision to let nonprofits run scoop shops for training at-risk youth, however, presented the company with real risks. "When we review applicants to join our franchise system, some of the top qualities we look for are individuals with small business management experience and retail foodservice experience," Halperin said. "And most often, those are *not* the skill sets affiliated with the PartnerShop organizations."

The result, Halperin explained, might be less-than-adequate shop management and customer complaints. "The risk is that … the brand would not be represented in the best possible way." So far, according to Halperin, customer complaints have been no worse for PartnerShops than the for-profit franchises.

To maintain quality consistency, Ben & Jerry's screens nonprofits applying to the program by requiring three years of audited financial statements, conducting reference checks, evaluating support programs, reviewing business plans, and, where possible, looking for prior retail foodservice experience.

Once opened, Ben & Jerry's field service representatives visit the shops to ensure corporate standards are upheld and to provide support (such as marketing and management advice) similar to that received by commercial shops. At this year's annual franchise meeting, a day and a half was dedicated to assisting PartnerShops. At one session, Ben & Jerry's marketing experts advised PartnerShop managers on how to best leverage their status as social enterprises.

> **"The risk is that … the Ben & Jerry's brand would not be represented in the best possible way."**

Ben & Jerry's field reps, meanwhile, are coached by Halperin informally – for instance, joining her for onsite visits to PartnerShops – on the nuances of running a shop with a social mission. "There's a whole vernacular in the nonprofit world that folks who haven't been there don't understand," Halperin said. "As a company, we realize there is a different skill set required in working with our nonprofit partners."

On the flip side, it is tough for nonprofits with little-to-no business experience to own a franchise. Consider the experience of LAYC. When the nonprofit's board initially considered opening a PartnerShop, it was concerned about being associated so deeply with a for-profit entity. At the time, Unilever was buying Ben & Jerry's, and that made the LAYC board especially nervous. "We wondered if Ben & Jerry's would continue to be true to its social mission," Shewmake explained. "We had never run a business, and we wanted to make sure we protected the youth center as much as possible."

The nonprofit did this in several ways. First, LAYC established the scoop shop as a separate 401 (c)(3) – "Latin American Youth Center Creative Enterprises Inc." – so that the center's assets would be protected in the event of a customer lawsuit. It also created positions like Shewmake's, dedicated to running the scoop shop.

To ensure the business would not drain resources from the center, LAYC conducted a separate fundraising campaign. The nonprofit raised the $190,000 purchase price and a $50,000 rainy day fund from various sources, including low-interest foundation loans, several foundation grants, and individual donations.

The $50,000 cushion turned out to be crucial, because the shop had a brutal first year. For starters, ice cream has a very low margin, and teens were overscooping it, in some cases giving free cones to friends. When combined with the autumn sniper attacks in the Washington, D.C. area and an early winter, the year-end losses totaled $15,000.

Because of its mission, the scoop shop also incurs greater operational costs. For instance, the shop trains about 30 people a winter, and at the end of the year, they encourage turnover (they help employees find paying jobs at other companies). Furthermore, they try to keep six people behind the counter even in lean times, leading to higher labor costs. "We're not going to send someone home," Shewmake said. "We're a training program."

When serious problems arise – such as when an employee stole a cash box containing $300 – LAYC needs to find solutions consistent with both its business and nonprofit goals. The offending employee was fired in that case, but continues to receive career counseling from the shop's full-time youth training manager, a licensed social worker.

The Capitol Hill scoop shop is projecting $324,000 in sales this year, which would mean a modest profit. But Shewmake points out a host of benefits beyond the bottom line. On the shop's opening day, for instance, it received prominent coverage in the *Washington Post*, as well as on ABC and NBC news. Publicity, coupled with the strength of the Ben & Jerry's brand, has generated much donor interest in LAYC. The ice cream shop is also becoming a portal through which local residents learn about LAYC and then get involved – for instance, as volunteers. (The center itself is located across town, about five miles away.)

"There have been hurdles, and it's been rough at times, but we're getting through it," Shewmake said. Overall, LAYC is so pleased with the program's success, it is building a second ice cream shop next to a restored theater in the northwest section of the city. □