

## YOUR ACTIVE WEALTH PODCAST

# Business Owner Series: A New Recipe for Success

September 2022

### Featuring:

**Dena Tripp**, Co-Founder, *Nothing Bundt Cakes*

**VO** [00:00:01] Is your wealth strategy supporting your long-term goals? Welcome to *Your Active Wealth* with BNY Mellon Wealth Management, where we offer insights that can help you move closer to your goals. We'll tackle timely topics through the lens of the five pillars that comprise our Active Wealth framework: Invest, Spend, Manage, Borrow and Protect, and provide guidance on navigating the unpredictable, to help you build and sustain wealth.

**Ben** [00:00:31] Hi. I'm your host, Ben McGloin, and welcome back to *Your Active Wealth*. Today is a special edition of the podcast. It's the final episode of our four-part business owner series. In each episode of the series, we'll speak with an individual who has a unique story to tell. Some of our guests are entrepreneurs who built their business from scratch. Others are second generation business leaders who took the reins of a company and guided to next level success. While each guest's story is distinct, what they have in common is an uncommon drive to achieve enduring success and a passion to give back to the communities in which they thrive. Today, we're speaking with Dena Tripp, co-founder of Nothing Bundt Cakes. In 1997, Dena and her friend Debbie Shwetz decided to build a business around their love of baking. They created their first cake in Ms. Shwetz's kitchen and it wasn't long until the pair needed a bigger space, opening their first brick-and-mortar location in Las Vegas in 1998. The bakery, named Nothing Bundt Cakes, was a hit, as customers fell in love with the delicious cakes, friendly service and homey ambiance. Over time, the business expanded nationwide and now has a total of 450 locations. Dena exited the business in 2021 and is now pursuing new ventures. Dena, welcome to the podcast.

**Dena** [00:01:45] Hello. Thank you. Thanks for having me.

**Ben** [00:01:48] So Dena, let's start at the beginning and maybe for those listeners who have not yet had an opportunity to taste one, can you share what a bundt cake is and why you decided to build a business around the bundt cake?

**Dena** [00:01:58] Yes, absolutely. When we first started Nothing Bundt Cakes, a lot of our consumers had no idea what a bundt cake was. And so just to keep it simple, a bundt cake is a round cake with a hole in the middle. And there's a very specific pan that you have to use in order to make this type of cake. And so the reason why we selected a bundt cake, it was really for a couple of different reasons, but mainly it's because we wanted it to be a very unique product. So when we thought about our competition, we wanted to do something that was different. So everyone else was doing either a sheet cake or a round cake. And we said, what could we do if we wanted to launch a brand that would make us different in the bakery business? We did a little bit of research. We did some trial and error with product development, and we landed on the bundt cake because we thought that was the most unique, unavailable product at the time. And then from that point, what we wanted to do is we wanted to make the cake itself different from your typical bundt cake that you could get, say, at a supermarket or such. Traditionally, a bundt cake would be somewhat dry and very dense. And so we said, we want to do the opposite. We want the

cake to be very moist and very light and fluffy. So throughout that experimental process, we were able to invent, I guess, if you want to call it, a little twist on the typical version of a bundt cake. And we were able to come up with a very, very moist and flavorful several different flavors. And so that was our goal. And overall, I mean, we really just wanted to do something completely different and unique that the public was not very familiar with.

**Ben** [00:03:41] Oh, terrific. And you touched upon it there, Dena, in the sense that there's a lot of dessert options out there, whether it's cupcakes, ice cream, doughnuts, cookies, even cronuts. But in your opinion, what sets Nothing Bundt Cakes apart from the pack?

**Dena** [00:03:53] I think the thing that sets us apart from the pack would primarily be the uniqueness of the product itself, the differential in the quality of the cake. We spent a lot of time doing a lot of development to make sure that the cake, like I mentioned before, is very, very moist, fluffy rather than dense. The other thing that we did to the product is we frosted it in a very, very unique way. So a lot of times with a traditional bundt cake, you might see a glaze or a drizzle frosting on the cake. What we did is we came up with a very, very unique type of style to frost the cake. And what we call that is, we call them petals of frosting. And what we do is we pipe those on the cake. And then in addition to that, we focus on the quality of the frosting. We have a butter cream cheese frosting, which you don't really find decorated on the cake. I think we're very unique in that fashion. As a matter of fact, we were so unique that we trademarked that style of frosting. So if any other brand tries to frost a bundt cake with those petals of frosting, then we end up reaching out to them and saying, excuse me, we have a trademark on that. And we've had to do that over the years to many companies. But I think that was a very, very important decision that we made early on, is to protect the style of that frosting. Because any time you see a Nothing Bundt Cake out in the public and you see that frosting on the cake, you absolutely can confirm that that's a Nothing Bundt Cake.

