



Andy's whiff of success

FRANCHISE SUCCESS #1

Sue Hoban

BUSINESSMAN Andy Simpkin has been best known on the peninsula for reviving the once ailing Belaroma coffee business.

He took it from the brink of insolvency to one of the leading roasters in the country.

But a very astute investment five years ago looks set to eclipse that achievement.

Simpkin and a small group of partners paid less than \$500,000 to buy mobile coffee van operation Cafe2U, then an unsophisticated operation with 24 loosely structured franchises. Today it has 131, 45 of them in the UK, together turning over about \$20 million. It is now preparing to repeat the success in the US and has just rocketed on to the BRW Fast Franchise list in 10th place out of 100 franchise systems based on outlet growth.

Despite the downturn, that rate of growth shows no sign of slowing this year, with another 10 new franchises about to launch in the next four months.

Simpkin said he first became aware of Cafe2U as one of Belaroma's customers and noticed its level of coffee sales – and scope for improvement. "It was very loosely licensed and it was unstructured; every franchise they built was different," he said.

He loved the fact that it was in classic blue-water territory, servicing an uncontested market.

"The original bright idea was to

take coffee to workplace environments. Back in 2000, when the original guy started it, it was spot on. It was a great concept and a great brand."

He admits he had to think twice about taking on a franchise business but believes Cafe2U's success is underpinned by a core philosophy – for systems to work franchisees have to make good money. "It's often missed, but you have to build it from the franchisees up," he said. "If you make sure the franchisees are prosperous everything else can be sorted out behind it."

He said one of the most innovative elements of Cafe2U's current model was an income guarantee under which the company assures new franchisees of a minimum income of \$500 a day from day one.

He said the company was prepared to make up the shortfall until sales reached that level, usually after a couple of weeks but longer if necessary.

He said company support also included "warming" a new territory before the franchisee takes over and sending someone out with them for the first few weeks to help them build up sales, with an in-built incentive for both. "The franchisees used to be responsible for building their own rounds but now we do the cold calling, we go in and talk to

potential customers and get people buying coffee," he said.

"We also send one of our launch team out on the ground with them and we will pay him 50 per cent of whatever the franchisee makes during that start-up period." Simpkin said he was feeling very confident about Cafe2U's ability to maintain growth, partly because it revolved around a reasonably recession-proof product.

"People are cutting back but they will still pay a few dollars for a great cup of coffee," he said.

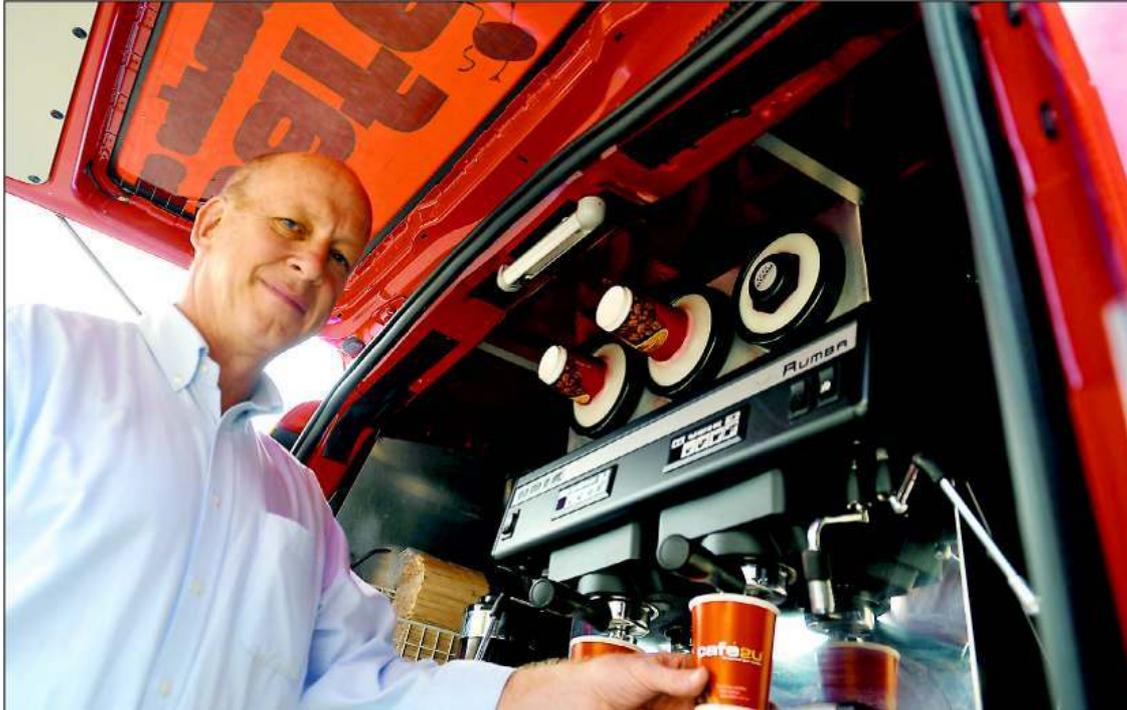
The current crisis may not stop coffee sales but it is throwing up another problem. "The biggest problem we have right now is finance," he said.

"There are people out there who have got redundancies and would make great franchisees but they can't do it because the banks have gone all conservative." Nevertheless, he believes more people are going to be considering franchises in the future. "People have lost a lot of money; they have seen their retirement funds eroded by factors outside their control, so I think many will want to have greater control over their destiny," he said. "They'd much rather put their money into a business like Cafe2U than in a bank or into shares."



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Andy Simpkin, whose franchise business Cafe2U is in the top 10 of BRW's Fast Franchises