

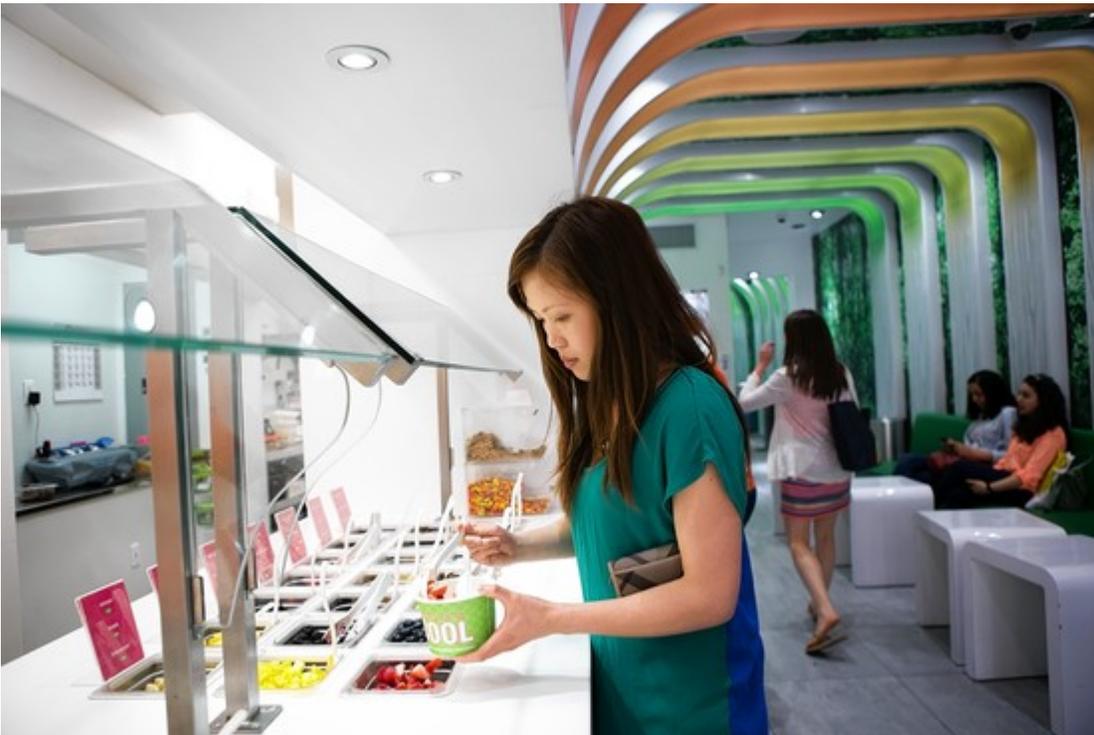
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## **New York City Happily Drowning in Fro-Yo**

### **Frozen-Yogurt Shops Make Their Ubiquitous Mark**

- By ANNE KADET



Andrew Hinderaker for The Wall Street Journal

Min Wong at the toppings bar at 16 Handles.

Suppose, like school buddies Gregg Heubach and Josh Heller, you are young, ambitious, armed with a fresh master's in real-estate finance from NYU and have some serious dough to invest. Where would you start? Messrs. Heubach and Heller have a genius idea. Wait for it...self-serve frozen yogurt.

This spring, the two opened Off the Wall yogurt shops in Chelsea and Union Square, complete with a launch party featuring vodka-root-beer fro-yo. July will bring a new store to Times Square. Next stop: Brooklyn.

I know, I know: The city is already drowning in frozen yogurt. Fro-yo shops are the new bank branches—a retail kudzu displacing restaurants, stores and, most recently, the beloved Bleecker Bob's record shop in the West Village. Everywhere you look, there's a new Pinkberry opening down the block from a Red Mango opening across the street from a 16 Handles. There are frozen yogurt stands operating at Bloomingdale's, the Duane Reade and the Plaza Hotel. You can get fro-yo off the ubiquitous YoGo truck or delivered to your office.

And they're all alike! No matter what shop you patronize, there's going to be top-40 hits, perky slogans ("Weigh, pay and par-tay!") and an aesthetic I've come to think of as "Tokyo preschool lounge": kiddy colors, curvy booths and flat-screen TVs. You'll find yogurt sold by the ounce, huge self-serve cups (designed to prevent spills rather than encourage gorging, says Mr. Heubach), and a dizzying array of toppings—crumbles, sprinkles, syrups—guaranteed to transform a relatively healthy dessert into a sweetastic 5,000-calorie nightmare. Because let's face it, it's all about the candy.

