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A Cool Business— MooBella, Inc.

Freshly made hard-packed ice cream from a vending-machine-sized dispenser—dream or reality? For thousands of customers in New England, this is a reality. MooBella, Inc., founded as Turbo Dynamix in 1992 and based in Taunton, Massachusetts, introduced these innovative machines on a trial basis in 2006, and commercially to universities and medical facilities in 2010.

MooBella's founder and CEO, Bruce Ginsberg, literally grew up in the ice cream business. He took over International Ice Cream from his ailing father in 1985 and reinvigorated it from operating at \$1 million in the red on \$8.5 million in revenues to earning \$50 million in revenues in 1993. Ginsberg recognized that ice cream can be up to one year old by the time of consumer purchase and that the crystals that develop detract from the taste and texture. He became fascinated by an ice cream-dispensing machine which he saw in 1999 that was being developed by Turbo Dynamix. He wanted to create made-to-order hard-pack ice cream that would have an excellent flavor and texture because of its freshness. Turbo Dynamix became MooBella, Inc., and Ginsberg continued his quest.

This seemingly simple concept is technically complex and took 18 years and nearly \$85 million to bring to market. The research and development and start-up processes were riddled with challenges. One observer notes, "For all their promise, MooBella's early machines were hideously complex and cost roughly \$1 million to make."⁴ Ultimately, the MooBella team ended up working with Project Genesis at MIT to bring the dream to reality. The machines include "... seven modular mechanical units, including pneumatics, base refrigeration, flavor, primary refrigeration, foodzone, and mixing modules. A Linux-based computer operates each module through a distributed control system based on a CANopen bus."⁵ It took five years to complete the computer portion of the project, and improvements are an ongoing process. Today, it is possible to select any of 96 available flavor combinations for a fresh-made ice cream cup priced at about \$3 per 4.5 ounce serving, and have it ready in about 40 seconds. Customers choose from any combination of 2 base mixes, 3 mix-ins (dry ingredients), and 12 flavor mixes. The production process is as follows: "A quantity of base mix is precisely measured and pumped,



(Aaron Amat/Shutterstock)

aerated, flavored, and sprayed onto a flat rotating surface, where it is flash frozen. The product is then scraped up by a tiny snowplow, formed into a cylinder and dispensed into a paper cup."⁶ The specially formulated ingredients require no refrigeration until opened, making them more convenient to store.

In addition to the research and development costs required to create viable technology, MooBella has encountered significant marketing expenditures to create the brand and to gain trial and acceptance opportunities. At approximately \$40,000 per machine (or \$400 per month on a lease), the investment is considerably higher than traditional vending machines and is targeted differently. MooBella's Web site stated a goal of placing 1,000 machines by the end of 2011.

The start-up investment for MooBella has reached nearly \$85 million in investment capital since 2000. Investments were critical to keeping the company afloat while Ginsberg and his team pursued the opportunity. Some of the start-up funding included:

- Saturn Asset Management—\$25 million in equity (2000–2005)
- Inventages (Swiss venture firm)—\$15 million in 2007 and \$18 million in 2009
- Bruce Ginsberg—\$1 million⁷
- W Health LP—\$9 million (November 2010)
- Debt—\$17.5 million in high-interest loans and convertible notes

⁴Maureen Farrell, "Big Scoop," *Forbes*, November 22, 2010, p. 122.

⁵"Device Profile: MooBella on-demand ice cream maker," *LinuxDevices.com*, February 8, 2006, <http://www.linuxfordevices.com/c/a/Linux-for-Devices-Articles/>, January 23, 2011.

⁶Ibid.

⁷Maureen Farrell, "Big Scoop."

Bruce Ginsberg owns almost 5 percent of the company after all the outside investments. Inventages controls the majority of MooBella.

MooBella has demonstrated that it has developed a technology that works. Will the investment pay off?

Case Analysis

1. What categories of costs would you expect to see in a list of MooBella start-up costs?
2. It took nearly 20 years from idea to market for MooBella. Clearly, it had a long development and start-up period. Reflect on the emotional and other nonmonetary factors that were likely involved for Bruce Ginsberg.
3. What was the mix of funds used by MooBella to get started?
4. What are the start-up costs that you would expect to encounter if you were a company that purchased a MooBella machine?

Case Sources

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