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A High-Profile Arrest Destroyed the Good Name of a Local Pizza Chain

Could the company be saved?

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On August 21, 2005, Terry Wyman-Picurro received a devastating phone call. It was her ex-husband, Peter Picurro. He had just been arrested, he said, for soliciting a detective posing as a 14-year-old girl in an Internet chatroom. The news was dizzying, shocking, life-changing. "I had two children with this man, so my initial reaction was, 'Where are our children? I must protect them,'" Wyman-Picurro recalls. "Then I realized that my life as I knew it had been destroyed."

Terry and Peter had given their last name to Picurro's Pizzeria, a thriving chain with six locations in Tucson, where they both lived. Although Peter took over operations after the couple divorced, Terry still owned 50 percent of the business.

Peter Picurro had been an active social figure in Tucson. He had appeared in newspaper articles, donated to local charities, and had served on the board of the local children's museum. That was all gone now, and his name was on the business that was helping to support Wyman-Picurro and the couple's two children. Schools and other institutional customers began canceling standing weekly orders. On the local TV news, interviewees swore they would never eat at Picurro's again. Somebody threw a rock through a restaurant window. "It got pretty ugly," says Wyman-Picurro. Sales plummeted. Customers and franchisees were incensed. Could the business be saved?

The couple had founded their pizza business in 1992 with \$25,000 in borrowed money. They positioned their company as a purveyor of affordable gourmet-style pizza, offering toppings such as pepperoncini, piñon nuts, and artichoke hearts. Picurro's Pizzeria grew slowly but steadily. The Picurros divided the business into two corporate entities. The franchise corporation held the rights to the recipes and managed royalty streams, chainwide marketing, and procurement. A second corporation held the pizza parlors they started.

In 2002, in part because of tensions related to grueling work hours, the couple divorced. Peter took over the business. Terry had been doing accounting work elsewhere and kept at it, scaling back her involvement with the pizza company. By 2003, the Picurros jointly owned two stores and had four franchisees, with another slated to sign up in January 2006. *Pizza Today*, a trade publication, named

Picurro's to its "Hot 100" list of small franchise organizations--every year from 1999 to 2005.

Then Wyman-Picurro learned of her ex-husband's arrest. After the initial shock, she and her ex-husband began discussing how to break the news to their children--and how to salvage their business. Peter understood that he could no longer be associated with the company. Two days after the arrest, he agreed to sign over his ownership stake in Picurro's to Wyman-Picurro.

There was immediate damage control to do. Daily sales fell instantly by nearly half and seemed poised to get worse. Wyman-Picurro knew the restaurant name would have to change. But before making any big decisions, she scheduled a meeting with her marketing agency, DW/McGarrity. The firm, run by the husband and wife team Ed Dunin-Wasowicz and Karen McGarrity, had overseen outside marketing for the Picurros from the beginning and had become a sort of brain trust for the couple. Wyman-Picurro and the marketers agreed that they needed to hold an immediate meeting with the franchisees and announce that the name would be changed.

Wyman-Picurro offered franchisees a complete identity makeover, including new signage and other items at no charge. A direct-mail campaign would send letters to regular customers, thanking them for their support in this difficult time and underscoring that the 100 or so people working at the restaurants had no direct connection to Peter. Still, three of the franchisees were furious. They asked to be released from their agreements and stopped paying fees. "We have a lot of family customers with kids," says Behailu Abera, one of the franchisees, who wasted no time in rebranding his restaurant Café BaMa. "Some folks said, 'As long as that sign is up on the wall, I am not coming in.'"

The fourth franchisee, Jeff Walker, agreed to participate in the direct-mail campaign and the makeover. Roughly 9,000 letters went out to a list of regular customers in the Picurro's database. It worked, a little. The next week, average per-store revenue picked up by 10 percent. But the business wasn't sustainable at that level unless Wyman-Picurro and Walker made serious cutbacks.

Even as Wyman-Picurro was struggling to save the company, she considered selling it. She wasn't sure she wanted to run the business. She had just taken a job she liked at an accounting firm and was spending a lot of time with her daughters. A few buyers made low-ball offers of \$125,000. It was disappointing, but better than nothing.

