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SMALL BUSINESS

A Corner Deli With International Appeal

By MICHELINE MAYNARD Published: May 3, 2007

ANN ARBOR, Mich., May 2 — On an unseasonably warm Sunday afternoon in mid-March, hundreds of food lovers packed a tent on Detroit Street in front of Zingerman's Delicatessen here, lining up for samples to celebrate the deli's 25th anniversary.

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Tom Pidgeon for The New York Times Zingerman's, based in Ann Arbor, Mich., also does business by mail.

They could taste bread from Zingerman's Bakehouse, barbecued pork from Zingerman's Roadhouse, fresh goat cheese from the Zingerman's Creamery and coffee that Zingerman's roasts itself.

The variety startled some people who still think of Zingerman's as simply a red brick building on a cobblestone street. Yet, as it turned 25, Zingerman's had gone beyond being simply a deli to being a gourmet enterprise with sales of more than \$30 million expected this year. And it is now known across the United States thanks to its catalog and mail-order business.

But neither the festivities nor the variety would have been possible if Zingerman's co-founder, Paul Saginaw, had not dragged his business partner, Ari Weinzweig, to a bench in front of the deli about 15 years ago and demanded that they start thinking about where they wanted their business to wind up.

Mr. Weinzweig was reluctant to break away from his routine of running the deli, then generating about \$6 million a year in sales, to brainstorm. But Mr. Saginaw insisted.

Two years later, the result was a vision for what they hoped to achieve by 2009 — well beyond the 5-year or even 10-year plans that most businesses scope out for themselves. But at that time Mr. Saginaw and Mr. Weinzweig wanted to send their employees a message that the business, which was facing increased competition and many proposals to expand or franchise, had a solid future.

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Kristen Hogue delivers a tray of food at Zingerman's deli, which may be more popular outside its hometown of Ann Arbor than it is there.

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Tom Pidgeon for The New York Times

Paul Saginaw, left, and Ari Weinzweig are celebrating 25 years of being in the food business. Despite expectations of more than \$30 million in sales this year, their profit margins are fairly slim. But they seem unfazed. "Our goal in 2020 is to leave our world better than it was when we came here," Mr. Weinzweig said.

Its customer-friendly approach and emphasis on expensive but high-quality products would not be abandoned as the company grew.

That kind of long-range thinking is hardly typical in the food business, where restaurants and gourmet stores can hang around for years, then vanish overnight.

"If they want to look out that far in advance, great, but it is unusual," said Jim Anderson, a management counselor with Score, a nonprofit organization that provides advice to small business owners.

Plans of three to five years are more the norm for businesses the size of Zingerman's, he said. "The biggest criticism levied against this would be that we're not smart enough to project that far into the future," Mr. Anderson said. "But to criticize what they've done would be foolish, because they've been so successful."

The deli alone has earned Zingerman's an exalted status among food lovers, said Michael Ruhlman, the author of a number of books on the food business.

"Places like Zingerman's are important for two reasons: they become arbiters of taste in America's booming artisanal food industry simply by what they choose to put in their stores; and second, they are fundamental middlemen between the artisan producer and the consumer," Mr. Ruhlman said. "There's not a lot the

consumer can do, really, to get Iberian ham, but Ari can."

Both Mr. Saginaw and Mr. Weinzweig thought Zingerman's could be more than just a corner store, however. When they brainstormed back in the early 1990s, they thought Zingerman's could handle as many as 15 different businesses, generating \$20 million a year in sales, with the deli at the heart of the enterprise.

They were off-base on several counts. Zingerman's revenue swelled 50 percent greater than that, to an estimated \$30 million this year, with eight separate operations, including a bakery, restaurant, coffee-roasting company and catering business, as well as a training business meant to share Zingerman's people-friendly management approach.

And though 2009 is still 19 months off, Mr. Saginaw and Mr. Weinzweig are brainstorming again on a vision for the year 2020, which they have begun sharing with their fellow managers, employees and even, via a newsletter, customers.

By then, Mr. Saginaw wants to expand the operations on the corner of East Kingsley and Detroit Streets, home to the original deli, its outdoor seating and a coffeehouse called Zingerman's Next Door. There could be as many as 18 businesses: the company is weighing ventures like a microbrewery, a small hotel, fish and meat-smoking business and a publishing house.

Zingerman's is making it clear that it plans to stay in the Ann Arbor area, bringing food products from around the region, the country and the world to Southeast Michigan. Mr. Weinzweig likens that philosophy to the French word "terroir" meaning "of the earth," or the idea that food and wine reflect the area where it is produced.