**Ben** [00:05:33] And how about the experience within the store? I know having visited a couple of your stores, it's a pretty unique experience. Can you talk the listeners through how you guys developed that and maybe just talk through the experience itself?

**Dena** [00:05:45] Sure, absolutely. The style of the stores are by design. So in the very beginning, when Debbie and I opened our first brick and mortar, we had no idea what we were doing. So we just did it based on what we thought looked great and seemed to be fun. We didn't really have a brand at that time. And so as we were growing the business and we were looking to the future and we started contemplating franchising, the thing we had to do is we had to discover what was going to be the easiest way to go about growing the business and being able to sell the brand to others and make it simple. The way we were doing it from the get-go was extremely complicated. As we were moving forward, we said we need to make some changes. During that time and as we were considering franchising, we reached out to a few different consultants. But one of the biggest steps that we made was we hired a branding consultant. And so what she did was she helped us really create a look and feel of Nothing Bundt Cake. And so the reason why the bakeries look the way they look is because it was designed through conversation with myself and Debbie and how we envisioned the brand. And then through that, what we discovered is when we wanted our guests to come into our bakery, we wanted them to feel like they were walking into grandma's kitchen because a bundt cake, it comes from the time where, you know, maybe the fifties and sixties is really where it was invented. And so during that time, your grandmother was always making bundt cakes and having her family over. And so we were creating an environment where when you walked through our doors, you felt like you were walking into Grandma's kitchen. So that's why the walls are yellow. That's why we have a lot of fabrics inside the bakery. You know, we have curtains and so and so forth because we want it to feel like you've just walked in. Once you walk in, you have this warm feeling. And then the next thing that we do is we offer you a sample. So when you get to grandma's house, what's the first thing she says to you? What would you like to eat? We go through this process of you feel really warm and fuzzy when you walk in and then we give you a little sample of something to eat. And then we engage in the conversation with you as to what brings you into the bakery today. And so throughout that process of the branding, we were able to create that environment.

**Ben** [00:08:19] You mentioned the franchise opportunities. I'm curious from a business perspective, that's something that a lot of business owners have the opportunity to think through and evaluate. Can you share the evaluation, really what ultimately led you guys to make that decision to offer franchise opportunities?

**Dena** [00:08:35] Sure. We ended up learning that lesson a little bit the hard way, I suppose you could say so. We had our first bakery. We opened in Las Vegas, and we knew that in Las Vegas we wanted to be a household name. And once we started getting a lot of attention and the brand started getting a fan base in Las Vegas, we had one location on the west side and we said, okay, we think it's important to open a second location on the east side. So we did that about five years after the first location. And then about a year later, we said, what's next? And we decided to grow the company at a corporate level only. And we didn't know anything about franchising. We just knew how to run bakeries. And we decided to open a location in Arizona, which was close. The environment was the same. We felt the demographics were very similar. We went ahead and opened a location a year later, which would have been our third one in Arizona. What we discovered is that we again didn't really know what we were doing. We hired a manager. We weren't present at that location. We were trying to run it from a different state. So we would travel down there, we hired a manager. The manager was somewhat experienced. And then what we discovered is that she really wasn't doing a very good job, and she was watching videos and movies in the back of the office with the rest of the team. And so we really discovered that that probably wasn't a very good idea. We had to terminate her employment. And then, you know, we hired another manager and we tried to go through that process. But throughout that discovery, we had a lot of our guests coming into the bakeries in Las Vegas and saying, is this a franchise? And we said, no, we aren't interested in franchising. We're just going to grow this business at a pace that we can handle and so on and so forth. But what we did say to them is never say never. So if you'd like to give us your information, we'll keep it on file. And throughout the process of trying to run a bakery out of state, we realized that it was a little bit harder than we anticipated. So we sat down and we said strategically, do we want to grow this business at a corporate level or do we want to at least investigate franchising? And the answer was, well, we have a lot of people that keep asking us about franchising, so maybe we should at least investigate it. We did the typical Google search trying to learn a little bit about franchising. We discovered that there were a lot of conferences in reference of franchising, and so we started attending those conferences and we came in touch with franchise consultants who turned us on to attorneys, and it was just an evolution of learning. And what we realized is why not? As franchising seems like it's a great business model, it will help us grow the company. We never imagined in a gazillion years that we would end up being a national franchise and at the level that we ended up being at, that's basically the reason why we chose franchising. It was sort of a trial and error. We thought we wanted to go corporate. That wasn't working so well for us. We discovered franchising. We like the business model and we said, heck, why not? Let's go for it.

