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## What's New in Princeton & Central New Jersey?

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### Thomas Sweet Scoops Up The Chinese Market

by Rikki N. Massand

The next time you crave Thomas Sweet ice cream, be sure to try the new "John Leagh blend-in" — a creamy concoction of coffee ice cream with crumbled Heath bar. It's named after a Flushing, NY, lawyer who has played a pivotal role in procuring a significant licensing deal for the Princeton ice cream maker to expand into China.



Marco Cucchi, left, and Wentao Zeng

Three voicemails to Thomas Sweet's proprietor, Marco Cucchi, last October presented a pitch that sounded too good to be true. "How would you like to see Thomas Sweet in China?" asked lawyer David Neufeld, who practices law in Princeton Junction. He and Leagh, a native of China who first came to the U.S. to attend NYU law school (and later changed the spelling of his last name from Li to Leagh), have been friends for 25 years, since they met at a law firm in Washington, DC.

Cucchi had heard similar song-and-dances before. "We've gotten calls from all over the country, all over the world. Very rarely do they have substance," says Cucchi, who bought Thomas Sweet in 2008 after a career on Wall Street. "Somebody may have a great idea to do this but then it just doesn't pan out. They don't have the financial backing or real intent to do it on the professional end."

Yet these new messages sounded straightforward and the mention of China struck a chord. Cucchi, however, contemplated some more before returning the call. "When I heard his voice and what he had to say I thought he sounded a little serious. The fact that he was a lawyer added credibility. It wasn't just himself who was interested; he had a client to represent, meaning someone had retained a lawyer to do this research."

Cucchi didn't know it at the time, but the fact that Neufeld had fallen for Thomas Sweet's rich homemade ice cream — in its Georgetown store in the mid-1980s — was a key element to Cucchi's current expansion plans into China, which could see up to 200 Thomas Sweet ice cream stores open throughout China, targeted at the country's emerging brand-conscious middle class.

Neufeld, who graduated from Duke in 1980 and earned his law degree from New York Law School, served a two-year appointment as attorney-advisor to Judge Julian I. Jacobs of the United States Tax Court in Washington, DC. He then joined a mid-size law firm where he focused on international tax law. Living in DC for 11 years, Neufeld became a fan of Thomas Sweet, unaware that the operation originated in Princeton.

Neufeld, who grew up in the Bronx, is the son of an auto dealer and a homemaker. Fifteen years ago, when the DC firm he was with went out of business, he fulfilled a promise to his wife to move closer to her family in Monroe Township. The Neufelds settled with their two children in Plainsboro, and Neufeld joined Hill Wallack in Carnegie Center before opening his solo practice at 5 Vaughn Drive. His wife is an occupational therapist in the South Brunswick school system. Both children, now in their early 20s, attended West Windsor-Plainsboro public schools and American University. Thomas Sweet on Nassau Street has been a family favorite for years.

Last fall Leagh, who is also executive director of the China-U.S. Business Leaders' Roundtable Foundation, called Neufeld with an idea that struck home. Leagh represented a successful Chinese businessman and real estate magnate, Wentao Zeng, who recognized the potential to enter the ice cream marketplace in China. Zeng's timing is auspicious on many levels.

After the nation's melamine tainted milk powder scandal of 2008 resulted in the deaths of at

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least six children and over 300,000 illnesses, major Chinese dairy companies Mengniu and Yili planned to re-focus their efforts in ice cream offerings to continue dominating market share. Local Chinese ice cream brands retail for low costs (about 30 cents a serving) while foreign-brand food items are all the (pricey) rage. Haagen Dazs is perceived as a luxury in China, commanding \$10 to \$12 for a typical order while its most expensive menu offering in China costs about \$35.

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Meanwhile American brands have experienced up and down success in China. Cold Stone Creamery and Baskin Robbins have each struggled. Dairy Queen, however, has enjoyed substantial growth since its introduction to the market in 1991. DQ's chief operating officer for international groups, Jean Champagne, told Bloomberg News that the company plans to have over 500 stores in China by December.

