

BIZfact

\$51,420

Average annual earnings of refuse collectors on LI

Source: 2012 wage data, State Department of Labor

SMALL-COMPANY STOCKS SURGING

You may be unfamiliar with some of the best stocks on Wall Street this year.

Small, mostly unknown names are leading the surge in stock markets. Companies like Entravision Communications, a Spanish-language media company; SunPower, a maker of solar panels; and MannKind, a biopharmaceutical company, have more than tripled in value. All are part of the Russell 2000, an index of small-company stocks that has outperformed other major indexes in 2013.

The Russell 2000, as its name implies, includes about 2,000 companies with a market value ranging from \$129 million to \$3.3 billion. The index broke through 1,000 for the first time on July 5 and closed Friday at 1,048. It has jumped 23 percent this year. That's better than the Standard & Poor's 500 index, which is up 19 percent, and the Dow Jones industrial average, which has gained 18 percent.

The Russell's performance is even more impressive over the past 4½ years. The index is up 205 percent since a bull market in stocks began in March 2009; the S&P 500 is up 150 percent.

Investors have poured a net \$18.2 billion into small-company mutual funds this year, according to Lipper, a company that tracks funds. If that trend continues, the sector could have its best year since 2004, when investors put a net \$20.8 billion into small-company funds. — AP

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Swirls and Twirls owner Joseph Sala, left, and Fred Ippolito, franchise sales director, at the Jericho store

LI BUSINESS

NEWSDAY PHOTO / T. CONRAD WILLIAMS JR.

LI-based frozen yogurt chain swirling in SWEET PROFIT GROWTH

BY NICOLE LEVY
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AT A GLANCE

| | |
|---|---|
| Name Swirls and Twirls | 2012 revenues \$6 million |
| Owners Joseph Sala, Dana Ippolito | Locations 12 |
| Year founded 2011 | Employees About 120 in stores; 6 corporate |

At any one of the 12 Swirls and Twirls shops on Long Island, the decor — cotton-candy- and orange-creamsicle-colored — rivals the frozen yogurt in sweetness.

Frozen yogurt hasn't always been so sugary. When the treat made its debut in the 1970s as a packaged purchase, it tasted as sour as its warmer cousin, said Bruce Tharp, founder of the ice-cream consultancy Tharp's Food Technology. In the '80s, franchises like TCBY, or This Can't Be Yogurt, added sugar to their soft-serve dessert, balancing its acidity and attracting more customers.

The sugar high didn't last: When frozen yogurt rebounded this century, brands catering to tastes for the tangy, like Red Mango and Pinkberry, generated the biggest buzz nationwide.

Swirls and Twirls, a Jericho-based company that brought in \$6 million last year, is banking on the triumph, ultimately, of sweet over sour. According to Swirls and Twirls franchise support manager Ron Rahilly, who previously worked for Red Mango, the company's product appeals to people of all ages and both genders, unlike Red Mango's more zesty concoction, which draws mostly women in their late teens to

early 40s.

Over the last five years, yogurt has extended its foothold in the U.S. frozen-sweets market from 3.9 percent to 6 percent of sales, according to market research by Port Washington-based NPD Group. Locally, competition is stiff: A Newsday listing this month found 83 frozen yogurt chain branches on Long Island, including national brands as well as other local companies such as Yogurt Crazy and Yogurt & Such, plus numerous independent shops.

Swirls and Twirls co-owner Joseph Sala says the boom is an outgrowth of America's health craze. (Some experts, like Tharp, maintain that — despite its probiotic qualities — frozen yogurt is not much healthier than reduced-fat ice cream.)

Sala, 54, who previously owned a Toyota dealership, and his partner, Dana Ippolito, 39, a homemaker and mother

of two, opened their first Swirls and Twirls self-serve frozen yogurt store in Massapequa Park in 2011, the year the craze for an ice cream alternative really took off.

Their company, which now oversees three corporate and nine franchise stores on Long Island, doubled its profits from 2011 to 2012 and traffic at individual stores continues to grow, said Fred Ippolito, 39, Dana's husband and director of franchise sales.

But frozen yogurt is a "discretionary purchase" that consumers can live without in leaner times, said Bonnie Riggs, an analyst for NPD Group's food service division. She suggested that the popular confection might soon go the way of the once-trendy cupcake: NPD forecasts demand for frozen yogurt to drop by 1 percent next year.

Sala expects Swirls and Twirls' sales to stay on the rise.

The chain offers a loyalty program that tracks purchases on smartphones, as well as all-you-can-eat children's birthday parties that he said create strong word-of-mouth advertising.

A 13th store is planned, in Medford, and the company is exploring locations in Westchester, New Jersey and Connecticut. Swirls and Twirls sites its franchises in shopping centers with strong anchor tenants such as Whole Foods and Walmart.

"We'd like to keep the overhead reasonable for our franchisees," Fred Ippolito said.

Franchisees — including a retired New York police lieutenant, a former ultrasound technician, and a recent college graduate — invest from \$225,000 to \$450,000 in their stores. They pay the Swirls and Twirls corporation 6 percent of their sales in royalties every week.

Frank Bordonaro, a former auto body painter who opened the Centereach franchise with his family's help in March, said his business now serves 400 customers a day. "They welcomed us right away," he said.

NOW ONLINE

For a guide to frozen yogurt shops on Long Island, see newsday.com/business

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