

Success story

Former street vendor hopes to keep adding chapters, for himself and franchisees.

By JIM McLEAN
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Pete LaColla is the embodiment of the American dream.

Ten years ago he was selling hot dogs on a Poughkeepsie, N.Y. street corner. Today he's running a Topeka-based company that operates a chain of convenience store in malls across the country.

And the best may be yet to come. LaColla hopes to accelerate the growth of the company through franchising.

"There are a ton of companies out there that have hundreds of stores in this type of retail niche," LaColla said when asked about his company's growth potential.

LaColla's Street Corner News stores cater to basic needs of shoppers and mall employees. As the name implies, they sell newspapers and magazines. But they also offer other staples such as coffee, fountain drinks, snacks, aspirin and tobacco products.

LaColla hit upon the concept of a mall convenience store several months after opening his first venture in Topeka's West Ridge Mall, a glorified hot dog stand called Street Corner Cuisine.

I smoked at the time, and I real-



Pete LaColla spoke recently at Street Corner News in West Ridge Mall about his chain of newsstands.

ized there was no place in the mall to buy cigarettes," he said. "And there was no place to buy aspirin and no place to buy a newspaper. So I leased this small 235-square-foot space and built this little newsstand and convenience store."

At the times, LaColla didn't consider the newsstand the focus of his business. He continued opening restaurants and started a 15-store chain that sold calendars during the winter holiday season.

"We were trying new things, learning different retail businesses and losing money in the food business the whole time," LaColla recalled. "And then we realized this little store was just chugging along, making money with a mini-

mal about of headaches."

LaColla and his business partner, New York lawyer Dan McCabe, decided to get out of the food business and concentrate on the newsstand/convenience stores. In 1992, they built new stores in the Manhattan Town Center Mall and the giant Mall of America in Bloomington, Minn.

"We divested ourselves of all those ancillary distractions and started pursuing this with a vengeance," LaColla said.

Expansion Plans

McColla Enterprises Ltd., a name derived from the names of its two main stock holders, oper-

ates six stores in five states. A former company-owned store in Danbury, Conn., became the first to be franchised in February. LaColla said he's hoping to establish franchises in Nashville and Knoxville, Tenn., and Pensacola, Fla.

LaColla said the fact that so many mall developers were asking him to open stores in their facilities convinced him of two things: First there was a market for his stores. And second, there was little competition in the niche that he had carved out.

"That's why we're in a panic to get this going," LaColla said. "I have no doubt someone else will be jumping into the market."

LaColla said he has used the classified sections of newspapers to advertise for franchisees in the markets the company has targeted for expansion. In the next two weeks, the company will place national ads in the Wall Street Journal and USA Today, he said.

Anyone who sees the ads and contacts LaColla will be sent a glossy folder packed with photos of the company's stores and information about what's required to become a franchisee. LaColla said relative to other types of businesses, a Street Corner News franchise can be opened fairly cheaply.

"Typically, someone could turnkey one of these stores for well under \$100,000, which makes it very much an entry-level opportunity," he said.

Federal regulations prohibit LaColla from giving potential franchisees information about the earnings of company-owned stores.

"That's a problem," he said. "Obviously, one of the first questions that a prospective franchisee is going to ask is, 'What do your stores make?'"

For now, LaColla said all he can do is refer such questions to his lone franchisee in Connecticut. Federal



regulations allow franchise operators to share revenue information.

Selling experience

LaColla urges anyone interested in owning franchise to do their homework before signing on the bottom line. He researched several franchise operations when he was attempting to break into the mall specialty store business. One that stands out in his memory was a food-court business that specialized in French fries.

"They had 50 franchises, but I discovered the majority of them were very unhappy," LaColla said. "I would feel very uncomfortable if people invested a substantial part of their savings, in not all of it in our concept and felt we weren't giving 100 percent."

LaColla said he believes the fact that his company is headquartered in

Kansas will increase its appeal to franchisees.

"I intend to use the wholesome image of Topeka as a marketing tool," he said. "I think it's a good image."

LaColla said it's the job of the franchisor to give the franchisees

the tools they need to succeed. And he said years of business experience have helped him refine those tools.

"I spent eight years struggling to design the store, the policies and the procedures and learning how to squeeze the margins," he said. "You have to

know how to squeeze the margins or you're not going to make it. I've seen local people try this concept on their own and fail, because they didn't develop the right product mix."

He said subtle things about where to position the bottled beverage cooler can mean the difference between a profit and a loss.

"Moving that pop barrel from the back of the store to the front resulted in sales gains of 80 percent," LaColla said, pointing to the West Ridge store's selection of refrigerated bottled soft drinks and fruit juices.

He said recent decisions to take advantage of hot consumer trends also dramatically increased the profit margins of his stores. Sales of cigars are soaring, he said. And he expects coffee sales to follow suit when a new line of gourmet coffees are added in the next few months.

"We implemented them in New York and we went from \$40 a month in sales of coffee to \$1,400 a month in coffee sales," LaColla said.

School of hard knocks

LaColla doesn't have a business degree, but he has a business education. After graduating from high school, he started his hot dog business. For three years he fed revelers outside a Poughkeepsie night club. He lived in his grandmother's basement, worked every day from 9 p.m. to 5 a.m. and saved nearly every penny he earned.

"I saved a ton of cash with the anticipation of opening what I considered a legitimate business," he said.

He thought he had a deal worked out with a developer who was building a new mall in Poughkeepsie. But the day the deal was to be signed, the developer backed out. Determined to take his business off the streets, LaColla scanned trade publications to find out where other new malls were under construction. That's how he learned about Topeka's new mall project.

He flew to Topeka to look at the mall and immediately contacted developer Melvin Simon.

"Being a street vendor at the age of 20 without a college degree or any other history of being a retailer, most mall developers were not too receptive," LaColla said.

But the Simon Property Group was. And so in December of 1987, LaColla loaded his belongings into his Buick and headed for Topeka. And the rest -as they say -is history.

"It's a romantic story," LaColla said, smiling. "I love telling it."

He also loves adding chapters.