

Episode 37

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SUMMARY KEYWORDS

From local to franchise, Winans Chocolates and Coffee, family business, multi-generational business, business succession, chocolate and confections, retail expansion, store growth strategy, Bellefontaine roots, real estate site selection, specialty retail, wine and chocolate, brand legacy, third generation owner, scaling locations

SPEAKERS

Jason Duff, Wilson Reiser, Ethan DeLeon

W

Wilson Reiser 00:00

What drives our decision-making in opening a new store is a space that is about the right size, has the attributes of rear delivery, some storage, um, and then it comes down to the dollars and cents.

J

Jason Duff 00:16

Yeah.

E

Ethan DeLeon 00:17

Hey everyone, my name is Ethan DeLeon and I'm here with our founder and CEO of Small Nation, Jason Duff. Joining us on the show today, we have the CEO of Wine and Chocolate and Coffee, Wilson Reiser. We want to welcome you to the Small Nation Podcast, where we share some of the valuable lessons with what we have learned about entrepreneurship, real estate, economic development, and more. The point of this podcast is to create value for you, the listener, and create a space to learn, talk about what's trending, and inspire others.

J

Jason Duff 00:48

Wilson, welcome to the show.

W

Wilson Reiser 00:50

Thank you.

J

Jason Duff 00:51

Yeah, so I am excited because Wilson operates one sweet business. Literally, literally, literally. There's a few things, there's a few things that I really love in life. One is red wine. Another one is unsweetened black iced tea or caffeine in general. And the third one is chocolate. So like all the things that I truthfully love in life, Wilson and his family business has sold at some point in time.

W**Wilson Reiser** 01:20

Yes, that's true. We've, we have sold wine. We are, we've been in the chocolate business for 62 years and 62 years.

J**Jason Duff** 01:29

62 years. That's a while. So how many generations?

W**Wilson Reiser** 01:32

I'm the third generation.

J**Jason Duff** 01:34

You know what they say about family business, third generation people, right?

W**Wilson Reiser** 01:38

It's all over. It's done. I'm the undertaker.

J**Jason Duff** 01:43

The statistics, the statistics are just not good. But that's not the case with you guys.

W**Wilson Reiser** 01:49

Well, I'm, I'm about a year and two months into owning the business, so don't give me too much credit yet. But, um, no, I mean, that's— I've talked about that before. It's, it's something that I wake up and try to stare in the face every day. And it's an opportunity because if we get to that fourth generation, then we've beat the odds. But also, you know, what I do, what you do, it has to work for us. And for people that are multi-generational business owners, if it ends up at some point not working for their life anymore, then that's their decision.

J**Jason Duff** 02:26

Can you take us back and tell us what was it like growing up at Winans? Chocolates and Coffee.

W**Wilson Reiser** 02:32

Yes. So when I was born, my parents bought a house that was directly next door to our original store, and there was one store at the time. I was born, my parents bought the business, moved to Pickwood, left their corporate jobs. So I grew up on the same parcel of land as our store. I, as a— when I started to walk, I could sneak back into the back room and steal chocolate, which My mom tried to put my sister Madison and I on a routine where we could only eat chocolate on Wednesdays, and that didn't work out very well. And our longtime bookkeeper Rita would sneak me chocolate, and she's still our bookkeeper, so she was investing in job security there because, you know, someone gives you candy when you're 2, you can't—

J**Jason Duff** 03:25

Instant friend, right?

W**Wilson Reiser** 03:26

Instant friend, yeah. So, uh, yeah, growing up in Winans was very, very intimate next-door experience. Uh, I would walk my dad's lunch next door to him and give it to him. And, um, we were right there. And after 11 years, my parents saw the light and realized that that was completely insane to live next to your business.

J**Jason Duff** 03:46

And you could never get away, right?

W**Wilson Reiser** 03:48

Never get away.

J**Jason Duff** 03:49

Yeah. And always accessible. Like, there's There's pros in the category, probably when you first think of it, that you're right there on site. You can have a good kind of pulse on what's happening in the business. But being able to disconnect and just have time to think or be away or spend time with family, that probably had to be pretty hard.

W**Wilson Reiser** 04:09

Yeah, I think it was a challenge for them. And the business started to grow. So it was one location in Pickwa. A couple of years later, they opened the second location in Troy, Ohio. And then it slowly grew from there. To, uh, to the presence that we have today, which is 19 locations across Western and Central Ohio. That's growth. Yeah.

J**Jason Duff** 04:30

And part of that, you know, your family has a DNA of making sweet things. And can you kind of speak a little bit— and that's kind of connecting to how our work is kind of interlapped here in Bellefontaine.

