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By Lou Sorendo

# The Kings of Donuts and Coffee

*Fulton resident one of three partners in growing franchise business*

**R**ecession-proof — very few businesses in the Central New York region can claim to have such a status.

One of those is The Wolak Group, made up of three Dunkin' Donuts franchisees who are expanding their holdings in whirlwind fashion.

Roy Clark of Fulton and Tom Santurri of Tully anchor the Dunkin' Donuts team that is rapidly expanding throughout the Central New York region.

At the helm is senior partner Ed Wolak of Portland, Maine, who oversees about 20 Dunkin' Donuts stores in that region of the country.

"Ed is like the genius. He is the wizard of donuts," Santurri said.

Wolak does site selection, financing, corporate organization and sets the overall vision for the company.

The Wolak Group is the umbrella organization for several regional companies in CNY that are penetrating a fertile market, including the Oswego Foodservice Group, LLC, in Oswego County.

Dunkin' Donuts is the world's largest coffee and baked goods chain, serving more than 3 million customers per day. Dunkin' Donuts sells over 52 varieties of donuts and more than a dozen coffee beverages as well as an array of bagels, breakfast sandwiches and other baked goods.

Global system-wide sales total \$5.3 billion.



*Roy Clark of Fulton and Tom Santurri of Tully anchor the Dunkin' Donuts team that is growing the Dunkin' Donuts franchise in Central New York.*

Clark and Santurri split responsibilities geographically but work together on all operations. The business is headquartered in Syracuse.

The expansion of Dunkin' Donuts in the CNY region is indeed remarkable. When Clark and Santurri became a team five years ago, they had 13 stores. That number has grown to 45 and is steadily climbing.

They have another two under construction, one in Adams and another in Lansing in Tompkins County. Adams is expected to open in February and Lansing should be in business in early April.

Their market extends from Canada to Binghamton, with most of their holdings being located west of Interstate 81.

"Our company is in a growth stage," Santurri said.

Plans for 2010 call for new locations in Verona, Liverpool and the Northern and Southern tiers. Their goal is to establish 80-90 Dunkin' Donuts in their service territory.

The Lansing store will be co-branding with an Xtramart gas station/convenience store.

Santurri said the decision to co-brand depends on the demographics of a particular area.

"If the area features enough traffic, property availability and easy access, then it would warrant a free standing Dunkin' Donuts," Santurri said. "If it's a smaller community and we can't justify the expense of that type of project, then we co-brand."

"With co-branding, each brand helps the other," he said. "People come in for gas, goods and services at the convenience store, and then come over to our

side for coffee, donuts and breakfast sandwiches. We also help the convenience store in the same manner. It's one-stop shopping."

**On the upswing**—The partners declined to disclose what their gross revenues were for 2009. They did say total sales and customer counts were up compared to 2008.

"A positive aspect is that we are one of a few businesses that is still developing and continue to grow, especially in the Central New York market, where there is not a lot of growth," Santurri said.

"We're close to recession-proof," he added. "It's affordable comfort food, a treat."

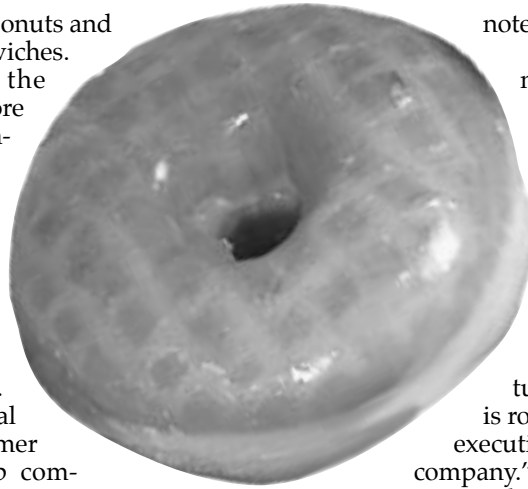
It's also one of a handful of businesses that is actually adding employees.

The Wolak Group in New York employs close to 1,000 workers, 160 of them being in the Oswego County region.

Santurri said Dunkin' Donuts is a job creator, not only with its own staff but also by using outside services such as snowplowing, landscaping and trash removal. Also, a typical store takes 90 days to build and involves crews of construction workers.

Clark noted that 70 people showed up for interviews at the new Adams store, and 20 were hired.

"We took 20 people from that small town and put them to work," he



noted.

"On a positive note, people appreciate having a job. We really don't lay people off. Once people are hired and do the job they are trained for, it's up to them to grow," Santurri said. "There is room for well-paid executive growth in our company."

"We try hard to hire people from within the community," Clark added.

**Solid customer base**—"The customer base is actually great for us in Central New York," Santurri said. "We're like a mom and pop company that grew up."

"People can relate to us, especially in a small town or community. Customers see the same manager and crews there everyday. They get to know their coffee and know what they want before they walk in the door," Clark said.

Clark, 57, a former Maine resident, met Wolak about six years ago. "We discussed coming together and that's what happened," he said.

Clark found the move to Central New York an easy one due to its similarities with Maine.

Clark serves on the board of directors for Operation Oswego County.

Santurri, 47, grew up in Rhode Island, which he said is the "largest coffee and donut area" per capita in the United States.

## Dunkin' Donuts franchise requires healthy investment

How much does it cost to open a Dunkin' Donuts franchise?

According to the franchise-mall.com Web site, total investment can range anywhere from \$255,700 to \$1.1 million.