A lot of these joints are even offering the same yogurt. Along with the mom-and-pops, chains like Off the Wall, 16 Handles and FrozenPeaks all buy their fro-yo mix from a handful of manufacturers including YoCream, a subsidiary of yogurt giant Dannon. The price may change, but the fro-yo's the same.



Andrew Hinderaker for The Wall Street Journal

Saahir Robinson awaits her dessert at Off the Wall yogurt.

So why does this formula repeat all over the city? Because it works. Here's the big secret behind the fro-yo explosion: The profit margins are fantastic. Yogurt selling for 55 cents an ounce in Manhattan costs the shop less than a dime. Even when you subtract the expense of the bowl, spoon and lid (about 20 cents), you're looking at a 500% markup on your typical 10-ounce serving.

The labor costs, meanwhile, are minimal. Like Tom Sawyer with his whitewashed fence, self-serve shops get their customers to do all the work—and have them pay for the privilege. On a slow afternoon, says Mr. Heubach, the whole store can be manned by a single clerk.

You've got to sell an awful lot of \$6 yogurts to pay the \$10,000 rent on the average Manhattan fro-yo shop, of course. But in a hyperdense city, that's no problem. Solomon Choi, who's "Ce-Yo" of mega-chain 16 Handles, says his nine Manhattan stores all generated more than \$1 million in revenue last year.

Mr. Choi is the guy to thank, by the way, for bringing the self-serve craze to New York. He grew up working in his family's all-you-can-eat seafood buffet franchise in San Diego. Later, he came across a self-serve yogurt and toppings shop in Costa Mesa. "This is the future!" he thought.

In 2008, armed with family cash, he opened the first 16 Handles in the East Village, near the NYU freshmen dorms. Even back then, he says, folks were already grouching: "Oh great. Another frozen yogurt shop." But the self-serve model was an instant success, spawning dozens and then hundreds of East Coast imitators.

It's not fair to say these places are exactly alike, of course. My favorite: YoArt, the "Frozen Yogurt Boutique" at the Plaza Hotel, with its marble countertops and dark wood paneling. Never mind the high price (69 cents an ounce) for basic YoCream fro-yo. This place has the best trimmings—hot fudge, hot caramel, fresh whipped cream, chocolate-covered hazelnuts. My strategy: go straight for the toppings and skip all that yogurt nonsense.



Andrew Hinderaker for The Wall Street Journal

Frozen yogurt at 16 Handles.

Bargain hunters flock to the Duane Reade at 100 Broadway, where the super-sweet if bland fro-yo costs 37 cents an ounce. This is a heck of a deal, especially when you factor in the fruit toppings. You could play fresh fruit arbitrage, buying raspberries for six bucks a pint to resell on the street for \$20.

And of course, many folk prefer the stubbornly full-service Pinkberry, with its tangy fro-yo that actually tastes like yogurt—CEO Ron Graves says the international outfit develops proprietary varieties in its in-house kitchen. While the yogurt selection is typically limited to six flavors, this fits the brand's disciplined, minimalist approach. There's something supremely satisfying about the chain's oddly clinical shops, where clerks in white caps weigh out modest portions of "swirly goodness" like friendly nurses dispensing meds at the sanitarium.

So is there really a frozen yogurt glut? Without question. The leaders at Off the Wall, Pinkberry and 16 Handles all agree the market's oversaturated; they expect a big shake-out any day now. Meanwhile, they're busy opening new stores all over the city. Someone has to lose the NYC fro-yo battle, it seems, but everyone thinks it'll be the other guy.

And each has a not-so-secret weapon. For Mr. Graves at Pinkberry, it's innovative offerings like the newly launched Greek yogurt option. For Mr. Choi at 16 Handles, the future means proprietary "farm-to-fro-yo" artisanal flavors along with frozen custard; ice cream may be next.

And at Off the Wall? They're real-estate guys. While everyone else fusses over yogurt, they've been analyzing local trends and signing 15-year leases on retail spaces they expect to become hot locations down the line. If this whole fro-yo craze dies, says Mr. Heubach, they've got a plan B and a plan C—which doesn't necessarily include frozen yogurt. Sounds smart to me. Meanwhile, pass the caramel.

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