W**Wilson Reiser** 04:44

Yeah. Um, so the, the business was founded by my grandfather Max Winans and his brother Dick Winans. And at the time, they were operating a bakery in Bellefontaine, Ohio. And, um, my grandpa split and went and opened the candy store, and the two brothers ran both businesses together for a while. And then eventually, um, my Uncle Dick ran the bakery in Bellefontaine, and my grandpa exclusively ran the candy store. So that's really where, um, where, where the business began, but also our connection to your community specifically. And then going back a generation before that, my great-great-grandfather was also a baker and in confections. So we do trace back 5 generations of that confectionery bakery business in this area. Wow.

J**Jason Duff** 05:32

I had the chance to tour Winans. This has been a few years ago, and then go back recently to see some of the changes. But one of the coolest things about going into the manufacturing environment of where they make chocolate is, first off, you— the smells that hit you. Sure. I mean, and, and just seeing how the ingredients that are being blended in and mixed. But one of the pieces of equipment, and for those of you that know anything about baking, there's a company here in Ohio that's called Hobart. And Hobart has had the reputation of making some of the best commercial mixers in the world. If you're baking bread, if you're making pizza, if you're blending chocolate, whatever it is. But you have a very special piece of equipment in your Pickwa manufacturing operation.

W**Wilson Reiser** 06:16

Yes, we have a— we have the oldest Hobart mixer in the world in operation. We still use it to make marshmallow and a few other things. And my great-grandfather bought it in 1913, so still going. Just put grease in it and it keeps going. It works.

J**Jason Duff** 06:33

Growing up, one of my favorite movies was Willy Wonka and the Chocolate Factory. And you cannot not have the feeling when you enter their environment and you just kind of see how different things are made. Probably one of the coolest things that Wilson introduced me to is in Ohio there's a particular chocolate that we're famous for, and it is called a Buckeye. Not to be confused with the nut that is out on the street, but it's designed to look like that. Tell us about what Buckeyes are and kind of your unique process to how you make Buckeyes.

W**Wilson Reiser** 07:07

Yeah. So Buckeyes are a peanut butter confection dipped in chocolate. That's, that's really what the broad definition is. But people have different recipes for the peanut butter and it can be manufactured in different ways depending on the recipe. So our recipe is a very rich, silky blend of peanut butter and white chocolate and a few other things that I can't tell you.

J**Jason Duff** 07:37

Secrets we can't—

W**Wilson Reiser** 07:38

super— I was hoping to spill them here on the show first. And then we dip it in real tempered chocolate and we close up the little hole that we use to dip it because that attention to detail is something that's key to our brand. And it is our number one selling confection. And there's something about— So we make another piece, which is the same peanut butter, but it's completely enrobed, completely covered in chocolate. So they're really the same thing, but something about biting in and having that peanut butter bite and the chocolate, there is something special to it. As much as we say, hey, we're, you know, eat a Peanut Butter Delight, it's the same thing as a Buckeye. There's just something special to it. And I think it might go beyond, you know, the Ohio State Buckeyes and there's— It's something about the texture, something about the mouthfeel when you bite right into it.

J**Jason Duff** 08:29

So I'm ready for some chocolate right now. Like, you want us—

W**Wilson Reiser** 08:32

you brought us down this, this alleyway.

J**Jason Duff** 08:33

Yeah, I actually think I have some wine in my office.

W**Wilson Reiser** 08:36

I just realized I brought you some, but I left it in the car.

J**Jason Duff** 08:39

So, oh, well, don't worry, I'll walk out the car with you. Eating— it's okay, I'll walk out the car with you.

W**Wilson Reiser** 08:46

So did you growing up, did you always expect to take over the business someday?

J**Jason Duff** 08:50

Do you see yourself there? And, you know, take us through that, the end part of your journey there going into— did you do college, things like that?

W**Wilson Reiser** 08:57

Yeah, I'll do the quick version. So I started working at Winans as a barista when I was 11. I had a golf habit, so I needed to pay for it in some way. Started working about 20 hours a week early in high school, and when I got my license, I delivered chocolate to the stores. I worked in the factory, I roasted coffee. My dad took me to a coffee roasting class in Seattle when I was 16 years old.

J**Jason Duff** 09:25

And super cool.