The initial franchise fee ranges from \$40,000 to \$80,000.

The royalty fee is 5.9 percent.

A royalty fee is a set amount of money that a business franchise owner must pay to be part of a franchise system. Usually, the fee is calculated as a percentage of gross or net sales and it is paid weekly, monthly or quarterly.

The fees cover the privilege of using the franchise's brand and the

money is typically used to help the franchisor—or parent company of the franchise—offset administrative and support functions.

The process to acquire a Dunkin' Donuts franchise involves several steps. In addition to showing proof of financial ability to purchase and operate the franchise, prospective franchisees are required to complete an intensive Dunkin' Donuts' training program at the franchise headquarters in Massachusetts.

Dunkin' Donuts was founded in Quincy, Mass., and dominates the landscape in New England.

"Dunkin' Donuts is a way of life there," Santurri said.

He got involved in his family's automotive business and always had an interest in franchising. After exploring different concepts, he landed on Dunkin' Donuts. "I love the product and everything about it," he said.

Santurri is on the Dunkin' Donuts national marketing committee.

"We work well together, and it's nice because we have the same goals," Clark said.

"Honestly, it's a fun business," Santurri said. "We sell coffee and donuts and most people who come in are there for happy reasons."

"It's a fun business to be in. Customers are fun, and employees can have a decent time," Clark said. "I worked in the fast food industry for 30 years before this, at McDonald's and Burger King. They have very complicated menus, but this is simple."

**The right mix**—One of the challenging aspects of franchising is finding the right manager, Clark said.

"It's important that the manager take ownership of each individual store. It's a lot of responsibility and we pay them well," Santurri added.

Dunkin' Donuts are owned by franchisees, while directors are responsible for particular regions. Underneath them are area managers who typically oversee five to eight stores.

Each store has a manager, an assistant manager and shift leaders.

The company features a fully staffed training department, as well as information technology and loss prevention departments.

Cost of a franchise is heavily dependent on land cost, Clark noted, while buildings and equipment costs are relatively the same.

Cost also varies by region and number of stores a developer is interested in.

When identifying a site, the partners look for traffic and also gauge the

need by simply driving around areas to check out availability of coffee and donut shops.

Wolak also wants to see "a lot of rooftops," an indication of population density. He said the company's growth potential will be concentrated in small towns.

"It's not penetrated here like it is in New England," Clark said. "If you have been to New England, there is a Dunkin' Donuts in every small town. We're not even close to that yet. We have great upside."

Dunkin' Donuts also tailors stores to the communities it does business in.

Santurri said Dunkin' Donuts stores are not really destination points outside of rural areas. Rather, they are strategically located in such a way that motorists can work it into their routines while traveling back and forth to home and work.

The partners agree that customers make it a "ritual" to stop in at a Dunkin' Donuts once they sample the taste profile of its coffee and become acquainted with the consistency of its quality goods and service.

"You know what you are getting," Santurri said.

Santurri said it's this consistency that is a key to the franchise. "The whole goal is to do it right and then duplicate it," he said.

Clark's experience as a multi-unit manager with the Burger King chain has helped him easily adapt to the

Dunkin' Donuts franchise. "The transition was smooth," Clark said. "Tom and I came together and from day one, it's been fantastic. We haven't stopped yet."

While Santurri said he is "180 degrees opposite" from Clark in terms of personality, "neither one of us has an ego."

"We get along good, have fun and have the same goals," Clark said. "We know what we want to do, and that is to build Dunkin' Donuts and build the company."

"We don't let things get in the way of it," he said.

**Popular blend**—Santurri said normally in a growth market, once a store opens and people come in for donuts, they inevitably buy coffee as well.

Once they realize the quality involved, they become steady customers.

The coffee is Dunkin' Donuts' own brand. The partners agree that its quality is derived from the use of Arabica beans, on-plantation field testing, quick state-of-the-art processing time and strict standards regarding aspects such as volume and temperature.

In terms of competitive edge, Dunkin' Donuts prides itself on speed of service and getting customers in and out in a timely manner.

Clark said another advantage Dunkin' Donuts has is local ownership. "Everyone knows us. We are in stores all the time," Clark said. "We are the faces of Dunkin' Donuts."

Clark uses the phrase "boots on the ground" to describe this concept.

"We are in the stores and in the community. Our hands are on the pulse of the business. That is the key," Clark said.

The partners also noted the company is involved in the communities that it serves.

Meanwhile, Dunkin' Donuts University in Braintree, Mass., serves as the company's boot camp. The partners noted it takes about 10 weeks to complete the coursework. One cannot become a franchisee without graduating from DDU.

When new processes and systems arrive on the scene, workers are sent to DDU for retraining purposes.

"Life is like an apple. When you're green, you're growing. When you're ripe, you rot. You have to stay fresh all the time," Clark said. In response to healthy eating trends, Dunkin' Donuts features its DDSMART menu, the brand's first menu of "better-for-you" options.

DDSMART menu items include both new and existing Dunkin' Donuts food and beverages that meet at least one of the following criteria: 25 percent fewer calories; 25 percent less sugar, fat, saturated fat or sodium than comparable fare, and/or contain ingredients that are nutritionally beneficial.

A highlight of the DDSMART menu is Dunkin' Donuts' new Egg White Breakfast Sandwiches.

Dunkin' Donuts is a privately held company.