**Ben** [00:11:59] So Dena there's obviously a lot of debate right now with regards to the future direction of the economy, with some people thinking the economy may be headed toward a recession. It's also said that desserts are a recession resistant business. What do you think?

**Dena** [00:12:13] Well, it's interesting that you ask that question, because back in 2004 or 2005, when we were just getting ready to launch franchising for Nothing Bundt Cakes, we didn't realize what was ahead of us and what was coming in those years of 2007 to 2009. And so we were we were on a roll. We had just launched franchising. We had a lot of interest from the community and from, you know, individuals that wanted to become franchisees of Nothing Bundt Cakes. We were selling franchises. We were helping those owners with all kinds of different things as far as real estate and training and all sorts of things. And then all of a sudden, without any expectation of what was in front of us, franchising really came to a screeching halt because of the recession that we entered in with the housing market. So what we did was we did sort of get a little ahead of ourselves. At that time, we had moved out of our bakeries. We started a franchising office and then we realized people were not going to be using their money, they were holding onto their money, and they really weren't going to invest in franchising. So we just sort of slowed things down a little bit. What we did was we weren't really selling franchises, but we were still running Nothing Bundt Cake bakeries of our own. And thank goodness that we had those bakeries because when you just mentioned desserts, maybe recession proof, we were able to prove out that they were recession proof because our business at the bakery level remained steady. We even saw a little bit of growth throughout those

few years, and I think what people would just decide as they were contemplating spending their money when things were really tight, they said, if we're going to spend our money on dessert, it's going to need to be something of high quality and something that we love to eat ourselves or something that we want to give as a gift. And they were willing to use Nothing Bundt Cakes as that particular special celebration and go ahead and purchase the product. And we didn't really see any a downturn in our bakery business. We did see a lack of sales in the franchising side and then the growth side of that business. But we just had to ride the wave and sort of when we ended up getting through the wave, then we were able to get back on track with franchising. And interestingly enough, what we learned is we also survive a pandemic. And what happened with the brand during the pandemic is we ended up growing significantly. And our bakery owners did really well during that process. So I think it goes back to the same thing when people are stressed out and they're worried, they're going to often maybe lend themselves to a special treat. And if they're going to select a special treat, it's going to be something that they love and is of high quality. And so that was a very, very interesting situation that happened for us very unexpectedly because we thought it was going to be Armageddon, of course. And so when the pandemic hit, we were looking towards the end of the year and we were expecting anticipating sales to just disintegrate, basically. And we were very worried about the brand and worried about our bakery owners. And then we had Easter and Mother's Day and it just went crazy. So not only do we know that Nothing Bundt Cakes can survive a recession, it can also survive a pandemic. Fascinating, unexpected, but really great for the company.

**Ben** [00:16:16] That's fantastic. Going back to the global financial crisis, coming out of the Great Recession, I know your business grew really strongly for a number of years, really, to the point where you sought out a private equity firm in I believe 2016. Can you talk about the vetting process, what deliberations and considerations you all gave at that time?