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In the case of Zingerman's, that means the Midwest and specifically, this college town where Zingerman's has sometimes eclipsed the [University of Michigan](#) as its most notable attraction — among food enthusiasts, at least. The late New York Times correspondent [R. W. Apple](#) called it “the deli of my dreams.” It was a campaign stop for the Democratic hopeful [John Kerry](#) in 2004.

“Zingerman's is unique in that it has a continental reach” in the United States, said Peter Foynes, curator of the butter museum in Cork, Ireland, who led a butter-tasting program at the deli last month. “I can think of no food premises in Europe that has that kind of reach.”

Mr. Saginaw added: “We're better known outside of Ann Arbor than we are in Ann Arbor. You're always underappreciated in your own hometown. And that's good, because it keeps you in your place.”

To be sure, Zingerman's touches a nerve here. Locals have learned to avoid the deli on peak days and times, like weekend afternoons, when lines filled with out-of-towners run around the corner and street parking is nearly impossible to find (the deli has no lot of its own, and city parking enforcement is rigid.)

Some bypass the deli altogether to visit Zingerman's other shops south of town near Ann Arbor's small airport, where the company makes its bread, gelato and cheese.

Likewise, the deli's prices, which approach New York levels, raise plenty of Midwestern eyebrows. Its sandwiches, available in “noshers” and “fressers” sizes, run \$12.50 and \$13.99, respectively, for a Reuben, and \$8.99 and \$10.50 for a bacon, lettuce and tomato sandwich. A blintz is \$3.99, and a hot dog with bacon, cheddar and ketchup (albeit homemade) is \$7.99.

So it may come as a surprise to learn that Zingerman's profit margins, which it openly shares with its employees, are razor thin. The deli, which is expected to generate sales of nearly \$10 million this year, is forecast to earn only about a 3.5 percent return. Its mail-order business, the next largest at nearly \$8 million in annual sales, is expected to earn about 5 percent.

One reason margins are not higher, said Grace Singleton, who manages the deli, is the company's commitment to high-quality products.

“The price difference between regular turkey and free range isn't just 20 percent higher, it's three times as much,” she said. “Could we do something different? Sure. Would it be authentic and feel as great? No.”

Some of that determination stems from Mr. Weinzwieg's curiosity about food, which he, a Chicago native, began acquiring after he graduated from the University of Michigan with a degree in Russian history.

He met Mr. Saginaw, a Detroit native, while working at Maude's, a defunct cafe in Ann Arbor. Though neither was a trained chef, they bought the deli's original location in 1982, deciding that the community was ripe for a business that would echo a traditional New York deli.

At the beginning, only the two men and a handful of employees ran the business. Mr. Saginaw often called his mother during Jewish holidays for cooking tips.

Now, the tiny deli is crammed with meats from Niman Ranch, the California specialty producer, cheeses from the United States and Europe, honeys from France, vinegars

from Italy and an entire wall of olive oils. That is in addition to the rye bread and bagels produced in Zingerman's own bakery and the fresh cream cheese it makes to go with them.

Even though they now have 545 employees, Mr. Saginaw and Mr. Weinzweig can frequently be spotted there and at Zingerman's Roadhouse, opened in 2003, which concentrates on American classics like fried chicken, barbecue, grits and seafood.

During a busy week, Mr. Weinzweig and Mr. Saginaw joined the company's partners for a regular meeting.

The gathering, punctuated with laughter and words of praise for a number of employees, included a brainstorming session on a name for a packaged ice coffee (candidates included Joe Cool, Witches Brew and Java the Hut, a take-off on the "Star Wars" character.)

There was also a lively debate over whether the company should spend money on a new payroll system, as well as an on-the-spot interview of a new manager, who was drilled not only on his background but on his favorite gelato flavor, dulce de leche.

Managers also discussed the company's latest financial data. Zingerman's pushes its employees to take an interest in its financial picture, which helps determine their generous compensation. Along with hourly wages, vacation time (as much as six weeks after 20 years), health and dental care and food discounts, full-time employees receive "gain sharing," which pays out if their part of the company exceeds its annual business plan, Ms. Singleton said.

The structure also helps explain why margins remain low even as revenue has risen. To pay employees, support local producers and contribute to the community, "a big piece of it is charging enough money," Mr. Weinzweig said.

But Mr. Saginaw said profit, in itself, was not Zingerman's motivation. "We've had dozens and dozens of opportunities to franchise, sell the name, take the check and walk away," Mr. Saginaw said.

Instead, Mr. Weinzweig said, the idea was to create a special experience. "Our goal in 2020 is to leave our world better than it was when we came here," he said.

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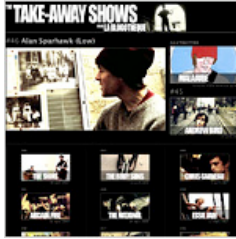
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