

# The Just Word Podcast

## Transcript of Episode 37: Beaver Tails are Iconic to Canada

Guest: Pino Di Ioia

**Pat Bolland** 00:00

Pino, in the introduction I was talking about the first time I had a Beaver Tail. When did you have your first Beaver Tail?

**Pino Di Ioia** 00:06

Good question, Pat. First of all, thanks for having me on. I really appreciate it. I was hired in high school, or college, but for all intents and purposes, lets call it high school in Quebec, and I never had a Beaver Tail in my life, I had no idea what the thing was. This was 1987. And the founder trained me as a manager at their only store outside of Ottawa, which is the one in Montreal, and would not let me try one until the day before opening day. And literally like, he wanted to make sure I had the management systems down, right. Before I got swept up with the product, and I kept hearing stories about in Ottawa people wait hours for these things, and people love them. And it's a cult following, and I couldn't even imagine what it was. And so it was the day before opening at the amusement park in Montreal. 1987 was the day I had my first beaver tail. And I still have probably one a week.

**Pat Bolland** 01:04

Well, in fact, your business card says chocolate fanatic.

**Pino Di Ioia** 01:07

Yeah, that's my favorite one. Chocolate Hazelnut.

**Pat Bolland** 01:10

Yeah, funny enough. We were driving in the Ottawa Valley recently. And we came across the town of Killaloe. And it's the Killaloe Sunrise that is actually my favorite of the Beaver Tails. So I said we got to pull in. This has got to be the original store. I don't know whether it was or not.

**Pino Di Ioia** 01:25

It is. And you're right. It was

**Pat Bolland** 01:27

Oh, really, cuz it was just a small little outlet. There are a few people lined up, you know, it looked like it had been there forever.

**Pino Di Ioia** 01:34

So the founder and his wife, Pam and Grant Hooker from Ottawa started, originally from Killaloe, started this little thing at a craft fair, and then moved to the Byward Market. That was actually the second store if you will.

**Pat Bolland** 01:46

Oh, wow. And I had it actually get right down in the Rideau Canal. Fantastic. Okay, how big is it now?

**Pino Di Ioia** 01:53

196 points of sale, signed or open? There's only about a dozen that are in construction. So the rest are all open. And that's that's North America wide.

**Pat Bolland** 02:03

Is it a franchise system?

**Pino Di Ioia** 02:06

It is ... Yea, go ahead.

**Pat Bolland** 02:08

And why did you go that way?

**Pino Di Ioia** 02:10

We chose franchise. You know, franchising generally works for two reasons. Number one is if you have variables, so if you have a clothing store, well the sweater is going to be the same for you as it will be for the next guy. So less variables, get the financing in place and you open your own stores, you don't have to share any of the revenue. Food is the opposite. That's why food is so popular with franchising. There's lots of variables. So it helps us to have someone with skin in the game at store level. The more complicated the food, the more franchising lends itself, we're quite simple as far as QSR's go, but it's still ... the number two reason is location. We're in some of the most spectacular tourist locations across Canada, Banff, Old Quebec, Old Montreal, the waterfront in Victoria, and you know, all points in between? Well, let me tell you that it's very difficult. You don't go to a triple A national real estate person and say, get me into those places. It's lots of fragmented Mom and Pop landlords. And it helps when you have a local who says, I got the space for a Beaver Tail. And that's usually what happens.

**Pat Bolland** 03:15

What is the downside, though of a franchise? Do you lose product control, for instance?

**Pino Di Ioia** 03:21

Generally, that's always a risk. I would say that the vast majority of our franchisees are actually fans above all, and we have a question. I'm probably giving away a secret here. But we have a question in our franchise application process where we say, Can you remind us about the first time you had a Beaver Tail? You didn't know that, but

**Pat Bolland** 03:39

I didn't know that.

