

In the early weeks of this summer, Starbucks opened a coffee bar inside the office of an Edinburgh law firm. The local press, puzzled, reported a statement by "an expert in working environment" who said he did not understand what the firm hoped to get out of it for their 230 staff.

The paper and the expert were far behind the times. The famous high street coffee brands are now opening outlets in workplaces and public facilities with such rapidity that an American satirical magazine recently produced the headline "New Starbucks opens in restroom of existing Starbucks".

But why? The reasons cover staff morale, productivity, and cash profit. NOP (National Opinion Polls) suggested recently that an average business with 50 staff loses £85,000 a year of paid-for work time on "coffee runs". In contrast, workplace guru Jeremy Myerson tells of the Swedish corporate boss who provided an in-house coffee lounge and reported that his staff spent as much time there as at their desks – he said: "I don't care, if that's where they have their best ideas." By similar reasoning, a London architect was ordered to put a 40ft coffee bar into a blue chip site, a deliberate management move to get staff to interact.

Wake up and smell the coffee

Companies lose thousands of pounds a year because of staff leaving the premises to buy expensive, high street coffee. But **Ian Boughton** finds out how some firms are turning the nation's caffeine addiction into in-house profits



Even more compelling is the profit argument. A major bank put a coffee cart in its lobby and found that staff walked straight past the free-vend coffee machine to pay for cappuccino. A computer company that offered instant coffee at 23p from a machine, installed an espresso bar and achieved takings of £1,200 in a single day.

It is now a recognised phenomenon, and Chris Latter, head of facilities for British American Tobacco (BAT)'s Globe House in London, speaks from his own experience: "One day, I was doing what a facilities manager should, walking round the building, and I noticed a lot of people coming through our front door with high-street coffee. So I asked what was wrong with ours – and they said nothing, but they prefer Starbucks."

Although he has 15 free-vend machines around the building, he researched the in-house concept. "What really stunned me was to hear that Merrill Lynch in New York had a coffee cart in their lobby taking a quarter of a million dollars a year. Now, our coffee bar is intended to offset its subsidy, which it does, and to make a profit, which it does.

"The pay-off is a productivity improvement, in that people stay in the building. The unexpected benefit is that people come together – in a large building, you'll find that people do not always get away from their own floor."

There is now a vast amount of practical guidance on how to make a branded in-house coffee bar work and equally, advice that it is also perfectly possible to make a mess of it.

The BAT installation was handled by Sodexo's brands manager Tim Ripley, who says it is key to appreciate that workplace staff are exactly the same people who go to branded high-street coffee bars in their own time. They know that quality coffee exists.

He says that the secret is not to simply pull in any high street brand: it is to work out which one will work. So Ripley now offers both Starbucks and Costa – the two UK leaders – and Sodexo's own brand.

"We have worked out a 'consumer profiling' tool, and with very few questions, we can now understand a great deal about the demographics and affluence of any workplace, the number of people who simply can't leave their desks... and the number who really have to. This tells us whether a brand is applicable, and if so, which brand. With the right offer, we can drive remarkable value, and out-perform the high street." The result is that staff stay in house.

Some workplaces even run two known brands. Peter Wilson, FM at Reed Business Information in Croydon, has both a Starbucks in-house bar, and Caffè Ritazza, which won the 2005 Hot Concepts award from an American restaurant trade magazine.

"Starbucks is a registered outlet operated by Eures staff," he reports. "The space was an open courtyard, so was free space. We provided the equipment and fit-out, and now our coffee cost is half the London high street price, and it is still very profitable."

So how do you obtain an in-house branded coffee offer? Curiously, says Caffè Ritazza's operations manager Malcolm Buckenham, there is no set arrangement – the facilities manager should expect very open negotiation which could lead anywhere.

"Branded coffee bars are installed through every arrangement you can imagine – rents, royalties, cost-plus, or a fee to the contractor with the client taking the profit. Some clients are driven by the enticement of profit, others by wanting to keep their good people. Capital

"Staff walked straight past the free vend coffee machine to pay for a cappuccino."



expenditure may or may not be on the client's agenda at all."

However, he counsels, it is vital to practise mutual understanding – just as the outside contractor has to respect the culture of the employing company, the client has to respect the incoming brand.

"We've become extremely good at understanding this," says Buckenham. "The client has to be aware of the reason a brand works – essentially, there is a reason that a branded formula works, so you don't dilute it."

"Typically, we prefer sweets and newspapers not to be on sale in a Caffè Ritazza. I have even known caterers to take their brands out because a client's needs didn't fit."

This is one classic way to make an in-house bar fail, says an acknowledged expert from the

coffee trade. Paul Meikle-Janney of Coffee Community in Huddersfield has an unusual all-round experience. He won an award for running a council's catering operation, and now trains staff for several of the big coffee brands. He also designs and builds in-house coffee bars and coffee carts.

"A major issue is always too many opinions," he confirms. "One person says 'wouldn't it be great to get a good coffee in-house', which is fine until another says 'and let's have bacon rolls', and then someone suggests tapas, and pizza, and suddenly the whole project gets elevated to the level of Carlucio's."

"Every in-house project I've seen fail has done so because of this. Instead of a focused scheme that pays, people plan grand schemes which are doomed. If you call in Starbucks and tell them you want them to sell newspapers, cigarettes, tights and stamps, you can expect trouble."

Meikle-Janney still spends time serving behind counters (he was one of the experts called in to serve the stars from the Live 8 backstage coffee bar) so his advice on costs is extremely practical.

Workplace coffee is always cheaper than the high street – a cappuccino costing £1.80 outside can be priced well below a pound in-house and still return profit for both caterer and client, while giving the staff the perception of a bargain from a considerate, forward thinking employer.

"That law firm's bar for 230 staff could be very profitable," says Meikle-Janney. "It's also perfectly possible to wash your face on a turnover of £100 a day, and I've known a coffee cart do £4,000 a week."

At what cost? "A basic coffee cart in a lobby, with an espresso machine and equipment, and a few tables and chairs, might be as little as £15,000. That could be manned by one person, working 8am-4pm, Monday to Friday." (By comparison, the well-regarded Café Revive bars in Marks and Spencer stores currently cost around £170,000).

"Now, although workplace coffee is cheaper than the high street, you don't have to be too cheap – the tolerance of what people will pay for good coffee is higher than you think. So, if your coffee turnover is £200-300 a day, and your cost of goods is roughly 20 per cent, and that staff member is on £60-80 a day, then on coffee alone, your profit can be £500 a week against a £15,000 capital investment."

"But on the other hand, a badly-planned and unfocused £50,000 café staffed by four people can go completely wrong. That's why you have to understand the focus of a coffee bar, the way the high street brands understand it."

Ian Boughton is a freelance journalist specialising in facilities management issues