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Move Aside, Frozen Custard, and Make Room for Gelato

By GLENN RIFKIN

Though gelato, that smooth and flavorful Italian [ice cream](#), is not a novelty in the United States, it has struggled to gain a foothold. Many consumers were turned off by too many bad Americanized versions and that, in turn, turned off many would-be entrepreneurs.

Lately, however, gelato seems to be catching on, joining artisanal [coffee](#), cheese and wine in catching the fancy of food lovers. With less than half the butterfat of regular ice cream, gelato is less fattening and healthier, and its dense, rich flavor and smooth texture can be highly addictive.

Stand-alone gelato shops may still be a risky bet, but it is one that an increasing number of small-business owners are willing to take.

In downtown Waukesha, Wis., for example, Joe and Lori Lester said they loved the Divino Gelato Cafe so much they bought it from the original owners a year and a half ago. Focusing on a high-quality product with a variety of flavors, they have expanded the business 35 percent since taking over, they said, and have already opened a second location.

Robb Duncan and his wife, Violetta, run Dolcetta, a small gelateria in the Georgetown section of Washington that features handmade gelato. They said that in the four years since they opened their shop, their business had grown 700 percent. In response, they have just opened a second location in nearby Bethesda, Md., and also sell pints at local farmers' markets. "The D.C. market has really responded and was clearly ready for artisanal gelato," Mr. Duncan said.

Albert Lattanzi, who owns a pizzeria and an upscale Italian restaurant in Edgartown on Martha's Vineyard, opened a small gelato shop, Caffe di Lattanzi, in 2001, after he learned that the island's transit service was putting a new bus stop near his property. Figuring that 3,000 visitors a day would pass through the area, he surmised that his gelato would be a lure for new customers as they waited for the bus. His gelato business has quadrupled since he opened.

Franchise operators, too, have noticed the nascent market. San Gelato Café, which franchises its gelato shops, is making a big push. The chain, based in Fort Walton Beach, Fla., recently announced that it would open 300 new gelato stores nationally by 2011. While modest by [Starbucks](#) standards, such growth is impressive for the gelato market.

PreGel America, the wholly owned subsidiary of one of Italy's largest suppliers of gelato ingredients, opened up a sales and distribution center near Charlotte, N.C., in 2002. According to Marco Casol, the 37-year-old chief executive, the number of outlets supplied by PreGel has grown 30 to 35 percent annually since 2002 — more than 1,000 gelato shops, groceries, cafes and restaurants that sell gelato. Sales in 2008 are expected

to top \$15 million. The company offers free three-day courses in making gelato and running a shop and will send its chefs to customers' locations to offer advice.

"I felt the U.S. was the last important market in the world that had remained untouched," Mr. Casol said. "The market had finally changed. People travel much more, they are much more informed, and they are looking for healthy and nutritional food that is still tasty, something decadent that doesn't leave a feeling of guilt."

Though exact numbers are hard to find, Mr. Casol estimates there are now about 800 stand-alone gelato shops in the United States, a far cry from the 37,000 in Italy. For gelato-loving entrepreneurs, such a wide-open market means opportunity.

"In Europe, gelato is part of the culture, part of people's daily routine," Mr. Casol said. "You can't change a culture overnight."

Most major cities in the United States, especially New York and Los Angeles, are home to a growing number of gelato shops. But it would be misleading to call gelato the newest rage. In a 2008 ice cream consumption survey from Mintel, a Chicago-based market research firm, 89 percent of consumers said they ate ice cream but just 14 percent ate gelato.

David Morris, a senior research analyst at Mintel, said gelato was still "very much a niche product" that was not yet widely available. But Mr. Morris added: "There's definitely momentum there." In a 2007 "What's Hot?" survey of 1,200 chefs by the National Restaurant Association, 51 percent called gelato a "hot trend."

But experts note that there are costs and potential pitfalls in opening a gelato shop. The cost to outfit and run a new gelato cafe can range from \$150,000 to \$300,000 depending on its scale. Adding gelato to an existing restaurant or cafe can be done for a more modest \$50,000.

Dominic Seminara, who runs the Specialty Restaurant Equipment Corporation in Arlington, Tex., warned that a stand-alone gelato shop was not a sure bet in most locations. "Gelato has a place but only in a setting in which it is part of the operation, not the entire operation," he said. Adding gelato to a successful [pizza](#) parlor or coffee shop is a better way to go, he suggested.

Successful owners like Mr. Duncan and Mr. Lester disagree. Finding the right location, they say, is the first step. Mr. Duncan, who lived in Argentina and studied under the local gelato masters for a year, said he thought Washington had enough of an international flavor to support a gelato shop. He makes his gelato fresh every day, as it is done in successful Italian shops, and he uses only fresh, local produce from area farmers.

"The first month we opened in August 2004, we sold \$25,000 worth of gelato," Mr. Duncan says. "For July 2008, we sold \$165,000 worth of gelato. Our challenge is to maintain the quality of the product." He began to offer espresso as an adjunct to the gelato but said that coffee represented just 5 percent of sales. "Even if you have really good coffee, people go to a gelateria to buy gelato," he said.

Jon Snyder, who opened what many believe to be the first gelato shop in America, in the SoHo neighborhood of New York in 1983, agreed with Mr. Duncan. "This is part of a food revolution in this

country,” said Mr. Snyder, who owns Il Laboratorio del Gelato, a gelato wholesaler in New York that supplies more than 200 local restaurants.

“There’s a lot of bad gelato out there, but more and more, some really good product is being made,” Mr. Snyder said. “If you take pride in what you do and put out a great product, people will find you.”

Certainly that is the case in Waukesha. Mr. Lester said the previous owners of Divino had a tough time educating consumers about a product most had never heard of. But now, “this has become a destination, like a trip to Italy for people,” Mr. Lester said. “We’ve never advertised and it’s all word of mouth.”

In the long run, Mr. Lester acknowledges it is a challenging business. “At \$3 a scoop, you need to sell a lot of gelato,” he said.

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