**Pino Di Ioia** 03:40

There you go. That's our question. And it's amazing. They'll say I remember the first time, the sun was just rising over Grouse Mountain in Vancouver, and that's where I had my first Beaver Tail. So because

they're fans, they're generally very engaged. And we, you know, I'm really, I would say even more privately, we are so proud of our franchisees, they really are fans. The downside is we share revenue. Our franchisees make more in each store than we do, we just have more stores. So we have to we have to fork over part of that revenue because they're the guys at the front lines.

**Pat Bolland** 04:16

That's revenue sharing. Do you have a distribution issues?

**Pino Di Ioia** 04:20

No, although, these days, you'd be surprised. So far, we've run out of a few small things here and there. We've not even when the highway was washed out in the west coast. Our distribution guys were going south and dipping into the US and coming back into Canada. We haven't closed the store because of distribution. But there's a keep us awake at night. Yep, that's that's a big, big hot potato these days.

**Pat Bolland** 04:45

You mentioned the few numbers of QSR SKUs or a product basically, does having a franchise system limit or expand product innovation?

**Pino Di Ioia** 04:58

Well, you may know McDonald's, the franchisees, it was the franchisee who came up with the Big Mac. When I was a franchisee, my twin brother and I, who ... he's my, my business partners are my twin brother and my wife, were over time ... decendants, we always loved chocolate hazelnut on toast. We proposed that for the Beaver Tails. And we now do about 60 tons of hazelnut a year. And it's the four chocolate based Beaver Tails are our number one SKU, they pass the all time classic cinnamon sugar. So I'm a big believer, I got to put my money where my mouth is, I was a franchisee when I proposed that. So I'm a big believer that our franchisees will ultimately find the next big winners. But we also have a nice formula Beaver Tails. But we don't have a huge amount of SKUs. It's a simple operation. So there's always that balance when we introduce something new. Make sure we don't complicate the operations.

**Pat Bolland** 05:56

Pino Who do you actually see as your competition. I mean, it's not like you're in the burger game and you're against McDonald's or Burger King or anybody like that you're in kind of unique position.

**Pino Di Ioia** 06:06

Right you are Yeah, we're first and foremost, we're in happiness game. Our internal slogan is we punctuate memorable moments. So if you're having an anniversary or birthday, or your kids got a good mark in math class or they graduated university, you will go to some spectacular places across Canada. And you will memorialize that visit, that little tourist outing, with a Beaver Tail. And now more and more we've got products that are made for you to take home or beaver bites, or beaver tail brownie pies. Those are products you take home. So if you're celebrating an anniversary at home by the pool or barbecue, we're there for that special moment. So to answer your question, competition, the first obvious one is ice cream. Ice cream is the happy food. Right? We sell a lot of ice cream in our stores,

but 50 or 60 of our stores sell ice cream. I think we're the largest Canadian owned national dairy chain, dairy bar chain.

**Pat Bolland** 07:06

You don't think of Beaver Tails as a dairy product.

**Pino Di Ioia** 07:09

Right you are. And actually interesting because our ... probably our number one ice cream product, if you will, is a scoop of ice cream on a Beaver Tail. So it's it's still about that unique shape that uniquely Canadian iconic dessert. But we're there for the fun moments. So anything you would consider serving for a fun moment. That's the competition for us.

**Pat Bolland** 07:30

Let's just go into that ice cream concept do you do rapid kind of like a waffle cone.

**Pino Di Ioia** 07:36

You have no way ... you've been in our r&d sessions. But we have tried so many things, but a really hot beaver tail melts ice cream. The cone serves as a funnel for your nice shirt. So we've settled finally on just serving it on a Beaver Tail on our little tray. And you scoop it right on to Beaver Tail flat. The Beaver Tail actually ends up absorbing the ice cream that melts. Sometimes the simplest obvious answer is the right answer.

