

Growth STRATEGIES

WEEK OF OCTOBER 31-NOVEMBER 6, 1997

AN INFORMATION ARSENAL FOR EMERGING COMPANIES

PAGE 21A

All in the family

Vending machine network has made the Parisi clan entrepreneurs of the edible

By Jennifer Darwin
Houston Business Journal



Steve and Rosemary Parisi: Workers at Five Star Food Services make about 3,500 items each day at the company's kitchen in Stafford. At left are Stephanie Dodd, Joe, Steve W., Cosmo and Jim.

Five Star Food Services Inc. is building an empire - 25 cents at a time.

Stafford-based company owns and operates vending machines that dispense drinks, snacks and freshly prepared food. Since it was formed in 1979 by the Parisi family, Five Star has grown from two machines to 1,000 machines, all of them in the Houston area.

"We've grown on the average of 10 percent to 20 percent annually since 1980" says Steve Parisi.

Five Star's track record led Baylor University last week to name it one of the Outstanding Texas Family businesses in its eighth annual awards program. Eight companies were recognized this year out of a field of 250 companies statewide. Five Star won the title in the small firm category and was the only winner from the Houston area.

One thing that caught Baylor's eye is the seven out of the company's 50 employees are members of the Parisi family.

Steve is the chief executive officer and Rosemary, his wife, serves as president of the company. Each of their five children or "stars" holds the title of vice president. The parents own 50 percent of the company and the children each have a 10 percent stake.

Eldest son Joe Parisi says that even though they spend a lot of time together, everyone in the family gets along. Each person has his or her own area of expertise.

And they all make the same amount of money, he says.

"We have our days, because it is family," Joe Parisi says, "but for the most part, we get along really well. And if we're busy fighting amongst ourselves, the customers get left out."

Steve Parisi sounds like a proud father when he talks about his children, who range in age from 34 to 42. Not only does he brag about how well they work together, he knows how unique it is that all of his children would be interested in staying in the family business.

"All five of those kids have degrees and could have pursued other types of work," he says.

The group effort that has allowed Five Star to keep up its growth rate over the years involves carefully picking and choosing their customers. Parisi realized early on that the best way to make a profit off of his machines was to put them in places that have lots of potential customers. Five Star's ideal client has more than 250 employees and needs numerous machines at the work site.

Five Star currently has more than 100 such big clients. And some of them have more than 1,000 employees. Five Star has even started turning down some of the smaller clients.

"We get a lots of calls we have to decline on because we can't get a return on that kind of investment," Parisi says.

A large number of employees

isn't enough to make a machine profitable, however. Five Star looks at a variety of factors before deciding to bid on a project. The company takes into account what it has learned over the years, such as men buy more than women, young people buy more than older people and the number of surrounding snack bars and restaurants must be taken into consideration. Also, an industrial work site does better than an office building because the employees usually don't have enough time to go out to lunch. "And we sell more products on rainy days than clear days," Parisi says.

The main reason Five Star is able to land the big clients is the quality of the machines themselves and, of course, what's inside them.

The company specializes in refrigerated food machines, which are no small investment at \$7,000 a piece. Five Star has about 100 of the large machines.

The refrigerated machines sell food that's prepared fresh daily in the Five Star kitchen. Approximately 3,500 items are prepared each day in the kitchen, which offers 34 separate menu items. Workers whip up a variety of foods including dinners, finger foods, desserts, salads and sandwiches.

"We like to feel that the food is one of the things that separates us from the competition," Parisi says. The quality of the machines can also make a difference in Five Star getting an account. The company is large enough to offer

machines that fit the decor of the client's office and that match, such as all being painted the same color.

The vending machine portion of the business make up 80 percent of the incredible edible empire. There is also a coffee service, which accounts for 15 percent of the company's revenues, and Five Star also offers catering from its kitchen.

The Parisi's have had to be careful over the years because the vending machine business has its pitfalls.

It takes about three years before a machine becomes profitable and the tendency may be to buy more machines quickly to make more money. But Parisi says that would only bring trouble. "You can acquire so much debt in this in a hurry," says Parisi, who got his first large loan from the U.S. Small Business Administration. "You could grow so much that you could actually go broke."

"We could be a lot larger than we are. Too many other companies have gone under trying to do that," Parisi says. "When you're working on nickels and pennies, it takes a long time to get a return on these things."