None of the big international brands would do for Zeng, however. He believes in a specific set of principles based on quality of products over manufacturing cost. He needed something as American as apple pie but with great growth potential, recognition, and a viable name. Leigh was aware that looking for fine ice cream required both reputable palates and professional musing: he called on Neufeld, his pal in Princeton who he knew was crazy about ice cream.

Neufeld quickly realized "the perfect fit was at my doorstep" and recommended Thomas Sweet to Leigh.

While Neufeld knew where to get good ice cream, getting the attention of Marco Cucchi turned out to be a tougher task as Thomas Sweet was on the cusp of a different kind of expansion.

Last fall Cucchi was in the midst of his first shot at branching the brand out. He found a suitable spot to buy — a soulful coffee shop called Orpha's in the Village Shopper in Skillman, across Route 206 from the Montgomery Shopping Center.

Since gradually taking over ownership of Thomas Sweet from the two Toms who founded the company (first acquiring 50 percent from Tom Block in 2005, who went on to found Naked Chocolate, a cafe and retail shop in Philadelphia, then the other 50 percent from Tom Grim in 2008, who went on to found Nomad Pizza in Hopewell) Cucchi has held the bar high. He has consistently communicated with franchise lawyer Adam Siegelheim of Stark & Stark in Lawrenceville about taking Thomas Sweet into more New Jersey towns, the tri-state area, and other parts of the U.S.

Nothing had happened until last year, and then he fell into a plan. He found out about the fledgling coffee cafe and saw it as an attractive break for his business. "I liked it because the coffee shop roasted their own beans. They bought green coffee beans, organic beans, or fair trade. Ice cream is a seasonal business, and it's based upon time-of-day. Some people will get (frozen) yogurt in the morning but most don't come in earlier in the day," he says.

A Princeton native and former VP of customer relations at Mastercard, Cucchi (first profiled in the March 12, 2008, issue of U.S. 1) earned a bachelors degree at the University of Delaware in 1980 and an MBA at Fordham — while working fulltime. He and his wife, June, a brand manager at Church and Dwight, have twin boys, Nicholas and Paolo, age seven. His mother is retiring from ETS at the end of June, and his father teaches Italian at Drew University, where he retired from his dean position two years ago.

During the development of the China deal, he has also remained focused on his day-to-day business. "Since you're paying rent you want to try and fill as much of the day as possible with retail sales. Coffee's a good morning product (particularly) in winter when people consume more coffee and hot chocolate and eat a lot of baked goods, not as much ice cream," Cucchi says.

His vision for Thomas Sweet became to blend the coffee and ice cream businesses. Cucchi would like to continue being a hands-on owner, controlling the quality of coffee by buying the best beans and freshly brewing pots, making a profit given coffee's longer shelf life.

"I envisioned taking the model of the Montgomery store and letting it become the model to franchise out for Thomas Sweet," he says.

As fate would have it, combining product offerings and business models would become a crucial case study for Thomas Sweet. He considered the China idea in relation to the other ambition. Neufeld's timing was intriguing, according to Cucchi.

But at first, Cucchi was conflicted. If he started dedicating time and energy to an entry into China it would detract from goals he had set domestically. "My goals are here. The reason I got out of the corporate world is because I wanted to spend more time with my family. So if I had to throw myself into a big production in China that wasn't going to work for me, and what I wanted to accomplish in life," he says.

Cucchi had to be clearer about what was proposed and see if there was common ground. He finally called Neufeld back. The conversation went well, and the two decided to meet.

Neufeld made an affable solo visit to Thomas Sweet. The two men carried on the China conversation over lunch at Panera Bread on Nassau Street. Cucchi, who relies on instincts and integrity, found Neufeld to be someone he could trust. "We have similar personality traits so it was nice to just sit down, talk, and get to know him. Once I was able to get to know him I could trust that what he was saying had validity to it. Then, it was very exciting for me to conceive taking Thomas Sweet as an international company," Cucchi says.