W**Wilson Reiser** 09:27

Yeah, we were there for a week and I learned how to roast coffee at Atlas Coffee Importers with like 15 other people that were all at least double my age. So worked in the business all through there. I always felt very blessed because I always had a job, you know, when I needed to make money, I could always go put in hours. And I think that's one thing that we're really blessed about in family businesses is you always have somewhere to work. Um, and then I, I went away to college at University of Montana. I needed to, uh, the mountains were calling. And so I spent 4 years in Montana, um, came back to Ohio for law school at Ohio State, uh, graduated, practiced law in Columbus for a couple years, and then, uh, came back to Winans full-time in 2020.

J**Jason Duff** 10:14

You want to be a barista again?

W**Wilson Reiser** 10:16

I wanted to be a barista, not a barrister. Oops. That's awesome. So no, I didn't know, uh, my whole life, and I didn't know when it would happen. It was always there. It was always, uh, something that I thought one day I'd like to come in and make my mark and, and do what I think I can do with the business and what I think it can become. But there was no direct path to, to the position I'm in now. Right.

J**Jason Duff** 10:48

So how did that end up unfolding then?

W**Wilson Reiser** 10:50

So 2020 came around and there was— I don't, I don't want to spend too much time on this point because whenever I turn on like a TV show or, or listen to something about COVID I just like, next. Yeah. Yeah. Because we all had— it was bad. And, uh, we could all spend hours and hours, uh, debriefing on that, but The family needed some help and some support, so I was practicing law and then I was spending multiple hours a day working on things like the PPP and our occupancy load and just trying to translate these rapid-fire regulations and rules and help my parents make decisions. And I found out that my heart was really at Wine Enz and there was no reason to continue practicing law for any extended period of time, and I was going to learn a lot going back to the business. So I went back and helped out, and then January 1st, 2022, uh, I bought the business from my parents, and I just finished my first year as the owner and CEO. And that's been a learning experience in and of itself.

J**Jason Duff** 11:59

I bet, college of its own. And part of the growth strategy of a business is that you can open up company stores, but you have not only done that, you have built a franchising path. What, what have you learned kind of, you know, starting and developing franchises? Because that's a, that's a big shift for, for a business to, to invest in creating that path for people.

W**Wilson Reiser** 12:25

Yeah, franchising is its own industry, and I just sent a couple of our people to the International Franchise Association conference. And there are people that have been in franchising for 20 or 30 years, and that's what they do. It doesn't matter the concept. They'll do a pet care concept and then go to a food and beverage concept and then go to a car maintenance concept. They do franchising. And really what that boils down to is the franchisor-franchisee relationship, which is a complicated relationship because the franchisees are independent business owners. They are entrepreneurs. They are taking a risk and putting their capital and their time on the line. And then the franchisor is providing the concept and the marketing and the operations, which is a giant investment. And the franchisor also needs to run a profitable business. So my parents started franchising in 2005, and it was viewed a little bit as a way to sell chocolate and to have wholesale relationships. And they grew that way. And then when I came in, I made a point to learn all I could about franchising in law school and when I was practicing law. And we've really leveled up on what we're doing. We have franchise business coaching in place, which is somebody that looks— yeah, looks at our franchisees' financials and has meetings monthly and talks about their performance and benchmarking and then translates that to operational strategies to improve that performance. We also have field visits. So we have a young lady that goes around and visits every location at least once a month and does a scorecard. And it's really a punitive thing. It's, hey, your manager is going to improve on this, um, you didn't have this product on the shelf. So it's really meant to drive robust unit-level performance, which means franchisees making money.

J**Jason Duff** 14:20

And I love that, like, it's giving feedback. And sometimes we as business owners have blind spots where we think we know what's going on, but until someone else from the outside kind of sees something that maybe we don't see, that feedback is, is really, really valuable. Yeah.

W**Wilson Reiser** 14:37

And the success of franchise concepts, if you look at the success of a franchise restaurant concept as opposed to an independent, it's much, much higher success ratio. And that's because they have access to those support, the accounting, the marketing, the types of things that otherwise the independent business owner has to wear all of those hats. Yeah, franchisees are— and a good franchise system are concerned with operations and human resources, and that really should be it at the end of the day. But to get to that point as a franchisor and the concept we're trying to provide is a giant investment in both time and capital.

J**Jason Duff** 15:18

And I think that's the— you will on the flip side to get a franchise, there are oftentimes cost or an investment upfront. And then you're also— can you kind of walk us through that process of how you're qualifying or how someone who maybe wants to start a franchise, what that looks like?

