

Chain bounces on to BRW list

by Nick Nichols
business editor

THE Zarraffa's Coffee chain has closed out its 10th year of business with a debut ranking as one of Australia's fastest-growing franchises.

The company, which was founded by Kenton Campbell, has been listed in the *BRW* 'hot franchises' report at No.7 for revenue growth and at No.12 for outlet growth.

The listing capped a stellar year for the company whose store turnover climbed to \$9.8 million in 2005-06.

While the current year will not produce a huge change in the store numbers, with only two openings planned for 2006-07, the Oxenford-based firm is expecting to boost turnover at its existing operations.

Zarraffa's is on track for \$12 million in store turnover this year and \$15 million in total group turnover.

"Last year was all about back to basics," said Mr Campbell.

"This year, it's about fine-tuning, setting up for 2008 which, I believe, is going to be a substantial growth year for store numbers as well as for in-store growth."

Zarraffa's, which last year won the inaugural Bob Scott encouragement award at the Gold Coast Business Excellence Awards, has 23 stores turning over an average of just under \$500,000 each.

The company hopes to have at least 30 by the end of this calendar year, and Mr Campbell plans

to build store numbers to about 70 over the next five years.

Despite an early move into Sydney, where Zarraffa's operates a single company-owned outlet, Mr Campbell said he was concentrating his expansion plans on the Queensland market north to Cairns, as well as on northern NSW.

While there appears to be saturation in retail coffee outlets, led by US majors such as Starbucks and Gloria Jeans, the brash, Seattle-born Mr Campbell credits much of the growth of Zarraffa's to his business rivals.

Apart from conditioning Australian coffee lovers to drink their brews from a paper cup, 'they have created a bigger pie for me to share', he said.

"(Besides) after drinking their coffee, they'd come back to us saying they didn't know they had had it so good for so long."

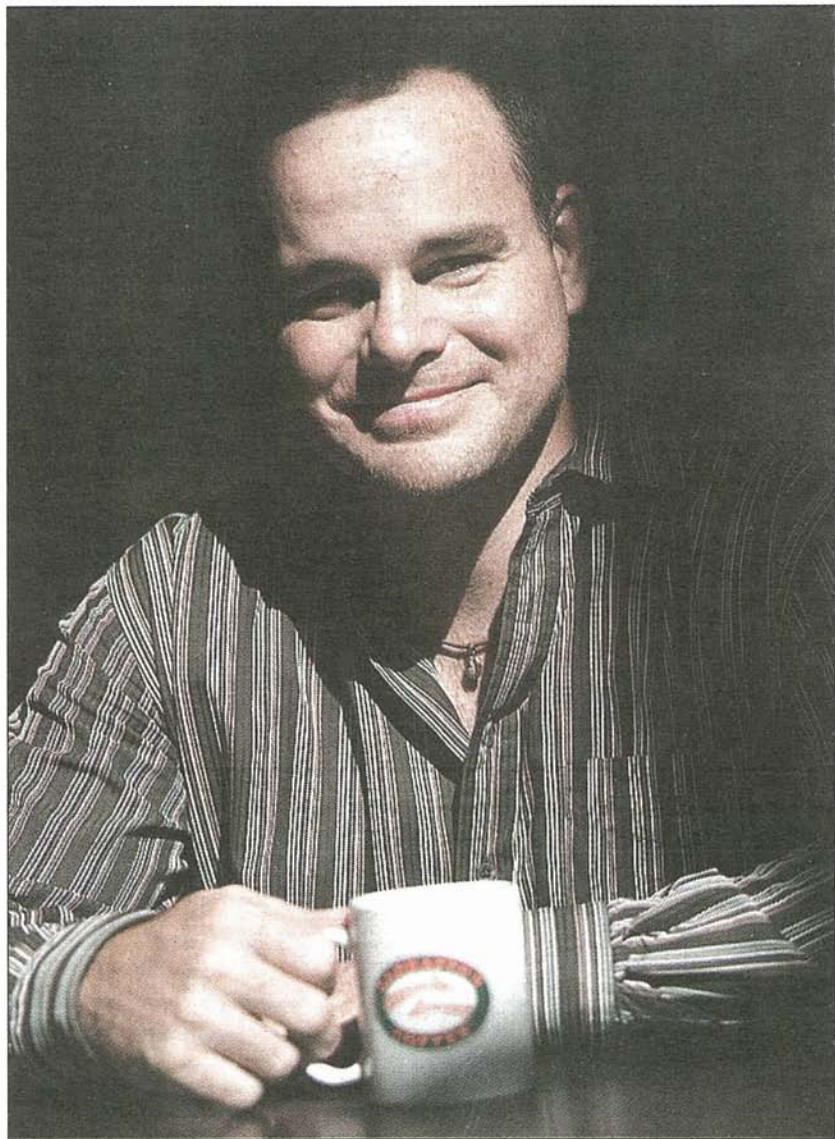
Mr Campbell, who began his career running an espresso cart in the US's unofficial coffee capital, Seattle, in the early 1990s, said that he still retained the 'cart mentality'.

"If I didn't do coffee well, my customers wouldn't come back.

"I'm trying to instil that into Zarraffa's culture, through its training, back-up and support.

"We make great coffee and always have and everything we are implementing is to try and keep it as consistent as we can for a chain of coffee shops."

Mr Campbell said he



Kenton Campbell . . . If I didn't do coffee well, customers wouldn't come back

also maintained a financial edge over his bigger rivals, with Zarraffa's boasting the lowest rents in its market niche.

The chain's founder is known to take a hard line with landlords on rental agreements and admits he has become 'tighter and harder over the years'.

"We have a reputation that precedes us; that's our bargaining tool," said Mr Campbell.

"If we go into a mall we'll go in on a mutually agreeable future.

"In our industry, if we do it well we're a plus to the centre."

Mr Campbell said he would rather walk away from a location than 'roll over and pay the rent' if it was too high.

"It's more important for me to have a franchisee that is making money."

Zarraffa's has inves-

ted heavily in its expansion plans, with \$2.5 million spent on boosting facilities at its Oxenford head office, including the purchase of an adjoining 160sqm industrial unit.

The head office shares 510sqm with a coffee roasting facility and factory-direct store, as well as Zarraffa's packaging operations.

Zarraffa's also intends to expand training facilities there.