In discussing ideas on the China business deal Neufeld and Cucchi unintentionally adhered to the Chinese business principle of “guanxi” — doing business through one’s network of close personal relationships. Above all Cucchi’s instincts made getting to know the person on the other end a priority — first David Neufeld, then Wentao Zeng.

Cucchi took the reins of negotiation himself. A hands-on approach was reciprocated when Leigh and Zeng made their first trip to Princeton to try some ice cream.

When they arrived Cucchi says he was a little nervous but he decided to put his proof in his product, showing them the operation, Thomas Sweet’s other local spots as well as some local competitors. Then came taste-test time.

Neither Zeng nor Leigh had heard of a blend-in before, a machine that looks like a big KitchenAid mixer but with a giant screw that blends any number of toppings like M&Ms, Oreos, and KitKat bars into ice cream. Cucchi says they had heard that Thomas Sweet has very good ice cream, but the distinctive taste, texture, and richness had not been conveyed to them. Moments later “the John Leigh” was born.

“I made him one of my favorite blend-ins, which is coffee with Heath bar. I think what I made really had some zing in there. When John tried it he said, ‘Oh my God — this is something different,’ and his eyes got wider as they realized it’s not just ice cream. I thought his spoon was going to go through the bottom of the cup. He loved it and was very impressed,” Cucchi says.

On the next visit Zeng brought a delegation from China with him as well as his wife and son, Steven, a junior at Penn State University. Cucchi had some requests to fill. “They all wanted me to make them the John Leigh special. Once they tasted the ice cream they were very excited about it,” he says.

Over lunch at Witherspoon Grill, the four men — Cucchi, Neufeld, Leigh, and Zeng — began significant negotiations.

Cucchi knew Thomas Sweet wasn’t big enough to hire a whole cachet of people, so instead of hiring consultants to work through the preliminary legal and financial ramifications Cucchi relied on his own corporate experience. “For me putting the deal together was nerve-racking. I didn’t have a deal team. I had to make sure I did my research and that I was comfortable because even if I’d had a deal team, I’m the one who has to live with it,” he says.

Then came technical business acumen. After drafting a Thomas Sweet fact sheet, Cucchi wrote down what a deal would need to look like for him to be comfortable, including sections on indemnification if something were to go wrong as well as insurance protections. He says his main thought revolved around “What do I really want to sell them?”

With an eye on the ability for one hand to help the other, Cucchi thought through how his Montgomery store — now in the process of moving across the street next door to the cinema in Montgomery Shopping Center with a target opening date of July 1 — and subsequent U.S. expansion could benefit from the deal. The sentiment was “let me think this deal through and what it would look like from a strategic perspective.”

A twist would end any lingering concerns for Cucchi. Zeng’s group proposed to buy the rights to license the Thomas Sweet brand in China underneath their own company, subsequently set up as Thomas International Group, a New York corporation.

“They bought the rights to license our brand name, logo, and intellectual capital in China,” says Cucchi. “That’s basically the extent of our deal with the understanding that their goal is to open 100 to 200 stores. I view it as a joint venture although it’s not a joint venture. It’s them running their business, and if they’re successful I get an opportunity to share in the success.

“My arrangement is for the licensing, and this made it a lot more straightforward from my standpoint. My lawyers agreed it was a much easier way to go, and I was more comfortable with that too because I don’t know international law that well,” Cucchi says.

All was formatted to minimize the potential for conflict down the road. Steven Zeng was named the president of Thomas International Group, although John Leigh will be a representative. Cucchi will remain in close contact with him and will travel to China once a year or as needed.

“We received an initial licensing fee that gives Thomas International Group the right to use the Thomas Sweet brand in China and access to its recipes, operations manuals, and intellectual capital,” says Cucchi. “And from each store that opens we will receive a monthly fee.”

If all comes to fruition as constructed and Thomas International Group achieves its goal of opening 200 stores, Cucchi says the deal could be worth more than \$1 million in the span of the next five years.