**Pat Bolland** 08:07

Wow. Okay, let's talk about expansion. I think of Beaver Tails as Canadian. Am I right? Or how much are you in the States,

**Pino Di Ioia** 08:17

We are the quintessential Canadian desert, we've been called that by, humbly, by outsiders. We don't ever want to make that claim myself. So I think this is always where and you know, being from Quebec, that that's really an extra ... we wear it with extra pride on our arms there. Because Quebec is, unfortunately we're not always proud to be Canadians. I very much am, so for me, it's just one extra layer. But we are increasingly in the States. We're in a few amusement parks, a couple of trailers. It's only about eight stores. They took a big beating during COVID Because of amusement. So COVID was actually very good to our product and our brand. We expanded unbelievably, and most of our same store sales went up for trailers or mobiles. And for the shops, you know, as people were escaping Toronto to go to Blue Mountain, or Calgary ... to go to Banff. We did crazy, fantastic numbers. Where we lost volume was the amusement parks because they either didn't open ... the zoos, the water parks, or they were under severe restrictions. And of course, that was true in the States too. So the US had more amusement parks per store than Canada. So we were actually disproportionately hit in the States. But we haven't lost the store. And we're back hopefully to a normal year, this 2022. And probably our biggest expansion is US East Coast, leading down to Florida. That's the focus for the next two or three years as Canada just generally runs out of real estate to offer Beaver Tails is less places for us to go to

**Pat Bolland** 09:47

You know, it's interesting, I was involved many many years ago into the in the expansion of Tim Hortons in the United States. And they first went to the border states because it was easiest to get their products across and there was some kind of a crossover Northern America, North US people from Canadians crossing over back and forth. And there was some familiarity, I guess. Are you approaching the same way?

**Pino Di Ioia** 10:12

Similarly, Because Florida is our big target, we're we're culminating in Florida. But when you look at the amount of just Ontarians, and Quebec cars that go to the Carolinas and Florida, those tourist areas are point zero for us. So yeah, very, very much. So it's not border crossing, because Tim Hortons, you have that every day. So border crossing, you'll do that every day. We're the vacation where the tourists were the you remember it?

**Pat Bolland** 10:38

Yeah. You mentioned earlier that it's important to have locals on board, in part because they have access to real estate. And I know that the expansion of some other fast food restaurants in the past have been done through partnership. I'm thinking, you know, Tim Hortons and Wendy's, or I don't know, there's a bunch of examples that are out there. Will you approach things that way, or try to find those unique places, whether it's a cabin at the top of Blue Mountain or something along those lines,

**Pino Di Ioia** 11:05

Our number one is on finding the individual because our product, you know... no .... we serve millions of these a year, but no two are identical, their hand stretched. And we could have automated that years ago with with modern technology in the food world. We don't because we want every place to have its unique charm. So our architects, Canadian architects who have offices in the States, actually coincidentally, but the architects are given the mandate that every store has to have something linking a unique charm to the local community or environment. And similarly, we want to find a franchisee who's also part of the fabric of that local environment so that he or she make it their own as well. So it's individual franchisees, we're very happy when our franchisees get up to four or five stores, we only have two that are more than that. And they're unique situations in each case, but we're going to focus on the partner we're looking for. It's not a conglomerate, it's the local individual.

**Pat Bolland** 12:01

Wow, you must have to go through a lot of applications.

**Pino Di Ioia** 12:06

We organically so before we started advertising. So coincidentally, you really do know all our stuff there. We this is the first year we started advertising for franchise requests. Organically, we would get 20 to 30 requests a week,

**Pat Bolland** 12:21

a week,

**Pino Di Ioia** 12:23

just from folks who visited our shops. Occasionally, you'd get someone saying someone told me I should look into this. But mostly it's ... love Beaver Tails ... Why are you not in my community? I want your store.

**Pino Di Ioia** 12:36

So almost ma and pa ...

**Pino Di Ioia** 12:39

Which is what we love. Absolutely. Yeah. Absolutely. And now with the advertising. Listen, we started advertising and I think in the first eight or 10 days, we turned it off, because we got just south of 1000 applicants,

**Pat Bolland** 12:54

You started advertising for franchisees, you know, funny you say that ... I can't recall ever hearing. Or for that matter seeing, a Beaver Tail ad, you don't have a big ad spend.