**Dena** [00:16:37] Sure. At the time that we were contemplating taking on a private equity, we had three partners in the business. Two of the partners were ready to exit the company. And so that's why private equity even came into the conversation. So we said, how are we going to be able to have the partners exit the company? And one of the partners wanted to stay. So that's how private equity came into play. Because basically, if you want to, you know, your succession plan is to retire and move out of the company then there's just a few options, really. And so private equity was the most strategic plan for us, and it was the best option. Through that, through the process of making that decision, we hired an investment banking group. And they sort of helped us reach out and vet a variety of different private equity companies. And they were really instrumental in bringing options to the table. And ultimately, we interviewed a lot of different private equity firms. We narrowed it down. You know, it's are they interested? Are we interested? Is it a good fit for the brand as a whole? Is it a good partnership? Are you going to get along with this private equity firm? What are their successes with other franchise businesses? And as we were vetting and making those decisions, we had a lot of that conversation come into play. So we wanted to make sure. I knew I was staying in the brand. So I felt it was very important that the private equity firm was someone that I felt really comfortable with. I felt that they were going to move the brand in a positive way. They were going to focus on culture. Culture, for me is extremely important. We had a lot of bakery owners and franchisees that they were counting on us making the right decision on their behalf. And so through that process, we filtered everything with that in mind. I wanted to make sure that I could keep our bakery owners happy. I would continue to be happy. The leadership team would be still very solid. And then we could continue to grow the brand at a volume that we could control. And the private equity firm, a lot of times they may come in and they might want to grow the brand extremely aggressive, and they want to just flip it. And in the case of this particular private equity firm, they gave us a very strong strategic plan. They said private equity knows when they're going to exit and they know what they have to do to get to the exit before they even buy your company. So their plan was in tune with sort of my plan. And we worked really well together. And so we were able to complete the transaction. Two partners exited. I stayed, worked with the management team and we really focused on growing the brand, keeping the culture intact and making sure that our bakery owners were still happy.

**Ben** [00:19:54] And so I know last year after a number of years of continued success and growing the company in those interim years you did sell Nothing Bundt Cakes to another private equity firm and this time you did exit the business. So what prompted that decision?

**Dena** [00:20:09] I did. So when the first transaction happened, I had to sit down and I had to ask myself, what was my succession plan? You know, what did I want for my future? Did I want to retire? And so as I was contemplating the first transaction, I had sort of answered that question in advance. Now, whether I was going to emotionally be ready to exit the brand at the time that private equity wanted to exit, I wasn't really sure because I really have a passion and a love for Nothing Bundt Cakes. It was my life. As a matter of fact, my younger son said it was the child of our family. He ended up advancing to the middle child because Nothing Bundt Cakes was the baby of the family. So it's just a love and passion. And I wasn't sure that I was going to be able to leave. But I did have a plan. And I really felt that I would like to continue working with the private equity firm, get to a particular level and growth with the company. And then I would be ready to retire. Plus, I would also be getting a little bit closer to retirement age and it made a lot of sense. So referring back to the pandemic. What that did for Nothing Bundt Cakes is it really launched the brand into a position where there were other private equity firms that really wanted to purchase the company. So it was almost like a perfect storm. The current private equity firm that I was partnered with, they knew the timing was up. They said they were ready to exit. I kind of said, I think it's time I was ready to exit. And that's when I made that final decision to go ahead and move forward with retirement. So that's what we did. And it was a very successful deal that we made, and I couldn't have been more happy. I have some sadness that I'm not part of the brand anymore because you have to let it go, you know, it's like letting your child go. At the same time, I still own bakeries of my own, so it's not completely out of my life. It's still a family business. And so I'm still involved. I know what's going on, but my oldest son runs our bakeries for us. And so that was another opportunity for me to not separate us, you know, 100%. But I am no longer involved in the franchise business, or we have a distribution arm of the business. So those two parts were sold. And I have to say that even though I love Nothing Bundt Cakes, I'm really happy.

**Ben** [00:23:00] Oh, that's terrific. And congratulations. I know serving your community Dena is very important to you. Could you share some of the benefits to your community that derived from your business?

**Dena** [00:23:12] Yes, it was very important when I talk about culture, part of our culture is to really focus on giving back to the community. It has been a focus since we started the brand in 1997. Debbie and I were always wanting to be able to help others and participate in charity opportunities and make sure that that we did focus on that. So what we would do is we would try and find opportunities, whether it was helping first responders. We took a lot of cakes to fire departments and police departments. We took a lot of cakes to hospitals, letting the nurses know that we appreciated them. We've done that from the very beginning. And when we started selling franchises, we let our potential franchisees know that culture and charity were part of the brand and that they needed to buy into that idea. So we would make sure that not only would we continue to do it from a corporate perspective, but we wanted all of our bakeries to also do that throughout the process of running their businesses. And it just became an arm of our culture. And so we really enjoy that. And now that I'm retired, I'm really focusing on philanthropy. It's really fun. It brings a lot of joy to my heart and I'm really, you know, makes me really happy.