W**Wilson Reiser** 15:35

Yeah. So I'll obviously speak to Wine Ons because that's what I know the most about. But our first criteria is that you are passionate about and love chocolate and coffee, because if you don't love the products, how are you going to be hiring managers and hiring baristas and training and connecting with the community if you don't love the product? So that's like baseline. Next, there is a net worth requirement because there's capital that is required, and, um, we wouldn't want to spend all the time going down the road of site selection and training and all of those things just to be with a person that doesn't have the resources to open a store. Um, so at Winans, it's \$200,000 net worth. Um, That person then fills out an application, needs to generally have some business experience and some connection to the community in which they want to do business. Um, we have a franchise fee of \$35,000, which is pretty standard for the industry. And when we sign a franchise agreement, that person then agrees to pay a royalty fee and to pay a brand fund fee. So the brand fund is a pooled centralized marketing and advertising fund that we use to market and raise the profile of the brand as a whole. And we manage that as the franchisor. And then the royalty fee is to pay for those— the franchise business coaching, the field support, and then to run a profitable business. For Winans, we operate company stores and we're a manufacturer. So that's two things that not all franchisors do. A lot of franchisors just sell a franchise, support it, and then have a distribution network for the products. And a lot do not operate any of their own stores. So we, we do a lot of things.

J**Jason Duff** 17:33

I think why that's valuable is that with you having your company stores, you're actually in the trenches listening to what's happening and can test out different things in your company stores that if it works out well, you could introduce and launch in your franchises and vice versa. What's happening with one franchise with the coaching and mentorship that your business coaches are providing, you can replicate maybe that success to another franchisee in another market.

W**Wilson Reiser** 17:59

Yeah, we, we learn a lot from our franchisees. Um, when they are selling a lot more caramel apples than one of our stores, we go and we say, what are you doing? How are you doing this? And we learn, and then we can take that and communicate it to the rest of the network to try to help everybody improve their sales. Also, the, the testing part is big. We try to test everything before we make it a requirement so that we know there's empirical evidence that it's going to be successful.

J**Jason Duff** 18:32

I really like that. The— I imagine as, as the growth started happening at your company stores and you start adding on franchisees, and where you're manufacturing in Pickwa, there had to be a point where, how big do we want to get and can we keep up with this growth? And if I know a little bit about your story, that's kind of when you came on board back to the family business, confronted with how do we scale and grow and do we scale and grow, right?

W**Wilson Reiser** 19:01

Yeah. Yeah. That, that point definitely came in about 2019, 2020. And we were manufacturing all of our chocolate and our coffee in one 15,000-square-foot building along with our flagship store and our offices. So we needed to grow physically so that we could manufacture more product and ultimately meet the demand of our current stores and then grow into additional stores. So we renovated two additional buildings in downtown Pickwa, and we got those online in September of 2022. So recently, and now we're at a place where we're looking for additional locations and growing again. But we're in 6 different verticals of business. We manufacture chocolate, manufacture coffee, we do our distribution, we do franchising, we do online sales, and it's a lot of things.

J**Jason Duff** 19:59

Yeah. And when you—

W**Wilson Reiser** 20:01

just for those listening, when you say verticals, can you describe what you mean by that a little bit? Right. So in any one of those things I just listed, you could build a business around it. You could build a business out of operating company stores. You could build a business out of franchising, out of distribution. So we operate in all of those areas to support our business instead of contracting to a third party to make the chocolate or to distribute the chocolate or to do our web sales. We do that and manage all of it ourselves.

J**Jason Duff** 20:34

Yeah.

W**Wilson Reiser** 20:35

Wow. Which I'm not sure if it's advisable or not, to be clear.

J**Jason Duff** 20:40

And I imagine, I imagine, like, you know, it is kind of— someone shared with me a similar type of, of having multiple business units within a business. It's kind of like at times you're spinning plates, and it's like, you know, this plate's like going really well, so then your focus goes on this, and then you got to go back here. Do Do you feel that way sometimes, like running the show? Absolutely. And I think that's okay. Like, just to be vulnerable and real.

W**Wilson Reiser** 21:04

Yeah.

J**Jason Duff** 21:05

A lot of people look from the outside and think, oh, they have it all together. You know, when you're running lean, especially when you're scaling and growing, like there are some things that just don't work well, but it gives you an opportunity in your management, your leadership skills to focus on it and dive a little deeper and understand kind of the data and the inputs that's going there. Can you maybe share some examples of where you have stepped into problems like that and worked to make them better?