The difference between this deal and a franchise, says Cucchi, is that “with a franchise you get a name, procedure manuals, and recipes, and you have to follow all of the operating guidelines. The franchiser monitors the franchisees for quality control. It’s a lot of work for the franchiser and the franchisee.

“In our licensing deal, they have the right to use our stuff but they don’t have to. For example, during the winter if they wanted to sell red bean soup or other Chinese desserts or

tea they can do that. I totally encourage it because we're a seasonal business. You need something to plug in when it's not hot. Also it will take time for people to get used to our ice cream, so if they have another product to come in for then some will be daring and try ice cream. I think that goes a long way in helping grow the brand. It exposes Thomas Sweet in Princeton to a little bit more risk because they have the license to do what they want with our brand, but at the same time it allows them the flexibility to meet the needs of the Chinese market in a way they see fit, and we may not know on our side.

"On another positive note, just from a practical standpoint, we don't have the resources or the staff to send people to China on a regular basis to make sure they're doing what they're supposed to be doing. Lastly, the franchising laws in China are very complex, and we didn't want to be in that business overseas because we didn't see the benefit. For a small business, I think this is an ideal way to move forward. It's a mutual leap of faith: they don't have a great deal of knowledge of ice cream, and we don't have a great deal of knowledge of China. We need each other to be successful."

The Chinese business concept of *guanxi* brought Cucchi a second strong connection. By nature he looked at the deal as a partnership with Wentao Zeng and communicated his dedication to achieving mutual goals (with the help of Leigh's English-to-Chinese translation).

"They had put in a clause for two weeks of my training time in China. What I said to Wentao was, 'The lawyers did what they had to do. My lawyers put in ways to protect my time, involvement, and potential liability, and your lawyers tried to do the same. But if you need something let me know, let's work together to make this happen.' I think he really appreciated that and saw it's more of the interpersonal aspect that makes it a good deal."

Cucchi is pleased with the deal's structure, which delegates control over the China operation and products. He says, "It's important for them to adapt our model to fit with the Chinese market."

Cucchi feels that the Thomas Sweet name will work well in China. For the Chinese the words can be identified as the Western meaning (sweet) with some evocation of a dessert item. A name like Carvel, he says, cannot be as easily associated with ice cream.

According to John Leigh, the first Thomas Sweet store will open in August in Wuhan, Hubei province, the second largest city in China next to Shanghai in terms of population, situated along the Yangtze River. (Zeng's real estate business is centered in Wuhan, where he owns a number of development projects plus a chain of Kobe steak restaurants.) Thomas Sweet will then appear in cities across southern and coastal China, most notably Shanghai and Guangzhou. After that they will aim for all major Chinese cities.

Cucchi had not heard of Guangzhou, for example, but he did some due diligence and learned about China. "I Googled it, and pulled it up on a map. I have good business experience and a little international experience with Mastercard in Europe and Singapore, but I had to come up to speed quickly," he says.

As part of the brand's metamorphosis Thomas Sweet will be ice cream-only in China at the onset unless Zeng's group decides to introduce new products. Cucchi cites chocolate and coffee as more complicated products, and he didn't have "the degree of documentation I have about ice cream in terms of operating manuals and procedures."

Although there is no obligation going forward, if Thomas Sweet here introduces a new product line Cucchi says he will offer it to Thomas International Group as it becomes available.

While Cucchi expects vanilla and chocolate to be instant hits he says the Chinese don't have the same sweet tooth Americans do. Efforts are being made to think of flavors that might appeal to their palates more, including ginger, red bean, or lychee nuts as items for blend-ins. Cucchi doesn't feel that would dilute the Thomas Sweet name, however. "I'm less concerned about them drifting from the brand because anybody has to take an international experience with a grain of salt. It's a different culture and a different environment completely. It's not bottled water where it needs to be homogenous everywhere. Even McDonald's and Burger King change their menus to adapt and appeal to local markets," he says.

