

Sprinkles everywhere!

Our love affair with the sweet treat is over. The Cupcake Bubble **Has Finally Burst**

he fancy-cupcake bubble has finally burst, says The Wall Street Journal. Crumbs Bakery, one of the rather dainty industry's leaders, has seen its stock price crumble to \$1.43. In the summer of 2011, Crumbs was trading above \$13 per share. Is this the end of a delicious era?

It started, as all good things in the last 20 years have, on HBO. Your typical scene from Sex and the City showed Carrie and Miranda sitting on a bench or in a trendy brunch joint chatting about sex and relationships. But in an industry-launching exception, the bench/brunch place in one scene were replaced by the exterior of Magnolia Bakery on Manhattan's Bleeker Street... and the characters were eating cupcakes.

Written by Carmel Lobello and designed by Jade Hutchinson

Cupcakes are becoming a dying art form



Magnolia's soon became a stop on the show's famous bus tour, and fans started flocking to the tiny West Village bakery. Before long, lines reached around the block. New York entrepreneurs took note of the buzz and started opening cupcake shops of their own. In 2003, Mia & Jason Bauer founded Crumbs on the Upper West Side, and by 2005 the trend had real economic momentum. Sprinkles was established that year in Beverly Hills, and new bakeries cropped up across the U.S. and in the U.K.

In 2009 Food Network greenlit Cupcake Wars, and a year later TLC followed with DC Cupcakes. Soon fan founded Cupcake Camp, an organization that brings enthusiasts in 60 cities together to eat and discuss their favorite dessert. In 2012, Sprinkles invented a Cupcake Vending Machine, which they installed in cities around the U.S. Haters sprouted up as well — a hallmark of real success. Britain's Guardian described cupcakes as "the favorite greedy treat of the me-generation."

Britain's Guardian described cupcakes as "the favorite greedy treat of the me-generation." As the only small cupcake bakery to wind up on the New York Stock Exchange, Crumbs has acted as kind of meter for the cupcake bubble. Founded as a mom and pop bakery on the Upper West Side, the confectioner rose with the tide. The company now has 67 locations — almost twice as many as two years ago — spread across 10 U.S. states and Washington, D.C. Crumbs' menu includes meta creations like Peanut Butter and Jelly cupcakes and Margarita cupcakes. They sell for \$4.50 each.

But just two years after going public, things are looking sharply down for Crumbs. The company recently announced it needs to raise \$10 million in funding. They want to expand into the suburban mall arena as business falls off in cities, Julian Geiger, president and CEO of Crumbs, told the Journal. The paper says sales are already down 22 percent from what the company had projected, and their new projected estimate for sales in 2013 is \$57 million — a huge drop from the previous estimate of \$73 million.

The Journal suggests that one of the reasons for the bust may be over-saturation:

As a business, making cupcakes has a relatively low barrier to entry and the field has become saturated with competitors, including individual bakeries chains and grocery stores. Gigi's CupcakesUSA based in Nashville, Tenn., has opened 85 stores in 23 states since 2008 through its franchising system



In June 2011, Crumbs Bake Shop debuted on the New York Stock Exchange after a reverse merger with an investment company. The deal was worth a reported \$66 million. Soon, Crumbs was trading at more than \$13 a share.



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Crumbs perhaps grew too fast into suburban markets that couldn't support the brand, sugests John Gordon, principal at Pacific Management Consulting Group, a restaurant-industry analysis firm. "There are only 15 to 20 metro areas in the country where it would work," he says of the gourmet concept. "There is only so large of a market." [Wall Street Journal]

Soon, cupcakes will go back to being simple party favors.