Another possibility was a new partnership, with people she trusted. As it happened, Dunin-Wasowicz and McGarrity had the same idea. They knew Picurro's business and its customers. The duo had already begun the rebranding campaign and were convinced the company could be saved. If Wyman-Picurro managed the finances, Dunin-Wasowicz and McGarrity could do the marketing. What remained was the need for a strong operational manager of the franchise company. They thought Jeff Walker might work. He was a successful Picurro's franchisee. He had sided with them and expressed strong belief in the recipes.

Still, Wyman-Picurro worried that bringing on partners could make decision-making more contentious. Dunin-Wasowicz, McGarrity, and Walker wondered if investing in Picurro's would be futile. A rebranding might fail to establish the right identity. After the loss of three franchisees, the company was half its recent size, and its growth prospects were unclear. Would the cloud of Peter Picurro's actions follow them?

The Decision

About a month after Peter Picurro's arrest, the foursome met at Wyman-Picurro's house and talked about the future, over a large margherita pie. All four wanted to move forward, so they sliced up the company. Wyman-Picurro kept a 41 percent stake and continued to handle the books and vendor relationships. Walker got a 33 percent share and took over operations. Dunin-Wasowicz and McGarrity took 26 percent and continued to run marketing and advertising. Walker would keep his own franchise. Existing managers would operate the other two locations.

The new partners signed final papers on the deal on September 21 and quickly rechristened the business Fresco Pizza and Pastaria. "We wanted to make a fresh start, and that's what the name says," says Dunin-Wasowicz. At the beginning of October 2005, the signs, menus, napkins, cups, and everything else were changed. A press release went out on October 5, and within minutes the phone was ringing with requests for interviews.

The company launched a \$50,000 marketing campaign. "The challenge was to promote that the same original and well-known recipes were still available, while making our case for separation from the previous ownership," says McGarrity.

By early summer 2006, nine months after the mess began, Fresco Pizza had weekly per-store gross sales of \$8,000 to \$9,000, up from the nadir of \$5,500 at Picurro's during the dark days following Peter Picurro's arrest but still shy of pre-incident levels. For 2006, the three locations pulled in total gross sales of roughly \$1.3 million, about half the tally for Picurro's when six stores were operating.

Peter Picurro pleaded guilty to charges of sexual exploitation of a minor in March 2007 and in May received a two and a half year prison sentence. Fresco added its first franchisee in April, and the company expects same-store sales to rise roughly 49 percent for 2007. Says Wyman-Picurro, "It took some hard decisions. There were some doubts about whether we had done the right thing. But we've lasted the first year. Our recipes are still great. I see us expanding rapidly. It's an optimal outcome."

The Experts Weigh In

Franchisees victims too

I would have brought in the franchisees and asked them what they thought was fair, then met them at least halfway. In their minds, they were just as emotionally tied in to the scandal as Wyman-Picurro was. Just as she felt that her business was slipping away, so did they. If the franchisees could have been brought into the decision-making process from the minute the scandal broke, they might have been more understanding, patient, and flexible with Wyman-Picurro and the corporate company as they dug themselves out of this mess.

Jodi Aufdencamp
CEO and Founder
Mama Mimi's Pizza
Columbus, Ohio

Rebuilding worth the risk

It's really hard to revive a brand that's been damaged, but I like that Wyman-Picurro had the guts to try. Entrepreneurs are risk takers, so it was probably in her blood to some degree. We always recommend

that when you have a bad name, you have a blowout sale or even give it away to stay in front of the community. Do whatever you can to make people think about you differently. You could announce a big charitable donation project. This isn't rocket science. You sell pizzas. So you convince people that you run a good company.

Marc Slutsky
COO and Founder
Street Fighter Marketing
Gahanna, Ohio

Moving fast helped

Clearly, the clock was ticking. Most restaurants run at 6 percent net income. So if you drop 40 percent of sales, you are in big trouble. The fact that they could put in about \$50,000 for marketing meant that someone had enough money saved up for emergencies or had stakeholders who really believed in the business, which is a good sign. In reality, too, the low-ball offer for the business might not have paid off debt and cleared up all of the company's obligations, such as long-term leases and supplier contracts.

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