Where Haagen Dazs may be a high-end European brand and Cold Stone Creamery may compete on presentation, providing the "10-minute vacation" USA Today calls the modern ice cream experience, Cucchi says product quality is everything. China's market is ripe as the large middle-class population with interests in America — and American food — continues to grow. The successes of several fast food chains has continued to grow consumerism. Cucchi believes China's growing urban centers "bodes very well for them."

"There are not a lot of ice cream stores there right now, and the higher demographic will certainly get them more visits per day — their expectation is that on a daily basis they'll have lines like we would on a Saturday night in summer. For Haagen Dazs this already happens regularly in China. They would probably price slightly under Haagen Dazs, with a premium product catering to a large expanse of people. It can help them steal some business," he says.

One of Cucchi's lasting concerns about the Asian market is the prevalence of lactose intolerance. "I've been pushing them to feature (frozen) yogurt. For people who have lactose-intolerance issues it's not as hard of a product to digest. Also yogurt has been really popular here in the U.S. so there's another angle," he says.

The deal closing was held at the offices of Stark & Stark on Thursday, April 14. Cucchi says lawyers on both sides did a great job of "getting everything locked down" before either side

arrived. But the closing itself brought about both excitement and apprehension until Cucchi again, unknowingly was rescued by guanxi.

Wentao Zeng brought "a full entourage" of friends and family. Because Cucchi's wife, June, was doing business in New York that day and unavailable, he had only thought to invite one person forever linked to the store. Tom Block, the founder of Thomas Sweet, was his guest. "I knew he always wanted to grow Thomas Sweet," Cucchi says.

Cucchi actually saved his best "formula" for last. At the last minute he decided to also bring his mother-in-law, Diane Huang, because she speaks Chinese and grew up in Taipei. She could help him with the language and cultural barriers, as he comprehended only about one-third of most Chinese conversations translated by Leagh.

When they walked in Cucchi says the sight of Diane created a collective sigh of relief on Zeng's side of the table. His mother-in-law made great acquaintances that day, "walking out arm-in-arm with Wentao's wife." Cucchi said the two now exchange E-mails regularly. "They just clicked. It became more of a family event than a business deal, which I was very pleased with," he says.

Diane reminded her son-in-law to invite them to dinner (which Cucchi had already done) but not to a Chinese restaurant because it would be awkward. Instead the meal after the deal took place at Elements on Bayard Lane, the first of two celebratory dinners.

The following weekend Zeng invited Cucchi to dinner at a Chinese restaurant in Great Neck, Nassau County, New York. The meal took place in the back room of the restaurant, and Cucchi says lavish food just kept coming. His experience with MasterCard in Singapore told him to expect unique dishes at the table, which he did. He tried jellyfish for the first time along with exotic fish dishes.

For Cucchi understanding one another's culture over meals soon turned to teaching the nuances of running an American ice cream store. To learn tricks of their new trade Zeng's company sent in an advisor from Long Island, who is of Taiwanese descent, a friend of Zeng's wife who has been in the restaurant business for years and is a translator.

Over Memorial Day weekend a team of executives came to town observe Thomas Sweet's operations, learn about ice cream making, and absorb the culture of an American food retail business. Part of that cultural immersion included getting to see some of Princeton Reunion weekend activities.

Cucchi will head to China when the first store is set to open, all expenses paid by Zeng. In a way his trip marks the good practice of partnership, guanxi. Cucchi recognizes the opportunity on both ends. "There are resources now available to me because of the deal that will help expedite my growth strategy and plans for the U.S. That's why it was so fantastic, and it's also why I didn't want the deal to be too complicated. It allows Wentao to accomplish his goals and his dreams and the same for me," he says.

Thomas Sweet Ice Cream, 183 Nassau Street, Princeton 08540; 609-683-8720. Marco Cucchi, owner. [www.thomassweet.com](http://www.thomassweet.com).

Rikki Massand is a former correspondent for AsianWeek. He then became the first U.S. correspondent for China Daily, China's English language newspaper.

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