**Ben** [00:24:41] That's terrific, Dena. So what advice would you have for people who want to start a business from scratch, having done so yourself so many, many years ago?

**Dena** [00:24:49] That is a great question. So for us, we were not chefs, we were not bakers, and we did not have business degrees. And so really, we were friends. This is, you know, one of those stories that you hear two friends say to themselves, wouldn't it be fun to work together and start a business? And we said, yeah, that sounded fun, but we had absolutely no idea what we were getting into. I would have to say that the thing that kept us on track and focused is that we made a lot of conservative decisions. I always refer to it as we never got ahead of our skis, so we were very careful. We didn't start out with a lot of money. That's why we started doing it in our home. And the initial investment in Nothing Bundt Cakes was very, very small, but it took us time and it was more really lessons learnt as we were developing the concept. And then what we did is we hired consultants and professionals that knew more than we knew in the areas of the business that we were not experts in. I think what

helped us more than anything is that we really focused on the experience of our guests. We focused on the quality of our product and we wanted to make sure that we created this environment where people wanted to do business with us. We just learned as we went. We made a lot of mistakes. I think we learned more from mistakes than anything. You know, any education that maybe we could have brought to the table or any culinary experience, it was just trial and error. Learn the hard way. Then you learn the easy way and you just keep doing that over and over again. We never gave up. We never accepted no. We were problem solvers. We always found solutions. And so that just really kept the brand moving. And then we were never satisfied. So, you know, we had one bakery, then we wanted to, then we wanted three. And then, you know, and again, it just never stopped from there. And so grit, perseverance, quality, service, culture, those are all things that I think someone should think about as they're contemplating starting a business. What do you want your brand to be? I never knew what branding meant. That was like a word I never discovered until we started contemplating franchising and then were like, oh, we have to be what's called a brand. So again, more lessons along the way. But we never, we never gave up. And I think that that was a really important factor. And then lastly, I would have to say, you have to make sure that you have enough money. And if you don't have enough money, then you have to problem solve and figure out how you're going to get it. In the beginning, we were super scrappy, you know, we didn't have a lot of money and we reinvested every single penny that we made selling bundt cakes back into the business because we didn't have to support ourselves. And that can get very complicated when someone's contemplating starting a new business. And they need that money and they need the profits from the business in order to pay their bills. That can get to be a very stressful situation. So you need to have enough capital. You need to work hard. You need to not accept no as an answer. And you need to problem solve.

**Ben** [00:28:42] Oh, terrific, a inspiring story. So one last question before we close, Dena. What's your favorite bundt cake?

**Dena** [00:28:49] Now, that's a hard question, but I would have to say that chocolate chocolate chip was the first flavor that we created. It has been my favorite flavor since 1997. I will always refer back to chocolate as probably my favorite. However, throughout the process there have been many others. Pecan praline is another one, cinnamon is another one, and so on and so forth. But I think the solid answer to that question is chocolate chocolate chip.

**Ben** [00:29:18] Well, you had me at chocolate. Dena, thank you for joining us today to discuss how you built your business one cake at a time. This concludes the final episode of our four-part business owner series. If you have not heard all of the episodes in the series, I encourage you to give them a listen. At BNY Mellon Wealth Management, we have over 200 years of experience working with business owners and entrepreneurs. Our team of advisors has the tools and expertise to develop comprehensive solutions that address your personal financial objectives and family dynamics, as well as issues specific to your business. To learn more about how BNY Mellon Wealth Management can help business owners, I encourage you to reach out to a BNY Mellon wealth manager. I'm Ben McGloin. Thanks for joining us and we'll see you on our next episode of *Your Active Wealth*.

**VO** [00:30:01] Thank you for listening to this episode of *Your Active Wealth*. Be sure to subscribe to this podcast on Apple Podcasts, Spotify, Google Podcasts or Stitcher and visit [bnymellonwealth.com](http://bnymellonwealth.com) to view the latest insights on the subjects that matter most to you.

As of September 2023, Ben McGloin is no longer working at BNY Mellon Wealth Management.

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