W**Wilson Reiser** 21:30

Yeah, so most recently, um, we've been working on our technology stack, and competing in coffee is, is difficult because it's a very saturated field. There are a lot of people in coffee. There's the thousand-pound gorilla in Starbucks, and then there's all the mom-and-pop operations who are doing it well too, right? Like, it's a lot good uphill, like, competition, right? Yeah. Um, so technology and meeting the customer where they're buying right now is a big deal. And when you're a smaller business, that's difficult to do, uh, because with a 1,000-unit chain, they have to do basically the same homework and make the same decision that we do with 20 stores, but then that benefits them in a thousand ways, and it benefits us in 19. So most recently, I have been becoming an expert in software integrations and point-of-sale systems and loyalty systems, web sale platforms, website platforms, um, app white label apps, custom apps. And if you would have asked me 3 years ago anything about software, I would have said I don't know anything about it other than what I use on my phone and what I do on my computer. But now I could tell you what this ERP system has that this one doesn't and why this point of sale feature is important. And that is a place where I don't really have any business, uh, being, but I've had to. I've needed to because we don't have an in-house expert in that. Uh, we're very much generalists right now. We're a team of 7 people in our office that are moving this brand forward. So I took that upon myself. Thankfully, my wife is a data scientist and has helped me out a lot.

J**Jason Duff** 23:24

She's pretty awesome, by the way.

W**Wilson Reiser** 23:26

She is. She is. But you just have to— at a certain point, you decide that this isn't going to get solved unless I really dive in headfirst and work on it. And That is a really important point in the evolution of solving a problem. When you decide, okay, this is my problem to solve.

J**Jason Duff** 23:48

It has to be interesting. I've seen in similar industries to yours, especially as you move from manufacturing to retail, the way that your inputs arrive might be in one weight. And then the way that you get to costing to figure out what you should be pricing your product at, you need to break that down into how it's being designed into the menu. Or, and then once it gets to the menu, you get it to the point of sale and you're managing inventory. And because you kind of need to know if, if we run out of vanilla here, it's going to impact this here. And then even with the point of sale, I'm amazed at how many service-based retail businesses I still go into and their point of sale does not make it easy to leave gratuity. And sometimes it's a choice on behalf of the business that they don't want to do that. But as we know, with labor being as tight that it is and labor costs are being driven up, if you aren't working with a point of sale system that makes it natural and easy to add that buck, \$2, \$3 tip when you add a coffee, you're, you're really missing out. Have you seen those kinds of challenges through the evolution of working on the business?

W**Wilson Reiser** 24:57

Yes. And actually last week I was traveling and I went to a coffee shop and I bought a coffee and they had the same point of sale system we do. They had Square. And when I went to check out, they— the gratuity was percentage based, which on a \$10 transaction can be a low gratuity. So I told the barista that you can set a threshold where if it's under a \$20 transaction, it can be a round dollar figure. So this is \$1, \$3, \$5 or whatever it is. And then if it's above the \$20 threshold, then it's a percentage because that's the way that you set it up so the barista makes the most money. And she said, great, I'll tell my manager. And who are you telling?

J**Jason Duff** 25:38

What she doesn't understand is this has an immediate impact on you.

W**Wilson Reiser** 25:42

And I said, yeah, I was thinking, do you want to, you know, that could be \$3 to \$5 an hour additional. An hour? Yeah, yeah.

J**Jason Duff** 25:50

And for employers looking, you know, struggling with finding their people, that there's a little hack too to be more competitive, you know, to— well, most consumers don't realize that, you know, credit card transactions are going up significantly, and they have in the last 10 years. And what's tough as a merchant is those merchant service fees take a big part of your bottom line. And so there's even creative things in your pricing structure of building in those merchant service fees and passing them on. And all these things are things that you need to test out and and, and, you know, really work with your customers with the way you communicate for how you're charging. But they have an immediate impact on the bottom line. And I think the reminder is, if you're, you know, in your small business, you aren't looking at these things of the software and how they're integrated and how, you know, you're interacting with loyalty points and rewards programs, all that stuff. It— every few years, and I— we try to do it in a lot of our companies about every 2 to 3 years it's good just to take a breath and see what else exists out in the marketplace. And if you are still at those practices, you're still doing best practices.

W**Wilson Reiser** 26:55

Yeah, absolutely. And in certain businesses like the coffee business, it's very low-dollar transactions. So you really are counting pennies. And if you're letting those things slide, then it can affect and, and threaten your company's economic health.

J**Jason Duff** 27:13

One thing that I'd like to ask you about is related to coffee shops. When, you know, we do a lot of economic development work in small towns, and sometimes there's a great coffee shop or maybe even two great coffee shops in a particular neighborhood or area, and then a third one comes in. And it's interesting because the general public sometimes believes, oh, that's gonna put out those other coffee shops, and I've loved that coffee shop that's been there for for 10 or 15 years. But you and I've had a conversation about the industry and you kind of don't look at things that way.