**Pino Di Ioia** 13:06

We don't have a big ad spend for the stores either. We partly because if you're going to Blue Mountain, you're going to have a Beaver Tail. But I can't get you to go to Blue Mountain. We like to say in the office. We're not the reason you go to Canada's Wonderland but you probably won't leave Canada's Wonderland without having a Beaver Tail. And that's the same with Grouse and Whistler, and Toronto Zoo and Granby Zoo in Montreal, and, and on and on and on. So really, our ad spend has been focused on each store in store spending. But now more and more, we're doing event based advertising and a lot of digital advertising. Our channels. I don't know how many million plus view tic toc videos we have. Thankfully, my kids helped me navigate that stuff. But we resonate really well on social media, because it's such a unique product.

**Pat Bolland** 13:55

What is your biggest challenge? Is it part of the expansion program? Is it quality control? Is it product innovation, what is your biggest challenge,

**Pino Di Ioia** 14:07

So that by far and away, it's always people ... getting the quality team together and getting quality franchisees and for the hundreds of applications we get. You may not have the financing. You may not want to do this as a as a job, you want to invest. And while we're humbled and appreciative of that, we need someone who's taking care of the store. So if you're a banker, and this is your little side hobby, find a manager who's actually going to own part of it with you and will be in there with you but people people people. Distant second would be locations. There's just a few prime locations in Canada and places we really want to be in but it's just not the right real estate. It took us 20 years to get the spot in Banff and that was the first spot we did in Alberta. Haven't looked back we're in beautiful Waterton. And we're in Canmore. We're in Jasper now. We're opening in downtown Calgary soon. Red Deer is on the books. Edmonton is on the books too. But that first one was Banff and real estate in Banff. It was a local guy.

**Pat Bolland** 15:17

Yeah, it's almost like I would describe that as a halo effect, where you get the initial and then the expansion happens around it. Is that the strategy?

**Pino Di Ioia** 15:26

Absolutely Halo or hub-and-spoke in more traditional franchising ... Absolutely. And in the US, as was done originally in Canada, so people say, Oh, you have food trucks. That's the new trend. We've had food trucks for about 40 years now. So I guess we predated the trend, but those food trucks are able to go where the magic happens and that magic might be your corporate picnic. It might be a wedding, we do an amazing amount of weddings with our food trucks. Or it might be the Rib Fest or the Music Fest. Those we punctuate some big memorable moments there. So when we carpet bomb a new community with with our mobiles that just paves the way eventually for a store.

**Pat Bolland** 16:05

Well phenomenal. Okay, we're getting close to time here Pino but I do have to ask you and I've already disclosed my favorite is definitely the Killaloe Sunrise with just the right squeeze lemon on top. I tell you that thing is melt in your mouth. Delicious. What are your I'll give you three but you can't have one favorite. So give me three.

**Pino Di Ioia** 16:24

Well, you know what, I have two go-toos ... so it's okay, you can push me ... the number one is the Triple Trip which is peanut butter, and our chocolate hazelnut with Reese's Pieces. I getting a bit old so it's a little bit sweet because of the Reese's Pieces but the peanut butter and the chocolate hazelnut. Yeah ... but the number two and Killaloe comes pretty close, because you're right, that one really that ... the unexpected lemon, the sweet and sour. Yeah, until you have it. You don't realize it. Yeah, but my number two would be on a Cinnamon Sugar a maple ice cream, which has a little bit of that maple sweet and it's kind of iconically Canadian too, but it's nice on a hot day.

**Pat Bolland** 17:06

Pino great to chat. I'm salivating.

**Pino Di Ioia** 17:10

I'm sorry, we did it so close to lunchtime.

**Pat Bolland** 17:14

Pino, thanks again.

**Pino Di Ioia** 17:16

Thank you Pat

**Pat Bolland** 17:17

Pino Di Ioia is the CEO of Beaver Tails