



FRANCHISE FOCUS | profile

FRANCHISE FIX

Stephen Spitz is brewing success with his gourmet coffee chain, Xpresso Delight. He spoke to Chris Panteli.



And it is the increasing sophistication of the Australian coffee market that has seen Xpresso Delight's revenue grow by 186 per cent in the last year. The Sydney-based franchise places automated gourmet espresso machines into workplaces free of charge, giving coffee lovers their fix for \$1 a cup.

The firm was established in 2004 when Stephen Spitz and Paul Crabtree were looking for a business for their own partners to run on a part-time basis. However, they quickly saw the benefits of franchising and now have 72 franchisees servicing 800 businesses across Australia and New Zealand.

"We got our partners up and running in a very short space of time and realised we had a number of different options in terms of duplicating the business," explains Spitz. "We could have set it up as a corporation and gone out and bought hundreds of machines, employed staff and built up a whole network that way, or we could franchise it. We saw immediately that this was conducive to that."

Key to Xpresso Delight's success is the support is the flexibility it offers franchisees. Some 80 per cent of those who join in are husband and wife, father and son or mother and daughter teams looking to supplement a full time income with a second wage that requires just a few hours a week. Entry level for franchisees is \$59,000 plus GST, which provides five machines. However, according to Spitz demand is so great that the average

franchisee has nine machines.

"The education of the general marketplace has mushroomed," he adds. "Coffee is the most recognised smell today, and 60 per cent of Australians drink the stuff. When we started, there was a real lack of awareness that you could have cafe quality coffee available in the workplace. What we've done is created that awareness.

"Our national average is around 150 coffees per system per week. So if you have ten systems that's \$1500. Take off consumable cost of roughly 30 per cent and you're looking at ten hours to do ten machines and earning more than the national average wage. It's a no-brainer."

The firm also provides a strong support network, with each state having its own master agent who deals with franchisees on a day-to-day basis. Once a prospective franchisee is identified, has gone through all the criteria and comes on board, the master agent trains them intensively over two days on the firm's systems, operations and marketing. They also undergo a six-week marketing action plan and a location sourcing system, where the company and franchisee work together to identify suitable locations for machines to go into.

The business model has been so successful in Australia and New Zealand the firm is now looking to expand internationally. Spitz and Crabtree are currently undertaking due diligence on several opportunities to take Xpresso Delight to Europe, Asia or the Americas, and expect that plan to become a reality by next year.

There is also Xpresso Delight coffee&go,

which services business through the use of mobile coffee vans. In filling this niche, Spitz and Crabtree believe they have created a "world first" commercial grade pod system fully fitted out in the van – a cafe on wheels.

Spitz has complete confidence in both the product and business model, and believes the only challenge comes from motivating people.

"Franchising in my mind is very similar to a recipe," he says. "We understand the ingredients and more importantly the order in which those ingredients need to be used and that gives us a very similar result each time. When we franchise all our systems, operations and machines are the same. There is only one variable and that's the individual. By and large, businesses don't fail, people do. So our greatest challenge is identifying suitable people coming in and having to re-motivate someone. But it's a double-edged sword. It may be the biggest challenge but for me it's also the greatest reward."

As with most successful entrepreneurs, Spitz cites passion as the most important characteristic for anyone looking to start a successful franchise.

"You want to wake up in the morning and think to yourself that it's great to be involved in that business. If you're not passionate about something you're not going to do it well. When we look at franchisees coming in we want to know that their main motivation is to change their current situation and have destiny in their own hands. You've got to have that hunger and appetite to get yourself in a better position."