W**Wilson Reiser** 27:48

No. Well, and when the third coffee shop comes in, it's the mayor's fault. And, you know, let's barbecue the mayor and so on. Right. Because that's how it works with coffee. And I think with other hospitality-style businesses, bars, restaurants, you're more likely to go to an area that has multiple. Because when you go to a place that has a bar, sometimes you want to have a second drink somewhere else. When you go to a place that has multiple coffee shops, you want to try out different coffee shops. And, you know, if one has a really long line or something going on, then doesn't have a table for you to sit at, then it's nice to walk half a block or a block away instead of getting back in your car and and driving somewhere or waiting in a long line, even though if you go to Winans, we would like you to wait in that long line.

J**Jason Duff** 28:43

And I want you to explain that why later too. But yeah, go ahead.

W**Wilson Reiser** 28:47

Yeah. So creating districts where people are going for hospitality, for enjoying themselves, for taking a minute for themselves, we have found that another coffee shop coming to the area doesn't necessarily hurt revenue. It's not a zero-sum game, uh, we're, we're playing here. We are at times helping each other even if we're in the same industry.

J**Jason Duff** 29:11

And about that long line, why is that something that at Wine Ends you get excited about?

W**Wilson Reiser** 29:17

Why do I get excited about a long line? It means people want what we got.

J**Jason Duff** 29:22

I'll agree with that, but the way that I'm gonna— this is what I see from his secret sauce on the outside when I stand in line at Wine Ends. I'm not looking at the menu board anymore. I, even after I've put my order in and there's still a long line where I'm waiting to pick up my coffee, what am I doing?

W**Wilson Reiser** 29:39

Yeah, we, uh, we want you to be looking at our chocolate case and we want your, your mouth to be salivating a little bit.

J**Jason Duff** 29:46

And let me tell you, chocolate hook, line, and sinker. I was at his Pequa store, probably this has been 3 or 4 months ago. We had a meeting and of course I stopped back and needed, need a coffee before I go. I am there and just conveniently within my hand's reach are boxes of caramels, are boxes of peanut butter — what do you call peanut butter?

W**Wilson Reiser** 30:08

Peanut Butter Delights.

J**Jason Duff** 30:09

Delights. Of course I'm gonna pick up one of those and of course I need a little bit of caramel too. I go up the counter and she says, you know, \$59.65 or whatever it was. So I walked out, I'm planning to get a cup of coffee, I walked out spending \$60, and it was probably the best \$60, because on my way home, I ate half of both of them plus my coffee, and I was gonna save them for my guests, but there was only half left. Yeah. How many people are like me that do that?

W**Wilson Reiser** 30:37

No one. Yeah. Well, not enough.

J

Jason Duff 30:39

I'm weird.

W

Wilson Reiser 30:40

OK. I would love that \$60 mark. That's wonderful. OK. Um, our stores where people have to go inside, where there's no drive-thru, have a much higher average ticket. And it's because people are there looking at the chocolate and excited for it. And for that reason, you know, we're kind of torn on whether we pursue drive-thrus or walk-ups. And our current strategy is both. But what we do really good at is running a chocolate shop and running a warm environment that people can come hang out in. We're not the best in the world at drive-thrus. We don't have the best software. We don't have the systems set up. I don't want someone to walk into a store and be ignored because there's a long drive-thru line or be waited on by someone with a headset on. So that's one of those things that's kind of unfurling right now and we'll see where it goes.

J

Jason Duff 31:40

The economic development driver of putting a coffee shop in a shopping center in a downtown, what have you seen as you've expanded and grown your footprint, what it's done for neighborhoods and communities?

W

Wilson Reiser 31:55

I, I don't think we can take credit for any towns that have revitalized. We have been early entrance into many small towns, and what coffee does is it drives transactions, it drives traffic. Our stores on average drive 200 to 300 transactions a day. That's a lot of people coming in and out. That's a lot of people parking and getting out of their car or driving by. And it does make the surrounding properties potentially a little bit more attractive to people that want to run other businesses that, um, that have people coming by.

J**Jason Duff** 32:34

So I would almost say that question is almost more geared towards you, like what, you know, when you're thinking about development and, you know, the towns you visit, or you, you did it here in Bellefontaine, you started with coffee. Explain the strategy of why. I mean, obviously everyone loves a good coffee shop, but it's more than that. So I think Wilson's being pretty humble, which is, which is a good thing. But I have seen where a coffee shop is the lifeblood that starts that economic engine for those 200 or 300 people. That's the traffic. The other piece that it brings is gives a sense of community and coffee spurs conversations. It also brings people together. It's a place for where you can host events. Um, and it's also creating the culture around giving gifts. Like, how often is it you bring and pick up a coffee for your coworkers at the hospital? Or, you know, plan your community meeting around bringing in, you know, coffee and baked goods from the local coffee shop. So I, I think that, that for towns that are really working to bring a point of pride back to a particular neighborhood or area, it's a really important driver. Yeah, but I think the difference about what, what Wilson and the Winans team are doing is it's, it's coffee. It really, even in their name, it's Winans Chocolate and Coffee because the chocolate piece is something that most coffee shops aren't making and doing, so it's special.

W**Wilson Reiser** 34:03

Yeah, and to put a little bit finer point on the, the development side, what we're trying to do with small towns is emulate what we want as social creatures. We want interaction. Uh, you don't get interaction when you go to the drive-through or you go to a strip mall. We want to build areas that foster interactions, and there's not a type of business that does that better than coffee because You drink it and you're, you're ready to go. You're ready to talk. You're ready to do your job. You're ready to take on the world. So I think it is very consistent with the idea of small town development as a whole.

J**Jason Duff** 34:46

Yeah, we, I mean, obviously we're talking about it now, but we like to create conversations not only for entrepreneurs but also developers. What are some of the things that communities can do to make it easy, make it an easy yes for a company like Wynand's?

W**Wilson Reiser** 35:00

And honestly, this could be you know, geared up to either of you, like what are those some of those things that you're looking for?

J**Jason Duff** 35:06

I mean, we talked about some of those benchmarks for a franchise owner, but like beyond that, like what are you kind of eyeing when you're looking at growing and expanding?

W**Wilson Reiser** 35:20

That's a, that's a good one.

J**Jason Duff** 35:21

You asked the tough questions. You're worse than Larry King, okay? Or Barbara Walters, God bless her soul.

W**Wilson Reiser** 35:26

But yeah, that was a tough one. I mean, there's the baseline foundation of what you need to run a business. There's an adequate population nearby, which we've identified to be about 10,000 people. There is parking. We generally are transported in this part of this country by our cars. Here's no train station we're jumping off of, so there needs to be parking. Sorry to interrupt, but we talk about parking probably every single podcast.

J**Jason Duff** 35:54

It comes up about every week. So I think I need to make a button on here that'll like— Yeah, every time we talk about parking— yeah, so sorry, sorry to interrupt, but parking will make or break a location.

W**Wilson Reiser** 36:06

I mean, that's just the reality of it. That's how we get around. Uh, so with those two things in place, what drives our decision-making in opening a new store is a space that is about the right size, has the attributes of rear delivery, some storage. And then it comes down to the dollars and cents. Yeah. What is the landlord offering in terms of a build-out credit? What is the condition of the property? What's the per square footage rent? What are— I really look at renewal clauses really regularly. What is the cap on increasing the rent after the first 5-year term? How many terms do I have where I will know exactly what my rent is? Because that's how you really build a longer-term pro forma, longer-term financial projection to know if that store is going to be successful. If we start at a higher rent but we cap it at a lower percentage increase for every renewal and we have a long-term renewal, then, uh, the good money is saying that in 20 or 30 years that space is going to be worth quite a bit more than it is today. And if, uh, renewal cap beats the market, then we win, right?

J**Jason Duff** 37:29

And if you have confidence in the business, I think that's a smart strategy in terms of negotiating with landlords, is that bringing confidence from the landlord's perspective. It's like, I'm excited they want to pursue a 5 or 10-year lease with options because they're really in it, um, and, and they're committed, um, versus— and we've seen this in the last 3 to 4 years— it used to be that lease increases on an annual basis were around 3%. That was pretty standard in the commercial leasing industry. But with inflation the way it's been, that's impacted property taxes, impacted maintenance and expenses with construction. We in the last 2 years, most of our increases have been 10% annual increases. And that's, that's pretty common in the industry. You're seeing it about in every form of even residential rent increases. So what Wilson's saying, if you negotiate and you lock in those renewal terms at a fixed rate or a rate that you, you have, you understand and agree upon, that could be a huge savings in your pro forma as the lessee or the operator.

W**Wilson Reiser** 38:39

Yeah, and I think that, uh, it should be like Jason said, it should be viewed as a good thing by the landlord because it shows that the tenant has confidence in their business concept and that we're looking at year 15 and we're looking at year 20 and it should be, it should be positively viewed.

J**Jason Duff** 38:58

Yeah, I just wanted to throw a few things out there to put in the tool belt of, you know, the developer. Man, I keep hitting this. It's your fault. Yeah. For in other communities who are trying to recruit businesses, something that we hear about all the time, it's not easy to do in the beginning. And a lot of times, you know, developers will start their own, you know, businesses in those spaces because they can't recruit. So any, any value can provide there, I love it. But anything else? No, the, the other thing is just share that what I see the power of a coffee shop for economic development is we've seen once the coffee shop comes, specialty retail want to be around it. Yeah. And particularly in what we're doing here in Belle Fountain, you'll see that there are great antique shops and boutiques and hair salons that want to flock to be near the coffee shop because that again is that heartbeat of traffic, energy, and life. And it's also a win-win for the coffee shop because those folks that are getting their hair done or working in the salons, they're probably some of your best customers when you've got one nearby. Absolutely. Yeah, win-win.

W**Wilson Reiser** 40:02

That's awesome.

J**Jason Duff** 40:03

Well, as we're kind of wrapping up towards the end of this, do you have any of the professional development resources that, you know, were helpful for you along your journey that you can share with our guests today?

W**Wilson Reiser** 40:13

Yeah. So some of the kind of cliché books, but that I think are amazing— Extreme Ownership, Good to Great, just the classics. A book I read when I was really needing to teach myself accounting was Accounting for the Numerophobic. That was a good one.

J**Jason Duff** 40:33

That's a great one.

W**Wilson Reiser** 40:34

Yeah. And then recently I just read Becoming Trader Joe, which was a book written by the founder of Trader Joe's. And I really love that book because he wrote it at the very end of his career and it was actually published after he passed away. So he wasn't trying to prop up a speaking career or a board career. He gave the nitty gritty of how he did things and why he did things, and he didn't try to put any polish on it. And I really appreciated that part of that book.



Jason Duff 41:05

Yeah. Those are great.



Wilson Reiser 41:07

Appreciate that.



Jason Duff 41:08

And then obviously Wine Inns, the brand, you have the website where people can follow, check in.



Wilson Reiser 41:13

Obviously you're on social media, I assume, right?



Jason Duff 41:15

Yep.



Wilson Reiser 41:15

WineInnsCandies.com. We're on social media, we're on Instagram, Facebook, and LinkedIn.



Jason Duff 41:21

That's awesome. And just to give some bragging points to Wilson, so I was scrolling through my Forbes feed and saw a little hook for an article of some of the coolest gifts to buy for Valentine's Day, and Wilson was— and Wine and was featured in that article.



Wilson Reiser 41:40

Yes, yes, we were, for Easter baskets. Easter baskets.



Jason Duff 41:43

So people, if you're not— if you're listening and not near a Wine and store, you can jump right on the— in your website and purchase one and ship it anywhere.



Wilson Reiser 41:51

Absolutely. Yeah, jump right online. That's awesome.



Jason Duff 41:54

Well, congratulations on that placement too. That's an honor.



Wilson Reiser 41:56

Thank you.

J**Jason Duff** 41:57

Jason, you had a golden nugget for us today. My golden nugget is, um, You know, the, the transition of a family business is not easy, but I think in listing today, it's taking that, that background of, of growing up and being able to keep it strong and innovating it for the future. And I think you shared a lot of great nuggets when you were talking about your 7-person team of learning and stepping out of your comfort zone to learn things that you never imagined that you would software in particular. But I think for any small business is having the courage to say, hey, this is maybe new to me or uncomfortable to me, and bringing on the right advisors to help you in the areas that you're maybe not strong in, but they might be. And, you know, just in me developing a friendship with you, like, I think what you're doing is super cool and I'm so excited to see you grow and expand that. And the work that we do here at Small Nation helping towns revitalize and restore I think coffee can be a great part of that. So just excited to help with, with seeing your business continue to grow. And I think that there's an energy you want to do the same.

W**Wilson Reiser** 43:06

So yeah, I'm, I'm really blessed to have you as a friend and advisor, and I'm looking forward to what we can accomplish together. Let's do this. It's going to be fun. Yeah.

E**Ethan DeLeon** 43:16

Well, thank you everyone for tuning in and checking out the Small Nation podcast. You can find us anywhere that you listen to your podcasts, including Spotify, Apple Podcasts, and even the Small Nation YouTube channel. I hope you were able to pull some value from that conversation and we hope to see you in the next one.

E**Ethan DeLeon** 43:28

If you enjoyed it, be sure to leave a like, comment, or a 5-star review to help more people to discover this podcast. Stay tuned to Small Nation on social media to keep up with all the cool projects that are happening here. And until next time, this is Ethan with the Small Nation Podcast signing off.

J**Jason Duff** 43:42

Thanks, everyone.